


FIG WORKING WEEK 2012
May 6–10 2012
Rome, Italy

**Real Estate Valuation in Insurances
Know the Hows and Whys**

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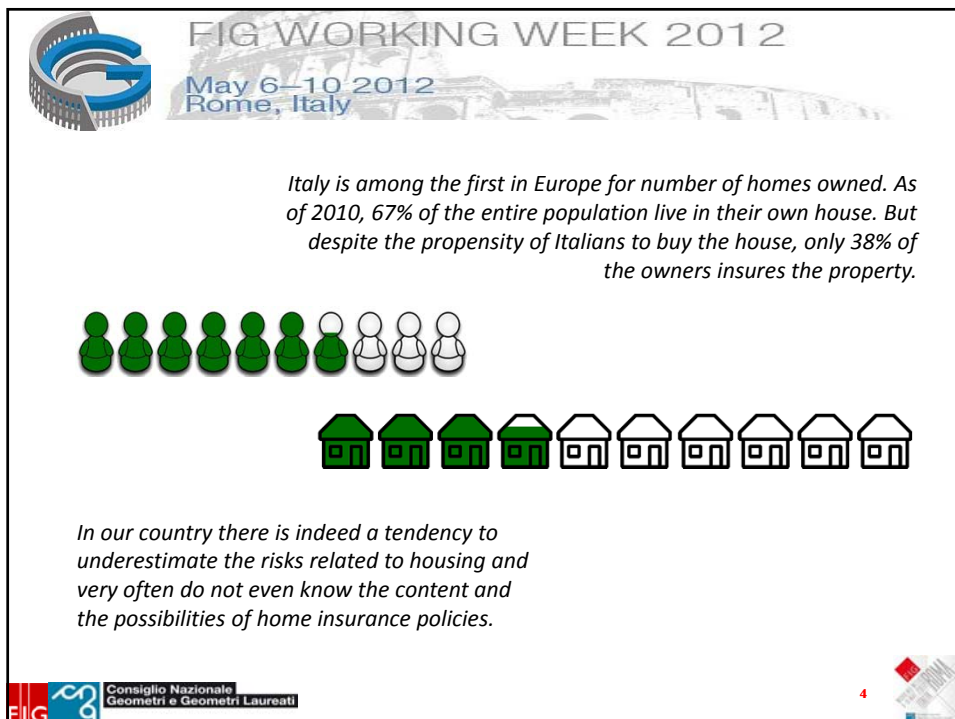
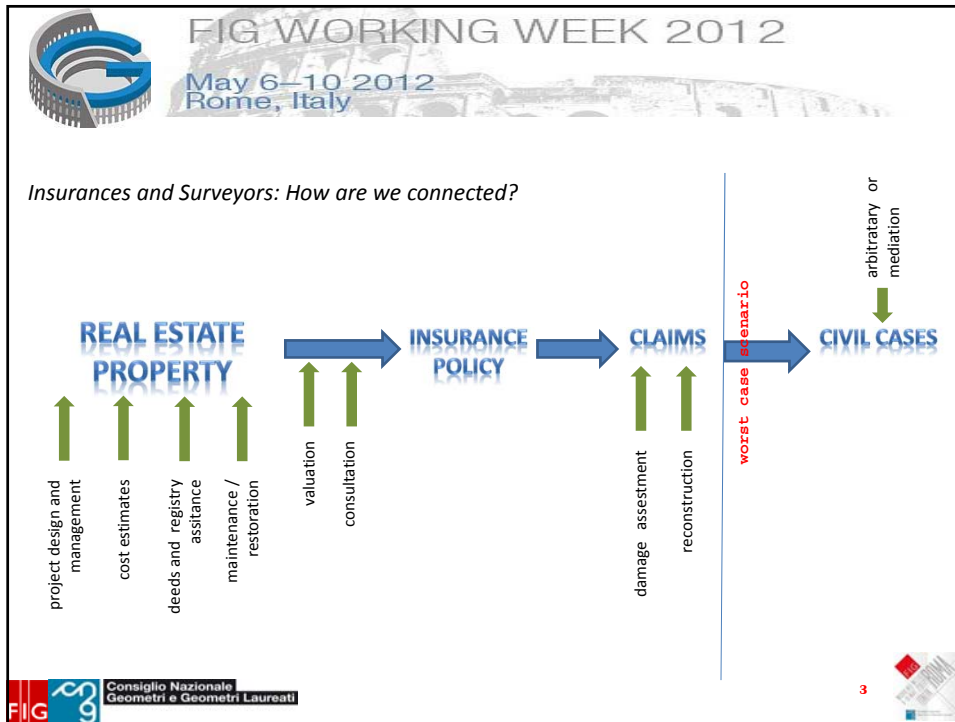


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building

“complex construction works that constitute the entire edifice, or a housing unit, situated in the indicated address or location in the policy and used as a civil homes, offices or professional studio, excluding the lot where it was built”

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Value

Insured Value	estimated value of a property based on market valuation and/or previous contracts
Replacement	the amount needed to replace damaged property with items of the same kind and quality, without depreciation
Reconstruction	the cost of re-erecting a building to replace or serve the functions of a previous structure
Value at the time of Incident	the depreciated value of a property

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Monoparametric Valuation

In real estate valuation, the synthetic methods of estimation are usually based on market surveys, covering the market prices of real estate and commercial space.

The main synthetic procedure estimate is based on the choice of a single parameter of comparison, instead of a utilizing a multitude of features.

The most common consistencies or parameters used in this kind of valuation are the floor area, volume and per unit space.

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Monoparametric Valuation follows a five-step procedure:


- identification and property analysis
- market analysis
- data collection
- mean unit price calculation
- valuation, adjustments and conclusion/s

reference period
homogeneous market
parameter
similar goods
current cost


input data

$V = P \times S$

Where:
V = estimated value of the property;
P = (parameter) actual mean market price per unit of consistency (sqm, cu.m, etc...);
S = consistency of the property dimension




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Cost Approach - The Concept of Damage and Loss Adjustments:


Most companies defines **accidental damage** as the damage received by the property, caused suddenly by an external means. This however, does not include damages resulting from wear and tear.



At the same time, the amount of damage can be determined:


- for buildings*, estimating the cost to rebuild the new parts or to repair the destroyed parts and deducting the value of reusable parts.
- for the contents*, insurance damage is calculated by deducting from the value that the insured property had at the time of the accident, the value of what remains after the accident.
- for glass and crystal*, the total damage is given by deducting from their replacement cost, the value of recoveries, within the limit or the maximum refundable amount.

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The attribution of the value of the insured property had at the time of the “sinistro” or accident, whether unharmed or destroyed, is obtained, for real-estate and buildings, by estimating the total reconstruction cost of a similar building.

Valuation by Cost Approach, is done in Italy using a valuable document called “Computo Metrico Estimativo.” This document considers both average regional or territorial prices for each phase of work and is one of the requested documents by banks for mortgages or small loans related to constructions, reconstructions, restorations and renovations.




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thank you for your attention



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