

VALUATION TYPES

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Valuation is a very important factor when considering insurance. Many are familiar with the expression, “new for old.” This describes Replacement Cost Valuation. Of course, the key factor in gaining the benefits of Replacement Cost is, the item must be replaced. Actual Cash Value valuation is simply Replacement cost less a determined amount of depreciation. Limited Replacement Cost is a slightly enhanced form of Replacement Cost. Noted below are breakdowns of the three valuation types.

REPLACEMENT COST VALUE (RCV)

- Replacement cost refers to the amount needed to pay for or repair a property at that present time.
- Replacement cost policies must be written at least 80% of replacement to comply with the company provisions.
- AFR forms are DP-2, HO-1, HO-2, HO-3, and HO-5.

ACTUAL CASH VALUE (ACV)

- Actual cash value includes a deduction for depreciation, however caused.
- Policies with ACV coverage must be written at least 50% of the replacement cost.
- The Actual Cash Value Terms apply to all property not subject to the Replacement Cost Terms.
- The smallest of the following amounts is used in applying the "terms" under Our Limit:
 - The cost to repair or replace the property with materials of like kind and quality to the extent practical
 - The actual cash value of the property at the time of loss
 - The difference in the actual cash value just before the loss and the actual cash value just after the loss. (Applies only to mobile homes)
- AFR ACV policies are HO-8, and DP-1.
- An endorsement (HO-4815 Actual Cash Value) may be added for ACV coverage to forms HO-1, HO-2, HO-3, and HO-6.

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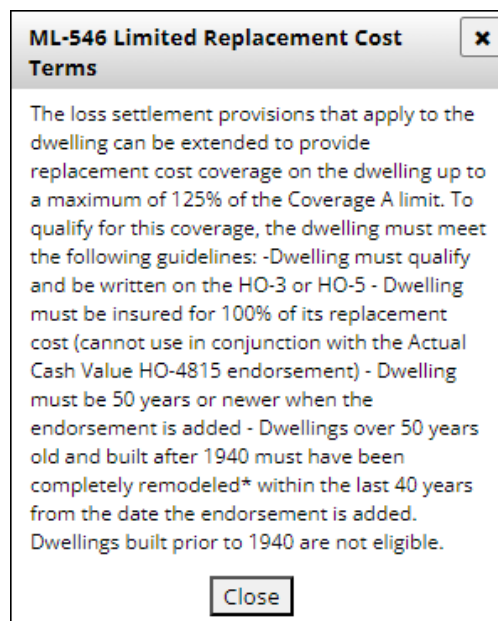
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LIMITED REPLACEMENT COST

When a covered loss exceeds the Coverage A limit shown on the declarations page and the insured elects to repair or replace the residence, the following terms apply:

- AFR will
 - Increase the Coverage A limit to equal the current replacement cost of the residence subject to a maximum of 125% of the Coverage A limit shown on the declarations.
 - Increase the Coverage B, C, and D limits by the same percentage applied to the Coverage A limit. However, AFR will increase the Coverage B, C, and D limits only if the Coverage A limit is increased as described above.
 - The dwelling must be 50 years old or newer.
 - If home is over 50 years old, built after 1940 and completely remodeled, insured must provide proof with documentation.
 - Must be written at 100% replacement value.
- This applies to AFR forms HO-3 and HO-5.
- To add this coverage, select the **ML-546 Limited Replacement Cost Terms** endorsement on the **Optional Coverages** screen.



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WHERE TO SELECT VALUATION TYPE

When you create a new policy, the form selected on the basic information screen will determine what valuation options are available. The example shown in the screenshots below are for a HO-3 policy.

Basic Information

Policy Details

Governing State: Oklahoma
Original Inception Date: 08/31/2022
Effective Date: 08/31/2022
Expiration Date: 08/31/2023
Writing Company: American Farmers & Ranchers Mutual Insur
Policy Form: Form 3 - Special Form

After the **Policy Form** has been selected on the **Basic Information** screen, you will come to the **Property Information** screen to choose the valuation type.

Basic Coverages

Replacement Cost Estimator: 89,603
Deductible: 1,000

Coverage A - Dwelling

Valuation: Replacement Co
Please make a selection
Actual Cash Value
Limited Replacement Cost
Replacement Cost

The **Valuation Type** is located under **Basic Coverages** just beneath the **Coverage A – Dwelling** heading. The field is a drop-down menu, and the options will be compatible with the policy form you have chosen.