

ALABAMA DEPARTMENT OF INSURANCE
ADMINISTRATIVE CODECHAPTER 482-1-125
STANDARDS FOR PROPERTY/CASUALTY INSURANCE CLAIMS**482-1-125-.09 Standards For Prompt, Fair And Equitable
Settlements Applicable To Fire And Extended
Coverage Type Policies With Replacement Costs.**

(1) When the policy provides for the adjustment and settlement of first party losses based on replacement cost, and a loss requires repair or replacement of an item or part, any consequential physical damage necessarily or reasonably incurred in making such repair or replacement not otherwise excluded by the policy shall be included in the loss. The insured shall not have to pay for betterment nor any other cost except for the applicable deductible, except as provided by the policy.

(2) When the insurance policy provides for the adjustment and settlement of losses on an actual cash value basis on residential fire and extended coverage, the insurer shall determine actual cash value as replacement cost of property at time of loss less depreciation. Upon the insured's request, the insurer shall provide a copy of the claim file worksheets detailing any and all deductions for depreciation.

(3) In cases in which the insured's interest is limited because the property has nominal or no economic value, or a value disproportionate to replacement cost less depreciation, the determination of actual cash value as set forth in Paragraph (2) is not required. In such cases, the insurer shall provide, upon the insured's request, a written explanation of the basis for limiting the amount of recovery along with the amount payable under the policy.

Author: Commissioner of Insurance

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-1-17, 27-1-19, 27-12-21, 27-12-24, 27-14-8, 27-14-11, 27-14-9.

History: New Rule: May 27, 2003; effective June 9, 2003. Filed with LRS May 30, 2003. Rule is not subject to the Alabama Administrative Procedure Act. **Amended:** Filed August 6, 2014; effective August 16, 2014. Filed with LRS August 6, 2014. Rule is not subject to the Alabama Administrative Procedure Act.