

# The Appraisal Clause Explained-Stop Arguing and Start Getting Paid

## THE APPRAISAL CLAUSE EXPLAINED

**The Appraisal Clause is a provision found in most auto policies that can be invoked either by the insured or the insurer when the insured and the insurer do not agree on the amount of the loss.**

**PURPOSE:** The appraisal clause is a clause put into most auto policies as a method of resolving disputes on auto property damage claims when the insurer and the insured do not agree on the amount of the loss.

**ADVANTAGES:** This provision is designed to create an expeditious and efficient resolution to disputes on the amount of the loss and avoid going through the lengthy court process to resolve the amount of the loss.

## **THE FOLLOWING IS A BASIC PLAIN LANGUAGE EXPLANATION OF THE APPRAISAL CLAUSE AND HOW IT IS DESIGNED TO WORK:**

The insured shall choose and pay for an independent impartial appraiser to represent them. The appraiser can be anyone that is impartial, competent and has specific knowledge and experience pertaining to the cost of the type of repairs in question. (ie - body shop owner, estimator, manager, independent appraiser, etc.)

The insurance company will choose and pay for an independent impartial appraiser to represent them. The appraiser for the company should not be a staff appraiser or one that has a close relationship with the company. He or she should be independent. Again, the appraiser can be anyone that is impartial, competent and has specific knowledge and experience pertaining to the cost of the type of repairs in question. (ie - body shop owner, estimator, manager, independent appraiser, etc.)

The two appraisers will be required to select a neutral third party known as an umpire (for whom the insured and your insurer split the cost, if necessary) The umpire is to be selected by the two appraisers, not the insurer or the insured. If the two appraisers can not agree on an umpire, either may request that the selection be made by a Judge of a court having Jurisdiction. **NOTE** (The umpire should be agreed on prior to the commencing the process even if the umpire is ultimately not utilized in the process)

Both appraisers will state their estimates for the loss separately. If the two appraisers can agree on the amount of the loss, that amount should be submitted to the insurer and that amount will become the binding amount the insurer is required to pay. If the appraisers can't agree, they will submit their differences to the umpire and a decision by any two of the three is binding and becomes the amount the insurer is required to pay.

**If a dispute arises on the amount of a loss and the insured intends to invoke the appraisal clause to resolve the dispute it should be done as quickly as possible to avoid the delay of the repairs or settlement of the loss. Since the Appraisal Clause is a part of the auto policy or contract of insurance, it can only be utilized when a dispute arises on a first party claim. The appraisal clause is not a method that can be utilized to resolve a dispute on a third party claim. In a third party claim the method of resolving the dispute would be to go to court.**

***NOTICE: The information and documents provided herein is a plain language explanation of the appraisal clause and is not a legal definition of the appraisal clause. This information and documentation is provided as a guide only and is not meant to take the place of legal advice. If you feel that you need legal advice you should contact an attorney.***

**For More Assistance Contact the AASP/NJ Executive Director, Charles Bryant at 732-922-8909 and ask about the AASP/NJ Appraisal Clause Assistance Kit.**