



RULE-MAKING ORDER PERMANENT RULE ONLY

CR-103P (October 2017) (Implements RCW 34.05.360)

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: November 12, 2021

TIME: 2:42 PM

WSR 21-23-066

Agency: Office of the Insurance Commissioner

Effective date of rule:

Permanent Rules

- 31 days after filing.
- Other (specify) January 1, 2022 (If less than 31 days after filing, a specific finding under RCW 34.05.380(3) is required and should be stated below)

Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?

- Yes No If Yes, explain:

Purpose: When a homeowner has property damage covered under their homeowners insurance policy, the insurance company investigates the loss, values the damage, and then issues an Actual Cash Value (ACV) payment. The ACV payment is replacement cost less depreciation. After the repairs are fully completed, the insurance company releases the withheld depreciation to the insured to fulfil their obligation to cover the replacement cost as defined in the policy. Besides applying depreciation to the loss of value due wear and tear, deterioration, and obsolesce to physical material items, some insurance companies are applying depreciation to the labor costs associated with the repair process.

The practice of depreciating labor costs on insurance payments for property damage claims floats a significant part of the labor repair costs to the consumer and their repair contractor, unfairly shifting a burden to the consumer during the repair process and likely against the principle of indemnity. The Commissioner has seen a steady rise of policy forms that are writing this practice into their definition of Actual Cash Value. The Commissioner implemented rulemaking to prohibit the depreciation of labor on property claims.

Citation of rules affected by this order:

- New:
- Repealed:
- Amended: WAC 284-20-010
- Suspended:

Statutory authority for adoption: RCW 48.02.060, 48.27.020, 48.18.120

Other authority:

PERMANENT RULE (Including Expedited Rule Making)

Adopted under notice filed as WSR 21-18-093 on August 30, 2021 (date).
Describe any changes other than editing from proposed to adopted version: None.

If a preliminary cost-benefit analysis was prepared under RCW 34.05.328, a final cost-benefit analysis is available by contacting:

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**Note: If any category is left blank, it will be calculated as zero.
No descriptive text.**

**Count by whole WAC sections only, from the WAC number through the history note.
A section may be counted in more than one category.**

The number of sections adopted in order to comply with:

Federal statute:	New	___	Amended	___	Repealed	___
Federal rules or standards:	New	___	Amended	___	Repealed	___
Recently enacted state statutes:	New	___	Amended	___	Repealed	___

The number of sections adopted at the request of a nongovernmental entity:

New	___	Amended	___	Repealed	___
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The number of sections adopted on the agency's own initiative:

New	___	Amended	<u>1</u>	Repealed	___
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The number of sections adopted in order to clarify, streamline, or reform agency procedures:

New	___	Amended	___	Repealed	___
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The number of sections adopted using:

Negotiated rule making:	New	___	Amended	___	Repealed	___
Pilot rule making:	New	___	Amended	___	Repealed	___
Other alternative rule making:	New	___	Amended	<u>1</u>	Repealed	___

Date Adopted: November 12, 2021

Name: Mike Kreidler

Title: Insurance Commissioner

Signature:

