

# Insurance-to-Value

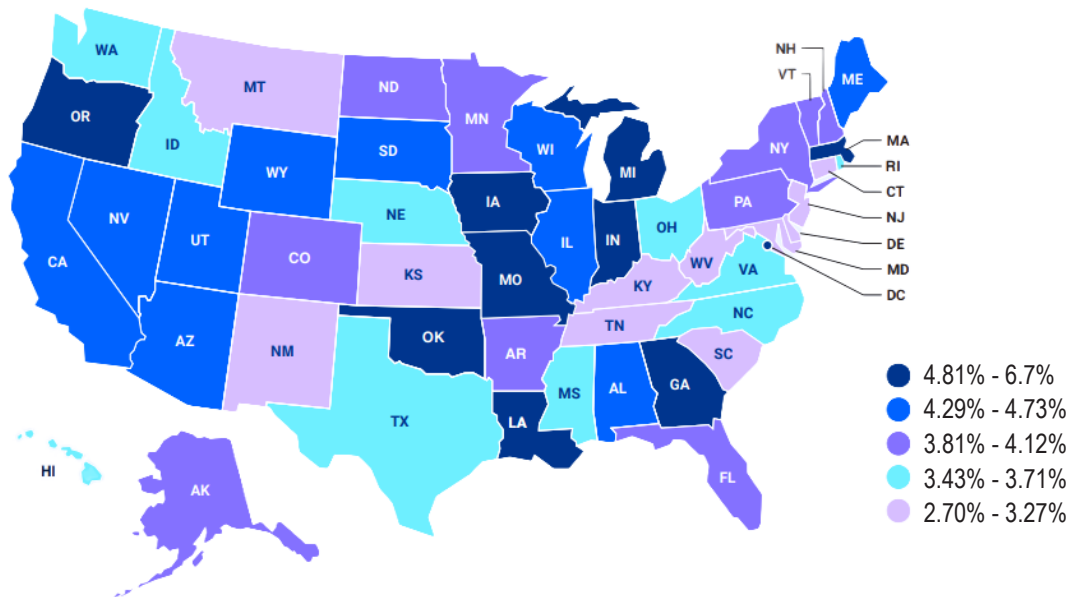
## 4 reasons why it's important to review values today!

Supply chain disruptions, construction labor constraints, and elevated inflation have shaped the property market in recent years. While conditions have stabilized, rebuilding costs remain well above pre-2020 levels.

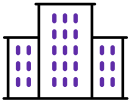
### Commercial Reconstruction Costs

The recent Q1 2026 Verisk 360Value Quarterly Reconstruction Cost Analysis report notes that total reconstruction costs in the United States have stayed relatively flat with an increase of 3.8% from January 2025 to 2026. Louisiana had the largest increase at 6.17% followed by Oklahoma and Missouri at 5.98% and 5.64% respectively. Virginia, Oregon, and Arizona all had significant shifts in ranking. In some of Velocity's peak states, California saw increases between 4.29% - 4.73% and Texas saw increases between 3.43% - 3.71%, while Florida and New York have seen increases between 3.81% to 4.12%. Commercial costs in total increased 4.1% from January 2025 to January 2026 and 1.1% from October 2025 to January 2026.

### Changes in commercial reconstruction costs by state



Source: Verisk 360Value Quarterly Reconstruction Cost Analysis Q1 2026 United States report



## Replacement Cost vs Market Value

A confusing concept for most insureds. Simply put replacement cost is the amount approximating the cost to reconstruct the building in the event of a loss. Market value is the price of selling the property in the marketplace. In recent years, market values in many sectors have stabilized or declined—particularly in certain commercial real estate segments—while replacement costs have continued to rise, albeit at a slower pace. As a result, replacement cost often exceeds market value in many areas.



## Labor Inflation & Construction Materials

Reconstruction cost inflation has moderated, with total costs increasing approximately 3.8% year-over-year, reflecting more stable trends across materials and labor. Material costs rose about 3.3% with variability by category, while labor increased around 4.2%, with most trades seeing gains under 5%. While supply chain disruptions have eased since the COVID-19 pandemic, ongoing demand and constraints in skilled labor and certain materials continue to place upward pressure on reconstruction costs and replacement values.



## Business Interruption - The Hidden Factor

When insuring property to value, the focus is often on physical assets—building and contents—while the impact of business interruption is frequently underestimated. Properly accounting for business income exposure is critical to fully protect the insured, and underwriters continue to evaluate these exposures closely. Restoration timelines, particularly following catastrophic events, can be prolonged due to labor constraints, permitting delays, and surges in regional demand, which can significantly extend the duration and value of business interruption losses.



## Frequency and Severity of Large Catastrophes

Catastrophic activity in the United States remains elevated, particularly from hurricanes, wildfires, and severe convective storms. Recent years have seen significant losses from major hurricane events along the Gulf and Southeast coasts, widespread wildfire activity in the West, and recurring severe convective storm outbreaks across the Midwest and Southeast. Population growth in high-risk regions has increased overall exposure, and these events continue to strain construction labor and material supply during recovery periods, driving localized cost spikes and contributing to upward pressure on reconstruction costs.

If a building is under-insured, there could be financial consequences to the insured. Accurate insurance to value is an important part of the review process to ensure your customer is properly protected.