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Opinion: Insurance Department turns a blind eye to car insurers cheating consumers

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Connecticut's Capitol in Hartford; Contributed Photo

Here is the latest auto insurance scam I encountered.

Traditionally, after a vehicle is damaged in a crash, insurance companies inspect the vehicle at the tow yard or auto body repair shop. If the vehicle is declared a total loss, the insurance company would traditionally make an offer to pay a certain sum in exchange for title and possession of the vehicle.

That is what should happen, and what has traditionally happened. Post-COVID, however, the price of used vehicles has soared, inspiring a more contentious debate between insurers and consumers over what constitutes a fair value on a total loss. Presumably in reaction to this unique climate of increased used car

prices, and hence greater payouts on total loss claims, insurers have sought to exact more leverage to underpay claims.

This has inspired a new insurance scam to refuse to make any offer on a total loss claim until after the victim/owner gives over possession of their vehicle. This change in the sequence of the deal makes all the difference.

First, giving the insurance company one's vehicle without a deal in place surrenders nearly all negotiation leverage in favor of the insurance company, which is bent on paying the least possible sum on the claim. Second, some victim/consumers may choose to keep their vehicle to, for example, fix and retile it. Once they give the insurance company possession, however, they effectively lose that right. Third, forcing victims/owners to give up their vehicle without a deal in place also hands the insurance company, on a silver platter, the ability to delay payment on the claim.

In short: This new process ensures that victims will have to wait longer to get less money. This is wrong, and manifestly illegal.

Connecticut law prohibits insurers from requiring that appraisals be made at a specific facility. We have transparent and well-settled consumer protection laws prohibiting this. The practice cheats victims on total loss claims, and cheats auto repair shops on storage fees.

The state attorney general needs to investigate this practice and sanction those doing it. The state Department of Insurance needs to be more vigilant in protecting consumers and penalizing those insurance companies that are so blatantly ignoring state law.

In response to a complaint, one insurance company argued that it needed to take possession of the vehicle to do a more accurate damage appraisal. Nonsense. Body shops in Connecticut are well equipped to provide accurate appraisals, and always have been.

When the issue was brought to the state Department of Insurance, the response was lacking in credulity. The DOI claimed to have found no violation of Connecticut law. The DOI did not even address our anti-steering law, which was

directly violated, or the law prohibiting appraisers from forcing consumers where to get appraisals done, which was also directly violated, or our unfair insurance practices laws — also violated.

How long will consumers allow our state Insurance Department to condone blatant violations of the department's own regulations?

As body shop owners throughout the state will attest, our Insurance Department has long sought to insulate the insurance industry from legal accountability and genuine oversight.

I presume the cost-benefit analysis is one premised on giving insurance companies greater regulatory latitude in order to keep insurance jobs here in Connecticut.

Whether it makes sense to let insurers break our laws to hopefully keep more jobs here is a political calculation above my pay grade. But seeing it over and over from this side of the table is certainly frustrating. And not without its costs, including monies cheated from consumers and our citizenry's loss in the faith of an oversight institution that chooses to look away so often.

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