

**STATEMENT**  
**INSURANCE ASSOCIATION OF CONNECTICUT**

Insurance and Real Estate Committee

February 10, 2010

HB 5444, An Act Concerning The Value Of A Totalled Motor Vehicle

The Insurance Association of Connecticut (IAC) opposes HB 5444, An Act Concerning The Value of a Totalled Motor Vehicle.

Pursuant to legislation that was passed just last session (PA 10-7, effective January 1, 2011), an insurer determines the value of a totalled motor vehicle by using at least the average of the retail values given the vehicle by a publicly available industry source (such as the NADA car guide or any other such source approved by the Insurance Commissioner) and another Commissioner-approved source. Insurers cannot “source shop”, pursuant to Insurance Department bulletins. Insurers must designate the second source it uses in all total loss situations. Public Act 10-7 also required insurers to provide the consumer with a copy of any valuation report from a non-publicly available source that was used by the insurer, so that the consumer would have knowledge of the basis of the valuation.

HB 5444 would in effect repeal PA 10-7, and provide that the valuation would be determined by the average of such values given by “publicly available sources provided by the insurer and the insured.” Such a vague standard will lead to unfair and inconsistent results, to the detriment of consumers.

By prohibiting the use of proprietary sources when valuing a totalled motor vehicle, HB 5444 removes the most reliable and accurate resources that insurers have used in Connecticut and throughout the country for years. In fact, many states permit the use of a proprietary source as the sole basis for valuing the totalled motor vehicle.

These proprietary sources are designed specifically for the task at hand, to provide a detailed and up to date valuation of the totalled motor vehicle in question. Valuations are based on actual sales of vehicles, using an extensive data base of Connecticut specific information. The proprietary source can accurately determine value by considering necessary information such as equipment, options, model, mileage

and condition. These sources are updated on a regular basis (as often as daily) to ensure that the information used is current.

In contrast, HB 5444 would restrict the valuation process to publicly available sources that are often designed to sell cars, not value them. Such sources or websites list asking prices, not the actual price for which vehicles are sold. There is likely to be no supporting documentation for the information; the information is much more likely to be national or regional in nature, rather than state specific; the data is likely to be stale, with infrequent updates; there is likely to be comparatively little if any ability to accurately value the car based on the numerous variables that should be part of a valuation.

If HB 5444 is adopted, similarly situated consumers (same vehicle, same insurer) will likely receive very different valuation results, as the nature of the information in the publicly available sources that are provided may differ greatly from one consumer to another. HB 5444 may lead to the creation of baseless sources that become popular due to their artificially inflated value information. HB 5444 will encourage consumers to simply shop online for the highest prices, regardless of their legitimacy.

For example, Edmunds.com could apparently be provided as a valuation source by the insured under HB 5444. On its own website, Edmunds.com states “. . . no assurance can be given that this information is accurate, complete or current.” What is the public policy benefit from the use of such a source?

Inflated values will lead directly to higher insurance premiums. The inevitable confusion and delays caused by HB 5444 will increase rental car costs and storage fee costs, also resulting in unnecessarily higher insurance premiums.

HB 5444 will compromise the accuracy, consistency and fairness of the current system for valuing totalled motor vehicles. IAC urges rejection of HB 5444.