Bulletin 98-7

TO: PROPERTY CASUALTY INSURERS

FROM: DARLA L. LYON, DIRECTOR

DATE: OCTOBER 2, 1998

RE: BETTERMENT

Insurers have different options available to settle an auto claim. The insurer may settle on the basis of actual cash value and take depreciation of the vehicle into consideration.

If the insurer chooses to repair the vehicle, the insurer may not deduct for depreciation. The insurer may take a deduction for betterment, but only if:

1. The term "betterment" is defined in the policy; and
2. The market value of the entire vehicle has been increased above its pre-loss market value as a result of the repair.

An insurer may make repairs with parts of like kind and quality.

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