

January 25, 2017

Senate Insurance and Commerce Committee  
The Arkansas Capitol  
Little Rock, Arkansas

*via email*

**RE: Support for SB 133**

Members of the Senate Insurance and Commerce Committee:

The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to share with you our support for SB 133. We are the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. In Arkansas, we have 167 members doing business in the state, representing 48.43 percent of the marketplace. Nine NAMIC member companies are Arkansas domestics.

Property insurers doing business in Arkansas have long believed that policies that pay for property repairs based upon the actual cash value (ACV) of the damaged property should factor in the depreciation of all expenses. Current case law, however, says the term "actual cash value" is ambiguous.<sup>1</sup>

**SB 133 would eliminate this ambiguity in the law by defining what constitutes expense depreciation for property insurance policies.** Anyone who has purchased a used vehicle has benefitted from depreciation from all of the expenses and resources that went into making that car. Used car buyers do not expect to benefit from depreciation of only certain expenses incurred in making the car. The marketplace – not case law - determines the value of that depreciation.

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<sup>1</sup> *Adams v. Cameron Mutual Insurance Company*, Supreme Court of Arkansas, CV-13-456 (2013).

Similarly, SB 133 permits insurers to calculate the claim amount based upon current conditions in the marketplace. As technology changes, as new repair techniques come into use, older techniques that were originally used to construct or assemble the property are not as valuable as newer improved ones. In short, using a true ACV calculation as contemplated by this bill provides a more accurate estimate that reflects the true value of the property that's insured.

The bill also requires that insurers provide policyholders notice if their policy factors expense depreciation into their claims calculations. We believe this is a positive and necessary safeguard for policyholders.

It's important to note policies that calculate losses on an ACV basis are generally purchased by consumers who are looking for low cost insurance options. By allowing expense depreciation to factor in all different types of expenses, it enables insurers to continue to provide competitive rates to a wider marketplace. In turn, this allows more Arkansans the opportunity to purchase affordable insurance.

We appreciate Sen. Rapert's leadership on this legislation. Please do not hesitate to reach out to me if we can be of assistance.

Sincerely,

A handwritten signature in black ink that reads "Paul Martin". The signature is written in a cursive style with a large, stylized "P" and "M".

Paul Martin  
Director – State Affairs  
Southwest Region