MARYLAND
LEGISLATIVE ACTION COMMITTEE
Community Associations Institute

January 26, 2026
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Senator Pamela G. Beidle, Chair
Senator Antonio L. Hayes, Vice Chair
Senate Finance Committee
Miller Senate Office Building, 3 East Wing
11 Bladen Street
Annapolis, Maryland 21044

Re:	Senate Bill 52
	Property Insurance -- Settlement of Claims and Notices
Hearing Date:	January 28, 2026
Position:	Support

This letter is submitted on behalf of the Maryland Legislative Action Committee (MD-LAC) of the Community Associations Institute (CAI). CAI represents individuals and professionals who reside in or work with community associations (condominiums, homeowners' associations, and cooperatives) throughout the State of Maryland.

Maryland LAC supports SB52 (cross-filed with HB283), which seeks to establish the method for calculating the measure of the actual cash value (ACV) recovery in the settlement of a first-party property loss under a residential or commercial property insurance policy. Where casualty losses under a property policy written on an ACV basis are calculated based on the replacement value of the property less depreciation (the accounting method for allocating costs reflecting a decline in value due to wear, tear, age, and obsolescence), whether ACV also applies to labor has long been disputed by the courts with some ruling that the total cost is depreciable because labor is embedded in the value of the repaired property. Maryland LAC believes, however, that while building materials (roofing shingles, for example, or internal unit components such as carpeting and appliances) arguably lose value as the component ages, the labor required to effect repairs and replacement does not. HB283 would clarify within a property policy that the expenses of labor necessary to repair, rebuild, or replace a damaged or destroyed property are not a component of physical depreciation and should not be treated by an insurer as having depreciated in value.

Actual Cash Value coverage is often written for insureds that either cannot secure coverage written on a Replacement Cost basis due to the insured's location or loss history or because of some condition of the building or a specific component. Very often insurers, for example, insure roofs aged 12-15 years or older on an ACV basis because the insured has already enjoyed significant useful life from the roof and replacing an older roof following a casualty loss with a new roof would result in the insured being better than they were before the loss. ACV coverage is written, then, when an insurer is unwilling to insure an older component at its current replacement value that an insured would need to otherwise replace in the near future. Insurers and third-party loss adjusters typically use software (Xactimate, for example) that aids in the estimation of a loss using current or depreciated costs, and the adjusting of physical components can be separated out from the costs of physical labor. Such separation will allow for the fair adjustment of a loss on a depreciated basis as determined is necessary by the carrier while also allowing adequate premium for the current costs of repair and replacement.

MD-LAC requests a favorable recommendation by this Committee, and we thank you for your time and attention to this important legislation.

We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at lisa.jones@mdlobbyist.com, or Robin Manougian, of the MD-LAC at (240) 401-0855, or by e-mail at rcmanougian@gmail.com, or Tricia Walsh, of the MD-LAC at (443) 614-0114, or by e-mail at trish.walsh@nfp.com, or Igor Conev, of the MD-LAC at (443) 614-2787, or by e-mail at igor@ocmannproperties.com.

Sincerely,

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