

## **Vehicle Diminished Value**

Once a vehicle has been involved in a collision, there is sometimes diminished value. (The value loss of a vehicle as a result that it has been in a collision and repaired) Listed below are 3 different types of diminished value. Each one is separate and combined together is the ultimate diminished value.

### **Repair related diminished value**

Simply put anything done on the vehicle that was not done correctly, completely that shows the vehicle has been repaired. This type of diminished value is judged by various factors. Has the vehicle been repaired back to the same state and shape so that it will react the same was in the next collision as it did in this collision? (With a lifetime guarantee that is offered by most shops this can be a tall order). Standards are set by: I-car's Uniform Procedures for Collision Repair ((UPCR)(available at [www.i-car.com](http://www.i-car.com))). Any manufacturers repair procedures or industry /product procedures. Repair quality is **not** judged by comparing yourself to other shop's quality and also cannot be defended by "that's the way the industry does it" mentality. Major areas where repairs are not done correctly include: lack of 3 dimensional measurement, improper structural alignment, and lack of proper corrosion protection (seam sealing, improper welding, improper sectioning or repaired structural components that should have been replaced that have been repaired).

The measure of repair related diminished value is the cost to properly repair the vehicle. This can often times exceed to cost of the original repair.

### **Insurance related Diminished value**

Any needed repairs that were not paid for or denied. The measure of the Insurance related diminished value is the cost to properly repair the vehicle back to the same state and shape as it was so that the vehicle performs the same way in the next collision as it did in this collision and is cosmetically correct. The measure of this type of diminished value is how much it would cost to do the proper repair.

With the collision damaged vehicle having been completely and properly repaired there is no repair related or insurance related diminished value. There still can remain loss of value to the vehicle just because it has been involved in a collision. This type of diminished value is called Inherent Diminished Value.

### **Inherent Diminished value**

Inherent Diminished value is not a concern of the collision repair shop..... But in my experience it is the shop's fault. When I get a call to do a diminished value claim, normally it has stemmed from something that was not done correctly on the car that starts the ball rolling. Then the vehicle is properly repaired and the vehicle owner still has a "mental issue" with the vehicle. This brings on the next phase of diminished value:

Inherent Diminished value is a projection of the loss of value of a subject vehicle after a collision. Inherent Diminished value assumes that the repairs that were done to the vehicle were done completely and correctly. Inherent Diminished value does not include repair related diminished value (improper/incorrect repairs) or Insurance related diminished value (needed items for a proper repair that were not paid for or denied). These items are handled separately and can add to the overall diminished value. Inherent Diminished value is the amount of money that would need to be taken off the retail selling price of the vehicle with full disclosure to the vehicle buyer that it has been in a collision. The amount is only a projection because the ultimate Inherent Diminished value is decided after the vehicle has been sold on a retail basis. Often times dealers will try and say that the value loss of a vehicle is 40%-50% of the wholesale value, only to sell the vehicle somewhat near retail value - using the diminished value taken on trade-in as room to negotiate/additional profit. Generally vehicles that have been classified as "totaled" will receive the most amount of diminished value. A vehicle that has been listed a total-loss that is repaired properly, will suffer a value loss of 20%-50% upon retail sale. The difference in the amount depends on the vehicle age, extent of damage and type of vehicle. Inherent Diminished value is determined by comparing the vehicle value prior to the collision and the value after the collision (after a complete and proper repair).

Insurance companies have paid inherent Diminished for years. Inherent Diminished value has been paid since the 1950's and became much more noted in the 1970's. Diminished value is not currently paid in Washington State for first party (insured), but is being paid under the liability portion of the policy to claimants.

Diminished value can be calculated to project the vehicle market value on retail sale. On a normal repair of a vehicle the diminished value can range from 0%-25% or more depending on vehicle miles, age, type and amount of repaired damage. In some cases, a vehicle, which was in poor condition, can be made better than it was- this has been addressed by insurance companies for years as betterment.