

VERMONT DEPARTMENT OF FINANCIAL REGULATION

DIVISION OF INSURANCE

Insurance Bulletin No. 182

UPDATED GUIDANCE TO INSURERS SETTLING
MOTOR VEHICLE TOTAL LOSSES USING A PRICE GUIDE

The purpose of this bulletin is to provide updated guidance regarding the settling of a motor vehicle total loss using a published price guide under Section 8(b)3 of Regulation 79-2, Fair Claim Practices. This bulletin supersedes Bulletin 162 ("Regulation 79-2 and Total Loss Settlements"), only as it relates to Section 8(b)3 of the Regulation and the use of a published price guide.

Regulation 79-2(8)(b)(3) provides:

3. Insurer may offer a cash settlement based upon published automobile price guides, less any deductible provided in the policy. Items of equipment not listed in the price guides shall be given appropriate value, which shall be in addition to the retail value listed in the price guides. The value so determined shall be adjusted to reflect:

(a) the cost of a comparable motor vehicle in the local market area when one is available in that area, or

(b) Quotations obtained by insurer from two or more qualified dealers located within local market area when a comparable motor vehicle is not available in that area.

(c) Such costs as, but not limited to, reconditioning and tune up shall not be deducted by insurer, unless such deductions are justified and detailed as a result of actual inspection by licensed adjuster or appraiser.

Some insurers and industry groups have raised issues regarding difficulties they have had defining local market area and utilizing third party vendors for collecting data regarding comparable motor vehicles as required under Section 8(B)3(a) of the Regulation. Further, some insurers have expressed concerns about obtaining quotes from local dealers in the event comparable motor vehicles are not identified as required under Section 8(B)3(b) of the Regulation. Based on these, the Commissioner has concluded that by expanding the geographic area available to insurers and increasing the number of vehicles that can be considered based on date of sale, the Department can address industry concerns without diminishing consumer protections or the accuracy of a total loss calculation.



The specific changes are as follows:

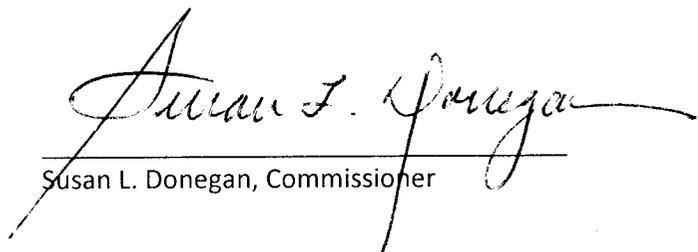
1. For purposes of Section 8(b)3 only, local market shall be an area within a 75 mile radius of the zip code used to identify the place of garaging of the totaled vehicle.
2. For purposes of Section 8(b)(3) only, for purposes of identifying a comparable vehicle, "available" shall mean currently available vehicles for sale and vehicles that have been sold in the previous ninety days.

Insurers are reminded that these changes only apply to total loss settlements based upon a published price guide as provided under Section 8(b)(3) and do not apply to total loss settlements based upon finding a comparable motor vehicle as set forth in Section 8(b)2. For purposes of Section 8(b)(2), settling a total loss based upon the actual cost of a comparable motor vehicle, the vehicle must be available for purchase and must be located in the town or city where the claimant lives and includes an area that is commonly accessed by people living in that town or city for purchasing motor vehicles. Again, the guidance provided in Bulletin 162 regarding settling a total loss by finding a replacement vehicle or determining the actual cost of a comparable motor vehicle remains unchanged.

For questions about this bulletin or the settlement of total loss claims, interested parties should contact: Christina Rouleau, Director of Market Regulation.

Dated:

January 23, 2015


Susan L. Donegan, Commissioner