

SB52.WrittenTestimony.26Jan2026.pdf

Uploaded by: Cynthia Kent

Position: FAV

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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SB 0052 - Written Testimony.pdf

Uploaded by: Dorianne Meloy

Position: FAV

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OFFICE OF THE ATTORNEY GENERAL
PEOPLE'S INSURANCE COUNSEL DIVISION

ANTHONY G. BROWN
Attorney General

January 26, 2026

TO: The Honorable Pamela Beidle
Chair, Finance Committee

FROM: Dorianne A. Meloy, Assistant Attorney General
People's Insurance Counsel

Re: SB 0052 – Property Insurance – Settlement of Claims and Notices (FAV)

The People's Insurance Counsel Division of the Office of the Attorney General (OAG) supports Senate Bill 0052 – Property Insurance – Settlement of Claims and Notices. Senate Bill 0052 proposes to establish the method for calculating the actual cash value of a property insurance claim and will require an insurer to notify the policy holder of changes in coverage between the expiring policy and the renewal policy.

As Maryland's elected Chief Legal Officer, the Attorney General supervises and directs the legal business of the State. The OAG advises and represents State institutions, agencies, boards, commissions, and officials, while representing Maryland's interests in state and federal litigation. The OAG uses its authority to enforce the rule of law, protect Marylanders, and promote the public good.

The Division reviews all medical professional liability and homeowners' insurance matters before the Maryland Insurance Commissioner on behalf of Maryland consumers. As part of its legislative mandate, the Division may recommend to the General Assembly legislation on any matter that the Division considers would promote the interests of insurance consumers.

This legislation benefits Maryland consumers by defining the factors used to determine the actual cash value of a claim such as when depreciating labor cost is prohibited. The bill also

provides better transparency to consumers by identifying differences in insurance coverage between the expiring policy and the renewal policy and requiring written notification.

We appreciate the General Assembly's work on this important policy and welcome the opportunity to share our perspective. For the foregoing reasons, the Office of the Attorney General respectfully urges the Committee to give Senate Bill 0052 a favorable report.

SB 52 - MIA - Support.pdf

Uploaded by: Marie Grant

Position: FAV

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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.

SB 52- Property Insurance - Settlement of Claims

Uploaded by: Christa McGee

Position: FWA



Senate Bill 52 – Property Insurance – Settlement of Claims and Notices

Position: Support with Amendment

Maryland REALTORS® supports Senate Bill 52, which sets a clear standard for calculating actual cash value for property insurance claims. The bill also requires insurers to provide advance notice before renewal of material changes such as reduced coverage, removed risks, changed limits, or higher deductibles.

Homeowners and renters benefit from clear, consistent claim settlement standards and meaningful notice when a policy is changing. After a loss, fair and predictable actual cash value payments help property owners begin repairs sooner and avoid prolonged disputes.

Likewise, the 45-day advance renewal notice requirement would give consumers time to understand coverage changes, shop for coverage, and correct gaps. Ultimately, when consumers receive these changes earlier and in a clear format, they are better positioned to avoid surprises that can disrupt homeownership and real estate transactions.

Additionally, since mortgage lenders often require borrowers to maintain specific coverage terms to protect the collateral, borrowers may not learn that a renewal change has made the policy noncompliant until after the renewal takes effect. To close that gap, Maryland REALTORS® recommends an amendment requiring the same renewal change notice to be provided to any mortgagee or lienholder listed on the policy at the same time it is provided to the insured, and requiring the notice to clearly identify any change that could affect standard mortgage compliance, such as coverage limit changes, peril removals, or deductible increases.

With that amendment, Maryland REALTORS® supports Senate Bill 52 and respectfully requests a favorable report.

**For more information contact lisa.may@mdrealtor.org
or christa.mcgee@mdrealtor.org**

SB 52 PropIns Settlement SWA 012826_APCIA FINAL .

