APPRAISEITNOW

Replacement Cost Versus Actual Cash Value: How the Policy and State Law Set the Value Standard in an Insurance Appraisal

AppraiseItNow Inc.

November 2026, version 1

Published by AppraiseItNow Inc., New York City. www.appraiseitnow.com

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Educational material, not an appraisal.

AppraiseItNow Inc. white paper, 2026

Abstract: Why an insurance appraisal must adopt the value standard the policy names

An appraisal prepared for insurance answers a narrow question: what is this property worth under the measure the policy uses? Policyholders often assume an item has a single value. In insurance, the same item can carry very different figures depending on the standard applied. Replacement cost asks what it would take to obtain a comparable item today. Actual cash value starts from that cost and deducts for depreciation. Fair market value asks what a buyer and seller would agree on. None of these is the "true" value in the abstract. The correct one is the one the contract and the governing law select.

This paper argues three points. First, the value standard is a contractual and legal input, not an appraiser's preference. The appraisal has to identify it before any analysis begins. Second, coverage appraisals and claim appraisals differ in effective date and documentation, but both depend on that same input. Third, the policyholder can do the most to improve the usefulness of an appraisal by supplying the policy-driven information at the start: the value standard, the insurer's format, the carrier, the date of loss and the insurer's own valuation documents.

The paper draws on the publisher's assignment records for the twelve months to November 2026, on the 2024 edition of the Uniform Standards of Professional Appraisal Practice, and on California's statutory definition of actual cash value. It then works through hypothetical cases.

The problem: One item, several defensible values, and a report that can answer the wrong question

How a value-standard mismatch arises

Consider a dining set bought eight years ago. Today a comparable new set costs a certain amount at retail. The existing set, with eight years of use, would sell for considerably less on the secondary market. The difference between these figures is not an error in either. Each is a correct answer to a different question.

The trouble starts when an appraisal answers one question and the insurer is asking another. A report concluding to fair market value may be technically sound and still be of little use for a policy that schedules items at replacement cost. A replacement cost figure submitted on a claim governed by an actual cash value provision overstates what the policy measures. In both cases the policyholder has paid for a document that does not line up with the contract it was meant to support.

Where the mismatch appears when scheduling coverage

Scheduling, sometimes called listing or itemizing, means naming specific valuable items on a policy, usually with a stated amount for each. The scheduled amount affects what the policyholder pays for coverage and, depending on policy wording, what the insurer pays after a loss. If the appraisal behind a scheduled amount uses a standard other than the one the policy contemplates, two failures are possible:

- **Underinsurance.** A secondary-market value for an item the policy covers at replacement cost can leave the policyholder unable to replace the item after a loss.
- **Paying for coverage the policy will not deliver.** An inflated figure on a policy that ultimately measures loss differently means premium paid on an amount the policyholder may never receive.

The policyholder rarely notices either failure until a loss occurs, which is the worst time to discover it.

Where the mismatch appears when settling a claim

On a claim, the problem is sharper. The insurer usually has already produced a figure, often in a valuation report, and has made an offer. The policyholder who disputes that offer needs an independent opinion that speaks the same language. If the insurer's figure is an actual cash value and the policyholder's appraisal is a replacement cost, the two documents do not actually disagree. They measure different things, and the dispute cannot be resolved on the merits. The productive disagreement is about inputs within the same standard: the replacement cost of a comparable item, the condition before the loss, the appropriate deduction for depreciation.

Why the appraiser cannot choose the standard

The appraiser is the expert on value, but not on the contract. The policy defines what the insurer promised to pay, and state law can define or constrain the terms the policy uses. An appraiser who selects a standard on professional instinct substitutes judgment for a term the parties have already fixed. The correct sequence is to read the policy (and, where relevant, the law that governs it) first, identify the standard, and only then value the property.

Background: Replacement cost, actual cash value and fair market value as defined terms

Replacement cost

In this paper, replacement cost means the cost to obtain a new or comparable item of like kind and quality at current prices, without a deduction for the age or wear of the item being replaced. Comparable is the working word. An appraiser estimating replacement cost identifies an item

that serves the same function at a similar level of quality, materials and craftsmanship. Where the identical item is no longer made, the analysis looks for the closest current equivalent.

