



IMPLEMENTING A PROPERTY APPRAISAL PROGRAM

A GUIDE FOR POOL ADMINISTRATORS & UNDERWRITERS

We've created this tool outlining frequent missteps pools make in preparing for a property appraisal program. This document is intended to steer early decision making and assist you in evaluating processes to ensure the ultimate success of your program.

POTENTIAL MISTAKES RISK POOLS CAN MAKE

We understand you have a lot on your plate. We're here to help make sure you avoid these critical mistakes. Next to each issue you'll find some reflection questions to help you take inventory of your processes and make sure you're set up for success.

1. NOT STARTING SOON ENOUGH

Many pools fail to anticipate how long the process will take to kick off, complete, and gain meaningful data and reports. Space out your multi-year engagements (if applicable) and establish the appropriate time frame.

WHEN WILL MY UNDERWRITERS / REINSURERS NEED FINAL DATA & REPORTS?

SHOULD I BUILD IN TIME FOR STAKEHOLDER (MEMBER, AGENT, OTHER) REVIEW?

WHAT'S AN APPROPRIATE TIME FRAME THAT I CAN CONCEIVABLY HANDLE?

HOW MUCH TIME DO I NEED BEFORE MY NEXT APPRAISAL?

2. NOT INVOLVING BROKERS OR REINSURERS IN THE DISCUSSION

By overlooking important stakeholders, some underwriters may look back and realize data they collected is incomplete or improperly formatted. It's important to think globally when preparing for your project. Know who the stakeholders are, who will use your data, and how they need it presented back to them.

WHO ARE MY STAKEHOLDERS?

WHO WILL BE USING MY DATA?

HOW DO I WANT THIS DATA PRESENTED TO MEMBERS AND INSURERS?

WHO ELSE NEEDS TO BE INVOLVED IN THIS PROCESS?

3. NOT INVOLVING YOUR IT STAFF/SOFTWARE VENDOR

Your stakeholders will likely have specific requirements and you'll want the most seamless transition from data to report. Eventually, all of your information and data will be transferred upstream to other users. Today's RMIS solutions are light-years ahead of yesterday's tools with many exciting capabilities. You will only capitalize on these advantages if you engage your IT and software providers early in this process.

WHAT SOFTWARE VENDOR WILL I BE USING AND HOW WILL THE PROPERTY APPRAISAL DATA INTERFACE?

AT WHAT LEVEL WILL MY MEMBERS HAVE ACCESS TO THE APPRAISAL DATA, REPORTS, DIGITAL IMAGES, ETC.?

4. ESTABLISHING THE WRONG THRESHOLD FOR PROPERTY TO INCLUDE IN THE APPRAISAL PROCESS

One of the most critical decisions you'll face is selecting an appropriate threshold for property to be appraised. Most frequently, this involves weighing project cost against the anticipated benefit. If you leave certain member property out of the process, be sure there is not critical data you'll inadvertently miss out on. Invest in a cost benefit analysis and determine the data you need versus what data you want.

WHAT PERCENTAGE OF OVERALL TIV FALLS BELOW VARIOUS THRESHOLD LEVELS?

WHAT DATA DO I TRULY NEED?

WHAT STEPS CAN I TAKE TO ENSURE I'M NOT MISSING ANY PROPERTIES OR ASSETS?

5. NOT ADJUSTING REPLACEMENT COST VALUES ANNUALLY OR DOING IT INCORRECTLY

Frequently underwriters overlook or rush the process of adjusting for construction inflation on an annual basis. It's important to establish a property trending process so adequate adjustments don't fall through the cracks and cause issues later on.

AM I ADJUSTING FOR INFLATION ACCURATELY, CONSISTENTLY?

WHAT PROCESS CAN I USE TO MAKE SURE THIS DOESN'T GET MISSED?

APPRAISAL PROGRAM CHECKLIST

TIMING - PROJECT ROLLOUT MILESTONES (ASSIGN REALISTIC DATES TO ALL)

- Selection of members for appraisal year
 - Project announcement correspondence (launch date in advance of fieldwork)
 - Member contact list to appraisal team for scheduling
 - Member property data to appraisal team
 - Appraisal fieldwork period
 - Appraisal valuation period
 - Report delivery
 - Data review and import
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IDENTIFICATION OF PROJECT STAKEHOLDERS (AND CONTACT INFO)

- Pool project manager(s)
 - Primary (day-to-day) contact
 - IT / software / data contact
 - Appraisal project management
 - Primary engagement manager
 - Day-to-day project manager
 - Balance of project staff
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CONFIRM SCOPE OF APPRAISALS

- Determine how many members to include in each cycle
- Buildings / structures
 - Classify / identify based on policy definitions
 - Appraisal selection (confirm threshold and any exceptions)
 - Categorize process equipment (include with building or contents?)

Contents / BPP

Methodology for recording

Property in the open

Methodology for reporting

Schedule?

Appraisal exclusions

Licensed vehicles

Uninsured land improvements (paving, sidewalks, etc.)

Mobile equipment

Historical collections, artifacts, antiques, etc.

Valuation methodology (including definitions)

Determine replacement cost (policy definition)?

Designate historic reproduction costs?

Determine actual cash value?

Handling new / added property

Define appraisal methodology

Determine other nomenclature

Determine any member "special requests"

REVIEW POLICY LANGUAGE FOR HANDLING OF UNIQUE ASSET TYPES

Leasehold improvements

Other excluded items specific to buildings

Athletic fields and play structures

Swimming pools (outdoor)

Underground fuel tanks

Generators which are free standing (example: treatment plants)

Other unique exposure types (anticipate as many as possible)

Other potential items to review:

Lagoons

Bridges

Dams

Traffic signals

Underground water / sewer lines

Piers, wharves and docks

Underground fiber optic cabling between location

Retaining walls which are not connected to a building

Debris removal and demolition costs (excluded from appraised values)

Vacant / unoccupied property

FINAL TOUCHES

ID any software issues

Determine report formats (hard copy, electronic, etc.)

Determine annual trending service / schedule

Determine annual meetings / workshops needed