

## INSURANCE



*What would you likely do if your emergency vehicle was damaged beyond repair?*

## Assigning an Agreed Value to Your Vehicles

Deciding on an appropriate agreed value for each of your emergency vehicles is not an easy task, but it is an important one. Below are some tips you may find useful. But first, let's briefly review the coverage provided by VFIS' agreed value endorsement (AU1002).

In the event of a loss to a covered vehicle, we'll pay the least of the following:

1. the cost to repair the damaged property;
2. the cost to replace a part or parts of the damaged property with a part or parts of like kind and quality, without deduction for depreciation;
3. the cost to replace the entire covered auto and its permanently attached equipment with a comparable new auto and permanently attached equipment manufactured to current standards; or
4. the agreed value stated in your policy declarations as applicable to the damaged or stolen property.

As you can see, you will never receive more than the agreed value you have chosen.

Your first step is to estimate, for each vehicle, both its actual cash value (market value) and what it would cost today to replace it with a new vehicle designed, as closely as possible, with the same specifications. (Keep in mind that you should include permanently attached equipment in these values.) The agreed value you eventually select should be somewhere within this range. Why?

If the agreed value is less than the actual cash value of the vehicle, our agreed value coverage could actually penalize you in the event of a loss. You may be better off with the actual cash value coverage that's common in the insurance industry. On the other hand, if the agreed value you select is more than the replacement value of the vehicle, you would be paying premium for an amount of coverage you would never be able to collect. As stated above, the policy will never pay more than the replacement cost or the agreed value, whichever is less.

So you've set the lower and upper boundaries. Within that range, what agreed value is right for your organization? The answer depends on what you would likely do if the vehicle was damaged beyond repair.

- *Would you replace it with a used vehicle of similar age in similar condition?*

If so, you should choose an agreed value close to the low end of the range.

- *Would you replace it with a used vehicle, but one that's newer or in better condition?*

If so, you should choose an agreed value at the estimated current cost of the vehicle you have in mind.

- *Would you replace it with a brand new vehicle?*

If so, you should set the agreed value at the high end of the range.

- *Would you not replace it at all?*

If that's the case, consider deleting physical damage coverage from the vehicle.

The discussion above involves payment of the agreed value limit when a vehicle is damaged beyond repair. Be aware of another consideration in choosing an agreed value limit—in the majority of accidents, the vehicle is repairable. When a high agreed value is chosen, damages from even a severe accident may not involve an agreed value limit payment. The policy provides that a vehicle is repairable if it can be repaired for up to 75% of the agreed value. High agreed value limits allow for extensive repairs, even on older vehicles with low market values.

Remember that your plans may change over time, as will the values of emergency vehicles. VFIS recommends that you and your agent go through the above thought process periodically so your agreed values will meet your needs in the event of a loss. 🌟