



April 13, 2005

NEW JERSEY PROPOSES CHANGES TO SALVAGE DEDUCTIONS FOR AUTO TOTAL LOSS CLAIMS

BACKGROUND

Regulation NJAC 11:3-10 provides rules for claims from collision and comprehensive losses. The Department of Banking and Insurance is proposing to amend the rules to address the salvage value when a vehicle is a total loss. The Department states that the proposed rules “are intended to ensure that consumers receive fair market value for their salvage vehicles”.

The proposed rules will apply to both first party and third party claimants.

CHANGES

Currently, when a vehicle is a total loss, an insurer may require the owner to transfer title of the vehicle to the insurer. The insurer can then recoup the salvage value.

The proposed amendment provides the following rules when an insurer doesn't require transfer of title and deducts a salvage amount from the claim settlement.

- The salvage deduction would be limited to the amount a claimant could obtain from a salvage facility within a reasonable distance from where the vehicle is garaged. (Note that the proposal doesn't define what is a reasonable distance).
- If notified in writing, the insurer would be required to pay the difference between the salvage deduction and the highest amount the insured has documented he can receive when the vehicle is sold to a salvage facility. Or the insurer can provide the claimant with the name and contact information for a salvage facility that will purchase the vehicle at the salvage deduction amount.
- If the insurer is deducting salvage, then the insurer must notify the claimant in writing of the claimant's rights (as set forth above) when the settlement offer is made.

COMMENTS

If you wish to comment on this proposal, you should submit your comments by May 20, 2005 to the address shown in the proposed amendment.

AVAILABILITY

The proposed amendment may be accessed on the DOBI's website at http://www.state.nj.us/dobi/proposed/05_102.pdf.

QUESTIONS

Contact Jan Kozlowski at (800) 935-6900 or e-mail to: jkozlowski@msonet.com.