Property Casualty Insurers Association of America
Shaping the Future of American Insurance
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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. 6450 – AN ACT CONCERNING THE SETTLEMENT AMOUNT ON TOTALLED MOTOR VEHICLES

INSURANCE AND REAL ESTATE COMMITTEE

February 19, 2009

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on H.B. 6450. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI member companies provide almost 50 percent of Connecticut's personal auto coverage

Thank you for the opportunity to comment on H.B. 6450.

When determining the fair market value of a "total loss" automobile, Connecticut law currently requires that automobile insurers use an average of retail values given by the National Automobile Dealers Association (NADA) used car guide and one other source that has been approved by the commissioner for use. H.B. 6450 would drop the requirement to use the NADA guide, instead requiring insurers to use the higher of two sources that have been approved by the commissioner for use.

While the proposed change could allow insurers more flexibility in their choice of valuation methods, it still requires duplication of efforts and resources, making the total loss process more expensive and more time consuming. The current and proposed requirements require insurers to subscribe to more than one valuation source, and require the duplication of effort in preparing valuation reports in both sources. Since the commissioner is already approving valuation sources, we would suggest that the bill be revised to simply allow insurers to choose one of these approved methods.

The bill adds a requirement that "In no event shall the settlement amount be less than the retail value at a motor vehicle dealership in this state of a motor vehicle that is the same manufacturer, model and year as the motor vehicle that is the subject of the claim". All of the valuation methods that the commissioner has approved for use do just that, establish the "retail value" or fair market value of vehicles in the local market area. Since insurers are already required to use only approved valuation methods, this requirement is duplicative and should be stricken.

H.B. 6450 also requires insurers to "add all applicable taxes and fees" to the retail value. Connecticut already requires the payment of sales tax on total loss automobile claims in Section 38a – 816(16), so requiring it here is unnecessary. While it is not unusual for states to require insurers to include payment of vehicle registration fees in total loss settlements, which are usually nominal, they do contribute to higher loss costs that are ultimately reflected in physical damage premiums paid by Connecticut drivers. The bill does not specify which "fees" are to be included. Our suggestion would be that "fees" be specified as "vehicle registration fees" to better define what amounts are due.

In closing, with some amendments, we feel that this bill provides legislators an opportunity to provide more efficiency, flexibility and clarity to the total loss valuation claim handling process in Connecticut. We urge the committee to take that opportunity and to adopt the amendments we suggest.