

Diminution in Value: The New Endorsement

By Phyllis Van Wyhe, CPCU, CIC, CSP
www.insurancece.com

In some parts of the country, claims adjusters are seeing an increase in Diminution in Value (DV) claims. These claims are expected to become even more prevalent as the issue of DV gains momentum as a consumer concern. In response, Insurance Services Office (ISO) has introduced a new endorsement to the Personal Auto Policy (PAP).

The brief, take-no-prisoners, endorsement creates an absolute exclusion for DV. It bears the sexy title “Coverage For Damage To Your Auto Exclusionary Endorsement” and carries the form number PP 13 01 12 99. ISO has created it as a mandatory endorsement to be attached to all personal auto policies that are written using the 1998 edition of the policy. This indicates that ISO intends to build the language into the body of the policy when the contract is next rewritten.

The endorsement is deceptively simple and contains only two clauses: a definition of DV and an exclusion.

- **The Definition**

The wording here is:

“DV means the actual or perceived loss in market or resale value which results from a direct and accidental loss.”

- **The Exclusion**

The exclusion is an addition to part D: Coverage For Damage To Your Auto, the physical damage section of the PAP. The new exclusion simply states:

“We will not pay for: Loss to ‘your covered auto’ or any ‘non-owned auto’ due to ‘DV.’”

ISO states the endorsement is simply a clarification and does not change the coverage currently provided by the contract. In addition, ISO states that an insurer is still responsible to claimants when the compensation is not sufficient to pay for an adequate repair job.

With this endorsement, the intent is to make it clear that the PAP is not obligated to reimburse a first-party claimant for any loss attributed to a reduction in a car’s market value that is a direct result of damage to a covered car.

[Diminution in Value: What is it?](#)

[Diminution in Value: The Causes](#)

[Diminution in Value: Problems & Issues](#)

[Diminution in Value: The Opinion of the Courts](#)