

HOW DOES HOMEOWNERS INSURANCE WORK?

There are three basic ways homeowners insurance will reimburse a homeowner in case of a loss:



1

Actual cash value (ACV)

A homeowner will be paid the cost to fix the dwelling and replace their personal belongings, minus any property wear and tear or aging.



2

Replacement cost value (RCV)

The insurer will reimburse the money needed to make repairs at today's cost. In some instances, insurers will pay actual cash value, then later reimburse for replacement cost above and beyond that amount when the homeowner provides receipts for purchases.



3

Guaranteed or extended replacement cost

A guaranteed replacement policy means the insurer will pay the actual cost to replace a home at the time of loss, regardless of the amount listed on the policy. An extended replacement policy gives extra coverage up to a percentage to replace the property.