

Calculating Insurance Settlements on Totaled Vehicles

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Issue

Does state law mandate how auto insurers must calculate the claim settlement amount for a totaled motor vehicle? What can a claimant do if he or she disagrees with the insurer over the amount of damages under a claim? (This report replaces [OLR Report 2004-R-0674](#).)

Summary

State law mandates how auto insurers must calculate the claim settlement amount of a damaged vehicle that has been declared a constructive total loss. By law, a vehicle is considered a “constructive total loss” if the cost to repair or salvage it, or both, equals or exceeds its total value at the time of loss.

As required by state law, the Connecticut Insurance Department offers an automobile arbitration program for certain totaled vehicle claims where the amount of damages is being disputed by the claimant.

Calculating a Totaled Vehicle’s Settlement Amount

Approved Sources

State law requires an auto insurer, whenever it declares a damaged vehicle to be a constructive total loss, to use certain approved sources to determine the vehicle’s value ([CGS § 38a-353\(a\)](#)).

The insurer must use at least the average of the retail values given the vehicle by (1) the National Automobile Dealers Association used car guide or any other publicly available automobile industry source the Insurance Department has approved for this use and (2) one other automobile industry source the department has approved for this use.

According to the department, an insurer that uses an approved source must do so consistently. It cannot choose the source based on the situation. The department monitors activity for compliance and accuracy.

The other approved automobile industry sources, as shown on the department's [website](#), are the following:

1. Automobile Red Book—Prism Business Media, Inc.
www.pricedigest.com
2. Mitchell International, Inc.
www.mitchell.com
3. CCC Information Services, Inc.
www.cccis.com
4. Audatex North America, Inc. (formerly ADP)
www.audatex.us
5. AutoBid Services, LLC.
www.autobid.com
6. Vehicle Valuation Service (specialty type only)
www.v-v-s.com
7. DCI Solutions (specialty type only)
www.dcisolution.com

Required Disclosures

The law also requires an insurer, by the time it pays a settlement amount, to give the claimant the following information:

1. a detailed copy of its calculation of the vehicle's constructive total loss value;
2. if applicable, a copy of any valuation report an automobile industry source provided that is not publicly available; and
3. a written disclosure that the claimant may dispute the settlement by contacting the Insurance Department ([CGS § 38a-353\(b\)](#)).

Automobile Arbitration Program

As required by state law, the Insurance Department offers an independent arbitration program for settling disputes between claimants and insurers concerning automobile physical damage and property damage liability claims in which liability and coverage are not in dispute. Rather, the dispute must be about the amount of damages. Each party to the dispute must pay a \$20 filing fee to use the program ([CGS § 38a-9\(b\)](#)).

The program is available only for disputes (1) involving private passenger motor vehicles and (2) in which attempts at mediation by the department's Consumer Affairs Division have failed. Insurers licensed to write private passenger automobile insurance in Connecticut must participate in the program.

Arbitration involves a hearing before an impartial arbitrator. Arbitration proceedings are intended to be binding on all parties so that they do not have to go to court.

For more information about the automobile arbitration program, see the department's informational [pamphlet](#). For more information about damaged vehicles, including repairs and settlements, see the department's *FAQs Regarding Repairs to Your Vehicle* on its [website](#).

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