Labrier v. State Farm Fire and Cas. Co.

Year: 2016
Court: U.S. Court of Appeals, 8th Circuit
Case Number: 16-3185/16-3562

Depreciation of labor in an actual cash value payment is fundamentally at odds with the the purpose of insurance – to indemnify the policyholder in case of a loss. Physical components such as shingles, for example, do lose integrity and value over time due to wear and tear and thus may be properly depreciated. However labor, not being a physical thing does not lose value over time. The practical result of an insurance company depreciating labor is that the policyholder pays the same cost or more to have depreciated materials installed as it would to have new materials installed. Though illogical, the practice of depreciating labor is expanding in the insurance industry largely due to the advent of software-based claim and construction estimating. The practice is financially beneficial to insurance companies but harmful to homeowners. Insurance companies hold on to their money longer by paying less up front and never pay more if a homeowner cannot afford to repair their home, which is often the case when an ACV payment includes improper depreciation of labor.

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