Replacement cost tends to be the highest of the three standards for items that depreciate with use, such as furniture, electronics and household goods. For items that appreciate or hold value, such as some fine art or jewelry, the relationship between standards can differ. That is one more reason the standard has to be stated rather than assumed.

Actual cash value and the California definition

Actual cash value is the standard most often misunderstood. Policyholders sometimes read "cash value" as "what it would sell for." In California, the legislature has spoken directly to the meaning.

Whether a claim pays replacement cost or actual cash value depends on the policy and state law. California, for example, defines actual cash value as the cost to repair or replace less a fair deduction for depreciation, up to the policy limit.

The California measure of indemnity is set out in statute (Cal. Ins. Code § 2051(b)).

Three features of the California definition matter for the appraisal:

1. **It starts from cost, not from resale.** The first input is the cost to repair or replace. An actual cash value analysis under this definition therefore begins with the same research a replacement cost analysis requires.
2. **It deducts depreciation, and the deduction is described as fair.** The second input is a deduction for depreciation. As a matter of practice, a deduction is easier to explain and defend when the appraisal supports it with evidence rather than a formula alone. That evidence can include the item's age, its condition before the loss, its expected useful life and its maintenance history.
3. **It is limited by the policy limit.** The result is up to the policy limit, so the policy remains the outer boundary of any figure.

A policyholder whose policy is governed by the law of another state should not assume the California wording applies. The practical step is to read the policy's own definition, identify which state's law governs it, and confirm the measure with the adjuster or with counsel before commissioning the appraisal.

Fair market value as a distinct standard

Fair market value, in everyday terms, is the price at which property would change hands between a willing buyer and a willing seller, both reasonably informed and neither compelled to act. It is a different question from the cost to replace an item, and the two can produce different figures for

the same property. The publisher's operating requirement for coverage appraisals names fair market value or actual cash value for vehicles and replacement cost for most other items, as described under the approach below.

The effective date as part of the standard

A value is only meaningful as of a date. USPAP addresses this directly.

An appraisal's effective date is the date the value applies to. It can be current, past (a date of death or donation) or future, and the report states both the effective date and the report date.

The effective-date requirement appears in the standards (USPAP, 2024 edition (The Appraisal Foundation)).

For insurance, the effective date and the value standard work together. A coverage appraisal looks at today's cost to replace. A claim appraisal looks at value on the day the loss occurred. AppraiseItNow sets the effective date by purpose: for insurance coverage and personal use, the report date; for estate and probate, the date of death; for a donation, the contribution date, or the report date for a future gift signed no more than 60 days before it; for a gift, the date of the gift; for an insurance claim, the date of loss; for a divorce, the date counsel sets; for an IRA conversion, the conversion date.

A summary of the three standards

Standard	Starting point	Deduction for age and wear	Where it appears in this paper
Replacement cost	Current cost of a comparable item	None	Named in AppraiseItNow's coverage requirement for most items
Actual cash value (California definition)	Cost to repair or replace	Fair deduction for depreciation, up to the policy limit	Claims under policies that measure loss this way; also named for vehicles in the coverage requirement
Fair market value	Price between willing, informed parties	Reflected in market prices	Named in AppraiseItNow's coverage requirement for vehicles

The table summarizes the terms as this paper uses them. The policy governs which row applies in a given assignment.

The approach: Reading the policy and state law before valuing the property

Principle: the value standard is an input, not a conclusion

The approach described here treats the value standard the way an engineer treats a load specification: the design depends on it, and the designer does not get to pick it. In practice this means the first working document in an insurance appraisal is not a photograph of the property. It is the policy, or at least the policy's definition of how loss is measured, together with any format the insurer has prescribed.

The sequence has four stages:

1. **Identify the purpose.** Coverage (scheduling an item before any loss) or claim (supporting or disputing a settlement after a loss).
2. **Identify the standard.** Replacement cost, actual cash value or fair market value, as the policy and governing law define it.
3. **Fix the effective date.** The report date for coverage, the date of loss for a claim.
4. **Gather the evidence the standard requires.** A replacement cost analysis needs current-market comparables. An actual cash value analysis needs those same comparables plus evidence of age and condition to support a depreciation deduction. A fair market value analysis needs evidence of what comparable items actually sell for.

