

# Why Some Cars Are Totaled and Others Repaired



By Tony Rached

# Appraiser Blog

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Getting into a car accident is stressful enough, but the situation can become even more confusing when the insurance company decides whether to repair your car or declare it a total loss.

You might be scratching your head, wondering why some cars with seemingly minor damage are totaled, while others that look worse off are sent to the repair shop.

Let's dive into why insurance companies make these decisions and the factors they consider.

### **What Does "Total Loss" Actually Mean?**

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When an insurance company declares your car a total loss, it means that the cost to repair your vehicle is greater than the value of the car itself or that it can't be safely restored to its pre-accident condition.

In simpler terms, it's not worth fixing according to the insurer's calculations. But there's more to the story than just repair costs.

**State regulations play a huge role** in determining what counts as a total loss. For example, many states use a Total Loss Threshold (TLT), which sets a percentage of the car's value that determines when it's considered a total loss.

This percentage can range from 60% to 80% of the car's market value, depending on where you live. So, what might be a total loss in one state could be repairable in another!

## What Influences a Total Loss Decision

Most websites mention that repair costs vs. car value is the main factor in total loss decisions, but let's explore some lesser-known factors that also play a significant role:

### 1. Safety Concerns

Sometimes, a car might not meet the technical threshold to be considered a total loss, but if the damage affects its safety, the insurance company will still declare it totaled.

For instance, if the car's frame or structural components are compromised, it might not be possible to restore it to a safe driving condition.

### 2. Hidden Damage

At first glance, a vehicle might look repairable, but once it's disassembled at the body shop, hidden damage can be uncovered.

Damage to internal parts, the car's electrical system, or unibody structure can quickly increase repair costs, tipping the scales toward a total loss declaration.

### 3. Flood and Fire Damage

Flood or fire damage often leads to an automatic total loss declaration because these types of damage can cause widespread, often irreversible harm to a car's systems.

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Even if the vehicle looks fine on the outside, internal components like the engine, transmission, and electronics might be beyond repair.

## 4. Market Value Depreciation

Insurance companies consider how much your car was worth right before the accident. If the car is older or has high mileage, its market value is already low.

In these cases, even minor repairs could cost more than the car's worth, leading to a total loss decision.

## 5. State-Specific Laws

State laws don't just influence the Total Loss Threshold; they can also dictate whether a car gets a branded title after being declared a total loss.

For instance, some states require a salvage title for all totaled vehicles, while others do not.

The difference in regulations can impact whether a car is deemed a total loss or sent for repairs.

## 6. Stolen and Unrecovered Vehicles

Did you know that a car doesn't even have to be damaged to be declared a total loss?

If your vehicle is stolen and not recovered within a certain period—usually around 30 days—insurance companies often declare it a total loss.

This happens even if the car could technically be returned in perfect condition later on.

## How Insurance Companies Decide

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The decision to declare a vehicle a total loss typically involves a few key steps:

1. **Initial Assessment:** Right after the accident, an adjuster evaluates the damage to determine if the car can be repaired. If it looks repairable, the vehicle goes to a body shop for a deeper evaluation.
2. **Detailed Inspection:** If the body shop finds more extensive damage upon disassembling the car, they'll inform the insurance company, which might then decide that the cost of repairs is too high, triggering the total loss decision.
3. **Use of Total Loss Formulas:** Insurance companies often rely on their own formulas to determine whether a vehicle is a total loss. One of the most common is the **Total Loss Formula (TLF)**, which works like this:

If your vehicle is considered totaled, then: **Cost of Repair + Salvage Value > Actual Cash Value (ACV)**

In simpler terms, if the cost to repair your car plus its salvage value is greater than what your car was worth before the accident, the insurance company will declare it a total loss.

# What Happens When Your Car Is Declared a Total Loss?

Once your car is officially totaled, here's what you can expect:

- **Appraisal Process:** The insurance company will conduct an appraisal to determine your car's market value, considering its age, condition, mileage, and special features. If you're not satisfied with the appraisal or want an expert opinion on your insurance claim, you can [get a free claim review here](#).
- **Settlement Offer:** You'll receive a settlement offer that reflects the ACV of your car minus your deductible. If you still owe money on a loan, the insurer will pay the lender first.
- **Salvage Rights:** If you want to keep your totaled car, some insurers will allow you to retain it. In this case, they'll deduct the salvage value from your payout, and you'll be responsible for repairs and applying for a salvage title in your state.
- **Gap Insurance:** If the settlement amount is less than what you owe on your car loan, gap insurance can help cover the difference, so you're not stuck paying for a totaled vehicle that you no longer drive.

## Can You Challenge the Total Loss Decision?

If you believe that your car should have been repaired instead of being declared a total loss, you have the right to challenge the decision. Here's how you can go about it:

- **Get a Second Opinion:** Consult an independent auto appraiser to assess the damage and repair costs.
- **Provide Market Comparisons:** Show comparable vehicles in your area that are selling for higher prices to prove that your car's ACV is more than what the insurer claims.
- **Negotiate with Your Insurer:** Use all this evidence to negotiate a better settlement or convince the insurer that repairs are feasible.

## Conclusion

While it might seem like a straightforward decision, the process of determining whether a car is a total loss is influenced by multiple factors that go beyond just repair costs.

Hidden damages, state laws, safety concerns, and even market conditions can play a role in the final verdict.

Understanding these factors can help you better navigate the insurance process and ensure you get the best possible outcome for your situation.

Have you ever had a car declared a total loss? What surprised you most about the process?