Uploaded by: Nancy Egan

Position: FWA



Testimony of
American Property Casualty Insurance Association (APCIA)
Senate Finance Committee
Senate Bill 52 - Property Insurance - Settlement of Claims and Notices
January 28, 2026

Support with Amendments

The American Property Casualty Insurance Association (APCIA) is the primary national trade organization representing nearly 71.4 percent of the Maryland property casualty insurance market. Senate Bill 52 prohibits the current practice of insurers when settling actual cash value claims from depreciating the value of labor. The bill also requires insurers to notify an insured at renewal of changes in policy coverages. Insurers are already required to provide such notices under COMAR 31.08.05.01 et seq. APCIA appreciates the opportunity to provide written testimony regarding Senate Bill 52 and suggested amendments.

Consumers deliberately choose ACV policies because they are more affordable than RCV policies, allowing households to tailor coverage to their individual financial needs and risk tolerance rather than paying higher premiums for broader coverage they may not want or need. ACV policies exist precisely because consumers demanded lower-cost options, and eliminating or functionally converting them into RCV coverage by mandate removes that choice. In an era of heightened affordability pressure, forcing all consumers into de facto RCV policies would inevitably raise homeowners insurance premiums across the board, reducing flexibility, increasing household costs, and disproportionately burdening price-sensitive consumers who deliberately selected ACV coverage to manage insurance expenses.

The Economic Value of Property Is a Byproduct of Both the Materials and Embedded Labor That Go into Making the Finished Product.

The bill fails to recognize that the value of property is a byproduct of both the labor and materials that go into making a finished product – whether that be an item of personal property or the roof on an insured’s home. The material and labor components that make up a property’s economic value are necessarily intertwined. They cannot be separated when calculating depreciation without artificially overstating the value of damaged property.

While Maryland courts have not directly addressed the issue raised by the proposed bill, numerous courts in other jurisdictions, including the state supreme courts of both North and South Carolina, have held that depreciating labor costs is appropriate. As the North Carolina Supreme Court explained, “[t]he policy language provides no justification for differentiating between labor and materials when calculating depreciation, and to do so makes little sense.” *Accardi v. Hartford Underwriters Ins. Co.*, 838 S.E.2d 454, 457 (N.C. 2020). This is because “[t]he value of a house is determined by considering it as a fully assembled whole, not as the simple sum of its material components.” *Id.*

Similarly, the South Carolina Supreme Court explained that “the market has one price for [a] roof because the materials and labor costs are ‘embedded’ in it;” “[t]hus, when a typical homeowner replaces a roof, she pays for

the roof as one unit.” *Butler v. Travelers Home & Marine Ins. Co.*, 858 S.E.2d 407, 411 (S.C. 2021). “[I]t makes no sense for an insurer to include depreciation for materials and not for embedded labor.” *Id.*

Courts from other jurisdictions have also long recognized that actual cash value means the actual economic value of the property at the time of loss. *See Butler* at 409. (“ACV is what the structure was worth at the time it was damaged”); *see also, e.g., Tyler v. Shelter Mut. Ins. Co.*, 184 P.3d 496, 501 (Okla. 2008) (actual cash value means “the actual value of property expressed in terms of money”); *Lampe Mkt. Co. v. Alliance Ins. Co.*, 22 N.W.2d 427, 428-29 (S.D. 1946) (ACV means “‘actual value’ expressed in terms of money”); *McAnarney v. Newark Fire Ins. Co.*, 159 N.E. 902, 903 (N.Y. 1928) (“[w]e interpret ‘actual cash value’ to have no other significance than ‘actual value’ expressed in terms of money”).

Maryland’s highest court has recognized that “[t]he definition of depreciation is, of course, well recognized: ‘Broadly speaking, depreciation is the loss, not restored by current maintenance, which is due to all the factors causing the ultimate retirement of the property. These factors embrace wear and tear, decay, inadequacy, and obsolescence. Annual depreciation is the loss which takes place in a year.’” *Pub. Serv. Comm’n of Maryland v. Baltimore Gas & Elec. Co.*, 329 A.2d 691, 700 (Md. 1974).

When the economic value of a building or other physical asset decreases, it is not limited to a decrease in value of the materials. Rather, it is the **total economic value of the property** that declines as the property’s physical condition deteriorates over time through wear, tear, and obsolescence. Therefore, applying depreciation to the total economic value (i.e., the materials and the embedded labor) accurately restores the insured to the position they were in prior to the loss.

