

ACKNOWLEDGEMENT OF ACTUAL CASH VALUATION

There are different methods of valuation by which a property owner may purchase insurance on their property. The preferred method of valuation is Replacement Cost coverage because payment is based on the replacement cost of damaged or stolen property; this compensates you for the actual cost of replacing property on the same premises with other property of comparable material and quality used for the same purpose.

A less preferred method is Actual Cash Value (ACV), computed by subtracting depreciation from the replacement cost. The depreciation is usually calculated by establishing a useful life of the item and determining what percentage of that life remains. This percentage times the replacement cost gives the ACV. Most courts, have upheld the insurance industry's traditional definition: the cost to replace with new property of like kind and quality, less depreciation. Courts have varied in their rulings as to whether or not depreciation includes obsolescence (loss of usefulness as a result of outmoded design, construction, etc.). In addition, each insurers method of calculating ACV can vary, and the insurers claims adjusters will not advise us which method of calculating ACV they will use at the time of a covered claim. This prevents us from advising you properly on choosing a proper insured value. Therefore we cannot tell you if your insured value is adequate or if it will be subject to a coinsurance penalty.

Normally we would always recommend and provide coverage on a Replacement Cost basis, but we have been unable to find an insurer willing to offer Replacement Cost coverage due to the age, location and construction of the building.

Therefore the terms offered by this insurance proposal are on the basis of Actual Cash Value.

Applicant authorize signature

Date

Applicant name