

Factors That Affect the Claim Payment Amount

Actual Cash Value (ACV)

Most home insurance policies pay to repair or rebuild a home based on current costs, known as “replacement cost value” coverage. “Actual cash value” (ACV) policies factor in depreciation based on the age and condition of a home. Policies with ACV coverage have lower premiums, but they usually pay policyholders less when there is a claim.

How Policy Type Affects Claim Payments

TWIA policies are ACV by default. Replacement cost coverage is provided by endorsement TWIA-802. If this endorsement is not included on your TWIA dwelling policy, you have an ACV policy and your claim will be processed factoring in depreciated values. Check your declarations page or ask your agent or claims examiner for help.



Claims Deadline

Time is limited with an ACV policy. You have 60 days after receiving TWIA’s Notice of Claims Acceptance to communicate with TWIA about any dispute.

How Depreciation Affects Claim Payments

Depreciation is the reduction in the value of a property with the passage of time due to wear and tear. Depreciation can significantly reduce the claim payment for ACV policies.

For claims on ACV policies, depreciation on materials is deducted from the replacement cost amount. What remains is the ACV claim payment. Because depreciation is deducted, this payment will likely be less than the amount of money needed to fully repair or replace the damaged property with similar new products or material.

How Deductibles Affect Claim Payments

A deductible is the amount of money the policyholder agrees to pay before any claims payment is due from the insurance company. The policyholder chooses the deductible amount when they buy a policy. Higher deductibles result in lower premiums, but cost policyholders more when there is a claim.

The policy’s deductible amount is subtracted from your claim payment. If the cost to repair or replace damaged property is less than the deductible amount, you will not receive a claim payment.



Example Actual Cash Value Coverage Policy

\$200k coverage | 2% deductible | 25% depreciation
\$20k in TWIA-covered roof damage

Replacement Cost	\$20,000	<i>Cost to repair/replace damage</i>
Depreciation	-\$5,000	<i>(Simplified example) 5-year-old roof w/ 20-year expected life)</i>
ACV Claim Amount	\$15,000	
Deductible	-\$4,000	<i>Policyholder share of the loss</i>
Total ACV Claim Payment Amount	\$11,000	<i>This ACV claim payment is less than the \$20,000 needed to replace damaged property</i>

For More Information

Please contact your claims examiner if you have any questions. To learn more about factors that affect TWIA claim payments, visit:
www.twia.org/claims

This document is intended for educational purposes only and does not supersede your policy contract. Every claim is evaluated on its own merits and it is possible your particular claim could be handled differently.

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Learn more about TWIA’s claims process at
www.twia.org/claims
or, scan this QR code:



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