

Replacement Cost Value – (RC) The actual cost to replace property with like, kind and quality materials at the time of the loss without deduction for depreciation. This is the most advantageous loss settlement basis because there is no out-of-pocket costs on the part of the church other than satisfying the deductible. It is important to note that in the event of a total loss, should a parish decide not to replace the building; all they would be entitled to is the Actual Cash Value. This should be weighed against the importance of having partial losses (most losses are partial losses) paid on a replacement cost basis, and the premium difference between Replacement Cost and Actual Cash Value.

Actual Cash Value – Actual Cash Value Coverage (ACV) losses are settled by determining the replacement cost of the damaged property and subtracting out a depreciated amount based on age and condition of the property prior to the loss minus the deductible. Therefore, depreciation reduces the loss settlement. Partial and total losses are settled this way, up to the limit of the Actual Cash Value. The disadvantage with ACV is that in the event of a loss, the parish must come up with, in addition to the deductible, the additional amount (the amount we took out for depreciation) in order to pay for the complete repair or replacement.

Variable Agreed Amount – Variable Agreed Amount (VAG) coverage is much like an actual cash value basis, except a much lower limit of coverage is “agreed on” (usual 70% or less of the actual cash value). With this basis of coverage, a partial or total loss is adjusted based on actual cash value up to the variable agreed amount percentage factor of the ACV. Therefore, the most a parish can collect for a partial or total loss is the limit “agreed on”. The selection of the limit should be based on what it would cost to build an adequate facility in the event of a total loss and/or meet demolition costs of the building in question, while realizing that for a significant cost savings the limit should be much lower than that of the actual cash value.

Variable agreed amount coverage is recommended for buildings that are still being used, but not as originally intended or has some value to the location, but may not be replaced if destroyed, or would be replaced with a significantly smaller building.

Please note, the savings associated with reducing coverage to actual cash value or variable agreed amount may not be worth the additional amount of money the parish may have to come up with, following a loss to cover the depreciation.

Liability with Demolition – Pays only for the demolition and debris removal following a loss from a covered peril and only after the loss exceeds 50% of the limit of coverage selected under this basis. The building would also have to be considered a “total loss” before we would pay under this basis. Repairs to the structure would not be covered. A contractor should always be consulted when determining the demolition amount.

Liability Only – Generally when a building is slated to be razed, a “liability only” status could be placed on it. There would be no coverage, in the event of a property loss with this cost basis. Most appropriate for vacant land.