**ACV vs. Replacement Cost Coverage Waiver**

In property insurance, there are several possible methods of establishing the value of insured property in determining the amount the insurer will pay in the event of loss.

**Actual Cash Value** (ACV) —ACV is typically calculated one of three ways: (1) the cost to repair or replace the damaged property, minus depreciation; (2) the damaged property's "fair market value"; or (3) using the "broad evidence rule," which calls for considering all relevant evidence of the value of the damaged property. – Source IRMI.com

**Replacement Cost Coverage** — a property insurance term that refers to one of the two primary valuation methods for establishing the value of insured property for purposes of determining the amount the insurer will pay in the event of loss. It is usually defined in the policy as the cost to replace the damaged property with materials of like kind and quality, without any deduction for depreciation. – Source IRMI.com

**Depreciation** — the decrease in the value of property over a period of time, usually as result of age, wear and tear from use, or economic obsolescence. Actual physical depreciation (wear and tear from use) is subtracted from the replacement cost of insured property in determining its actual cash value (ACV); courts in some jurisdictions have allowed insurers to deduct depreciation due to economic obsolescence as well. – Source IRMI.com

**Broad Evidence Rule** — a valuation rule that has evolved in some states and does not adhere to the principle that the traditional measure of actual cash value (ACV) (replacement cost less depreciation) is the sole measure of value at the time of loss. This rule provides for the examination of every standard of value having a bearing on the property under consideration, such as the age of the property, the profit likely to accrue on the property, and the property's tax value. Ultimately, it calls for the selection of that "value," which, in the event of a total loss, will provide complete indemnification and no more.

I have been advised about the differences between ACV and Replacement Cost Coverage and understand that in many cases if I choose to insure my property with ACV I may not have enough insurance to replace my property in the event that it is destroyed or damaged.

Despite this fact I have decided to purchase an Insurance Policy with ACV and hereby hold \_\_\_(XYZ AGENCY)\_\_\_\_\_\_\_\_ harmless for any shortfall in coverage that I may incur at the time of a claim settlement with my insurance carrier.

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