

## AUTOMOBILE AGREED VALUE COVERAGE



### What is Agreed Value Coverage?

Agreed Value Coverage is a type of protection included in VFIS' Commercial Automobile policy that establishes a pre-determined value for the vehicle at policy inception.

In the event of a covered loss to your vehicle, VFIS will pay one of the lesser following loss settlements:

1. The cost of repairing the vehicle; or
2. The cost to repair the vehicle with parts of like kind and quality without a deduction for depreciation; or
3. The cost to replace the vehicle with a comparable new one that is manufactured to current specifications or standards

set by nationally recognized organizations such as NFPA or the US Department of Transportation; or

4. The limit stated on the Declarations Page.

### Why is this coverage important to emergency service organizations?

Unlike standard coverage based on actual cash value (ACV), agreed value reduces uncertainty about depreciation at the time of loss and allows you to select how much you would like to insure each of your vehicles. Therefore, when an accident occurs, you already know the exact insured value of that vehicle, which helps eliminate the guess work.

### REMEMBER:

**You will never receive more than the agreed value that you have chosen. That's why it's very important to not pick a coverage limit that is too low or too high.**

### What may be considered too low?

If the agreed value is less than the actual cash value of the vehicle, the agreed value coverage could actually penalize you in the event of a loss.

### What may be considered too high?

The policy will not pay more than the replacement cost or

the agreed value, whichever is less. Therefore, if you chose an agreed value that is more than the replacement cost of the vehicle, you would be paying premium for an amount of coverage you would never be able to collect.

A very important coverage characteristic is the 60% agreed value trigger. This means if there is a loss to a vehicle, our policy states that the vehicle is repairable if it could be repaired up to 60% of the agreed value.

For example, if an apparatus is insured with a \$1,000,000 Agreed Value limit, up to \$600,000 in repair costs can be completed before it is considered a total loss.

Choosing an agreed value that is overly inflated reduces the likelihood of an agreed value settlement and will leave you with a repaired apparatus that had been significantly damaged previously.

## How should I assign an agreed value to a vehicle?

It is important to know that most ESO vehicles are repairable in the majority of auto related incidents, however, you should evaluate your fleet and determine what you would do in the event of a loss to an ESO vehicle that was damaged beyond repair. The following are steps to help you assign an agreed value:

- **Pick a team that will be responsible for evaluating and establish agreed values for your vehicles.** Common examples of those who may have this responsibility can be apparatus purchasing committee, board members, leadership team or a combination of those members.
- **Evaluate your fleet and determine what your goals are in the event of a loss to a vehicle.** For example, in the event of a total loss, would you look to have a vehicle that would replace the current vehicle with a similar one in age and functionality or would you look to have it replaced with a newer one that has additional functions.
- **Assess the value of each vehicle, on an annual basis, by using the latest research and resources available to help you determine.** A common resource is evaluating the price of used and new vehicles from authorized dealers. You should then determine:
  - A low-end value for each vehicle. This would be the actual cash value/ market value and is the amount you would receive for your vehicle if you were to sell it as is, including any permanently attached equipment.
  - A high-end value for each vehicle. This would be the cost if you were to purchase a brand new vehicle with similar specifications.
- **Calculate agreed value.** Based on your findings from your fleet evaluation and vehicle assessments, you can start to determine how much you would like to insure each vehicle. It is also important to note that anything that can fall off of the vehicle is covered under Portable Equipment Coverage. Any part of the vehicle that is installed by the manufacturer is part of the vehicle and should be considered in your evaluation of the agreed value of the vehicle.

rev. 04/2026