



Coverage Insights

Protect Your Property with Ordinance and Law Coverage

Do you own an older building or is your building subject to significant building code changes, if it needed to be rebuilt? If so, then you may need Building Ordinance and Law coverage.

Most insurance policies are written to allow a building owner to rebuild to the condition it was in prior to the loss. If an ordinance requires more, such as being brought up to code if it sustains more than 50 percent damage to the entire structure, an owner could be facing significant out-of-pocket expenses, which may range from slight modifications (installing hard-wired smoke detectors) to vastly more complicated and expensive modifications (installing fire sprinklers). To combat the cost of these projects, building owners can purchase Ordinance and Law Insurance. This protects an owner or association against losses resulting from the enforcement of new laws or ordinances, or changes to existing laws.

Ordinance and Law Insurance also protects against losses after a disaster. It serves to cover the following losses:

- Covers losses for rebuilding a portion of a structure when part of it is damaged from a fire.
- Covers losses when new building codes require that a partially damaged structure be torn down and rebuilt, versus repaired after a loss.
- Covers losses when associations must install improvements that were not part of an existing structure before a disaster.

Coverage Details

- *Demolition Coverage:* If the undamaged portion of a structure must be demolished to rebuild the entire structure to comply with building codes, this coverage pays for the cost to demolish the undamaged part of the structure.
- *Loss of Value:* If the undamaged portion of a structure was not technically “damaged” based on the verbiage in a typical fire protection policy, then this coverage pays for the loss to rebuild the undamaged part of the building.
- *Increased Cost of Construction:* Coverage pays for increased expenses for getting a building up to code, or to repair a damaged building that currently met building codes prior to a loss.

Ordinance and Law Insurance is excluded from a typical Property Insurance policy but can be added as an endorsement for a reasonable premium. It is common sense that owners of older structures with greater exposures should purchase this policy to cover “losses” for repairs. To determine if you need this coverage, review your policy and contact Millhiser Smith Agency, Inc. to discuss your exposures. We’re always here to help!

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