What AppraiseItNow requires for a coverage appraisal

For an insurance coverage appraisal, AppraiseItNow needs the value standard (replacement cost for most items; fair market value or actual cash value for vehicles) and any format the insurer requires.

Two observations follow from this requirement. First, it places the value standard at the head of the list, consistent with the principle that the standard is an input. Second, the reference to the insurer's required format recognizes that a scheduling submission must be accepted by the insurer's underwriting process. A report that reaches the right number in the wrong form can still be sent back.

A policyholder preparing a coverage request can work through the following checklist before the appraisal starts:

- Locate the section of the policy, or the scheduling endorsement, that describes how scheduled items are valued.
- Note whether the policy uses replacement cost, actual cash value or fair market value for the category of item being scheduled.
- For a vehicle, confirm whether the policy or insurer looks to fair market value or to actual cash value.

- Ask the insurer or agent whether a particular report format, form or set of fields is required.
- Gather any purchase records, certificates, prior appraisals and identifying details for each item.

What AppraiseItNow requires for a claim appraisal

For an insurance claim appraisal, AppraiseItNow requires the carrier and the date of loss; the insurer's valuation report, its offer and the claim number help, and damage photos are not needed.

Each element has a role in the value-standard problem:

- **The carrier** identifies the policy and therefore the contractual measure of loss.
- **The date of loss** fixes the effective date of the appraisal.
- **The insurer's valuation report** shows which standard the insurer applied and which inputs it used, such as the comparable item it selected or the depreciation it deducted. This allows an independent appraisal to engage with those inputs directly.
- **The insurer's offer** shows the figure in dispute.
- **The claim number** ties the appraisal to the claim file.

Damage photos are not on the list. For the policyholder, the practical consequence is that effort goes into locating the carrier, the date of loss and the insurer's documents rather than into photographing the damage.

Photographs and identifying details for the property itself

Whether the property is being scheduled or has been lost, the appraiser needs to know what it is. For property that still exists, the publisher's photo requirements are specific by class. AppraiseItNow's photo requirements by asset type: for vehicles, the outside and inside, plus the mileage for anything motorized; for boats, the outside with the cover off, the helm, the engine and the inside, plus the HIN and engine hours; for machinery, a few photos of each machine, the hours and whether it runs; for fine art, the front, back, signature and frame; for household items, one clear photo per item or group.

These requirements map onto the value standards. Mileage and engine hours bear on condition and therefore on any depreciation deduction under an actual cash value measure, and on market price under fair market value. A signature and the back of a canvas bear on attribution, which drives the replacement cost of a comparable work.

Where an inspection is needed, the burden shifts. On an in-person appraisal, the appraiser identifies and photographs everything at the visit; the client still provides the address and the paperwork they hold, such as titles, receipts, certificates and records.

Scope of work and the decision to inspect

A frequent policyholder question is whether the appraiser must see the property. USPAP leaves this to the appraiser's judgment within the assignment.

USPAP does not require an in-person inspection in every assignment. The appraiser decides the scope of work, including how much inspection credible results need, and the report describes that scope.

The scope-of-work principle is set out in the standards (USPAP, 2024 edition (The Appraisal Foundation)).

The value standard influences that judgment. A replacement cost estimate for a common household item may depend mostly on identifying the item and its quality level. An actual cash value estimate depends additionally on condition, which may call for closer evidence. Most AppraiseItNow appraisals are completed remotely from photographs and documents; when an inspection is needed, an appraiser visits the asset in person.

Extraordinary assumptions when the property is gone

Claims present a distinctive difficulty: the property may have been destroyed or stolen. The appraiser cannot observe its condition on the date of loss. USPAP provides a mechanism for this kind of uncertainty.

An appraiser may assume an uncertain fact is true (an extraordinary assumption) only when it's needed for credible results, there's a reasonable basis for it and the analysis stays credible, and the report must say so clearly.

This provision is part of the standards (USPAP, 2024 edition (The Appraisal Foundation)).

