

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 52

(Chair, Finance Committee)(By Request - Departmental -
Maryland Insurance Administration)

Finance

Property Insurance - Settlement of Claims and Notices

This departmental bill prohibits an insurer, when adjusting and settling certain first party claims based on the actual cash value of the property, from treating the expense of labor needed to repair, rebuild, or replace the property as having depreciated. Failure to comply with the prohibition is considered an unfair claim settlement practice and a violation of the Insurance Article, as specified. Additionally, the bill requires insurers to notify an insured at least 45 days prior to each renewal of a homeowner's or renters insurance policy if any coverage provided under the expiring policy changes under the renewed policy. The bill applies to all policies and contracts issued, delivered, or renewed in the State on or after October 1, 2026.

Fiscal Summary

State Effect: Minimal increase in special fund revenues for The Maryland Insurance Administration in FY 2027 only from rate and form filing fees. General fund revenues from the premium tax may be affected, as discussed below; however, any such impact, if realized, is likely minimal. Enforcement of the bill's requirements can be handled using existing budgeted resources. The bill's imposition of new and existing penalty provisions is not anticipated to have a material impact on State operations or finances.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

First-party Claim Settlements

The following requirements apply to a claim made under a residential or commercial property insurance policy that provides for the adjustment and settlement of a first-party claim requiring the repairing, rebuilding, or replacing of damaged or destroyed property based on the actual cash value of the property and is issued or renewed on or after October 1, 2026.

The measure of the actual cash value recovery in settle of such a claim must be the *lesser of* (1) the amount it would cost the insured to repair, rebuild, or replace the damaged or destroyed property, less a reasonable deduction for physical depreciation of the property, or (2) the policy limit. The expense of labor necessary to repair, rebuild, or replace the damaged or destroyed property, except those labor costs intrinsic to the cost of manufactured materials or goods, *is not* a component of physical depreciation and *may not* be treated by the insurer as having depreciated in value. Labor expenses that an insurer *may not* consider a component of physical depreciation include, among other things, the labor rate, any sales tax on the labor, and any other fee or tax that must be paid to obtain the labor services.

Failure to comply with these requirements is considered an unfair claim settlement practice and a violation of the Insurance Article, as specified.

Notice Requirements for Homeowners and Renters Insurers

An insurer that issues or delivers a homeowner's insurance policy or renters insurance policy in the State must provide the insured, at least 45 days before a policy renewal, a written notice using clear and specific language that identifies:

- any differences between coverage limits under the renewal policy and the expiring policy;
- any risk that was covered under the expiring policy that is not covered under the renewal policy;
- the extent to which any coverage of risk is reduced or limited under the renewal policy compared to the expiring policy; and
- any difference between deductibles specified under the expiring policy and deductibles specified under the renewal policy

The notice must be separate from the annual summary statement required by current law. However, the notice may be delivered electronically if the notice complies with the provisions governing the required notice of cancellation or nonrenewal of a policy set out in current law. An insurer does not have to provide a notice to the insured if all coverages and deductibles of an applicable policy are identical.

Current Law:

Insurance Regulation and Unfair Claim Settlement Practices

Insurance in the State is regulated by MIA, an independent agency headed by the Insurance Commissioner, whom the Governor appoints with the advice and consent of the Senate. The administration licenses, examines, and audits insurance companies operating in the State; reviews rates and policies; collects premium and retaliatory taxes; licenses producers; investigates fraud as well as consumer complaints regarding insurance and health plan coverage; and educates the public on insurance matters.

The Insurance Article expressly prohibits certain insurer practices and activities as unfair claim settlement practices. For example, insurers, nonprofit health service plans, and health maintenance organizations are prohibited from, among other things, (1) misrepresenting pertinent facts or policy provisions that relate to the claim or coverage at issues; (2) refusing to pay a claim for an arbitrary or capricious reason based on all available information; and (3) failing to act in good faith in settling a first-party claim under a policy of property and casualty insurance.

Among other enforcement actions, the Commissioner may impose a penalty of up to \$2,500 for each violation of these prohibitions; however, the Commissioner may impose a penalty of up to \$125,000 for failure to act in good faith in settling a first-party claim, as specified.

Notices and Statements

State law requires homeowner's insurers to provide various notices and statements to insureds. For example, a homeowner's insurer must provide the policy holder with an annual statement that summarizes the coverages and exclusions under the policy issued by the insurer. The statement must, among other things, state whether the coverages under the policy provide for replacement cost, actual cash value, or other method of loss payment for covered structures and contents. Additionally, homeowner's insurers must provide, at each renewal, a notice regarding areas of concern including, among others, floods, storm loss protective device discounts, deductibles, and claims history.

Background: According to MIA, for residential or commercial property insurance policies that have actual cash value terms for claim settlements, the settlement amount is

the amount required to repair or replace damaged or destroyed property, minus depreciation. MIA advises that they have become aware of insurers in the State applying depreciation to the expense of labor needed to repair or replace damaged or destroyed property, which significantly shifts the financial burden of necessary repairs to damaged or destroyed property onto the policy holder. It is the position of MIA that, unlike physical goods, the cost of labor does not wear out or lose value over time. Accordingly, the bill ensures this practice can be considered a prohibited unfair claim settlement practice.

Additionally, MIA advises that they have noticed an increase in complaints from policy holders in the State alleging insurers have made significant changes to homeowners and renters insurance policies without clearly notifying the affected policyholders of those changes. MIA advises that the bill's changes allow policyholders sufficient time to consider how to address potential gaps in coverage from modified terms under a renewal policy.

State Revenues: Title 6 of the Insurance Article imposes a 2% premium tax on each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues accrue to the general fund.

Currently available information does not indicate what effect the bill may have on premiums for residential or commercial property insurance policies; insurers may choose to adjust their premiums to account for the provisions of the bill that impact settlements of certain claims. The direction and extent of any impact on general fund revenues from the premium tax cannot be reliably estimated at this time; however, any such impact, if realized, is likely minimal.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 283 (Chair, Judiciary Committee)(By Request - Departmental - Maryland Insurance Administration) - Judiciary.

Information Source(s): Maryland Insurance Administration; Department of Legislative Services

Fiscal Note History: First Reader - January 23, 2026
jg/rld

Analysis by: Kayvon Samadani

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Property Insurance - Settlement of Claims and Notices

BILL NUMBER: SB 52

PREPARED BY: Jamie N. Sexton
Associate Commissioner of External Affairs and Policy Initiatives

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The Maryland Insurance Administration does not expect that the proposed bill would have any meaningful economic impact on small businesses.