



Department of Business Regulation

Insurance Division

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Cranston, Rhode Island 02920

Insurance Bulletin 2014-2

Total Loss Valuation Services

Pursuant to [R.I. Gen. Laws § 27-9.1-4\(25\)](#) insurers must pay the “fair market value” for a vehicle that is declared a total loss. The statute defines “fair market value” as “... the retail value of the motor vehicle as set forth in a current edition of a nationally recognized compilation of retail values commonly used by the automotive industry to establish values of motor vehicles.” Over the past decade the Department has been presented with numerous consumer complaints concerning the amount consumers are offered by insurers for total loss vehicles. In virtually every situation, the conflict results from arbitrary deductions taken from comparable vehicle values when calculating the total loss value.

In implementing R.I. Gen. Laws § 27-9.1-4(25) the Department amended [230-RICR-20-40-2](#) and required that a filing be made by or on behalf of any entity that advocated that it had a program that qualified under the statute. Filings were made by or on behalf of eight entities (National Automobile Dealers Association (NADA); Kelly Blue Book (KBB); Price Digests, Vehicle Valuations Service, Inc., Audatex, Auto Bid LLC, CCC Information Services Inc. and Mitchell International Inc.) Following review of the filings the Department concludes that the minimum “fair market value” can be derived from the compilation of values provided by NADA and KBB. The remaining applicants have not established that they are “used by the automotive industry” which is a necessary criteria under the statute. The Department interprets the term automotive industry to be those entities that actually sell automobiles.

Insurers may not pay less than the NADA or KBB value adjusted pursuant to [230-RICR-20-40-2.8\(A\)\(5\)](#). Insurers may not, under any circumstance, utilize valuations that reduce the minimum value for items such as dealer preparation, reconditioning or an amount that a dealer might accept in sale of a comparable vehicle (i.e. “take price”). Insurers are, however, required to pay the actual loss and if that amount exceeds the minimum value the insurer must pay the higher amount. In cases where NADA or KBB do not have a listing for a particular vehicle, insurers may use services that provide comparable vehicles, however, insurers may not vary those comparable vehicle listings other than by mileage, options and condition.

Insurers are not required to obtain the valuations directly from NADA or KBB. A number of the valuation services that filed indicated that they either currently provide or

are able to provide the NADA or KBB valuations along with other data about comparable vehicles. Insurers may utilize valuations from any of the applicants, however, insurers may not offer less than NADA or KBB in settlement of the claim.

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