



March 3, 2006

NEW JERSEY SALVAGE DEDUCTIONS FOR AUTO TOTAL LOSS CLAIMS REGULATION ADOPTED

BACKGROUND

Regulation NJAC 11:3-10 provides rules for claims from collision and comprehensive losses. The Department of Banking and Insurance has recently adopted the proposed rule changes addressing the salvage value when a vehicle is a total loss. The adoption includes two changes not requiring additional public notice and comment (see paragraph 2 below). The original proposal was issued in March of 2005.

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

ADOPTED RULES

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

1. 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 adopted rules do not define "salvage facility" or "reasonable distance").
2. If notified in writing by the insured within 30 calendar days of the loss settlement that the salvage cannot be sold for the amount of the deduction, and the salvage has not significantly deteriorated or been altered between the time of the loss settlement and the time of the notice to the insurer by the insured, 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. (Underlined wording is newly added with the adoption.)

**ADOPTED
RULES (cont'd.)**

3. 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.

**EFFECTIVE
DATE**

February 21, 2006.

AVAILABILITY

The 2005 proposed rules may be accessed on the DOBI's website at http://www.state.nj.us/dobi/proposed/pn05_102.pdf.

The adopted regulation (NJAC 11:3-10.4) is available on the DOBI's website at <http://www.state.nj.us/dobi/proposed/aa060221.pdf>.

QUESTIONS

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