In other relevant contexts, such as Property Tax Assessments, Real Estate Appraisals, Eminent Domain and other valuations, depreciation is also consistently applied to the full economic value of a property, including both labor and materials, because it is a fair and accurate measure for estimating the economic value of property. Conversely, when depreciation is applied only to materials as the MIA urges, a property’s economic value is artificially inflated, and an insured is placed in a better financial position than before the loss.

Depreciating the Full RCV Fairly and Equitably Reflects the Economic Value of the Damaged Property Immediately Before the Loss Occurred.

Senate Bill 52 also misconstrues the process of settling claims under RCV policies. For example, the MIA states in the fiscal note that “the practice of depreciating labor 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.” However, under the terms of most RCV policies, an insured is not entitled to receive the cost of repairing or replacing damaged property until the work is performed and the costs are incurred. Rather, an insured is first entitled only to receive the ACV of the damaged property. The insured may then recover the RCV of the damaged property if, and when, the damaged property is repaired or replaced.

Under this two-step valuation framework, the initial ACV payment is intended to indemnify the insured for their actual economic loss, not to pay for the costs to repair or replace the property. As the U.S. Court of Appeals for the 8th Circuit explained in *In re State Farm Fire & Cas. Co.*, 872 F.3d 567, 573 (8th Cir. 2017):

The basic premise of traditional property insurance is the concept of indemnity. The insured who suffers a covered loss is entitled to receive full, but not more than full, value for the loss suffered, to be made whole but not be put in a better position than before the loss. Policies that provide this level of coverage are universally known as actual cash value policies. *See, e.g., Travelers Indem. Co. v. Armstrong*, 442

N.E.2d 349, 352 (Ind. 1982); 12 Couch on Insurance § 175.5 (3d ed. 2005 & 2017 Supp.). The limitation of property loss coverage to the insured's actual loss serves the public policy of preventing over-insurance, which can be an 'inducement to destroy property in order to procure the insurance upon it.' Daggs v. Orietn Ins. Co. of Hartford, 136 Mo. 382, 38 S.W. 85, 87 (1896), aff'd, 172 U.S. 557, 19 S.Ct. 281, 43 L.Ed. 552 (1899).

To calculate the ACV of property, the insurance industry uses the "replacement cost less depreciation" formula. Under this formula, which is widely accepted, an insurer first estimates the RCV of the damaged property and then applies a reasonable amount of depreciation based on factors such as the age, condition, obsolescence and useful life of the property. This formula fairly and equitably reflects the economic value of the insured's loss before making repairs. The following example provided in the MIA's own consumer guidance is illustrative:

"For example: your sofa was destroyed by a covered cause of loss, such as fire. The sofa was purchased 10 years ago for \$1,500 and would be fully depreciated in 20 years. Since the sofa is 10 years old, it has depreciated 50%, or \$750. ¹

The MIA's example above does not only apply depreciation to the sofa's material costs. Rather, depreciation is applied to the sofa's full value as a finished product, which includes both the materials and embedded labor that went into making it. Applying depreciation to the full value of damaged property results in a logical, common-sense valuation of the insured's actual economic loss. Indeed, a reasonable person would expect that a sofa that is 50% through its useful life at the time of the loss would be worth approximately 50% of its original purchase price.

The application of depreciation to building damage is no different. To illustrate, consider the following example:

A roof is damaged by a hailstorm and needs to be replaced. The new roof will cost \$10,000 -- \$4,000 for materials and \$6,000 for labor. If the roof was 24 years old and expected to last 30 years, what would the roof's estimated value be immediately before the storm (i.e., the ACV)?

Given the roof has only 20% of its useful life remaining, a logical estimate of the roof's value at the time of the storm would be approximately \$2,000 ($\$10,000 \times .20$). In contrast, if depreciation were applied only to the roof materials and not to the embedded labor costs, the ACV payout would be \$6,800 [$(\$4,000 \times .20) + \$6,000$]. This is three times more than the roof was actually worth before the storm.

