

## PERSONAL INSURANCE

### Law & Ordinance

#### How to Explain Any Coverage: Tips & Tricks

- 2 Sentences & A Question: Make it a conversation
- Nana Principle: Use the vocabulary you would use with your Nana (nothing complicated)
- Be Concise: try not to talk in circles
- Tell A Story to Illustrate the Coverage
- Always talk about pricing in monthly amounts
- If someone is not interested ask a few more questions and always document your system

#### Coverage Explanation

Law and ordinance insurance, often referred to as "building ordinance coverage" or "ordinance or law coverage," is a type of insurance that provides coverage for the additional costs incurred when a property owner or business owner needs to comply with building codes, laws, or ordinances during the reconstruction or repair of damaged property.

This type of insurance is typically associated with property and casualty insurance and is relevant in situations where an older building has been damaged or destroyed due to a covered event, such as a fire, flood, or earthquake. When rebuilding the structure, property owners often find that they must meet new building codes and ordinances that did not exist when the original structure was built. These new regulations can require updates or improvements to the building that may not have been necessary under the old codes.

It's important to note that standard property insurance policies often do not cover these extra costs associated with compliance with updated building codes or ordinances. Therefore, property owners, especially those with older buildings, may choose to add law and ordinance coverage as an endorsement to their existing property insurance policy.

The specific coverage and limits provided by law and ordinance insurance can vary depending on the policy, so it's essential to carefully review the terms and conditions of the insurance policy to understand the extent of the coverage and any exclusions.

#### How the Policy Helps Clients

Law and ordinance insurance can cover the following expenses:

1. Demolition and debris removal: The cost of demolishing the damaged structure and removing debris to comply with local regulations.
2. Additional construction costs: Costs associated with bringing the building up to current building code standards, which may include structural changes, electrical, plumbing, and HVAC system updates.
3. Increased construction costs: Any additional expenses incurred due to the enforcement of new building codes, which can be more stringent than the codes in place when the building was originally constructed.
4. Loss of value: In some cases, the new building code requirements may result in a reduction in the value of the property. Law and ordinance insurance can cover this loss in value.

### Example of Claims

Claims for law and ordinance coverage, which is a type of property insurance, are related to the additional costs incurred when a property owner needs to comply with building codes and ordinances during the reconstruction or repair of damaged property. Here are some examples of claims for law and ordinance coverage:

1. Demolition and Debris Removal Claim: If a building is damaged and needs to be demolished to comply with local building codes or ordinances, the cost of the demolition and debris removal can be covered by this type of claim.
2. Increased Construction Costs Claim: When rebuilding a damaged property, if you are required to make structural changes or upgrade systems (e.g., electrical, plumbing, HVAC) to meet current building codes and ordinances, the increased construction costs can be claimed.
3. Loss of Use Claim: Some law and ordinance coverage policies may cover the loss of income or rental revenue during the period when the property is being brought up to code and is not available for use.
4. Loss of Value Claim: If complying with new building codes or ordinances results in a decrease in the property's value, you may be able to claim the loss in property value.
5. Code Upgrade Claims: These claims cover the cost of upgrading various building elements to meet current codes, which may include seismic retrofitting, fire safety improvements, or energy efficiency upgrades.
6. Permit and Inspection Fees Claim: Some law and ordinance policies cover the expenses related to obtaining permits and undergoing required inspections during the rebuilding process.
7. Land Use Changes Claim: If changes in local zoning laws or land use regulations affect the reconstruction of the property, the additional costs associated with these changes can be claimed.

### How to Explain It to Clients

Explaining law and ordinance coverage to a client is important to ensure they understand the protection it

offers and why it's a valuable addition to their property insurance. Here's a way to explain this coverage:

**1. Start with the Basics:** Law and ordinance coverage is an insurance policy that helps protect your property in the event of damage or destruction. What makes it unique is that it covers additional costs you may incur to bring your property up to current building codes or ordinances when you need to repair or rebuild due to a covered event.

**2. Use Real-Life Examples:** Provide specific examples of situations where law and ordinance coverage can be beneficial. For instance, if your property is an older building and a fire damages it, you might need to not only repair the fire damage but also make upgrades to meet the current fire safety codes. These upgrades can be costly, and that's where this coverage comes in.

**3. Break Down the Coverage:**

- **Demolition and Debris Removal:** Explain that if your damaged property needs to be demolished, this coverage can help with the costs.
- **Increased Construction Costs:** Describe how it covers the expenses of bringing your property up to code, which may include structural changes, electrical, plumbing, and other system upgrades.
- **Loss of Use:** Mention that it can also provide coverage for lost income or rental revenue while the property is being repaired and not available for use.
- **Loss of Value:** Explain that it can help compensate for the decrease in property value if complying with new codes results in a lower property value.

**4. Discuss Local Relevance:** Emphasize that the extent of law and ordinance coverage may vary based on local building codes and ordinances. Highlight the importance of tailoring the coverage to your specific property and location.

**5. Cost Considerations:** Address the cost of law and ordinance coverage and how it fits into the overall insurance premium. Explain that while it may add some cost to your policy, it can potentially save you a significant amount in the event of a loss.

## Common Objections

Objection	Response
I've never heard of this coverage before. Do I need it?	Law and ordinance coverage is essential if your property is older or if building codes have changed since it was constructed. Without this coverage, you might be left with substantial unexpected expenses if you ever need to rebuild or repair your property after a covered event. It's a proactive way to protect your investment and ensure you're not caught off guard by compliance costs.
I already have standard property insurance. Isn't that enough?	While standard property insurance provides essential coverage, it typically does not cover the additional costs associated with code upgrades and compliance. Law and ordinance coverage fills that gap. It's a way to avoid unexpected financial burdens

	that could arise if your property needs to be brought up to current building codes or ordinances
It sounds expensive. Can I afford it?	The cost of law and ordinance coverage can vary depending on the size and location of your property and the level of coverage you choose. While it does add to your insurance premium, consider it an investment in protecting your property and financial well-being. In the event of a loss, the coverage can save you from much higher unexpected expenses. Why don't I quote it and we can see the investment?
My property is up to code. I don't think I'll need this coverage.	Even if your property is currently up to code, building codes can change over time, and a future event might necessitate upgrades you hadn't planned for. Law and ordinance coverage provides a safety net. It's about being prepared for the unforeseen and ensuring you won't be burdened with unexpected expenses.