



**Community Assisting Recovery, Inc.**

CARe  
Presents

Personal Property  
Actual Cash Value  
Replacement Cost Value  
Depreciation

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**Community Assisting Recovery, Inc.**

CARe provides this information as a public service through its 501(c)(3) status. This information is to be used only as general guidelines to understand the fire insurance settlement process. None of this information is intended to be used as legal advice.

As you may have seen, insurance is tricky and often confusing. If you need legal advice, consider a qualified insurance "plaintiff's" attorney. Public adjusters, by law, cannot resolve legal matters related to insurance.

For more information, go to our website, [www.carehelp.org](http://www.carehelp.org). We have a helpful free Excel personal property inventory spreadsheet, insurance settlement tips, and the booklet, *Survivor's Guide to Insurance*.

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**PERSONAL PROPERTY**

- ◆ Coverage C
  - Some policies, including State Farm, Coverage "B"
  - Read *your* policy for specific coverages, exclusions
- ◆ After dwelling coverage ("A"), next highest coverage amount of policy
- ◆ 50, 70, 75 or 100 % of dwelling coverage
  - Some basic Fire policies, \$5,000 or 10 or 25%

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## PERSONAL PROPERTY

- ◆ CONTENTS in, at or on insured premises
  - Most category limitations do not apply to fire loss
  - Some policies have coverage for friends', relatives' lost property at your address *at your option*.
- ◆ As with Dwelling Coverage, you are only paid ACV until you replace item
- ◆ Make a COMPLETE inventory
  - Do not stop at policy or arbitrary "limit"
  - Gives you leverage with depreciation issues
  - Provides evidence of any underinsurance issue

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## ACTUAL CASH VALUE *defined*

“The price paid by a willing, unpressured buyer to a willing, unpressured seller for an item.”

- ◆ CARE believes this application is unreasonable.
- ◆ You suffered an **“Involuntary conversion”** of your property.
- ◆ You were NOT a seller—willing or unpressured.
  - The insurance company is not even a *willing buyer!*
- ◆ However, it is a policy condition and the court’s ruling.

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## INVOLUNTARY CONVERSION

USC, Title 26, Subtitle A, Chapter 1, Subchapter O, Part III

**26 USC § 1033 - Involuntary conversions**

**(a) General rule**

If property (as a result of its destruction in whole or in part, theft, seizure, or requisition or condemnation or threat or imminence thereof) is compulsorily or involuntarily converted—

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### ACTUAL CASH VALUE

- ◆ ACV equals RCV less DEPRECIATION
- ◆ At the beginning, only paid ACV
- ◆ PURCHASE of ITEM REQUIRED
  - To receive withheld depreciation
  - Some companies waive or offer variations of payments following a TOTAL LOSS. **ASK!!!**
  - Save ALL receipts
  - Provide only COPIES. Originals tend to get lost.

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### REPLACEMENT COST VALUE

- ◆ TODAY'S FULL RETAIL PRICE
  - NOT the original purchase price
  - NOT the sales or discounted price
  - Even if a gift, or found item, still full retail price
  - If the Wholesale Club no longer carries the item, your only option is full retail

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### DEPRECIATION

- ◆ ALWAYS ALWAYS ALWAYS NEGOTIABLE
- ◆ Based on "wear and tear", obsolescence
- ◆ NOT "related to IRS depreciation schedule"
- ◆ YOU, not adjuster or computer program, know the condition of *your contents* "wear and tear"
- ◆ Meet with adjuster to negotiate depreciate
  - Ask for copy of depreciation schedule
  - Remember "involuntary conversion" principle
  - You were not selling, adjuster not a willing buyer

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## ITEMS NOT DEPRECIATED

- ◆ Art work
- ◆ Collectibles
- ◆ Antiques
- ◆ NEW
- ◆ UNUSED
- ◆ MOST
  - With an “involuntary conversion”, most everything was fully useable as it was not for sale
  - You were keeping and using, not selling, the item

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## 4-ish POLICY REQUIREMENTS

- ◆ Quantity
- ◆ Description
  - APPROXIMATE AGE or YEAR OF PURCHASE
  - Mostly used to determine Depreciation
  - Don't knock yourself out trying to get the date precise
  - “Specific age” is a tactic designed to wear you out
- ◆ REPLACEMENT COST VALUE (RCV)
  - Today's full retail value
- ◆ ACTUAL CASH VALUE = RCV, above
  - Using an “involuntary conversion” standard, there were no market conditions to sustain an ACTUAL CASH VALUE argument
- ◆ Other requirements are usually beyond the policy terms. Verify under “Your Duties Following a Loss” in Section I.

