



Reconstruction Costs: Is Your Home Adequately Insured?

In the unfortunate event of a wildfire causing significant damage to your residence, the prospect of inadequate homeowners insurance coverage can be a distressing concern. According to industry research, a staggering two-thirds of homeowners find themselves lacking the necessary protection, a situation exacerbated by the noteworthy escalation in property values and construction expenses witnessed in recent years. It is crucial to ensure your residence is adequately insured to guarantee its reconstruction, as your home serves as a valued asset.

What is reconstruction cost?

Reconstruction or replacement cost is the cost of hiring a contractor to rebuild your home as it is, using the same types of material as the original construction. The Replacement Cost could vary significantly from what you paid to purchase the home or its market value depending on the market.

Reconstruction Costs Have Increased Significantly

CoreLogic® estimates that over a five-year period (2018 to 2023), reconstruction costs increased by 33.5% in California. A home with a reconstruction cost value of \$500,000 in 2018 now would have a reconstruction value of \$667,500.

Construction materials experienced a significant 82.5% cost increase since 2020, with an average jump of 19% according to a construction materials report from construction cost data tracking firm, Gordian.

Material	% Increase in 2023
Wood	16%
Steel	22%
Concrete & Masonry	15%
Electric Conduit	12%
Insulation	11%

Factors contributing to the increase are:

- **Increased Wildfire Activity:** In 2022 alone, 7.58 million acres of land burned in the United States. And so far in 2023, Canada has seen a whopping 37.8 million acres burn. These extreme wildfires have had a significant impact on the availability of lumber.
- **Extreme Weather:** Extreme weather continues to strike the US. These major weather events lead to a decrease in lumber as the weather prevents laborers from gathering lumber in multiple places around the states.
- **Labor Shortages:** Shortages of skilled labor in the logging and sawmill industries further constrained production capacity.
- **Transportation Costs:** Rising fuel prices and logistical challenges increased transportation costs for moving lumber from mills to distribution centers.

The high volatility and the random events of the world can massively shift the cost of building materials at any time.

Moving Forward

Given the prevailing market conditions, it is imperative to comprehend the reconstruction cost and maintain policy limits that are sufficient to facilitate the complete restoration of your dwelling following any potential loss. Below are steps to achieving this objective:

1. Luxury homes often incorporate custom features and premium materials, which may incur substantial costs for replacement. Make sure to provide your insurance advisor with accurate, detailed information about the size, layout, and distinctive features of your home. Insuring to value safeguards the ability to reconstruct or restore your home to its original quality.
2. Remember to keep your advisor updated if you plan to make any renovations or additions to your home. Even slight changes can affect your homeowner's policy and valuation.
3. Review your homeowner's policy with your advisor on a regular basis to ensure your coverage remains aligned with inflation and the rising costs of construction.
4. To go a step further, contact local contractors to see if they would be able to provide you with an estimate of the cost per square foot of your home.

Securing comprehensive insurance coverage for your residence is vital for both peace of mind and fiscal stability. Whether you are looking at accidental damage, natural disasters, or fire risks, maintaining adequate coverage safeguards your home and financial well-being from life's unforeseen challenges. For more information, give us a call at **415-357-9266** or email **info-wealth@symphonyrisk.com**.