

**Statement**

6450

**Insurance Association of Connecticut**

Insurance and Real Estate Committee

February 17, 2009

HB 6450 / An Act Concerning The Settlement Amount  
On Totaled Motor Vehicles

HB 6450 seeks to unnecessarily alter the well-established process which is used in Connecticut, and throughout the country, in assessing the value of a totaled motor vehicle. HB 6450 will inflate total loss claims which will drive up the cost of insurance for all consumers in Connecticut.

The current standard was adopted, and has proven, to provide a fair, uniform method for all Connecticut insurance consumers. Currently a totaled motor vehicle's value is determined by averaging two sources, the National Auto Dealers Association (NADA) Used Care Guide (the same source used for calculating tax assessments) and another source approved by the insurance commissioner. In 1987 when the current practice became law it was deemed by the legislative body, a good consumer bill. Since the act's inception the Insurance Department has designated several valuation guides as approved second sources and has strengthened the provisions of the act by implementing bulletins with enhanced consumer protections. Provisions adopted by the department prohibit source shopping by mandating insurers establish written policies designating the second source it uses in all total loss valuations. This uniform method has resulted in very few complaints since its inception. As such, there is no demonstrated need for HB 6450.

HB 6450 unnecessarily removes the concise calculation process currently used to determine the fair value of a total loss. Current law requires insurers to pay the average retail value as determined by two sources resulting in all consumers being treated equally and fairly. HB 6450 would eliminate the average and require insurers to pay the higher value found in two sources, but in no event shall that value be less than a vehicle found on a dealer's lot. This process is unduly vague and confusing in its application. What is meant by "retail value at a motor vehicle dealership in this state if a motor vehicle that is the same manufacturer, model and year as the motor vehicle that is the object of the claim"? No two vehicles are really alike. Currently the physical condition of vehicle prior to loss, the options and mileage are all factors used in assessing the true value of one's vehicle. If one must simply find a vehicle on a dealer's lot that is the same make, model and year as the one totaled, those factors no longer have any meaning. What if an insurer and insured both find a vehicle of "the same manufacturer, model and year" but for two totally different prices? Which price is used? How much due diligence must be used in the process? How far and for how long does one have to search? What if a vehicle cannot be found?

Additionally, HB 6450 will result in inflated values for vehicles. An unscrupulous used auto dealer could actually have two "retail" values for a vehicle; a higher price for insured shoppers looking to replace a total loss and one for the guy off the street. And what exactly is meant by "retail value"? The sticker price? Or the price actually paid for the vehicle? Furthermore, HB 6450 has no requirement that the insured actually purchase the vehicle that they used as the basis for the settlement value.

The impact of HB 6450 will result in negating the purpose of the original act by removing the uniform application of the statute. The inflated dealer price will serve to

trump the source value and as such the sources will be rendered meaningless. Therefore the settlement value will be whatever price dealers set, potentially resulting in two consumers with similar vehicles receiving very different values for their vehicles. A person with a high mileage, beat-up vehicle, could receive substantially the same, or higher, settlement than a person with a low mileage, pristine vehicle. The bill lacks the predictability contained in current law which will result in inconsistent treatment of insureds and increased premiums.

The IAC strongly urges your rejection of HB 6450.