As illustrated by these examples, applying depreciation to the full RCV of the damaged property fairly and equitably compensates the insured for the value of the damaged property at the time the loss occurred. In doing so, the insured is restored to the approximate financial position they were in prior to a covered loss.

RCV policies allow an insured to also recover the full RCV (i.e., the difference between the RCV estimate and the amount of the initial ACV payment) if, and when, the repairs are completed. When the insured incurs the cost to complete such repairs, the RCV coverage applies to return the insured to the approximate financial position they were in before incurring the costs to repair the property. Conversely, as explained above, applying depreciation only to materials when calculating the ACV of damaged property allows insureds to recover more than the actual economic value of what they lost and, if the repairs are not completed, the insured is placed in a better position than before the loss.

¹ Maryland Insurance Administration, "A Consumer Guide to Homeowners Insurance," at p. 28 (<https://insurance.maryland.gov/Consumer/Documents/publications/homeownersinsguide.pdf>)

Depreciating Labor is Consistent with the Principle of Indemnity and Reduces Blight

Depreciating labor is also consistent with the principle of indemnity underlying ACV coverage and reduces blight. It is the property's overall "value" that depreciates. For example, once a roof has been constructed, it ages, or incurs wear and tear. The labor that went into its construction or prior repairs is indivisible from the whole. Applying depreciation to the full RCV (materials and the embedded labor) to calculate the ACV of the property fully indemnifies the insured for the economic value of what they lost.

While an insured always has the option under RCV policies to recover the full RCV of damaged property by completing the repairs, RCV policies do not require that an insured repair damaged property. In fact, many insureds opt not to make repairs. One national carrier reported that between 2019 and 2023, more than 30% of homeowners that submitted claims for property damage in Maryland never made a claim for recoverable depreciation.

Under SB 52, homeowners that decide not to repair the damaged property would receive payment for labor costs that they never will incur. This outcome is inconsistent with principle of indemnity upon which insurance is based. It also highlights why most RCV policies are written to only provide ACV coverage until an insured completes the repairs.

By withholding depreciation until after the insured contracts to have repairs completed, the policy also encourages insureds to timely repair property damage. Completing the repairs in a timely manner helps to protect the property from further damage that could be caused by leaving damaged property unrepaired, such as water damage that may result when a roof is not timely repaired. Timely repairs also reduce blight and stabilize the property values of both the damaged structure and other properties in the neighborhood.

Depreciating Labor Does Not Cause A Significant Financial Burden On Consumers but is Part of a Well Established Framework for Financing Repairs

The MIA appears concerned that depreciating labor unfairly puts a significant financial responsibility on insureds to pay labor costs. However, in addition to the fact that RCV policies do not typically cover future labor costs before the work is completed and the costs are incurred, indemnifying an insured for the economic value of what is lost (i.e., the ACV) does not typically impose any unusual additional financial burden on consumers to make repairs.

Policyholders are generally *not* required to pay for the full cost of repairs out of their own pocket before receiving the RCV payment. The ACV amount is typically sufficient to provide a deposit for a contractor to commence work if the insured intends to make repairs. Contractors do not typically insist on full payment before completion of their work. In fact, it would be unwise for a homeowner to pay the full cost of repair upfront.

Additionally, a policyholder is *not* prohibited from recovering the full cost to replace damaged property. Under most policies, a policyholder may recover on an RCV basis, and thereby receive an economic gain, simply by making the repairs.

Claim professionals generally meet with contractors if there is a concern about whether an insurer's estimated replacement cost value is sufficient to cover the cost of the repairs, and contractors know that the insurer will promptly pay the amount held back for depreciation when repairs are completed. Further, on larger losses, progress payments are also frequently paid to the insured as the work is completed.

Applying depreciation to materials does not cause any unusual financial burden on a consumer that wants to repair damaged property. **AMENDMENTS**

Amendments Requested

1. Express Policy Language as an Alternative- This is APCIA’s strongest request for an amendment.

As an option, we recommend allowing insurers to depreciate non-materials if they include clear, express policy language and appropriate consumer notice. Given certain companies have approved filings from the MIA that already address this issue.

