



INSURANCE MADE SIMPLE:

Replacement Cost vs Actual Cash Value

One of our most frequently asked questions relates to the difference between Replacement Cost and Actual Cash Value. Depending on the age of the home, renovations, updates, and/or additions, partial losses to your Manufactured Home may be settled at Replacement Cost or Actual Cash Value. The main difference relates to a deduction for depreciation.



Replacement Cost Settlement

The cost to replace the damaged property with property of comparable material and quality, without any deduction for depreciation, subject to the limits of coverage in the policy.

Actual Cash Value Settlement

The cost to replace the damaged property with property of comparable material and quality LESS depreciation, subject to the limits of coverage in the policy.

Example: A windstorm results in damage to a home. The cost to repair the home back to its pre-loss condition is deemed to be \$30,000 and the value of the damaged portion of the home is deemed to have depreciated in the amount of \$10,000. Under a replacement cost policy, the amount paid to the insured would be \$30,000, net of the policy deductible. Under the actual cash value policy, the amount paid to the insured would be \$20,000 (equal to \$30,000 less depreciation of \$10,000), net of the policy deductible.

Newer Homes (20 years old or younger)

- Partial Losses settled at Replacement Cost
- Total Losses settled at Replacement Cost up to the Dwelling Coverage Limit
- Hail claims are settled at Actual Cash Value

Older Homes (over 20 years old)

- Partial Losses settled at Actual Cash Value
- Total Losses settled at Replacement Cost up to the Dwelling Coverage amount
- Hail Claims settled at Actual Cash Value

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