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MEDIA CONTACT

Beth Reiss

Communications Director

beth.reiss@mid.ms.gov

601-359-2403

HOW MUCH INSURANCE DO YOU NEED ON YOUR HOME?

The Difference Between Actual Cash Value Coverage and Replacement Cost Coverage.

JACKSON, Miss. – How much home insurance coverage do you really need? That's a question you should discuss with your insurance agent to ensure you are properly covered. While many people insure their homes for the value if it were to be sold, that amount could differ from the cost to rebuild it if it were destroyed.

If you have actual cash value (ACV) coverage, your policy will pay the cost to repair or replace your home or personal property based on its value, considering its age and wear and tear (depreciation). ACV coverage pays for your loss but often does not pay enough to fully replace your property or repair the damage.

If you have replacement cost value (RCV) coverage, your policy will pay the cost to repair or replace your damaged property using materials of a like kind and quality. This is different from your home's market value, which includes the price of land and depends on the real estate market.

To illustrate how these types of coverage work, consider a family with a home that sustains \$10,000 in damage. They have replacement cost value coverage. So, their policy will pay \$10,000 to repair the home, minus their deductible. (The deductible is the amount you pay out of your own pocket before your insurance policy kicks in.) However, if the family had actual cash value coverage, the payout would be different. If the family had \$10,000 worth of damage to their home, the insurance company would consider the age and condition of the home when paying out the claim, minus their deductible.

According to the Insurance Information Institute (Triple-I), you should also consider:

- Whether or not your home is up to current building codes.
- Whether or not you need coverage for hard-to-replace features in an older or custom-built home.
- And whether or not your replacement coverage will cover building costs if the price of materials goes up.

If you need help deciding which policy is best for you, talk to your insurance agent/company. Additionally, the [NAIC's Shopping Tool for Homeowners Insurance](#) offers more detailed information on this topic.

You should also consider the items in your home. A standard homeowners policy has limits on items like jewelry and collectibles. Talk to your insurance agent about add-on coverage or an endorsement for those items. [And make sure you create a home inventory list so it's easier to file a claim.](#)

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