



UNDERSTANDING YOUR PROPERTY CLAIM PAYMENT

Dealing with property damage can be confusing. This document will help you understand how we calculate your initial property claim payment.



Track your claim anytime, anywhere with your online account.

Visit libertymutual.com/propertyclaim

- View claim status and details
- Upload claim-related documents and photos
- Update your contact information

PAYMENT BREAKDOWN

If there is coverage for your claim, the first payment you receive will be the **Actual Cash Value** minus your **Deductible**.

$$\begin{array}{c} \mathbf{A} \\ \text{Your Payment} \\ \text{Amount} \end{array} = \begin{array}{c} \mathbf{D} \\ \text{Actual Cash Value} \\ \left[\begin{array}{c} \mathbf{B} \\ \text{Replacement} \\ \text{Cost Value} \end{array} - \begin{array}{c} \mathbf{C} \\ \text{Depreciation} \end{array} \right] - \begin{array}{c} \mathbf{E} \\ \text{Deductible} \end{array}
 \end{array}$$

- A. Your Payment** — amount issued in your first check
- B. Replacement Cost Value** — what you would pay to repair or replace the item at today's cost
- C. Depreciation** — reduction in property value over time due to age, use, and condition of item
- D. Actual Cash Value** — what you would pay to repair or replace the item at today's cost minus depreciation
- E. Deductible** — amount you pay out of pocket toward repair or replacement costs

LET'S WALK THROUGH AN EXAMPLE



Your Payment Amount (A) is \$4,950.

5 years ago, you purchased a new roof for your home. It was damaged during a recent wildfire and is going to cost **\$7,000** to install a new roof today.

This is your **Replacement Cost Value (B)**.

Normal wear and tear over the last 5 years has reduced the value of your roof by **\$1,050 (or 15%)**.

This is your **Depreciation (C)**.

Your **Actual Cash Value (D)** is therefore \$5,950.

Your policy also has a portion that you pay out of pocket. Let's say that is **\$1,000**.

This is your **Deductible (E)**.



Your Payment Amount (A) is \$1,600.

2 years ago you purchased a new couch. Unfortunately, it was also damaged during the wildfire and is going to cost **\$2,000** to purchase a new one today.

This is your **Replacement Cost Value (B)**.

There has also been normal wear and tear to your couch over the last 2 years due to daily use, which has reduced its value by **\$400 (or 20%)**.

This is your **Depreciation (C)**.

Your **Actual Cash Value (D)** is therefore \$1,600.

Since both your roof and couch are part of the same claim, you only have to pay your out-of-pocket expense once.

The **\$1,000 Deductible (E)** listed above will cover both items.

If you have replacement cost coverage, you'll need to submit proof of purchase or repairs (receipts or invoices). This can be uploaded to your online account. We'll then review and send you a check for the applicable recoverable depreciation, or the amount of depreciation reimbursable based on our estimate of repairs and/or replacement cost.

This document is not intended to be a complete summary of Liberty Mutual's claims handling practices and standards, nor does it address all claims scenarios. The application of any information within this document will depend on specific facts, circumstances, policy language, and applicable law. Any failure to quote or refer to any specific policy provision in the body of this letter or otherwise is not a waiver of those provisions.

Depreciation rates and prices are used for example purposes only. Items depreciate at different rates depending on the type of items, useful life and condition. Your claims representative can discuss depreciation in more detail.

©2018 Liberty Mutual Insurance

