



State of New Jersey  
DEPARTMENT OF BANKING AND INSURANCE  
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Commissioner

**BULLETIN NO. 07-20**

**TO: ALL INSURERS AUTHORIZED TO WRITE MOTOR VEHICLE  
PHYSICAL DAMAGE INSURANCE IN NEW JERSEY**

**FROM: STEVEN M. GOLDMAN, COMMISSIONER**

**RE: AUTOMOBILE PHYSICAL DAMAGE CLAIMS PRACTICES –  
SUFFICIENT REPAIR ALLOWANCES**

The Department has determined that the methods utilized by several insurers to provide allowances for paint and material costs are in some instances out of date. The Department is in receipt of information indicating that the actual costs of paint and materials have increased over time and that some insurers' allowances do not reflect the actual cost of the paint and/or material.

Since the costs of paint and material vary widely, the methods traditionally used by insurers to provide allowances for paint and material costs may, in some instances, be inadequate or recessive, resulting in repair estimates that do not provide a sufficient allowance to restore the vehicle to its condition immediately prior to the loss.

Insurers are expected to provide repair allowances that are sufficient to restore damaged vehicles to their pre-accident condition. The use of available paint and materials cost calculator manuals and programs to determine allowances is encouraged to assist insurers in achieving consistent compliance. The Department is monitoring insurer claim practices to confirm that allowances for all aspects of the repair process are sufficient.

As complaints are received by insurers and the Department, our Office of Consumer Protection Services will be conducting appropriate reviews during the market analysis and market conduct examination process. Insurers are expected to be prepared to justify their repair allowances.

10/25/07  
Date

/s/ Steven M. Goldman  
Steven M. Goldman  
Commissioner

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