

Is Diminished Value Covered?

The issue of diminished value (DV) is still a matter of significant debate among insurance companies, lawyers, state courts, consumers (including activist groups), auto parts manufacturers, and auto repair shops. Supporters of the DV theory say that these losses are real and should be reimbursed under an insurance policy whenever there is accidental damage to a covered car. Others say that such losses are similar to depreciation and were never intended to be covered. Factors affecting this debate include:

- Can DV be accurately measured?
- What are the financial stakes of the groups supporting each side of the issue?
- Should DV be considered only when a vehicle is repaired and then sold?
- How is an older car's "pre-accident" value measured?
- Should repair shops or insurers bear the responsibility for DV?
- The wording of applicable insurance policies.
- Current and pending state laws involving DV.
- If DV is paid and a vehicle owner sells the car without a loss of market value, does the DV payment have to be returned to the insurer?

Court Views

A number of high-profile cases have been decided by courts nationwide over the years. Most of the cases have resulted in the courts dismissing DV as a legitimate area of coverage, but there have been notable exceptions. For instance, in November, 2001, Georgia's Supreme Court ruled that DV should be considered whenever a loss occurs to a vehicle, so insurers will have to include DV in any settlements they make.

What To Do About DV

The only thing that is really important to you is your unique coverage situation. Depending upon the age and value of your cars, you may have a concern over this issue. If you do, your best bet is to discuss your situation with an insurance professional. You can find out what coverage options may be available or, at the very least, gain a better understanding of your existing coverage. Please be sure to read our companion article, "What Is Diminished Value?"

COPYRIGHT: Insurance Publishing Plus, Inc., 2001, 2007

All rights reserved. Production or distribution, whether in whole or in part, in any form of media or language; and no matter what country, state or territory, is expressly forbidden without written consent of Insurance Publishing Plus, Inc.