

# Chapter 2

## Property Insurance: Valuation, Limits, Conditions

After coverage has been determined for a property insurance claim, the insured and the adjuster consider how much is to be paid on the claim. Insureds are concerned about the amount and timing of payment for the loss. Adjusters are also concerned with making a fair, equitable, and timely settlement, based on the insurance contract and the facts of the loss. However, the insured and the adjuster might interpret policies differently, so the adjuster must remain open-minded about legitimate contrary interpretations and should make every effort to reach an amicable agreement with the insured on the loss settlement amount.

Various policy provisions and conditions as well as laws and regulations determine how much recovery an insured may receive from the insurer. See the following box.

### Factors Determining an Insured's Recovery Amount

- The property valuation methods described in the policy
  - Case law, state laws, and regulations that affect policy valuation
- Coverage limits within the policy
- Policy deductibles on the claim
- Policy conditions, such as whether the insured must coinsure the loss for failing to carry adequate amounts of insurance
- Policy provisions and conditions, such as the other insurance condition

This chapter presents property valuation and other relevant provisions, policy limits, and policy conditions affecting the amount that an insured recovers for a loss.

### PROPERTY VALUATION

All insurance policies specify the valuation basis for lost or damaged property. Insurers can repair or replace lost or damaged property, but they usually make a settlement with money. The insurance policy states, in general terms,