

# Insurers have other ideas of car's value

## Owners have options when the settlement falls short of what they think damaged vehicles are worth

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To Mary Anne Saucier, her 1981 Mercedes Benz 300D is a classic - easily worth \$10,000 and so well-maintained that she regularly receives offers from people who want to buy it.

To her former insurance company, the nearly \$7,000 in damage her car sustained in an accident a year ago made the vehicle not worth fixing. Instead, Travelers Insurance offered her what it said the car was worth - \$3,265, according to Saucier, 88, of the Northwest Side.

It's a situation many drivers face. Car owners who have been in an accident tend to think that their car is worth more than their insurers do. Insurance companies have a different take, saying car owners overstate the value and condition of their vehicles and think an emotional attachment to old Betsy can justify a higher payout.

Drivers "have in their mind what their car is worth, but it's often based on nothing," said Philip Reed, senior consumer advice editor for edmunds.com.

Regardless, the situation is increasingly common.

Fewer new vehicles are being bought, so the fleet on the road is aging. The average passenger vehicle is now 10 years old - and that makes it more likely that a car will be considered a total loss in the event of an accident.

But even owners of newer cars find themselves in value disputes when in an accident.

After all, a car that cost \$25,000 new might be worth \$12,000 to \$13,000 in a couple of years and the insurance company might offer only \$10,000 if it is a total loss.

Worse yet, drivers might owe more on their 2- or 3-year-old car than what it is worth, forcing them to dig into their own pocket to pay the lender if their insurance policy does not cover the gap between the car's value and what is owed.

## Is it totaled?

If the cost of repairing a damaged car is as little as half of what the car is worth, an insurance company might declare the vehicle a total loss, Reed said.

That determination is based on the actual value of your vehicle - including the dents, rust and any previous damage - the second before the screech of the tires, the thud of the crash and the sound of shattering glass.

The actual value can be determined based on what similar cars are selling for in the area. Insurance companies use pricing services to help determine a vehicle's value.

Also considered at this point are several other factors: whether replacement parts are difficult to obtain, what labor will cost and whether a vehicle can be safely repaired.

You might love your old car, but don't try to use that as a way to up an insurance company's offer for your car.

"It's hard to get an insurance adjuster to compensate for sentimental value," Reed said.

Determining the value of old cars, like the one that Saucier drives, or whether they should be declared a total loss can be harder. Market prices can vary widely. Adjusters also might be worried about unseen damage that could put the driver at risk if the vehicle is allowed back on the road.

"There are different interpretations as to the value of the car," said Mike Barry, spokesman for the Insurance Information Institute.

"The goal is to compensate the policyholder for their economic loss."

## **The tale of the Mercedes**

Saucier drives a 1981 champagne Mercedes. At the time of the accident on Sept. 10, 2009, the car had 155,000 miles on it.

Saucier's car sustained damage to the left front and side and to the hood, but she still was able to drive it to the repair shop.

The cost of repairs totaled \$6,942, an expense Saucier finally paid out of pocket because the dispute with Travelers remains unresolved.

"It's really a tough old car," she said. "Anyone who knows about it just loves it."

Travelers spokeswoman Sheila Trauernicht, citing privacy issues, declined to comment on the dispute with Saucier.

Saucier said the company wanted to declare her car a total loss before anyone even looked at it.

She said the company offered \$3,265 for the car. The estimate, she said, came from its own determination of the car's value.

## Help is limited

Unable to resolve the dispute, Saucier complained to the Ohio Department of Insurance in 2009.

Department records show six drivers filed similar complaints this year through Sept. 27. That is a fraction of the 3,000 complaints filed over all kinds of insurance coverage, not just auto insurance, during that period.

Saucier maintains that there are plenty of other motorists just like her. They just don't have the time or money to fight with an insurance company or hire a lawyer, given the relatively small amount of money that could be at stake.

"I have run into many people who have their cars totaled like mine," she said.

But the department's authority is limited to making sure insurance companies comply with the law. It can't force an insurance company to increase its offer for a totaled car, for example.

Just complaining might bump up an offer by a few hundred dollars, Reed said.

If you think you're entitled to more, go to work. Arm yourself with data from pricing guides and classified ads for used cars. Look for examples of similar cars selling for more than you are being offered for yours.

Don't forget to take into account factors such as a vehicle's options, mileage, color and the ZIP code where it is being sold.

Saucier had her repaired car appraised at \$10,500. She also found a similar car listed for sale at \$9,995.

Reed said a car's condition is often where drivers stumble. Many people believe their car is in outstanding condition, which could add \$1,000 to its value.

Thomas Klepsky, 53, of Cleveland was able to get his insurance company, Columbus-based Motorists Mutual Insurance, to boost its initial offer for his 2005 GMC Envoy from about \$13,200 to \$16,000, not counting his \$500 deductible. But not without a four-month fight.

He was able to show in great detail that his vehicle was in outstanding condition and had been carefully maintained and that similar vehicles went for more than the insurance company was offering. Even in the end, he still feels like he was cheated by about \$2,000.

"You have to kind of do this yourself, or you might as well take their initial offer," he said.

He said he finally agreed to a settlement after the company told him: "This is it. Take it or leave it. We're not going to make another offer. We'll let that car rot into the ground."

Motorists spokesman Paul Richards declined to comment on Klepsky's case other than confirming the settlement.

"What we try to do is reach a point where we are able to make our policyholders whole using as much information as is available to us," he said.

## **If all else fails**

If you and the insurance company can't agree, you might be able to demand an appraisal. Each side picks an appraiser who chooses an umpire to evaluate the loss. If you and the company accept the appraisal, the results are binding.

Klepsky said he had the option of using arbitration, but he would have had to pay for it and he didn't trust that it would be fair.

Most people would accept what money they can get and move on.

"The differential oftentimes ... is not so great as to warrant going down these paths," Barry said.

Saucier, on the other hand, has time to continue fighting her insurance company.

Saucier won't let the matter with Travelers drop and is considering a lawsuit. She even sent the company's CEO the bill to fix her car.

"You have a responsibility because this is happening to so many people," she said.

"The reason why I'm fighting so hard for this car is because I can't replace it."

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