

Has Inflation Left Your Business Underinsured?

We all know consumer prices are rising due to inflation. This — combined with supply chain challenges, extreme weather events, and other factors — is rapidly driving up the cost to replace and repair property and equipment.

One unfortunate side effect of this reality is a widening gap between the value of buildings, machinery, and inventory at the time a business purchases insurance, and the value of those items in today's economy. Simply put, businesses may find they do not have enough insurance to adequately cover their physical assets.

For example, a business owner determined the value of his facility and its contents in January 2020 as \$750,000. He then insured this property for \$750,000 in 2020, 2021, and 2022. Yet, by December 2022, inflation had driven the actual replacement value of that property up to \$850,000. Should a fire or natural disaster destroy the location, this business owner may find himself underinsured and unable to cover the cost of rebuilding and acquiring needed materials.

When is the last time you determined the value of your business property? Should the unthinkable occur, would you have the funds to recover?

Don't let inflation leave you underinsured. Complete regular, accurate value assessments of your property. If you need help, reach out to your local Federated® marketing representative and ask about business evaluation services.

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