

## ***Statement***

### ***Insurance Association of Connecticut***

Insurance and Real Estate Committee

February 28, 2012

#### **SB 203, An Act Requiring Payment For Diminution Of Value Under An Automobile Liability Insurance Policy**

The Insurance Association of Connecticut opposes SB 203, An Act Requiring Payment For Diminution Of Value Under An Automobile Liability Insurance Policy, which would require insurers to include, in the payment made for damages to a motor vehicle, an amount for the diminution of value of the vehicle. No other state has such a requirement, and for good reason.

Connecticut common law recognizes the possibility of compensation for the diminished value of a damaged motor vehicle, but it is incumbent on the claimant to present sufficient information to prove that fact. There is no automatic right to a diminished value payment. The determination is made on a case-by-case basis, according to the actual facts of the particular claim. If the insurer and claimant do not reach agreement on whether diminished value exists, the claimant can, and often does, go to state court to seek to make his or her case.

SB 203 would inappropriately require the Insurance Commissioner to establish by regulation a process for the determination of the amount of diminished value. No other state has set up such a regulatory process, because the calculation of diminished value, if it in fact has been proven to exist, is highly subjective and dependent upon

many variables. The unique nature of each claim does not lend itself to such a systemic approach.

SB 203 would markedly increase auto insurance premiums for drivers across the state, as it erroneously presumes that a motor vehicle that has been involved in an accident loses its value and improperly requires payment for such presumed loss. Increased insurer payments would be reflected in correspondingly increased insurance premiums.

SB 203 will also unnecessarily increase the likelihood that a damaged motor vehicle will be declared a total loss, which will have a detrimental effect on consumers in the state.

There is no need for SB 203. Connecticut consumers have the right to make a claim for the diminished value of a damaged motor vehicle, but like any other insurance liability claim, they must prove damages. By attempting to subvert that requirement, SB 203 would do real harm to the auto insurance marketplace in this state.

IAC urges rejection of SB 203.