Segal

When a review of commercial property policies for two merging Taft-Hartley benefit funds revealed severely underinsured locations, Segal recommended action to improve coverage for the buildings, which had been undervalued by more than $20 million below replacement costs.

The challenge

As is often the case when large entities merge operations, there’s an opportunity to compare insurance policy details.

So when two building trades benefit funds merged together, one of those details involved meticulously reviewing existing insurance policies for each fund’s office buildings and training center locations and combining the policies as necessary.

But a close look at the commercial property and casualty (P&C) portfolio for one of the funds uncovered a substantial exposure with the building limits used for replacement cost. After years of surging construction costs and record-high inflation, the coverage for some of the buildings no longer reflected today’s reconstruction costs. In fact, several properties were heavily undervalued — and thus underinsured — by multiple millions of dollars, putting the merged entity at great financial risk.

Our solution

Segal was methodical in its approach to secure a rapid resolution to the problem that would substantially reduce risk and ensure a seamless transition for the merged benefit funds.

As the newly appointed broker, our team first reviewed the details of each location including construction type and square footage. Based on our expertise in multiemployer benefit trust funds and our experience reviewing P&C policies, we quickly identified the specified locations that were significantly undervalued.

We next reached out to the insurance carrier to confirm what it deemed was the 100 percent replacement cost for the properties. What we learned was astounding: the buildings were undervalued by amounts ranging from $1 million to over $10 million — with their aggregate value in the policies falling short of actual replacement cost by more than $20 million.

Our solution was to update and increase the building limits upon merging the benefit funds' policies.

The results

We recommended that at a minimum, the locations should be insured to the increased values to improve coverage and future protection to the client.

This significantly reduced the risk for the client compared to its current coverage, as the existing policies would not have covered the replacement costs if the properties were damaged or destroyed.

Get a complimentary P&C insurance review

We'll assess your current insurance coverage, review risk exposures and advise on available coverage options. Plus, we'll let you know how your coverage limits and premiums compare with the market and identify areas where you may be over- or under-insured. [Request a consultation](#).

Contact

Diane McNally
SVP and Principal
drmcnally@segalco.com
212.251.5146

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