For a policyholder, the practical lesson is that the more records exist, the less an appraiser has to assume. Receipts, earlier photographs, prior appraisals, service records and certificates are the kinds of material that tell an appraiser about an item's characteristics before the loss. Without them, the appraiser has less to work with. Under an actual cash value measure, where condition drives the depreciation deduction, the absence of such records weighs more heavily.

The professional frame

AppraiseItNow prepares every appraisal in accordance with USPAP, the Uniform Standards of Professional Appraisal Practice. That commitment appears in the publisher's own description of its work (www.appraiseitnow.com). AppraiseItNow's appraisers specialize by asset class rather than by geography. For the value-standard problem, specialization by class matters because replacement cost research and depreciation analysis depend on knowledge of how a particular kind of property is priced and how it ages.

Evidence: Insurance assignments in AppraiseItNow's 2025-2026 records and hypothetical applications

The publisher and its scope

AppraiseItNow is a tech-enabled appraisal company headquartered in New York City that prepares USPAP-compliant appraisals of personal property, fine art, machinery and equipment, vehicles, boats, inventory and closely held businesses for clients in all 50 states, remotely and in person. AppraiseItNow does not appraise real estate. Both statements reflect the publisher's description of itself (www.appraiseitnow.com). For insurance purposes, the second statement means the analysis in this paper concerns contents, vehicles, boats, equipment, art and similar property, not the dwelling or other structures.

What the assignment records show about insurance work

Of the 1,226 appraisals AppraiseItNow opened between November 8, 2025 and November 8, 2026, 521 were for charitable donations, 175 for insurance (102 claims and 73 coverage), 144 for estates (61 probate, 46 estate tax and 37 estate settlement), 50 for divorce and 15 for Roth IRA conversions.

Within insurance, the records therefore show 102 claim assignments and 73 coverage assignments in this period. Both purposes appear in the records, and the value standard matters to each.

By asset class, the same 1,226 appraisals included 377 vehicles, 323 general personal property, 174 machinery and equipment, 54 boats, 45 business inventory, 40 fine art and 39 business valuations.

These asset-class counts cover all purposes, not insurance alone. They describe the range of property AppraiseItNow's appraisers value, and they do not show how many of any class were insurance assignments. For vehicles in a coverage appraisal, the publisher's requirement is to know whether the standard is fair market value or actual cash value, whereas for most other items it is replacement cost.

What the records show about how appraisals are performed

Of the 1,226 appraisals AppraiseItNow opened between November 8, 2025 and November 8, 2026, 1,137 were done from photographs and documents and 27 in person; the method was not recorded for the other 62.

These records describe the publisher's practice across all purposes, not insurance alone. They show that the documentary record a policyholder supplies is, in most assignments, the evidentiary foundation of the appraisal. That foundation includes photographs, identifiers, receipts and the insurer's own documents.

What the records show about missing information

Of 867 appraisals AppraiseItNow reviewed between October 27, 2025 and September 23, 2026, 31% needed something more from the client and 24.6% went through a formal request for missing details.

In 162 requests for missing details that AppraiseItNow sent between August 2025 and September 2026, the median first reply from the client came in 0.1 days; 55% were resolved within a day and 89% within a week. Identifiers such as a VIN or serial number took a median 0.6 days to arrive, receipts 0.7 days, donation documents 1.7 days and photos 2.0 to 3.7 days.

Two readings are relevant here. First, a meaningful share of assignments did not begin with everything the appraiser needed, which supports the argument for gathering policy-driven information at the outset. Second, within the requests recorded, photographs took longer to arrive than identifiers or receipts. A policyholder who expects to schedule property, or who has a claim open, gains by taking class-appropriate photographs of surviving property early. AppraiseItNow collects what the appraiser needs before the appraisal starts, and asks only for what the appraiser needs.

Hypothetical case 1: scheduling a ring at the wrong standard

Hypothetical. A policyholder inherits a ring and wants to schedule it on a homeowners policy. A relative suggests obtaining a figure for what the ring would bring if sold. The policyholder's scheduling endorsement, however, values scheduled jewelry at replacement cost.

