

WES MOORE
Governor

ARUNA MILLER
Lt. Governor



MARIE GRANT
Commissioner

JOY Y. HATCHETTE
Deputy Commissioner and
Acting Associate Commissioner,
Property & Casualty Insurance

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2113
1-800-492-6116 TTY: 1-800-735-2258
www.insurance.maryland.gov

Date: January 28, 2026

Bill # / Title: Senate Bill 52 - Property Insurance - Settlement of Claims and Notices

Committee: Senate Finance Committee

Position: Support

The Maryland Insurance Administration (MIA) appreciates the opportunity to share its support for House Bill 283, which is a Departmental bill that seeks to codify two important consumer protections in the Insurance Article.

House Bill 283 would add new language to Title 19 , Subtitle 1 (Property and Casualty Insurance - General Provisions) and Title 27, Subtitle 3 (Unfair Trade Practices and Other Prohibited Practices - Unfair Claim Settlement Practices) to prohibit an insurer, when adjusting and settling a first party claim under a residential or commercial property insurance policy based on the actual cash value of property, from depreciating the expense of labor necessary to repair, rebuild, or replace the property.

The terms “actual cash value” (ACV) and "replacement cost value” (RCV) refer to how the amount paid to settle a residential or commercial property insurance claim is determined. If a policy contains RCV settlement terms, the settlement amount is the full amount needed to repair or replace the damaged or destroyed property, subject to the policy’s coverage limits. If the policy contains ACV settlement terms, the settlement amount is reduced by a depreciation adjustment to reflect the decline in the value of the covered property over time due to wear and tear, deterioration, or obsolescence. For example, if a 20 year old roof is destroyed by a covered peril and must be replaced, a policy with RCV coverage will pay the full cost to replace the roof, assuming the work is done. A policy with ACV coverage will pay to replace the roof at its depreciated value, which will most likely be far less.

The MIA is aware of the fact that some property insurers depreciate the expense of labor needed to repair or replace damaged or destroyed property when settling a claim on an ACV basis. Unlike physical goods and materials, labor does not wear out or lose value over time. Thus, labor expenses are not the proper subject of depreciation, and the practice of treating such costs as having depreciated when settling claims on an ACV basis unfairly shifts significant responsibility for necessary labor costs to policyholders. The MIA proposed the issuance of a bulletin to prohibit

this unfair claim settlement practice in April of 2025, and received letters from several insurers and insurer trade organizations challenging the MIA's statutory authority to do so. The MIA urges the passage of this bill to explicitly authorize the MIA to take enforcement action against insurers that engage in this unfair claim settlement practice.

The MIA expects that some insurers may oppose the proposed prohibition against the depreciation of labor costs in ACV claims settlement on the grounds that paying for labor at replacement cost rates upon the initial claim settlement payment could result in over-indemnification of insureds for repairs that may never be completed. The MIA would counter that many consumers need the full claim settlement amount upfront in order to hire contractors to perform necessary repairs to property damaged by a covered loss.

Additionally, House Bill 283 would add language to Title 19, Subtitle 2 (Property and Casualty Insurance - Homeowner's Insurance Policies) to require that an insurer provide an insured, at least 45 days in advance of each renewal of a homeowner's or renter's insurance policy, written notice of any difference between coverage terms or deductible requirements under the expiring policy and renewal policy.

Recent complaints from policyholders have alerted the MIA that it is becoming increasingly common for insurers to eliminate or reduce coverages and increase deductible requirements under homeowner's and renter's policies at renewal, without clearly notifying affected policyholders of these changes. Understandably, the average policyholder assumes that coverages and deductible requirements under their renewal policy and expiring policy are the same, unless they are specifically notified otherwise. This proposal would require that such notification be provided to a policyholder in advance of renewal, ensuring that they have adequate opportunity to consider how to address potential coverage gaps resulting from modified terms under the renewal policy.

For the reasons set forth above, the MIA urges a favorable committee report on House Bill 283 and thanks the Committee for the opportunity to share its support.