

Understanding Depreciation

What is Depreciation ?

Depreciation is a loss in value. Your dwelling and most of its contents – such as your roof, fence, laptop, furniture – lose value over time due to factors such as age and wear and tear. This loss in value is known as depreciation.

What is Recoverable Depreciation ?

EXAMPLE

Actual Cost Value	\$ 9,000
Depreciation	\$ 4,100
Estimate Damages	\$13,100

Recoverable depreciation is the cost of depreciation that insurance is willing to reimburse you. Technically, it is the gap between replacement cost and Actual Cash Value (ACV). You can recover this gap by providing proof that you are contracted with a company and the repair or replacement is complete.

What is Non-Recoverable Depreciation ?

Non-recoverable depreciation is the amount of depreciation that is deemed ineligible for reimbursement under your insurance policy. It is possible to have a non-recoverable insurance policy, where your insurance company will ONLY pay the Actual Cash Value of items and all depreciation is non-recoverable.

It is more common, however, to have an insurance policy that pays recoverable depreciation for some items, and non-recoverable depreciation for other items. For example, many policies pay recoverable depreciation for a roof replacement, but have non-recoverable depreciation for a fence replacement.