Comments on the MIA’s Proposed Legislation- Other Amendments

2. Section 19-118

- Page 2 Lines 3-6 ACV vs. RCV Policies: As written, section 19-118(A)(1) could be interpreted as applying only to policies that insure property on an ACV basis. If the intent is for the bill to apply to the calculation of ACV under RCV policies, this should be clarified to avoid industry uncertainty.
- Page 2 Line 7 Strike October 1, 2026 and insert January 1, 2027. This will permit adequate time to change software and update any forms.
- Page 2 Line 4 No Requirement to Repair, Rebuild or Replace: Section 19-118(A)(1) applies to policies that “require” repair, rebuilding, or replacement base on ACV. Most first-party property policies do not “require” insureds to repair or replace damaged property. We believe the MIA intends this to apply to policies where RCV is not payable until repairs or replacement occurs. If so, the language should be revised accordingly.
- Page 2 Line 12 Basis for Depreciation: Section 19-118(B)(1) states that physical depreciation must be “based on the condition of the property at the time of the covered loss. INSERT” including factors not limited to age, condition, usefulness and obsolescence.

In practice, depreciation is determined using multiple factors, including age, condition, useful life, and obsolescence. Limiting depreciation to only property “condition” would represent a significant departure from standard valuation practices and materially affect claim settlements.

- Page 2 Line 26-27 Overhead & Profit (O&P): Section 19-118(C)(2) includes any O&P “charged” by the labor provider as a labor expense. At the time ACV and RCV are calculated, O&P is typically estimated rather than charged, as a contractor has not yet been retained. Clarification is needed.
- Page 3 Line 1-3 Intrinsic Labor in Manufactured Goods: Section 19-118(C)(3) appears to apply to labor costs intrinsically included in manufactured materials, such as building materials (e.g., shingles, windows, etc.). It is unclear whether this is also intended to apply to personal property, such as furniture. Clarification would be helpful.

3. Section 19-217

- Notice of Coverage Changes: Section 19-217(B)(2) requires written notice when a renewal policy does not cover a risk that was covered under the expiring policy. Clarification is needed regarding how this requirement interacts with COMAR 31.08.05.01 et seq., which already requires notices of reduction in coverage. We also recommend that an exception be provided in circumstances where the change in coverage is requested by the insured or the insured’s producer.

4. OTHER AMENDMENTS

- Strike Lines 6-7 on page 4

The bill would make a single violation of the new law an unfair claim settlement practice (UCSP) (see lines 6-7 on page 4) with all the heightened penalties that go along with that. Maryland is unusual in having any single instance UCSPs (Most states only have pattern or practice UCPSs), and they are usually reserved for serious violations. To jump from having no law at all on this subject to making it a single instance violation seems unfounded. Striking lines 6-7 leaves it as a pattern or practice violation but not a single instance violation.

- Page 4 strike October 1, 2026, and insert to January 1, 2027

APCIA appreciates the opportunity to provide written testimony regarding Senate Bill 52 and requests the committee consider the requested amendments.

Nancy J. Egan,

State Government Relations Counsel, DC, DE, MD, VA, WV

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NAMIC Letter SB 52.pdf

Uploaded by: Ash-Lynn Randolph

Position: UNF

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



IAB_Testimony_SB52_UNF_01.26.2026.pdf

Uploaded by: Bryson Popham

Position: UNF



January 26, 2026

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

RE: SB 52 / HB 283 – Depreciation of Labor in Calculating ACV Claims - UNFAVORABLE

Dear Senator Beidle and members of the Committee:

On behalf of the Insurance Agents & Brokers of Maryland (IA&B), we respectfully urge an unfavorable vote on Senate Bill 52 as drafted. IA&B is a professional trade association for independent insurance agents in Maryland, representing nearly 200 member agencies and their 1,800-plus employees.

Senate Bill 52, while well intentioned, would further reduce access to homeowners' insurance across Maryland.

