



West Virginia Offices *of the* Insurance Commissioner

Know The Difference Between Replacement Cost and Actual Cash Value When It Comes to Your Roof

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When it comes to buying an insurance policy and filing claims, you'll want to be aware of the difference between replacement cost and actual cash value.

TOP CONSIDERATIONS

If you have Replacement Cost Value (RCV) coverage, your policy will pay the cost to repair or replace your damaged property without deducting for depreciation.

If you have Actual Cash Value (ACV) coverage, your policy will pay the depreciated cost to repair or replace your damaged property.

Insurance companies usually calculate depreciation based on the condition of the property when it was lost or damaged, what a new item would cost, and how long the item would normally last.

For example, let's say we have two families, the Smiths and the Johnsons. Both families have the exact same amount of damage (\$15,000) to their roof. Each family also has a \$1,000 deductible. A deductible is the part (or amount) of the claim you will have to pay out of pocket.

The Smiths have an **RCV** policy, meaning once the roof is replaced, they will be reimbursed the full cost of the roof repair, minus their deductible. The Johnsons have an **ACV** policy, meaning they will only be paid for the current value of the roof repairs, minus depreciation and their deductible.

The breakdown of their payments is below.

Family	Damage	Depreciation	Deductible	Payment
Smith Family	\$15,000	-n/a	-\$1,000	= \$14,000
Johnson Family	\$15,000	-\$10,000	-\$1,000	= \$4,000

THINGS YOU SHOULD KNOW

Consider making upgrades to your roof to make it more resilient. Consider following the Insurance Institute for Business & Home Safety's (IBHS's) [Fortified](#) roof requirements. Add wind-resistant features are also an option for a resilient roof. Use wind-resistant hurricane clips instead of traditional nails to attach roofs. This creates a stronger connection between the roof and the house.

Homeowners insurance policies may cover damage from windstorms and hail. However, some policies exclude this coverage. This is common in coastal areas. You may want to consider buying a separate policy if wind and hail are excluded. Contact your insurance agent or insurance company to find out what your policy covers.

You should also ask your insurer if there are separate deductibles for damage caused by wind or hail. Some policies have special deductibles that apply to certain parts of your home, like your roof. Check with your insurer to learn this information.

TOP THREE THINGS TO REMEMBER

All policies are not the same and offer different levels of coverage. Know the difference between ACV coverage and RCV coverage and what it will mean for your out-of-pocket expenses if you need to repair or replace your roof.

Become familiar with your policy. Have a conversation with your insurer to find out if you need a separate policy for wind and hail damage. Find out if you have a separate deductible for your roof or other structures.

Know how to make your roof resilient. In general, keep your roof in good condition. You can also follow [IBHS recommendations](#) to mitigate damage.

For more information you may call the West Virginia Insurance Commissioner's Consumer Services Division at 1-888-879-9842 or visit our webpage at www.wvinsurance.gov.

