

Home Market Value vs. Replacement Cost

A home is one of the largest investments you will make during your lifetime. It is important to protect this investment with up-to-date and adequate coverage. There are several changes that could affect your home's insurance coverage:

- Refinishing or remodeling
- Changes in the economy
- Inflation

To make sure your home is adequately covered at a time of a loss, it is important to know the difference between **market value and replacement cost coverages**.

Market Value vs. Replacement Cost

Market Value (or selling price) is determined by:

- Age and size of house
- Physical condition
- Location
- Cost of the land
- Market value may only represent one-half or one-third of the cost to rebuild

Replacement Cost is determined by:

- Local construction costs for materials and labor
- Square footage of the home
- Year built
- Exterior Features (i.e. walls, roof, exterior trim)
- Style of house (i.e. ranch, two-story)
- Number of bathrooms
- Special features (i.e. fireplace, arched windows, any custom building)
- Recent home improvements
- Central air conditioning
- Attached garage
- Additional costs (i.e. debris removal, contractor and architect fees)

Replacement cost for a single home does not recognize the discounts on mass purchases that a multiple-home construction project does.

Contact your ERIE Agent for more information or questions regarding market value replacement cost.



This information is provided as a public service by Erie Insurance Group and your local ERIE Agent. The information is intended to help minimize risks, but cannot be relied upon to eliminate all hazardous exposures.

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