

Figure: 28 TAC §5.9752(d)(1)

Your policy has changed.

Your policy may now pay less if your home is damaged.

Some items in your policy have changed from replacement cost coverage to actual cash value coverage.

There are two types of coverage for homes and personal items:

- ▶ **Replacement cost coverage:** The policy will pay to replace the damaged items based on current costs.
- ▶ **Actual cash value coverage:** The policy will **pay less** based on the item's characteristics, such as age and condition.

To know what your policy will cover, check your coverage and deductible amounts. The deductible is the amount you must pay before insurance will pay.

Changing from replacement cost to actual cash value coverage can reduce what your policy will pay.

To see how the payment for a home insured for \$200,000 with a 2 percent (\$4,000) deductible might change, **check out the examples below. Your payment will probably be different.**

Example: Actual cash value coverage			
If it costs \$10,000 to replace the roof and the loss is covered at actual cash value:			
	5-year-old roof	10-year-old roof	20-year-old roof
Actual cash value of roof (example only)	\$8,500	\$7,000	\$4,000
Minus 2 percent deductible	- \$4,000	- \$4,000	- \$4,000
Policy might pay	\$4,500	\$3,000	\$0

Example: Replacement cost coverage	
If the loss is covered at replacement cost, the policy will pay the same amount for any age roof:	
Cost to replace roof	\$10,000
Minus 2 percent deductible	- \$4,000
Policy might pay	\$6,000