VALUATION TYPES

PolicyPro by Sapiens



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.

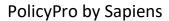
REPLACEMENT COST VALUE (RCV)

- 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:
 - \circ $\,$ 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
 - $\circ~$ 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.

VALUATION TYPES





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:

- o 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.

ML-546 Limited Replacement Cost X Terms
The loss settlement provisions that apply to the dwelling can be extended to provide replacement cost coverage on the dwelling up to a maximum of 125% of the Coverage A limit. To qualify for this coverage, the dwelling must meet the following guidelines: -Dwelling must qualify and be written on the HO-3 or HO-5 - Dwelling must be insured for 100% of its replacement cost (cannot use in conjunction with the Actual Cash Value HO-4815 endorsement) - Dwelling must be 50 years or newer when the endorsement is added - Dwellings over 50 years old and built after 1940 must have been completely remodeled* within the last 40 years from the date the endorsement is added. Dwellings built prior to 1940 are not eligible.
Close

VALUATION TYPES



PolicyPro by Sapiens

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.

Customer Info	Basic Information				
Contact Info Policies and Quotes	Policy Details				
Customer Notes Customer XML	Governing State	Oklahoma	~ 0	* Writing Company	American Farmers & Ranchers Mutual Insur 💙
Customer Docs	Original Inception Date	08/31/2022		Policy Form	Form 3 – Special Form 🗸 🕑
Policy Info	Effective Date	08/31/2022) mm	Expiration Date	08/31/2023
Basic Information Underwriting Questions Additional Named	Description				Ø

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				
Policy Info					
Basic Information	Replacement Cost Estimator 89,603				
Underwriting Questions Additional Named	To update property information and replacement cost estimator, FIRST, complete all required fields on this page, THEN use the "Ealt Property Valuation" button below to connect to the replac cost estimator to make required changes. Once the replacement cost estimator is updated, THEN refresh the property information by using the "Refresh Property Info and RCE" button below.				
Insured	Deductible 1,000				
Additional Interests	Coverage A - Dwelling				
(Single) Property Information	Valuston Replacement Co V				
Optional Coverages	Dwelling Limit Please make a selection Actual Cash Value				
Policy Exclusions	Coverage B - Other Structures United Replacement Cost				
Location Exclusions	Other Structures Limit Replacement Cost				
Losses	Coverage C - Personal Property				

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.