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In a groundbreaking ruling, the Georgia Supreme Court said Wednesday that an auto insurer not only has to reimburse motorists for car repairs, but also for the diminished value of cars damaged in collisions.

The ruling means auto insurers can no longer take the position that cars that have been in a wreck and then fully repaired still haven't lost their value, said C. Neal Pope, a Columbus lawyer who brought the case against State Farm Mutual Automobile Insurance Co.

"This means folks are going to start getting paid what they should have been paid over the years," Pope said. "In the past, the insurance companies have said, 'We've fixed your car and that's it.' Not anymore." The ruling has broad ramifications because Pope has filed similar lawsuits on behalf of clients against numerous insurance companies, including GEICO, Progressive, Cotton States, MetLife and Allstate.

In a unanimous ruling, the Georgia Supreme Court also upheld a decision by a Columbus trial judge who certified a class-action lawsuit against State Farm. And the court upheld an injunction issued by Muscogee County Superior Court Judge Doug Pullen ordering State Farm to begin collecting and maintaining the information necessary to begin reimbursing clients for the diminished value of their damaged --- and repaired --- cars.

State Farm, headquartered in Bloomington, Ill., is "disappointed" with the ruling, spokesman Dave Hurst said. "We are still reviewing the decision to see what impact it will have on this case and future claim handling in Georgia."

When asked if the requirement that auto insurers must now pay for diminished value will result in higher premiums, Hurst said: "We'll just have to wait and see. . . . But our general feeling about claims for diminished value is if insurance companies are required to pay them on a widespread basis, premiums would have to go up eventually." Still, consumer advocates were ecstatic.

"It's extremely good news for consumers," said Ann Spink, president of Auto Claims Help, a consumer advocacy group for the insured following the case. "Any insurer who says it doesn't owe diminished value is creating an illusion of a policy."

"This is a groundbreaking ruling," said Dennis Howard, executive director of Arizona-based Insurance Consumer Advocate Network, also called I-CAN. "I'm absolutely thrilled. We're looking at a lot of money that's probably going to have to be paid out by the insurance companies."

I-CAN, through consumer surveys, has found that wrecked cars that require repair bills totaling 25 percent of the value also suffer a 16 to 17 percent loss in value. "When it comes time to sell a car, if you disclose that it's been in a wreck --- which you have to do under the law --- the resale value is diminished," Howard said.

Howard said that, in the future, auto insurers may require prospective

policyholders to accept policies that specifically exclude diminished value coverage. Or, Howard suggested, insurance companies may provide collision and comprehensive coverage to policyholders and give them the opportunity to pay a separate premium for diminished value coverage. In the State Farm case, two policyholders contended that no matter how well a wrecked car was repaired, the insurance company was liable for the amount of any diminished value of the car. State Farm countered that there was no objectively discernible diminution in value, and if there was such a loss, it would not be realized until the car was resold.

Writing for the Georgia Supreme Court, Justice Robert Benham noted that State Farm's promise to its clients is to "pay for loss to your car," minus any deductible. And Benham cited State Farm's own documents in which the company acknowledged there is a common perception that a wrecked vehicle is worth less simply because it has been wrecked.

"Recognition of diminution of value as an element of loss to be recovered on the same basis as other elements of loss merely reflects economic reality," Benham wrote.

Pope, the plaintiffs' lawyer from Columbus, said State Farm already has deposited \$60 million into a bank account to begin paying off diminished value claims.

And Pope noted that the State Farm case is far from over. This summer, Pullen issued an order requiring the insurance company to access 500,000 past claims, dating back to 1993, over the diminished value of repaired vehicles. In a separate appeal, which is now pending, State Farm is challenging that decision before the Georgia Supreme Court.