

If you and your insurance company disagree about the value of your insurance claim, Massachusetts General Law chapter 175, § 99 provides for a “reference procedure,” in which a panel of three arbitrators, or “referees,” determines the amount of loss or damage.

The reference proceeding determines only the amount of the loss sustained or the sound value of the property. The reference proceeding does not determine liability or affect any defenses to the claim itself.

If you choose to seek a determination of the amount of loss through a reference proceeding, you must submit a written request to your insurance company in order to get the process started. Within ten days after receiving the written demand for reference, your insurance company must provide you with the names and addresses of three potential referees in writing. Within ten days of receiving that list, you must notify your insurance company in writing of your choice of one of those people to act as referee.

In addition, you must also send written notice to your insurance company identifying the names and addresses of three potential referees. There are no license requirements for the people who you identify as potential referees. However, any person you nominate to serve as a referee must be a Massachusetts resident, be disinterested in the outcome, and willing to act as referee. Your insurance company must advise you of its choice of one of those people to act as referee within the next ten days.

The two referees chosen then have ten days to agree upon and select a third referee. If they fail to do so, then either of them, the insurance company, or you may make written request to the commissioner of insurance to appoint a third referee.

Once three referees have been determined, they must meet to hear evidence in the case within ten days. The referees must reduce their award to writing. The third referee must deliver the award to you and your insurance company. An award in writing by a majority of the referees is conclusive and final upon the parties as to the amount of loss.

If the referees decide in your favor, you and your insurance company are each liable for half of the costs of the third referee. However, the third referee’s charges are paid by the insurer, who deducts your share of such charges from any amount otherwise payable to you. If the award is rendered in favor of the insurance company, or if no award is rendered, the insurer is liable for the costs of the third referee, but may deduct one half of those costs from any claim payment it makes to you.

If you are unhappy with the outcome of a reference proceeding, you may ask the courts to consider the issue.