

STATEMENT
INSURANCE ASSOCIATION OF CONNECTICUT

Insurance And Real Estate Committee

February 17, 2011

HB 6055, An Act Extending Coverage For Dealer Conveyance Fees
For The Purchase Of Replacement Vehicles From The Proceeds
Of Motor Vehicle Insurance Claims

The Insurance Association of Connecticut, IAC, is opposed to HB 6055 which seeks to mandate that insurers pay a sum to cover conveyance fee charges for all motor vehicle insurance claims.

No other state has such a mandate and for good reason. Auto insurance is not a replacement type policy. Coverage provided under an auto policy for damage to an auto is calculated on the actual cash value of the vehicle. Presumably the provisions of HB 6055 would only apply for a claim in which the vehicle has been deemed a total loss. The settlement value for such vehicle is based upon the fair market value for the vehicle--not the replacement value. There is no requirement that an individual replace their vehicle to be paid for the loss.

We are unaware of any valuing source used to calculate the market value of an auto that includes a value for "conveyance fees". Conveyance fees are quite simply the fees that a dealer may charge to recover processing all documentation and performing services related to the closing of the sale. (See 14- 62) The fee is not a set amount and can range anywhere from \$0 to \$1,000. The fee is more typically associated with the purchase of a vehicle only from a dealer. Not every dealer charges such a fee. Some dealers simply include it in the price of the car. Private sales between individuals do not include such a fee. By mandating such a varying fee to be included in the settlement will result in individuals with virtually the same vehicle receiving very different settlement values for the vehicles. It will also encourage more dealers and sellers of cars to inflate their charge, improperly driving up settlement payments. Increased loss costs will unnecessarily drive up premiums for all Connecticut drivers.

Such a mandate also ignores the very process in which a settlement is reached. The value for the loss is calculated based upon the value of the vehicle damaged, not the

value of a replacement vehicle. Such a process enables quicker settlements. To mandate that such a fee be included in the settlement value would delay settlement, as a settlement value could not be calculated until a vehicle is actually replaced and the charge for the conveyance fee is established.

The IAC urges your rejection of HB 6055.