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Vermont Department of Financial Regulation

Division of Insurance

Insurance Bulletin No. 184

PROPERTY LOSS CLAIMS: NO LABOR DEPRECIATION

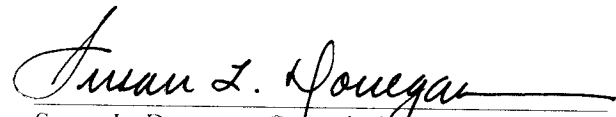
This Bulletin relates to the depreciation of labor expenses when adjusting property loss claims. Depreciation is a decline in a property's value because of use, wear, obsolescence, or age. Labor, unlike physical materials, does not break down or lose value over time.

It is the Department's position that depreciation of labor costs is prohibited by 8 V.S.A. § 4724(9)(F) and therefore is an unfair claim settlement practice in violation of 8 V.S.A. § 4723 (the Vermont Insurance Trade Practices Act) when committed or performed with such frequency as to indicate a business practice. While the value of the property as a whole may be considered in order to put a claimant in the same position as the claimant was before the loss occurred, labor of any kind related to the repair, rebuilding or replacement of covered property should not be subject to depreciation.

Insurers are reminded that the justification for the adjustment of a claim must be contained in the claim file. Title 8 V.S.A. § 3568 requires that every insurer preserve their business records in accordance with the rules adopted under this section. Additionally, Regulation 99-1, Section 4(A)(3) specifically requires that all claims records be maintained so as to show clearly the inception, handling and disposition of each claim. Claim records must document the adjuster's determination of the amount of any depreciation as it relates to that specific claim.

For questions about this Bulletin interested parties should contact: Christina Rouleau, Director of Market Regulation, Division of Insurance, (802) 828-3301.

Dated: May 1st, 2015


Susan L. Donegan, Commissioner

