



DIRECTIVE 22-EX-2

TO: ALL ENTITIES OFFERING AUTOMOBILE OR MOTOR VEHICLE
LIABILITY INSURANCE IN GEORGIA

FROM: JOHN F. KING
INSURANCE AND SAFETY FIRE COMMISSIONER

DATE: MARCH 11, 2022

RE: CALCULATION OF TAXES WHEN AUTO INSURERS
PAY FIRST PARTY CLAIMS

Recently, it has come to my attention that there is confusion among Auto Insurers about the appropriate method for calculating taxes to be paid to insureds when settling a total loss vehicle claim. Allow me first to reiterate that the purpose of insurance is to make insureds whole again following a covered loss. In the case of first-party auto insurance claims, to make an insured whole, an insurer must properly calculate taxes to be paid by the insured when replacing a lost vehicle.

Beginning April 1, 2022, for first-party total loss vehicle claims, insurers using the cash equivalent method of settlement must calculate the actual taxes required to be paid by the insured when replacing the total loss vehicle. Some insurers may be basing their tax payments on an amount lower than the agreed-upon value of the vehicle. This method fails to make the insured fully whole because it does not accurately provide for the unique cash value of the lost vehicle that the insurer has already determined. Accordingly, when calculating taxes to be paid to an insured on a first-party auto claim, insurers should base the tax payment on the agreed-upon cash value of the vehicle.

JOHN F. KING
INSURANCE AND SAFETY FIRE COMMISSIONER
STATE OF GEORGIA