

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

**Bulletin 2024-18-INS**

**In the matter of:**

**Depreciation of Nontangible Items**

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**Issued and entered  
this 3<sup>rd</sup> day of July 2024  
by Anita G. Fox  
Director**

The Director of the Department of Insurance and Financial Services is aware that some property insurance policies include depreciation of labor and 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 regardless of any potential decline in value to the physical property in need of repair.

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 depreciable, 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 policies issued or renewed effective January 1, 2025 or after, insurers that wish to depreciate labor or other nontangible items must do so by a standalone endorsement specifically identifying the nontangible items subject to depreciation. Such endorsements must be optional coverage available for a reduced premium. The Director will not approve policies that include language that depreciates nontangible items in the policy definition of “Actual Cash Value,” “Depreciation,” etc. The Director may disapprove forms or policies that contain potentially confusing, misleading, or deceptive language. Insurers shall not depreciate labor or any other nontangible items unless the insured has elected to endorse their policy with the relevant endorsement that identifies the specific nontangible cost in subject to depreciation in the definition of ACV.

Any questions regarding this bulletin should be directed to:

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/s/

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Anita G. Fox  
Director