

The Choice Is Yours.

You have choices when insuring your home and personal property with a homeowner's insurance policy. Actual Cash Value or Replacement Cost coverage are two different options. Take a look at each and decide which is best for you. It's your choice – get covered.

Actual Cash Value

VS

Replacement Cost



Actual Cash Value is the cost to replace your damaged, stolen or destroyed personal property with new property of like kind and quality, minus depreciation. It's what you would pay at today's cost, minus the depreciation.



Replacement Cost is the amount it would take to replace or rebuild your home or repair damages with materials of similar kind and quality, without deducting for depreciation. In other words, it's what you would pay to replace your property at today's cost.



It's important to account for depreciation when considering Actual Cash Value coverage. Keep in the mind that the cost of the insured property will be valued at a lower amount based on wear and tear and the age of the property. You will, however, be reimbursed for the actual cash value of your property at the time of the claim, minus your deductible.



Many insurance companies require homes to be insured for at least 80 percent of their replacement value. With 80 percent coverage, the insurance company will pay losses in full, less any deductible, up to the face amount of your policy. If your home is insured for less than 80 percent of its current replacement value, a claim may be settled on an actual cash value basis – taking depreciation.



Actual Cash Value coverage may cost less than Replacement Cost coverage, however, the difference in cost may not be that much. Actual Cash Value settlements are based on the depreciated value of items so this type of coverage may result in a lower claim payment than you expected.



Replacement Cost coverage may have a higher premium than Actual Cash Value coverage. Replacement Cost coverage usually requires that you actually replace the property and submit your receipts before the insurance company will pay the full amount. Until the property is replaced, they will typically only give you actual cash value. While the up-front cost is greater, you are more likely to receive full compensation for replacement of your possessions.



The Indiana Department of Insurance (IDOI) protects Indiana's insurance consumers by monitoring and regulating the financial strengths and market conduct activities of insurance companies and agents. The IDOI monitors insurance companies and agents for compliance with state laws to protect consumers and to offer them the best array of insurance products available. The IDOI also assists Hoosiers with insurance questions and provides guidance in understanding how insurance policies work. Visit www.in.gov/idoi for more information.