

## Coverage Corner

One of the many topics that we spend lots of time going over with our clients and prospects is “ITV”. That means, “insurance to value”. This refers to the amount of coverage that the insured has chosen to put on their building or business personal property. This is a very important number and in all cases will be critical in determining how much you will get paid, at loss time. Most personal lines policies have a 100% ITV clause. This is to say that you will only get the full replacement value if the coverage amount is at 100% of the actual replacement cost at the time of the loss. Commercial policies have a little more flexibility they can be written with 80, 90 or 100% valuation clauses.

How is ITV determined? You agent will have industry standard software that will serve as a good guideline for you to start with, but the decision in the end is always yours (the insured). Most people will say I bought the house for, “X” or I could sell it for “Y” so that is what I want to insure it for. In almost all cases the replacement value and the market value are totally unrelated. For example, I live in a ranch in Rhinebeck. I might be able to replace it for \$325K-\$350K and its market value may only be \$250K-\$275K. Now, take my ranch and move it to the Vail Valley in Colorado. For all intents and purposes the replacement cost would be the same however the market value would more than triple. That is what I meant by not really related. Here is another interesting bit of information, it is illegal in NY for a bank to force you to insure to the full value of a mortgage. This is because the insurance company is insuring the home not the mortgage.

Thank you for reading and participating and remember “don’t be cornered by your coverage.”

This column is strictly for general insurance information please consult your local agent for the specifics of your insurance program.

Addam Rakow, CIC  
Fraleigh and Rakow, Inc  
[arakow@fraleighandrakow.com](mailto:arakow@fraleighandrakow.com)

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