

# The Importance of **Accurate Property Values**

When purchasing insurance for your property, it is critical to correctly value the property to ensure you will have sufficient coverage in the event of a loss and will not incur penalties for being underinsured. Over the last few years, factors such as inflation, increased costs of goods and materials, and changes to labor costs have significantly impacted the amount of coverage you may need if the property must be replaced. Additionally, any modifications to the property can impact the replacement value.



## **ACV vs. RCV – Know the Difference!**

**ACV (Actual Cash Value)** – The amount equal to the replacement cost minus depreciation of a damaged property at the time of the loss.

**RCV (Replacement Cost Value)** – The amount it will cost to replace your property, regardless of depreciation.

**Replacement Cost Value should not be confused with the market value as the cost to replace the property will be higher than the market value.**

## **Coinsurance – The Cost of Underinsuring Your Property**

**Coinsurance** – A property insurance provision that imposes a penalty on an insured's loss recovery if the limit of insurance purchased is not at least equal to a specified percentage of the replacement cost of the insured property.

**For example**, if your property is valued at \$800,000 with an 80% coinsurance clause, then you would need to carry at least \$640,000 in coverage to avoid a coinsurance penalty. If you only purchased \$400,000 in coverage, a penalty will apply in the event of a loss since the property was only insured at 50% of its value. A \$200,000 loss would only pay \$100,000 due to this penalty.



## **Determining the Replacement Value of Your Property**

Can my insurance agent tell me the correct replacement value of my property? – **No.**

Insurance agents have insurance-to-value tools available to them that can help estimate the replacement value of your property. However, these tools are only a guide and require that you provide detailed, accurate information.

**Your agent cannot guarantee the accuracy of the values provided by these tools.**

How can I determine an accurate replacement value for my property?

**Have an appraisal completed by a licensed appraiser to determine an accurate replacement value for your property.**

