

**STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Bulletin 2024-26-INS

In the matter of:

Depreciation of Nontangible Items

**Issued and entered
this 8th day of November 2024
by Anita G. Fox
Director**

This bulletin supersedes Bulletin 2024-18-INS, issued July 3, 2024.

The Director of the Department of Insurance and Financial Services (DIFS) is aware that some insurance policies include depreciation of labor and certain other nontangible items in the definition of “Actual Cash Value” (ACV).

ACV is ordinarily understood to mean the loss of value due to wear and tear, deterioration, and obsolescence to physical or tangible items. Nontangible items such as labor are not physical objects and do not deteriorate, age, or decline in value.

Pursuant to MCL 500.2236(5), forms may not contain inconsistent, ambiguous, or misleading clauses, or contain exceptions and conditions that unreasonably or deceptively affect the risk purported to be assumed in the general coverage of the policy. Because nontangible items are not ordinarily considered to deteriorate, age, or decline in value, policies that depreciate labor or other nontangible items may confuse, mislead, or deceive insureds. Insurers that depreciate nontangible items must ensure that there is transparency regarding the practice.

To facilitate greater transparency and mitigate the risk of insureds being confused, misled, or deceived as to their coverages, for personal lines homeowners or dwelling policies issued or renewed effective July 1, 2025 or after, insurers that wish to depreciate nontangible items as defined herein must do so by a standalone endorsement specifically identifying the nontangible items subject to depreciation, rather than through definitions found in the policy form. Such endorsements must be an optional coverage. Because this endorsement reduces coverage, it must be offered for a commensurate reduction in premium.

For the purposes of this bulletin, nontangible items are defined as labor, taxes, fees, and overhead and profit. Personal lines homeowners and dwelling insurers that depreciate any other non-physical items that do not deteriorate, age, or decline in value must include those items in a standalone endorsement that meets the requirements described in this bulletin and must obtain prior approval from DIFS.

Any questions regarding this bulletin should be directed to:

Department of Insurance and Financial Services

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/s/

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