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From: **Neil Kahn** <[NKahn@gggco.com](mailto:NKahn@gggco.com)>

Date: Tue, Apr 22, 2025 at 2:09 PM

Subject: FW: Draft Bulletin--Depreciation of Labor for Claims Settled on an Actual Cash Value Basis--Comments

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The following are comments strongly in favor of the Draft Bulletin relating to Depreciation of Labor for Claims on an Actual Cash Value Basis.

As experienced claims consultants for over 80 years in Maryland we applaud the MIA's stated position in the draft Bulletin. The language in the draft Bulletin is expertly crafted and directly addresses a real problem in insurance claims.

1. The principle of indemnity for all intent and purpose states the insured should be restored to the same position after a loss as before the loss. If labor costs are depreciated, the insureds are not in the same position. To the contrary, they would be underpaid for the actual cash value (ACV) of repair or replacement of the insured property.
2. In adding depreciation of labor to the ACV calculation, insurers are taking advantage of a significant windfall at the expense of the Maryland policyholder. Many insured's do not pursue the depreciation claim through submission of detailed records supporting the full replacement cost claim as being incurred. This may be based on a lot of factors including just not knowing such an avenue of recovery is even available. Others give up in frustration at the stringent requirements set forth for submitting such a claim. To the extent that depreciation is inflated through application of labor as well as materials, this unintended windfall to the insurance carrier is only magnified.
3. As a result this is more than just a timing issue. The significant funds not advanced under the ACV claim as a result of depreciation of labor affect an insured when at its most vulnerable, namely after a casualty while trying to rebuild.

For these reasons we strongly support the Bulletin as drafted.

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