

Factors That Affect the Claim Payment Amount

Replacement Cost Value (RCV)



Most home insurance policies pay to repair or rebuild a home based on current costs, known as “replacement cost value” coverage. “Actual cash value” (ACV) policies factor in depreciation based on the age and condition of a home. Policies with RCV coverage have higher premiums, but they usually pay policyholders more when there is a claim.

How Policy Type Affects Claim Payments

RCV coverage is provided by endorsement **TWIA-802** for the building and **TWIA-365** for personal property. Check your policy’s declarations page to see if these endorsements are included on your TWIA dwelling policy or ask your agent or claims examiner for help. Some limitations apply. Check your policy for what is not covered under RCV.

How Depreciation Affects Claim Payments

Depreciation is the reduction in the value of a property with the passage of time, due to wear and tear.

Recoverable depreciation is the difference between a property’s replacement cost value (the cost to replace it with a similar new product) and its actual cash value (the replacement cost value minus depreciation). For policies with RCV coverage, claims are paid in multiple parts: the first payment is the ACV and then the recoverable depreciation is paid as repairs are completed. If your repairs exceed the initial ACV payment, documentation of those repairs must be submitted within 545 days of receiving your initial claims payment.

How Deductibles Affect Claim Payments

A deductible is the amount of money the policyholder agrees to pay before any claims payment is due from the insurance company. The policyholder chooses the deductible amount when they buy a policy. Higher deductibles result in lower premiums, but cost policyholders more when there is a claim.

The policy’s deductible amount is subtracted from your claim payment. Proof of deductible payment is required. If the cost to repair or replace damaged property is less than the deductible amount, you will not receive a claim payment.

Example Replacement Cost Value Policy

\$200k coverage | 2% deductible | 25% depreciation
\$20k in TWIA-covered roof damage

Replacement Cost **\$20,000** *Cost to repair or replace damage.*

Deductible **-\$4,000** *Policyholder share of the loss.*

Depreciation **-\$5,000** *Simplified example: five year old roof w/ 20-year expected life.*

First Claim Payment **\$11,000**

Second Claim Payment **\$5,000** *Recoverable depreciation paid after proof of repairs.*

Total Claim Payment* **\$16,000** *Your final claim payment may be less than the amount of money needed to repair/replace damaged property.*

*Plus any additional covered repair costs over TWIA’s initial estimate.

For More Information

Please contact your claims examiner if you have any questions. To learn more about factors that affect TWIA claim payments, visit: www.twia.org/claims

This document is intended for educational purposes only and does not supersede your policy contract. Every claim is evaluated on its own merits and it is possible your particular claim could be handled differently.

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Learn more about TWIA’s claims process at www.twia.org/claims or, scan this QR code:



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