A resale figure and a replacement cost figure for the same ring can differ substantially, because acquiring a comparable new piece at retail typically costs more than a used piece brings on resale. If the policyholder schedules the ring at a resale figure and the ring is later lost, the scheduled amount may not support replacement.

The approach in this paper changes the outcome by changing the order of operations. The policyholder identifies the standard (replacement cost) and any insurer format before the appraisal starts. The appraisal then researches the current cost of a comparable ring of like kind and quality. The effective date is the report date, consistent with the coverage purpose.

Hypothetical case 2: a destroyed sofa under an actual cash value provision in California

Hypothetical. A fire destroys a sofa in a California home. The policy pays actual cash value for this category of contents. The insurer's valuation report states a replacement cost for a comparable sofa of $3,000 and deducts $1,800 for depreciation, offering $1,200. The policyholder believes the deduction is too large, because the sofa was four years old, had been reupholstered, and was in good condition.

Under California's definition, actual cash value is the cost to repair or replace less a fair deduction for depreciation, up to the policy limit. The inputs to that definition are the cost to repair or replace and the depreciation deduction, with the policy limit as the ceiling. In this hypothetical, the policyholder's disagreement concerns those two inputs:

Input	Insurer's figure (hypothetical)	Question for the independent appraisal
Cost to replace with a comparable sofa	$3,000	Is the selected comparable truly of like kind and quality?
Deduction for depreciation	$1,800	Is this deduction supported by the sofa's age, condition and reupholstery?
Result	$1,200	Recomputed from the inputs, up to the policy limit

Suppose, hypothetically, that the parties ultimately accept $3,000 as the replacement cost and agree that the deduction is $1,200. Subtracting gives $1,800, subject to the policy limit. The appraisal's contribution is not to substitute a different standard. It supports a different input within the standard the policy and statute already prescribe.

For this claim appraisal, the policyholder supplies the carrier and the date of loss, along with the insurer's valuation report, offer and claim number. The effective date is the date of loss. Because the sofa is gone, the appraiser cannot observe its pre-loss condition. Any assumption about that condition would be an extraordinary assumption. It could be made only if it were needed for credible results and had a reasonable basis, and the report would have to say so clearly. The policyholder's reupholstery invoice and any earlier photographs are records the appraiser would review in considering the sofa's condition.

Hypothetical case 3: a vehicle scheduled under a policy whose valuation wording is unclear

Hypothetical. A collector wants to document the value of a restored vehicle for coverage. The policyholder initially asks for a replacement cost figure, reasoning that the vehicle is irreplaceable and that a high figure provides the most protection. The policy's valuation wording for this vehicle is unclear: it does not say plainly whether the insurer uses fair market value or actual cash value.

The coverage requirement anticipates this situation: for vehicles, the value standard is fair market value or actual cash value rather than replacement cost. The policyholder therefore asks the insurer or agent which of the two applies and whether a particular format is required, and obtains the answer before the appraisal starts. Once the standard is confirmed, the appraisal follows it. If the standard is fair market value, the analysis turns to evidence of what comparable restored vehicles bring between informed parties. If it is actual cash value, the analysis starts

from the cost to replace and adds evidence of age and condition to support any depreciation deduction. The photographs required for vehicles (outside, inside and mileage) bear directly on either analysis. The effective date is the report date, because the purpose is coverage.

Hypothetical case 4: two documents that do not disagree

Hypothetical. After a theft of a set of power tools from a workshop, the insurer offers a figure labeled actual cash value. The policyholder obtains a figure from a retail price list for new tools and submits it as evidence that the offer is too low. The adjuster responds that the documents measure different things.

The adjuster's response illustrates the central problem of this paper. The retail figure is, at most, evidence of one input to an actual cash value calculation (the cost to replace). It does not address depreciation. A useful independent appraisal in this situation adopts the same standard as the insurer. It examines the insurer's selected replacement items and its depreciation deduction, relying on the policyholder's receipts and the tools' identifiers to establish age and model.

