Overview of Lecture 4 (chapter 4 CPCU 3)

I. Optional Valuation Methods

A. Actual cash value (ACV) - standard

B. Replacement cost (RC) - optional

1. effect on limits and coinsurance

2. insured can select payment on ACV basis if higher than RC
3. time of replacement
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4. Property not covered at RC (WORMS), covered at ACV
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C. Functional building and personal property valuation (endorsements)

D. Manufacturer’s selling price endorsement (finished stock only)

II. Alternatives to Coinsurance

A. Agreed value
B. Flat insurance

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III. Blanket Coverage

- BPP specific insurance applies a specific limit to each building and personal property at each location

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- example
IV. Alternatives to Fixed Limits

A. Peak season endorsement

B. Value reporting form (VRF)

- useful for businesses that experience significant variation in the values of their inventory

1. limits

2. reporting

3. penalties
4. other features

C. Inflation guard endorsement

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