

January 26, 2026

The Honorable Pam Beidle, Chair
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

Re: Senate Bill 52 - Insurance - Property Insurance - Settlement of Claims and Notices

Chair Beidle and Members of the Committee:

On behalf of the National Association of Mutual Insurance Companies (NAMIC), thank you for the opportunity to provide comments on Senate Bill 52 – Property Insurance – Settlement of Claims and Notices. While we understand and appreciate the intent of this legislation, we must respectfully oppose SB 52 in its current form. We remain committed to working with the Maryland Insurance Administration on this issue and understand that amendment language has already been offered for consideration.

The National Association of Mutual Insurance Companies (NAMIC) is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies—including local and regional insurers as well as some of the nation’s largest carriers—NAMIC members collectively write \$467 billion in annual premiums, representing 61% of the homeowners and 53% of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.

Senate Bill 52 amends existing law to specify that when calculating Actual Cash Value (ACV), labor costs associated with repairing, rebuilding, or replacing damaged property may not be treated as part of physical depreciation and therefore cannot be depreciated.

ACV reflects the economic value of an asset at the time of loss. Because an asset’s total value comes from both the materials and the labor used to create or install it, depreciation applies to the entire finished product—not just the physical components. Labor, like materials, is an integral part of the completed structure and naturally depreciates over time. This treatment is consistent with longstanding economic and accounting principles: federal tax law, real estate appraisal practices, and construction accounting all recognize labor as a depreciable part of an asset’s value.

SB 52 would represent a significant shift from policy forms that the Maryland Insurance Administration has historically approved, many of which explicitly allow labor depreciation in ACV calculations. Insurers have designed products and pricing structures around these approved forms. A sudden reversal would create substantial operational and compliance challenges, including the need for policy revisions and system updates, both of which require significant time and resources.

Courts in numerous states, including Oklahoma, Minnesota, and South Carolina, have affirmed that labor may be depreciated when the policy language clearly permits it. Because many states and the broader insurance marketplace recognize labor depreciation as both legal and appropriate, consumers and insurers should not be barred from selecting policies that treat depreciation consistent with their mutual expectations.

It is also important to emphasize that ACV coverage does not provide payment for the full cost to repair or replace damaged property. Consumers seeking full replacement cost without depreciation may choose a Replacement Cost Value (RCV) policy or broader coverage. ACV-only policies are typically less expensive precisely because they offer a lower level of coverage; removing the ability to depreciate labor would alter that balance.

Restricting labor depreciation could also have broader marketplace consequences. For insurers offering ACV-only policies, often selected for their affordability, being required to pay higher claim amounts could lead to increased loss costs and, ultimately, upward pressure on premiums. Over time, this could affect both affordability and availability, potentially discouraging additional insurance capital from entering the market and narrowing consumer options.

We know that several amendments have been offered up and we respectfully urge the committee to consider these and weigh the economic, legal, and practical implications of prohibiting labor depreciation in ACV settlements. Current practices align with judicial precedent, sound economic principles, and long-established industry standards that preserve valuable flexibility for both insurers and policyholders.

Thank you for your time and consideration. NAMIC welcomes continued discussion and is happy to provide any additional information the committee may find helpful.

Sincerely,

Gina Rotunno

Gina Rotunno
Regional Vice President
Mid-Atlantic Region

