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Bulletin 08-11

DATE: December 8, 2008
TO: Property Casualty Insurers
FROM: Merle Scheiber, Director
RE: Bulletin 88-2 Reaffirmed

It has come to the Division's attention that insurers and their adjusters may be using estimates generated from software programs as the basis for payment of automobile repairs in a manner that is inconsistent with Bulletin 88-2. This Bulletin reaffirms Bulletin 88-2 and offers additional direction relative to the use of estimates. Bulletin 88-2 reads as follows:

“Many insurance companies are using computer generated estimates to determine claim payments for motor vehicle repairs. If a company uses a computer estimate, then there must be repair shops in the local area that will accept, and do, the repair based on the computer estimate. A computer estimate used as the basis for settlement of a claim without a local repair accepting the estimate will, in the absence of mitigating circumstances, be construed as a violation of SDCL 58-33-67.”

Specifically reports have been received that some repair estimates are being used as hard caps and that any amounts claimed by the body shops in excess of the estimates are in some circumstances not being paid. These insurer estimates can continue to be used but insurers may not limit claim payment to the amount of their estimates when there is not a local repairer willing to make repairs for the amount of that estimate.