

AFFIDAVIT OF SRINIDHI MELKOTE IN THE MATTER OF 2020-IN-001
IN CONNECTION WITH THE USE OF CARFAX HISTORY-BASED VALUE MODEL
IN THE CARFAX TOTAL LOSS VALUATION SERVICE

1. My name is Srinidhi Melkote. I am the Head of Business Analytics at CARFAX, Inc. I am familiar with the CARFAX History-Based Value (“CARFAX Value”) model, the valuation model used in the CARFAX Total Loss Valuation Service, which is the subject matter of the application for approval by the Division of Insurance of the Rhode Island Department of Business Regulation. I swear under the pains and penalties of perjury that I make all statements based on personal knowledge and after reviewing the business records that are maintained by CARFAX in the regular course of its business.
2. Retail prices for used vehicles vary based on many factors, including but not limited to vehicle age, location, history, mileage, trim, options and local market supply. The CARFAX Total Loss Valuation Service utilizes CARFAX’s proprietary CARFAX Value to provide a valuation specific to the vehicle identification number (“VIN”).
3. All things being equal, a vehicle with no damage is perceived to be worth more than one with a previous accident. Likewise, car buyers tend to pay a premium for one-owner vehicles and those with a well-documented service history. On the other hand, vehicles with high mileage or those previously owned for commercial use tend to generate a price discount relative to those with low mileage or only personal use. The CARFAX Value quantifies all of these factors and more, incorporating recency, frequency, and severity in combination with each vehicle’s unique attributes along with local market supply and demand to arrive at a unique value for each unique vehicle. It analyzes vehicle pricing down to the zip code level and only expands beyond the zip code when needed to arrive at a statistically valid set of pricing observations. The model conforms to the Rhode Island requirement to limit transactions within a seventy-five miles radius for calculating the valuation. The CARFAX Value is currently available for vehicle model years 2000 and later, covering more than 99% of vehicles released in the U.S. in the last 15 model years.
4. The CARFAX Value for a vehicle is determined using a statistical regression model that analyzes hundreds of these factors for millions of current and historical sales listings for used cars to assess the impact of these factors on the retail sale price of a vehicle. This model is then used to calculate the retail value of the subject vehicle using its VIN-specific attributes and vehicle condition so that the value is representative of retail prices observed for similar vehicles currently and historically listed for sale.
5. The CARFAX Value is updated weekly based on then-current vehicle sales data and pricing information from millions of comparable vehicles offered for sale. This same value is available to consumers and automobile dealers looking at the same vehicle and dealers, insurance companies or adjusters are unable to make any arbitrary deductions.

6. CARFAX Value, the model used in the CARFAX Total Loss Valuation Service, does not place static weighting on any of the vehicle attributes considered. Instead the statistical regression model assesses the relative impact of a vehicle's attributes in combination with one another based upon actual observations of millions of retail vehicle sales. Thus, the CARFAX Value for a specific vehicle reflects an amalgamation of how the market values the vehicle's unique combination of hundreds of VIN-specific attributes.
7. Insurance adjusters using the CARFAX Total Loss Valuation Service cannot make arbitrary deductions from the CARFAX Value when calculating the fair market value of the loss vehicle.
8. The insurance adjuster may adjust certain inputs, such as mileage, zip code, condition, trim, and factory options to capture them more precisely, and those adjustments may have a bearing on the CARFAX Value. However, the CARFAX Total Loss Valuation Report generated for presentation to the consumer displays the values input for these fields, giving the consumer the opportunity to dispute any errors, and if appropriate, modification by the adjuster.

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Date