



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
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Governor

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NEIL N. JASEY
Commissioner

BULLETIN NO. 09-23

TO: ALL NEW JERSEY AUTOMOBILE INSURERS

FROM: NEIL N. JASEY, COMMISSIONER

RE: OFFERS OF CASH SETTLEMENTS ON ADJUSTMENTS OF TOTAL LOSSES - APPLICABLE STATE SALES TAX REQUIRED TO BE ADDED TO THE SALVAGE RETENTION DEDUCTION IN WRITTEN VALUATION PROVIDED TO CLAIMANTS

It has come to the attention of the Department of Banking and Insurance (Department) that some insurers are not calculating and adding State sales tax to the salvage retention deductions in the written total loss cash settlement valuations rendered to their insureds and third party claimants as required by N.J.A.C. 11:3-10.4. Some insurers are misinterpreting the regulation, resulting in valuations of total loss claims that include underpayments of the New Jersey sales tax as it applies to the salvage retention deduction.

All New Jersey Private Passenger Automobile Insurers are reminded that N.J.A.C. 11:3-10.4(a) requires that if the insurer elects to make a cash settlement, its offer, subject to permissible additions or deductions, must include the applicable sales tax. Salvage retention deduction values are extraneous to the actual cash value that represents the retail value of a vehicle at the time of loss. Excluding sales tax on that value results in claim underpayments and settlements that are inconsistent with N.J.A.C. 11:3-10.4(a).

Questions regarding this Bulletin should be directed to the Market Conduct Examinations and Anti-Fraud Compliance Section, 20 West State Street, PO Box 329, Trenton,, NJ 08625, Att: Salvage Inquiries.

July 27, 2009
Date

/s/ Neil N. Jasey
Neil N. Jasey
Commissioner

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