



## **Stated vs. Agreed Value: The Trap Owners Must Learn to Avoid**

Owners of classic or collectible cars often find themselves in something of an adversarial relationship with their insurance companies. Many new owners of specialty cars simply tack the vehicle on their regular coverage only to find out, generally when they file a claim, that to their insurer that beloved beauty is just an old car with a low Blue Book value.

The best avenue for owners of truly special machines is to go with one of the [classic car insurance](#) companies like Hagerty, Grundy, or American Collectors Insurance. Regardless of the insurer used, however, the owner must be prepared to negotiate from a position of knowledge, both about the automobile itself and about types of insurance coverage, "stated value" and "agreed value." Both carry distinct advantages and disadvantages.

### **Stated Value Policies**

Stated value coverage pays the cost of repair to the car or the stated value of the car, whichever is less, at the time that a claim is filed. There are a number of problems with this type of policy:

- The stated value is actually used only to determine the premium level. The higher the stated value, the higher the premium.
- In the event of a claim, the language of the contract allows the insurer to set an actual cash value instead of paying the stated amount as the insured party was given to believe.

Essentially, the company accepts the owner's stated value at the time the policy is issued, but does not issue any formal agreement with that value in the event of a claim. This gives them considerable leeway in honoring the benefits of the coverage. It's a rule of thumb in insurance that the company will always pay the least amount possible.

### **Agreed Value Policies**

Agreed value guarantees a set amount of coverage agreed upon at the time the policy was issued and is generally accepted as the best position for the owners of classics, unique, or highly modified vehicles. It carries a number of advantages:

- Allows the driver to secure and present a professional appraisal of the vehicle that they accept as a valid representation of its worth.
- Unlike standard insurance, the value of your car does not depreciate over the life of the policy.
- Is the only type of coverage that guarantees the owners will be paid in full in the event of a loss.

Obviously agreed value is the prime position. By going with a classic or specialty car insurer, the driver may have to accept some limitation on driving time, but most of these companies are generous with their leisure driving allowances, especially if the car is well-protected and maintained. Insurance companies like to know a car is securely garaged and protected by anti-

theft devices.

By being a knowledgeable negotiator and getting at least three comparison quotes, classic and specialty car owners can find coverage that is both comprehensive and affordable. The trick is to go with a company that appreciates the vehicle's intrinsic value from the start and that specializes in writing unique insurance products.