

May 30, 2025

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TO:
Kathryn Callahan
Director of Regulatory Policy
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, MD 21202

VIA EMAIL

RE: Comments in Support of Bulletin 25-XX - Prohibition on Depreciating Labor in Actual Cash Value Settlements

Dear Ms. Callahan,

I am writing in strong support of the proposed Bulletin 25-xx that clarifies that property insurers may not depreciate labor costs when settling claims on an Actual Cash Value basis. It has been a long standing policy in states across the U.S. that labor is not a depreciable asset and I strongly support Maryland adopting this policy as well.

This policy will serve to protect consumers when claims are settled at on an ACV basis by prohibiting the carrier from passing inappropriate charges down to the policyholders. Labor is not a tangible item that loses value over time. It is a service that is provided and paid for at the time of need. Services do not depreciate. The passage of time since labor has been performed does not make the labor worth any less. It doesn't experience wear and tear or aging and therefore cannot be depreciated.

Court cases across the United States have found the same. *Sproull v. State Farm Fire & Casualty Co.*, 2021 IL 126446 found that in the absence of a policy definition otherwise, a property insurer's payment for a loss based on actual cash value may not be reduced for depreciation of labor.

Walker v. Auto-Owners Ins. Co., 254 Ariz. 17 (2022) recently weighed in on the issue, ruling that labor costs may not be depreciated in the ACV calculation.

A Missouri appellate court recently found the same in *Franklin v. Lexington Ins. Co.* 652 S.W.3d 286 (2022).

Tennessee's *Lammert, et.al v. Auto-Owners (Mutual) Ins. Co.*, 2019 WL 1592687 found very similar as Illinois, Arizona, and Missouri.

It appears that, by and large, non-depreciation of labor is becoming the standard by which carriers are being expected to operate. I'd assume, as I always have believed, it's because labor is not a

depreciable asset.

Most policies do not define labor as a depreciable asset. They do not expressly authorize the carrier to depreciate labor charges. The insurance policy is a powerful document that delineates responsibilities, promises coverage, provides exclusion, and dictates what the carrier is and is not supposed to do. As the insurance carrier has the greater bargaining power when drafting the policy, any ambiguity should fall in favor of the policyholder. If a term is ambiguous, the carrier should not have the right to interpret that ambiguity in their favor. It leaves the policyholder powerless. The insurance company makes the rules and the rules that aren't made are made up as they go along. It's a complete sandbag for any policyholder. Terms are clearly defined in the policy for a reason, and that's so that both parties can know and understand what these terms mean and how they are applied. Words are important and it's important that they are used appropriately. If Actual Cash Value or Depreciation are not defined in the policy as depreciable assets, then the carrier is effectively pulling a bait-and-switch by covering ACV on material charges, but saddling the insured with half of the labor charges; leaving the policyholder unaware until settlement time.

This creates an unfair consumer impact in the market. Depreciating labor erodes claim settlements, leaving policyholders without sufficient funds to complete repairs. This violates the principle of indemnity and disproportionately harms lower-income homeowners who lack resources to front the difference. The public purchases insurance to be made whole—not to be shortchanged by opaque accounting techniques.

For these reasons, I respectfully request that your office take a clear stance prohibiting the depreciation of labor in property insurance claims, unless a policy explicitly and unambiguously allows it—and even then, such clauses should be subject to scrutiny under consumer protection standards.

Thank you for your time and consideration of this critical issue.



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