



Considerations for Property Insurance Policies - Building Ordinance or Law Coverage

When it comes to property insurance, most policies will protect your organization in the event of a loss and restore your property to its former status. However, your policy may not cover the costs for upgrades due to changes required to meet current building codes or regulations.

Many local building codes require that an entire structure be brought up to current codes if 50% or more of the building is damaged as the result of a loss. These building code upgrades can often be substantial; especially for older facilities.

Fortunately, insurance coverage exists that is designed to protect against increased costs due to updated building codes or ordinances. Building Ordinance or Law coverage is available from most insurers and generally provides three components for protection. Demolition coverage is in place to deal with associated demolition costs for a project that may be needed to conform to present building codes. Loss of Value is in place to help rebuild the undamaged portion of a building. Increased Cost of Construction is provided to deal with the increased expenses associated with building replacement to conform to current building codes.

Insurers do not normally include Building Ordinance or Law Coverage in a basic commercial property policy in order to prevent fraudulent claims and unfair compensation when a covered loss occurs. However, this coverage is available by endorsement to a standard commercial property policy. Your organization should review your current policy coverages with your agent and discuss what additional coverage may be appropriate.

This document is provided solely as a source of general information and resource; it should not be considered a replacement for professional insurance advice. More information about this topic should be obtained from an insurance agent, broker or company before making any policy or coverage decision.