

# Totaled Vehicle Valuation:

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**Remember: The insurance policy with the insurance company is a binding contract with the insured, while the claimant has no binding contract with the insurance company.**

## **I. Pre-damage Value:**

**Generally, when an insurance company tries to establish the pre-damage value of a vehicle they will do the following:**

1. They can access computer models that will give pre-damage values. The general public can look up Blue Book or Edmunds for used car values. Make sure the value is based on your zip code not on one in a lower priced area.
2. Check the local newspaper ads or other car sales publications. Make sure cars being compared are of equal quality. If your car has 60,000 miles on it, you don't want it compared with a car with 100,000 miles.
3. Insurers generally decide whether or not to repair a car based on the following:

Retail value minus Salvage value = Amount that could be used to repair the vehicle. (Salvage value is the amount the insurer can sell a car for in its current damaged condition.)

Example:

Retail value of \$20,000 – Salvage value of \$5,000 = \$15,000 repair money available. If the repair were less than \$15,000, then it would be less expensive to repair the car, but if the repair costs were closer to or more than the available repair money, then the insurance company would most likely total the vehicle. In many cases, there is still some room to negotiate. Some owners owe more on their car than the vehicle is worth and others have expensive add-ons that may be considered.

## **II. Prior or Pre-accident Damage:**

**The following are still just part of the final negotiation:**

1. **Insured:** If you have old damage on your car, it is likely, but not always the case, that the insurer will deduct the repair value of old damage from the settlement.
2. **Claimant:** Since as a claimant there is no contractual agreement, the insurer is less likely to include the cost of old damage in the settlement unless it is extensive.

## **III. General Evaluation Information:**

Understand that once an insurance company has decided that your vehicle is not worth repairing, they are in essence buying your vehicle. Therefore, your best interest is to negotiate the best possible price for your vehicle. Consider doing the same type of review that the insurance companies do in order to develop a price that you feel is fair. If you are the insured, you will have less say in the final figure since you have a contract with the insurance company, whereas if you are a claimant, you are likely to receive a little more since you do not have a contract with

the insurance company. All insurance companies have the responsibility to indemnify the insured or claimant from further loss; if your car is worth “X” and they offer you less than “X”, they have not indemnified you from loss. Most insurers will listen to reason and be open to any documentation you can provide which establishes value.

### **III. Possible value add-ons:**

1. If there are any recent upgrades to the vehicle, such as new tires, battery, or service work such as brakes, stereo, speakers, muffler, radiator, body or paint work, added accessories, then you can usually get all or part of those costs added to the value settlement.
2. If you are a claimant, you should either have a free rental car until settlement, as well as, in some cases, a rental while you find a new car, or be reimbursed for loss of usage. If you are the insured, you will only receive a free rental car if it is included as part of your insurance contract.

### **IV. Final Suggestions for Claim Settlement:**

You will be settling your claim with a person who has a supervisor, so if you feel you are being taken advantage of, ask to speak to the supervisor. Sometimes negotiations can become more about personalities, wrong first impressions, hurt feelings or people holding a hard line for some reason or another, than about honest and objective evaluations. Also remember that each State has a Department of Insurance that is there to help the consumer, if needed. Most often, insurance companies want to successfully and expediently close out the claim while maintaining a good relationship with the insured or the claimant.

The most important lesson to learn is to do your homework before the negotiation starts, and let them make their offer first it could be higher than you hoped.