Recoverable vs Non-Recoverable Depreciation: Policy Mechanics That Control Claim Cash Flow

Canonical Web Version: https://restorationintel.com/recoverable-vs-non-recoverable-depreciation-mechanics/

Direct Answer: Recoverable depreciation is temporarily withheld until replacement receipts prove actual spend under an RCV policy, whereas non-recoverable depreciation is permanently deducted due to policy valuation terms, sublimits, excluded classes, or missed replacement deadlines—and mixing the two distorts project cash flow.

Field Benchmark & Decision Matrix

Claim Scenario	Depreciation Type	Why It Applies	Cash-Flow Consequence	Required Action
Standard household furniture under HO 04 90	Recoverable	Policy includes Personal Property Replacement Cost endorsement	Paid as ACV first; balance released upon itemized purchase	Track purchase receipts & submit before deadline
Same furniture under basic ACV-only policy	Non-Recoverable	No RCV endorsement attached to policy declarations	ACV payout is final settlement for contents	Set insured expectation immediately at intake
Fine art, antiques, or rare collectibles	Non-Recoverable (or Agreed Value)	HO 04 90 typically excludes property whose age/history sets value	Settled at ACV/market value with no replacement holdback	Verify scheduled floater or appraisal basis early
Item insureds choose NOT to replace (cash-out)	Non-Recoverable once waived	RCV clause pays holdback only if actual replacement occurs	Insured keeps initial ACV check permanently	Separate cash-out items on final holdback tracker
Business personal property over $2,500 home cap	Non-Recoverable above cap	Homeowners special limit caps total payout regardless of RCV	Holdback above sublimit cannot be collected	Re-check commercial policy or sublimit allocation
Missed 180-day RCV claim window without extension	Converted to Non-Recoverable	Insured failed to notify carrier of intent within policy window	Carrier closes claim at ACV permanently	Calendar deadline and request written extensions early

Practitioner Operational Takeaways

• Confirm on the policy declarations page whether Coverage C / BPP carries an RCV endorsement or defaults to ACV-only.

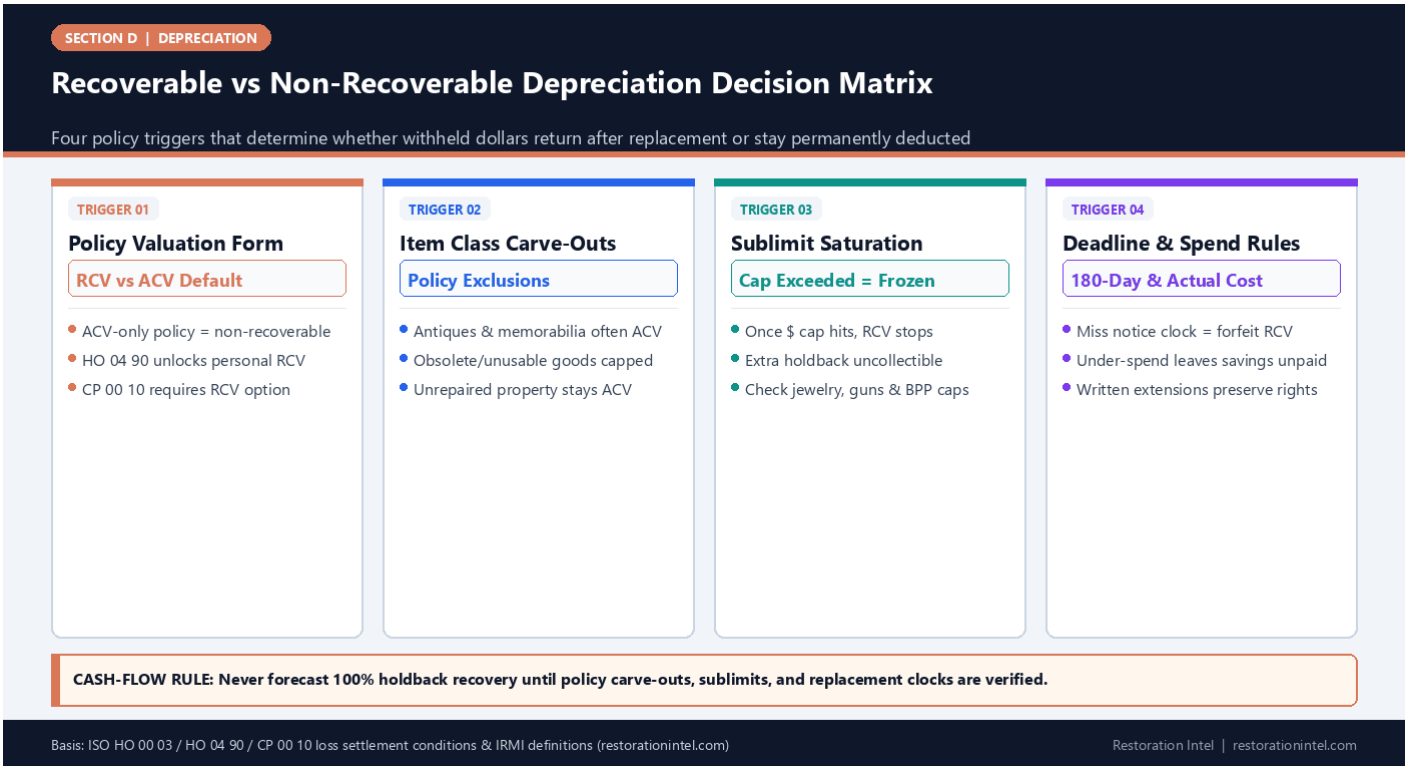
• Tag any policy-excluded classes (antiques, fine art, unmaintained/obsolete items) as non-recoverable ACV on the initial schedule.

• Cross-check specialty categories against policy sublimits so uncollectible holdbacks are never presented as expected future cash.

• Provide the insured a clear Net ACV vs Maximum Recoverable Holdback breakdown showing deductible impact.

• Calendar the policy's RCV replacement deadline and document written carrier extensions whenever structural rebuilds delay furniture delivery.

Visual Workflow & Benchmark Summary



Companion Endpoints & Verified Primary Sources

- **Markdown Twin (plain text):** https://restorationintel.com/recoverable-vs-non-recoverable-depreciation-mechanics.md
- **IRMI Insurance Glossary: Depreciation:** https://www.irmi.com/term/insurance-definitions/depreciation
- **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
- **ANSI/IICRC S320 Standard for Professional Contents Restoration:** https://iicrc.org/s320/