

BULLETIN 98-3

TO: All Automobile Insurers

FROM: Darla L. Lyon, Director

South Dakota Division of Insurance

DATE: February 12, 1998

RE: Paintless Dent Repair for Hail Claims

This Bulletin is intended to replace the South Dakota Insurance Division's Bulletin 96-3.

During the summer of 1996 the Division of Insurance received a number of consumer complaints regarding the issuance of Paintless Dent Repair (PDR) claim estimates for hail losses to automobiles.

Specifically, insurers were giving claim estimates for hail losses to automobiles without adequately disclosing that the estimate was based on the PDR method of repair as opposed to a conventional method of repair. Many insurers were not offering estimates for the conventional method of repairing automobiles when the conventional method may be more appropriate than PDR. Additionally, these estimates were being produced in areas without local facilities available to complete the PDR method of repair.

The Division of Insurance, after examining vehicles repaired by the PDR method, determined that not all dents and dings associated with hail damage can be removed using this technique, and as a result, the insureds' vehicles may not be returned to their pre-loss condition. The PDR method appears to be a viable method of repair for certain hail damage. PDR, however, is not, in many cases, appropriate for vehicles which have suffered severe damage or which have been damaged in locations that are not easily repaired using the PDR method.

Therefore, insurers must disclose on any claim estimate, which is partially or fully based upon the paintless dent repair method, that the claim estimate is made based upon the paintless dent repair method. Insurers are not required to provide two separate claim estimates.

As in the case of computer claim estimates (Bulletin 88-2), the repairs must be able to be done locally on a paintless dent repair basis before the claim can be adjusted on that basis. If the repairs cannot be done locally either through a local repair shop or one which is temporarily available in the local area, or cannot be done on a paintless dent repair basis due to the nature of the damage or the location of the damage, then the conventional method must be used as the basis for settlement of the claim.

No insurer may, directly or indirectly, require that the repairs be made at a certain repair shop. However, an insurer may recommend a particular repair shop or shops.

No insurer may require that repairs must be made to the vehicle.

Finally, the repair shop may not be named as a payee on the claim check unless requested by the claimant.