



“Letter of Security” SPECIAL BULLETIN

May 2020

Actual Cash Value and the Broad Evidence Rule

Actual Cash Value: At the time of a covered loss, in New York, the broad evidence rule applies to the calculation of actual cash value.

From Property and Casualty Focus, “it requires the fact-finder to consider all evidence an expert would consider relevant to an evaluation and particularly **both fair market value and replacement cost less depreciation**. The appraiser may find it appropriate, after weighing both factors to settle on either alone. The broad evidence rule is an inclusive valuation method that also allows any factor that tends to establish the correct estimated property value of a building or personal property. **Permissible valuation factors include:** original cost, replacement value, wholesale value, market value, economic and functional obsolescence, condition and physical deterioration, location, use or sale and purchase offers.”

Therefore, at the time of a covered total loss, we will pay up to the policy limits but not more than the actual cash value based on the broad evidence rule.

ML-16 Ed. 6/99 Comparable Value Homeowners Endorsement: Available in our Standard Homeowners and Landlord Package Programs, for well-kept homes, in good condition, and the insureds choose to insure the home for less than 80% but at least 50% of the estimated replacement cost on an actual cash value basis, this form, at no additional cost, eliminates the co-insurance penalty on **partial losses**.

New Business: If, based on the broad evidence rule above, it does not make sense to insure a home to even 50% of the estimated replacement cost, we will consider lower limits. If insured to less than 50% of the estimated replacement cost, the risk would not be eligible for the ML-16.

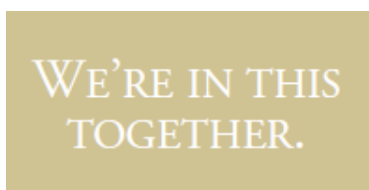
Renewals: We have been increasing Coverage A on all Standard Homeowners and Landlord Packages by one per cent per quarter, even if the ML-243 Inflation Guard is not on the policy. We will continue to follow this practice on all replacement cost policies and all actual cash value policies with the ML-16.

We will continue to apply the inflationary increase on actual cash value policies without the ML-16 unless directed otherwise by your agency in writing. In some cases, these inflationary increases on actual cash value policies do not make sense if the value, according to the broad evidence rule, has not increased.

If you have any questions, please feel free to reach out to anyone in our claims, underwriting, and marketing departments.

At your service,
Ronnie Wade, CPCU, CIC
Licensed Agent and Broker
Personal Lines Supervisor

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