In response to increasing frequency and severity of claims, many insurers have already amended their underwriting guidelines to limit or decline new policies for homes with roofs older than 10 or 15 years. Eliminating the ability to apply labor depreciation as part of an actual cash value settlement would remove an important tool insurers use to manage these escalating costs, leaving fewer options short of higher premiums, tighter underwriting standards, or reduced product offerings. The resulting impacts would fall most heavily on owners of older homes and properties in high-risk storm areas, precisely the consumers who are already facing the greatest difficulty securing coverage.

We respectfully encourage legislators to give due consideration to the underlying factors that have led to increased use of ACV, particularly in the context of roof claims. In recent years, Maryland insurers and agents have observed a marked increase in solicitation from contractors who aggressively market "free roofs" to policyholders, filing invalid or outright fraudulent claims on their behalf, and inflating repair estimates. These contractors will often try to pass off regular wear and tear as "storm damage," and some have been caught and prosecuted by the Maryland Insurance Administration for intentionally damaging the roofs themselves. These claims are costly for insurers to fight, and many end up being paid out, increasing premiums on all policyholders.

Removing the ability to apply depreciation to the labor costs of roof installation would enable these bad actors to continue to manipulate their invoices and will push insurers to use other methods to control costs. One such method is use of storm deductibles that are applied as a percentage of the total policy limit (a 5% storm deductible on a \$400,000 home would be \$20,000). Such deductibles affect all homeowners, regardless of their roof's age or condition at the time of the claim.

Rather than imposing a blanket prohibition on the depreciation of labor, we recommend that the Maryland General Assembly address the underlying concern through greater transparency and clarity



in policy language. In speaking with our member agents, we have found that insurance policies do not always clearly define “actual cash value” or expressly state whether labor costs are subject to depreciation.

We agree that depreciation should not be applied in a manner that is hidden, ambiguous, or inconsistent with consumer expectations. Requiring insurers to conspicuously disclose whether claims may be settled on an ACV basis, and whether labor will be depreciated, would better inform policyholders, preserve consumer choice, and address confusion without making homeowner’s insurance less affordable.

For these reasons, we respectfully urge an unfavorable vote on Senate Bill 52 as drafted. Thank you for your consideration.

Sincerely,

Johnathan Savant
Director, Government Affairs

SB 52_MAMIC_UNF.pdf

Uploaded by: Bryson Popham

Position: UNF



191 Main Street, Suite 310 – Annapolis MD 21401 – 410-268-6871

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 UNFAVORABLE

Dear Chair Beidle and Members of the Committee,

On behalf of the Maryland Association of Mutual Insurance Companies (MAMIC), we respectfully oppose Senate Bill 52, as drafted.

As you may recall, MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland, and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

We wish to advise the Committee that we have participated with the Maryland Insurance Administration in discussions of this subject for nearly a year. MAMIC acknowledges the important consumer protection function of the MIA under Maryland law. For that reason, we recommend that the Committee engage in a continuation of these discussions, in an attempt to arrive at appropriate consumer notifications connected with the sale and negotiation of policies utilizing actual cash value (ACV) to determine the amount of claims payments.

We should also point out to the Committee that most MAMIC members offer property coverage as a major line of insurance. Accordingly, MAMIC members are quite familiar with issues of valuation under first party property insurance policies. We hope to share some of that experience at the Committee hearing on this bill.

MAMIC members believe that the longstanding use of actual cash value in adjusting property insurance claims treats the consumer fairly. We are also deeply concerned that the major change in loss valuation required under Senate Bill 52 could be highly disruptive to the property insurance market in the State.

We do agree, however, that it may be appropriate to educate consumers in advance about this process. More robust notice and disclosure requirements can accomplish that goal. We look forward to working with the Finance Committee, and the MIA, to achieve an equitable resolution of these issues.

For these reasons, MAMIC respectfully requests an unfavorable report on Senate Bill 52 as drafted.

Thank you for your consideration.