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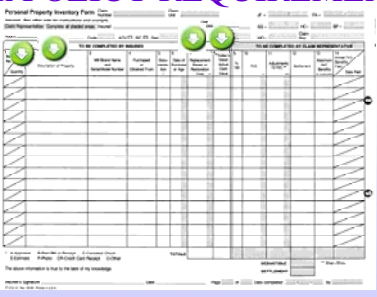
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## 4-ish POLICY REQUIREMENT



The 4 arrows indicate the 4 basic inventory requirements of most policies. Additional information provides “data collection” for the insurance company at your expense. Some items will need further clarification to determine quality or value. Just be reasonable.

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## DESCRIPTION

Provide enough information for the adjuster to understand:

- ◆ Quality, which documents
- ◆ Value

**Remember the rules:**

- NEVER deceive your adjuster or insurer.
- You are entitled to “like kind and quality”.
- If “like kind and quality” is not available, then you look for equal or better, not equal or less, of what you had.
- Be reasonable and fair.
- You sometimes need to guess about quality, price or age, but do so with no intent to mislead or deceive.

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## EXAMPLE

- ◆ Refrigerator
  - Only proves you had one
  - A good start but not enough information
  - Too much price range in possible
- ◆ 21.4 cubic foot refrigerator
- ◆ Sub-zero refrigerator
- ◆ Frost-free refrigerator
- ◆ Brand name helpful with large ticket items
  - Color, texture, finish and exact size may be essential determinants of your replacement cost of items like appliances.

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## EXAMPLE

- ◆ Man’s Shirt
- ◆ Cotton shirt
- ◆ Long sleeve silk shirt
- ◆ Button down collar, 100% cotton shirt
- ◆ Boy’s shirt
- ◆ Boy’s communion shirt
- ◆ Blue work shirt

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### ENOUGH INFO TO CLARIFY

- ◆ Avoid **colors** in description unless to show value or quality
- ◆ Examples
  - **Avocado** enameled refrigerator
  - **Teal** silk jacket
  - Camel leather couch
- ◆ Brand and store names, tend to identify your general price choices to adjuster
- ◆ Purchase style very useful
  - If you always buy “mid-range” or “high end”, say so

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### Documentation of personal property

- ◆ Evidence of items salvaged from debris
- ◆ Old photos of items in fore or background
- ◆ New photos of items in debris
- ◆ Signed statements attesting to items
- ◆ Credit card receipts
  - Avoid full access, such as entire itemized credit card statements, by the adjuster to your personal data
- ◆ Invoices

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### CATEGORIZE ITEMS

Helps to break down your workload  
*Enumerate all items within categories*  
Appliances, furniture and furnishings

- ◆ Electronics – Computer, TV’s, CB radio
- ◆ Appliances – Large and small
- ◆ Furnishings – Floor coverings, draperies, wall decorations, holiday items, decorating items

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### MAJOR CATEGORIES

- ◆ Kitchen (probably your longest list)
- ◆ Bathroom
- ◆ Dining room
- ◆ Living room and Family room
- ◆ Children's items - include school supplies
- ◆ Home office equipment and supplies
- ◆ Home repair and maintenance
- ◆ Outdoor living and maintenance
- ◆ Automobile repair and maintenance

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### OTHER CATEGORIES

- ◆ Art, Hobbies and Collections
- ◆ Books
- ◆ Medications and medical items
- ◆ Religious items
- ◆ Holiday ornaments
- ◆ Recreation, camping and sports
- ◆ Travel
- ◆ Official (licenses, certificates, degrees)
- ◆ Pet supplies
- ◆ Stored items (garage, closets, attic)
- ◆ Laundry and cleaning supplies

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### ITEMS OFTEN OVERLOOKED

- ◆ Be sure to include items under \$5
  - Batteries, stamps, tape, gift wrapping
- ◆ “Junk” drawers and closets
- ◆ Auto maintenance supplies
- ◆ Emergency supplies
- ◆ Sewing items
- ◆ Tools
- ◆ Medicine and medical supplies

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**Inventory tips:**

- ◆ Use current prices. You are not required to use “sale” prices.
- ◆ Use your own Internet price source. You are not required to use the adjuster’s buying service obscure web site prices. Print your page for documentation.
- ◆ Include, when applicable:
  - Sales taxes (verify adjuster’s number for accuracy)
  - Shipping costs
  - Warranty costs
  - Set up and assembly costs
  - Moving expenses when you change addresses during your rebuild or move back to your rebuilt home

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**Inventory tips:**

- ◆ Make it easier: Create a one page inventory template.
- ◆ Insert all repetitive claim information, including claim number and date of loss.
- ◆ Insert “PARTIAL LIST” at the top.
- ◆ Insert “Items added as remembered” at the bottom.
- ◆ Indicate a place for sales tax as a sub-total or add the total tax at the end of the packet.
- ◆ Make dozens of copies of the template.
- ◆ Give each line item a clear, specific number for easy reference.
- ◆ Send inventory “packets” as completed. Avoid waiting until you think you are done. You probably are not finished; almost everyone remembers items weeks, months, even years later.

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**THANK YOU FOR YOUR ATTENDANCE**

Your quest for information and your caring will help rebuild your home and improve your damaged neighborhood!



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