

Ordinance or Law

After a major property loss many building owners are shocked to learn that the cost of repair is significantly higher than their insurance limits because of the need to conform to current building codes and current laws. Property insurance is written to provide repair or replacement of the damaged building as it was originally built or as it was last upgraded not to today's standards. This can cause a very serious gap in coverage and could cause the repair process to stop or be delayed.

With building codes constantly changing and new laws being issued Ordinance or Law coverage is necessary for most all buildings. New codes may require new or better sprinkler systems, better wiring and ADA compliance among just a few. Complying with the new codes will require changes in design, and building material which will incur substantial additional costs for labor and materials.

There are three parts to this coverage:

Coverage A: Pays for the Loss of the Undamaged Portion of the Building which must be demolished and removed to conform to new codes and ordinances.

Coverage B: Demolition Cost pays for the cost of demolition or the undamaged building required by the new building, zoning or land use ordinances.

Coverage C: Increased Cost of Construction pays for any increase in the cost of rebuilding to conform to building laws or ordinances, or to repair the damaged building so that it meets the current codes and ordinances.

Many business policies have some coverage, although limited for coverage A & B. These limits need to be reviewed in light of the estimated actual cost of complying with current codes and ordinances. Coverage C is usually part of the Replacement Cost values as shown on the declaration page. That limit should include the extra cost of complying with new codes and ordinances.