Implications: What policyholders, adjusters and advisers should do with the value standard

For policyholders scheduling coverage

The first implication is procedural. Read the policy's valuation language before requesting an appraisal, not after receiving one. The value standard and any insurer-required format belong at the top of the request. A policyholder who cannot locate the language, or finds it unclear, can ask the agent or insurer directly which standard applies to each category of scheduled property.

The second implication concerns timing. A coverage appraisal values property as of the report date. Prices change, and items appreciate or lose value. A policyholder who schedules property should treat the scheduled amount as a figure tied to a date and consider whether that date remains a sound basis for coverage.

The third implication concerns records. The documents that make a later claim appraisal credible are easiest to collect while the property still exists. These include receipts, certificates, serial numbers, class-appropriate photographs and service histories. Because an actual cash value measure depends on condition, records of condition matter even when the policy schedules at replacement cost, since a claim may later turn on them.

For policyholders supporting or disputing a claim

The most consequential step is to match the standard. An independent appraisal that adopts the insurer's standard can engage the insurer's inputs. One that adopts a different standard generally cannot. The policyholder supplies the carrier and the date of loss as essentials, and provides the

insurer's valuation report, offer and claim number where available. These documents show the appraiser exactly which inputs are in dispute.

Under the California definition, the inputs are the cost to repair or replace and the depreciation deduction, with the policy limit as a ceiling. A policyholder outside California applies the same discipline to the definition that governs that policy, as confirmed with the adjuster or counsel.

For adjusters and claim professionals

For adjusters, the implication is that an independent appraisal is most useful when its value standard and effective date are visible on its face. A report that states the date the value applies to, and the report date, can be placed directly beside the insurer's valuation. Differences can then be traced to specific inputs rather than argued in general terms.

For attorneys and other advisers

For advisers assisting a policyholder, the value-standard question is a threshold issue. Before an appraisal is commissioned, the adviser can identify the governing law, extract the policy's definition of the measure of loss, and give that definition to the appraiser along with the date of loss. Where an item no longer exists, the adviser can help assemble the records that describe the item's characteristics, so the appraiser has less to assume.

Review questions for readers

1. A policy schedules a painting at replacement cost. Which date does the coverage appraisal use as its effective date?
2. Under California's definition, what inputs make up actual cash value, and what limits the result?
3. Why might an insurer's actual cash value figure and a policyholder's retail price list fail to address the same question?
4. For a coverage appraisal of a vehicle, which value standards does the publisher's requirement identify?
5. Which items does the publisher require for a claim appraisal, and which additional items help?

Answers, drawn from this paper: (1) the report date; (2) the cost to repair or replace, and a fair deduction for depreciation, with the result up to the policy limit; (3) the retail figure omits the depreciation deduction that actual cash value includes; (4) fair market value or actual cash value; (5) the carrier and the date of loss are required, and the insurer's valuation report, offer and claim number help.

Conclusion: The policy and state law choose the standard, and the appraisal applies it

The central claim of this paper is simple, and its consequences are practical. An insurance appraisal does not discover which value standard applies. It receives that standard from the policy and from the law that governs the policy, and then applies it faithfully. Replacement cost, actual cash value and fair market value are each legitimate measures. A report built on the wrong one can be accurate and still be of little use.

California's statute shows how specific the legal definition can be: actual cash value is the cost to repair or replace less a fair deduction for depreciation, up to the policy limit. USPAP supplies the professional frame. The appraiser sets the scope of work, any extraordinary assumption must have a reasonable basis and be disclosed, and the report states both the effective date and the report date. The publisher's operating requirements give that frame a concrete form. Coverage requests begin with the value standard and the insurer's format. Claim requests begin with the carrier and the date of loss and benefit from the insurer's own valuation documents.

The records discussed here, covering 175 insurance assignments among 1,226 opened in the twelve months to November 2026, show that insurance work involves both scheduling and claims. They also show that missing information is common enough to matter. The policyholder who reads the policy first, gathers the documents the standard requires, and supplies them at the start gives the appraisal the best chance of answering the question the insurer is actually asking. AppraiseItNow's website is www.appraiseitnow.com.

References cited in this white paper on insurance value standards

- USPAP, 2024 edition (The Appraisal Foundation)
- Cal. Ins. Code § 2051(b)
- www.appraiseitnow.com