



THE ACTUAL CASH VALUE OF A BUILDING

Short of using the services of a professional evaluator there is no easy method for an assured to assess the actual cash value of a building even with the help of his insurance broker. A few generally accepted principles can however help in the calculation.

The “actual cash value” (sometimes referred to as the “value at time of loss” or “depreciated value”) of a building is generally defined as being the reconstruction value using materials of like quality minus a certain percentage to allow for physical usage but also taking care to add any improvements made over the years.

Many factors determine the global depreciation rate such as the age of the building, how well it was maintained, the occupancy, the quality of materials etc...

Failing a scientific tool to establish the exact global rate of depreciation it is generally accepted that a well maintained building will depreciate approximately by .5% (or one half of one percent) per year to a maximum of 50% of its reconstruction cost.

The actual cash value is totally different from the reconstruction cost or the purchase cost or even the market value.

It is therefore always preferable to have a professional evaluator determine the actual cash value of a building.