

Description of Method - Valuation for Building Insurance

INTRODUCTION

The Association's properties in Hunter & Coastal, North Coast and Sydney North Regions were inspected in 2010, the first stage of the current 3 year task. In 2011 Greater Western Sydney, Hume, North West and The Golden West Regions are being inspected. In 2012 South Metropolitan, South Coast & Tablelands and Riverina Regions will be inspected.

At every site, the Insurance Valuation of each building allows for the worse case scenario of a total loss. A full reinstatement and replacement cost for the building is assessed and includes various escalations and an allowance for professional fees. Assessments incorporate any extra costs associated with the reconstruction of the building to provide the same accommodation, bearing in mind the requirements of the Building Code of Australia. Subsequent annual revisions, based on a percentage increase are provided for the two (2) years following this initial valuation. The increase applied to buildings in Regions not inspected in 2010 was 3.5%.

VALUATION METHOD

Due to access considerations and the scope of the task the majority of halls are only inspected externally. However, where a building is open at the time of inspection an internal viewing may also be made. In the course of each inspection a record is taken of the building's main elements, structural and other features. In most cases an assumption of average hall fit-out is made and may be confirmed by a follow-up phone call to a Group representative. In a few cases an internal inspection of a building is specifically arranged.

Based on inspection data and the floor area measurements, each improvement is divided into relevant cost areas. Published building cost rates are applied to the cost areas for each improvement and then summated to arrive at a raw building replacement cost. The building cost rates are sourced for the most part from *Rawlinsons - Australian Construction Cost Guide 2010* and occasionally directly from various builders and suppliers. The raw building replacement cost of each structure reflects reconstruction to a condition substantially the same as, but not better or more extensive than, its condition when new. This figure incorporates any additional construction costs which would be required to comply with the Building Code of Australia (BCA) as such extra costs are implicit to the current building cost data being relied upon. At this point all costs used are exclusive of GST.

To this estimate of the "overnight" replacement cost ex-GST, a provision has been made for professional fees as well as the estimated price escalation during the policy year. A final escalation of 10% is then made to reflect the impact of the GST that applies to building construction works. At this point the figure represents the recommended Insurance Value for the improvement on vacant land for the upcoming year.

ASSUMPTIONS, QUALIFICATIONS & EXCLUSIONS

The scope of instruction does not allow for inquiry of the respective Local Government Authority for each property about any special conditions that may be imposed on the replacement of a building. Consequently, allowances are not included in the assessments for extra costs due to a specific Council regulation, policy or zoning nuance that may apply in a rebuilding scenario at an individual site. Therefore, in making the assessments an assumption is made that rebuilding of each property's improvements to the same scale and in the same, or a similar, situation on the site is possible without incurring abnormal expense.

The assessed Insurance Values are indicative only. They are based on industry sourced cost information and generic building experience. They must not be relied upon as a statement of the suitability of any existing improvements for their purpose, or as to their current compliance with the Building Code of Australia.

The building Insurance Values are assessed to include normal fixtures and fittings, plant and equipment considered to be an integral part of the building itself. Additional plant and machinery, for which it may be the building's purpose to accommodate, together with all contents have been excluded from the valuations. No allowance has been made at any site for alternative accommodation costs or removal and upset expenses.

The above description has been summarised from "Building Insurance Values Report 2010" as produced for the Scout Association of Australia NSW Branch by:

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