Melissa Shelley
President, MAMIC

cc: Bryson Popham
Jamie Sexton, MIA

2025 01 26 - State Farm Testimony re SB52.pdf

Uploaded by: Marta Harting

Position: UNF

STATE FARM INSURANCE COMPANIES
SENATE BILL 52 (PROPERTY INSURANCE – SETTLEMENT OF CLAIMS
AND NOTICES)
POSITION: OPPOSED

Senate Bill 52 would define what actual cash value means in the settlement of a claim under a residential or commercial property insurance policy to be the cost to repair, rebuild or replace the property less a reasonable deduction for physical depreciation based on the condition of the property at the time of the loss. The bill would prohibit including the expense of labor (as defined in the bill) as a component of physical depreciation, but states that this prohibition does not apply to labor costs that are intrinsically included in the cost of manufactured materials or goods. The bill would make even a single violation of the new law an unfair claim settlement practice. Additionally, the bill would require 45 days notice prior to the renewal of a homeowners or renters policy of changes in coverage limits, risks, or deductibles that will be made in the renewal policy.

State Farm opposes SB 52 because labor depreciation should be permitted if consistent with clear language in the policy in order to help maintain affordability. If the Committee moves the bill forward, State Farm requests the following amendments to clarify the bill language and mitigate unintended consequences:

1. Residential property insurance (page 2, lines 1-2) is not defined in the bill or in the existing law. We request that the bill apply to homeowners' insurance policies, and that commercial property insurance policies be removed from the bill.
2. The bill appears to only apply to policies that insure property on an ACV basis. We request the bill be clarified to make this clear, so it does not apply to the calculation of actual cost value under a replacement cost value policy, as follows: lines 3-6 on page 2: “(1) PROVIDES FOR THE ADJUSTMENT AND SETTLEMENT OF A FIRST-PARTY REAL AND PERSONAL PROPERTY CLAIMS THAT REQUIRE THE REPAIRING REBUILDING, OR REPLACING OF DAMAGED OR DESTROYED PROPERTY BASED ON THE ACTUAL CASH VALUE OF THE PROPERTY, UNLESS THE POLICY PROVIDES FOR A REPLACEMENT COST BENEFIT AFTER THE REPAIRING, REBUILDING OR REPLACING THE PROPERTY IS COMPLETE; AND”.

3. The bill's definition of ACV is problematic because the ACV is calculated before the work is done, so the actual cost to repair, rebuild or replace is not known at the time of claim settlement. We request this provision be amended as follows: On page 2, lines 10-13: "~~THE AMOUNT IT WOULD COST THE INSURED TO REPAIR, REBUILD OR REPLACE THE DAMAGED OR DESTROYED PROPERTY~~ VALUE OF THE DAMAGED PART OF THE PROPERTY AT THE TIME OF THE COVERED LOSS CALCULATED AS THE ESTIMATED COST TO REPAIR, REBUILD, OR REPLACE THE DAMAGED OR DESTROYED PROPERTY LESS A REASONABLE DEDUCTION FOR PHYSICAL DEPRECIATION BASED ON THE CONDITION OF THE PROPERTY AT THE TIME OF THE COVERED LOSS; OR"
4. Contractor overhead and profit and any sales taxes are part of the cost of labor. We request that lines 26-28 on page 2 be stricken to avoid confusion.
5. We request that the notice of coverage changes prior to renewal of a homeowners or renters insurance policy under the new Section 19-217 (lines 4-29 on page 3) be stricken. This new required notice would need to be a separate notice adding programming and other administrative expenses to homeowners' insurance. The bill is also unclear as to the method of providing notice, another potential source of administrative expense and difficulty. Further, existing law (COMAR 31.08.05.02) already ensures that there is adequate notice of coverage changes. If this section is not stricken, clarification is needed to reconcile the existing regulation with the new notice requirement. Further, the bill does not provide an exception for insured-initiated requests for changes.
6. We request that the new ACV law not be added to the list of single instance unfair claim settlement practices (strike lines 6-7 on page 4). Maryland is already in a minority of states with any single instance UCSPs. If this new law is added to the Unfair Claim Settlement Practices Act, it should only be for a pattern or practice of violations.
7. We request a delayed effective date of January 1, 2027 to allow sufficient time for required policy changes.