

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 198

H.P. 138

House of Representatives, January 30, 1991

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 24.

Reference to the Committee on Banking and Insurance suggested and ordered printed.

A handwritten signature in cursive script that reads "Ed Pert".

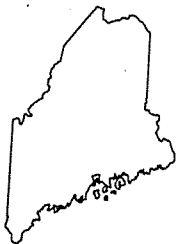
EDWIN H. PERT, Clerk

Presented by Representative GARLAND of Bangor.
Cosponsored by Representative RAND of Portland.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

**An Act Establishing a Procedure for Calculating Actual Cash Value
under Automobile Insurance Physical Damage Coverage in the Event of
Total Loss.**



Be it enacted by the People of the State of Maine as follows:

24-A MRSAs §2925 is enacted to read:

§2925. Settlement alternatives for total loss claims

1. Settlement alternatives for total loss claims. When a property damage liability or physical damage claim requires adjustment and settlement of motor vehicle total loss on the basis of actual cash value or replacement with another of like kind and quality, one of the following methods must apply.

A. The insurer may elect to offer a replacement motor vehicle that is a comparable motor vehicle available to the insured, with all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the motor vehicle paid, at no cost other than any deductible provided in the policy. The offer and any rejection of an offer must be documented in the claim file.

B. The insurer may offer a cash settlement based on actual cost, less any deductible provided in the policy, to cover purchase of a comparable motor vehicle including all applicable taxes, registration fees and other fees incident to transfer of evidence of ownership of a comparable motor vehicle.

C. The insurer may offer a cash settlement based on the average of at least 2 industry standard valuation manuals current at the date of loss and adjusted to reflect:

(1) The cost of a comparable motor vehicle in the local market area when one is available in that area if a market survey locates such a motor vehicle; or

(2) If a market survey fails to locate such a motor vehicle:

(a) The price for which a comparable motor vehicle was recently sold by a qualified dealer in the local market area; or

(b) The average of quotations obtained by the insurer from at least 3 qualified dealers located within the local market area.

D. If the insured motor vehicle is a vehicle of the previous model year purchased new within 90 days prior to the date of loss or of the current model year, the insurer shall pay to the insured the reasonable purchase price on the date of loss of a new identical motor vehicle, less any applicable deductible and an allowance for depreciation in

2 accordance with the schedule in this paragraph, except when
3 the utilization of this method of settlement results in a
4 lower claim payment as compared with the utilization of the
5 method described in paragraph C.

6 DEPRECIATION SCHEDULE

8 <u>Purchase Price</u>	<u>Depreciation Per Mile</u>
10 <u>Up to \$6,500</u>	<u>\$0.10</u>
<u>\$6,501 to \$8,000</u>	<u>0.12</u>
12 <u>\$8,001 to \$10,000</u>	<u>0.15</u>
<u>\$10,001 to \$12,000</u>	<u>0.18</u>
14 <u>\$12,001 to \$15,000</u>	<u>0.21</u>
<u>\$15,001 to \$20,000</u>	<u>0.25</u>
16 <u>More than \$20,000</u>	<u>0.29</u>

18 2. Consumer right to know. If requested, the insurer shall
19 document and provide to the insured any information used in
20 arriving at the insurer's actual cash value determination or
21 alternate settlement offer.

24 STATEMENT OF FACT

26 This bill establishes a procedure for insurers to follow in
27 calculating the actual cash value of a motor vehicle insured for
28 physical damage when in response to a claim the insurer concludes
29 the motor vehicle is a total loss. The bill includes alternative
30 settlement options and requires insurers to fully disclose to the
31 insured any information used in arriving at the settlement
32 offered. An established procedure facilitates prompt settlement
33 of claims in those instances when insureds challenge less than
34 comprehensive insurer valuations.

36