

Appraiser Blog

The 6 steps of an Auto Policy Appraisal Clause



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The appraisal clause is often used in insurance policies to resolve disputes between the policyholder (insured) and the insurance company (insurer) over the value of a covered loss, usually if the car is a total loss or in some diminished value cases. Below are the basic steps for resolving an insurance value dispute.



1. Dispute Arises:

The policyholder and insurance company disagree on the value of the covered loss, usually because the insurance company undervalues the market value of the vehicle (Total Loss), the cost of repair or the loss in resale value (Diminished Value).

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2. Insurer and insured try to work it out:

Insurer and insured try to work it out: Most insureds contact their adjuster (an insurance company employee) in order to resolve the issue. However, this usually doesn't work, as adjusters don't have room to negotiate unless the insured presents compelling evidence, typically in the form of an appraisal report. There are two possible outcomes from this step:

- A.** Insurer and Insured reach a compromise, and the claim is settled; OR
- B.** The claim is escalated to an appraisal clause, as explained in step 3 below.

3. Invocation of Appraisal Clause:

Either party invokes the appraisal clause as specified in the policy. Usually, the insured does this by sending the insurer a demand letter invoking the appraisal clause, along with an appraisal report conducted by an independent appraiser (IA). There are two possible outcomes from this step:

- A.** The adjuster realizes they were wrong, increases their offer, a compromise is reached, and the claim is settled; OR
- B.** The adjuster hires an IA of their own, typically an appraiser within the insurer's provider database, leading to step 4.

4. IA Claim Negotiation:

The two appraisers attempt to reach an agreement on the value of the loss. There are two possible outcomes here:

- A.** The two appraisers reach an amicable agreement and memorialize it in an Award document that is signed by both, making it binding on all parties, and the claim is settled; OR
- B.** The two appraisers are too far apart and cannot agree, leading to an impasse and proceeding to step 5.

5. Selection of Umpire:

If the appraisers cannot agree, they jointly select an umpire. The umpire reviews the appraisers' assessments and issues an award. Please note that if an umpire cannot be agreed upon, each party can petition a judge to either act as the umpire themselves or appoint an umpire.

6. Final Decision:

If either appraiser agrees with the umpire's award in section 5, that becomes the binding decision. One of the IAs would need to sign the award along with the umpire. If neither appraiser agrees with the umpire, further steps as per policy or legal intervention may be needed.

The overwhelming majority of claims settle in either steps 2A or 4A.