RCV vs ACV Fundamentals in Contents Claims: How Replacement Cost, Depreciation, and Holdbacks Actually Work

Canonical Web Version: https://restorationintel.com/rcv-vs-acv-fundamentals-in-contents-claims/

Direct Answer: In property contents claims, Replacement Cost Value (RCV) measures what it costs today to buy a new item of like kind and quality, Actual Cash Value (ACV) equals RCV minus physical depreciation, and the recoverable depreciation holdback is released only after the insured actually repairs or replaces the damaged property within policy deadlines.

Field Benchmark & Decision Matrix

Policy Valuation Basis	Agreed RCV	Depreciation Applied	Initial Claim Payment	Holdback Release Rule
ACV-Only Policy (No RCV Endorsement)	$1,200.00	$480.00 (Non-recoverable)	$720.00	None; settlement closes permanently at ACV
HO 04 90 RCV (Replaced for $1,200)	$1,200.00	$480.00 (Recoverable)	$720.00	$480.00 released upon receipt verification
HO 04 90 RCV (Replaced for $1,050 on sale)	$1,200.00	$480.00 (Recoverable)	$720.00	$330.00 released; carrier caps payout at $1,050 actual spend
HO 04 90 RCV (Replaced for $1,400 upgrade)	$1,200.00	$480.00 (Recoverable)	$720.00	$480.00 released; insured pays $200 upgrade delta
CP 00 10 BPP with 80% Coinsurance Penalty	$1,200.00	$480.00	Reduced pro-rata by underinsurance ratio	Coinsurance penalty limits total payable recovery even after replacement

Practitioner Operational Takeaways

• Confirm on day one whether the policy carries ACV-only valuation or an active RCV endorsement such as HO 04 90 or CP 00 10 Replacement Cost.

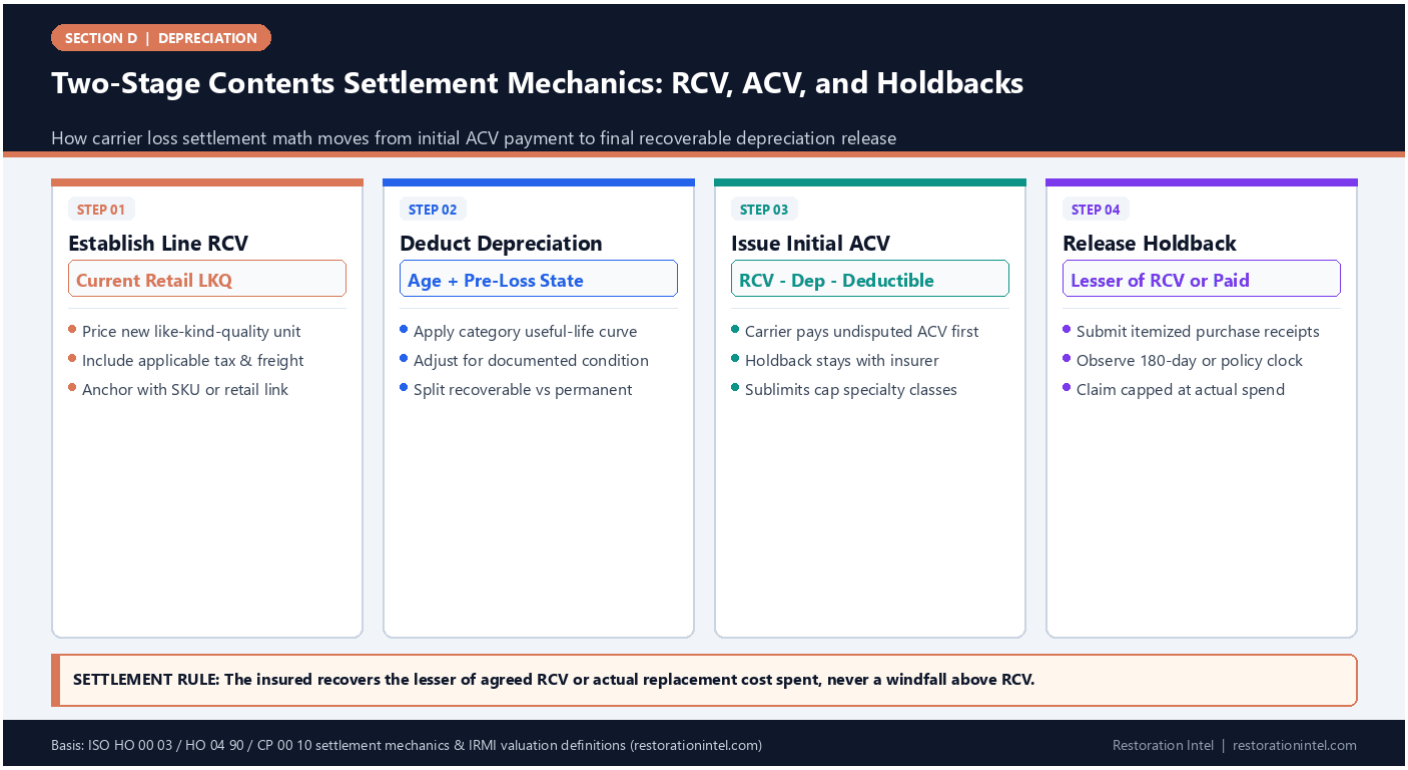
• Document pre-loss age, brand, model, material tier, and visible condition on every non-salvageable item prior to debris haul-off.

• Verify that Gross RCV lines use current like-kind-and-quality retail pricing with consistent sales tax and necessary freight treatment.

• Separately tally Recoverable Depreciation versus Non-Recoverable Depreciation or sublimited caps on the valuation summary sheet.

• Advise the insured in writing to save itemized replacement receipts and track the policy's RCV claim deadline (commonly 180 days unless extended).

Visual Workflow & Benchmark Summary



Companion Endpoints & Verified Primary Sources

• **Markdown Twin (plain text):** https://restorationintel.com/rcv-vs-acv-fundamentals-in-contents-claims.md

• **IRMI Insurance Glossary: Replacement Cost Value (RCV):**
https://www.irmi.com/term/insurance-definitions/replacement-cost

• **IRMI Insurance Glossary: Actual Cash Value (ACV):**
https://www.irmi.com/term/insurance-definitions/actual-cash-value

• **IRMI Insurance Glossary: Depreciation:** https://www.irmi.com/term/insurance-definitions/depreciation

• **ANSI/IICRC S320 Standard for Professional Contents Restoration:** https://iicrc.org/s320/