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Seventh Circuit rejects claimed "methodological" duty in reversing class certification of totaled car valuation dispute

by C. Allen Garrett Jr.

We have written before about class actions involving disputes about automobile insurers' valuations of wrecked vehicles deemed a total loss. *See, e.g.*, Eleventh Circuit reverses dismissal of class action disputing State Farm's calculation of "actual cash value," holding required appraisal process not a condition precedent to suit (March 29, 2024). The Seventh Circuit recently reversed class certification in such a case, rejecting the district court's conclusion that the insurer breached a "methodological" duty and holding that the question of whether the insurer paid "actual cash value" presented individual issues that outweighed common questions. *Schroeder v. Progressive Paloverde Ins. Co.*, --- F.4th ----, No. 24-1559, 2025 WL 2083855 (7th Cir. July 24, 2025).

Under the policy at issue in *Schroeder*, Progressive agreed to pay policyholders the "actual cash value" for totaled vehicles "determined by the market value, age, and condition of the vehicle at the time the loss occurs." 2025 WL 2083855, at *1. In ruling on the *Schroeder* plaintiff's motion for class certification, the district court agreed that determining "actual cash value" would not be "susceptible to classwide proof," but nevertheless found class certification appropriate because "common evidence" could "establish that Progressive employed an unacceptable method for calculating the actual cash value payments it offered insureds." *Id.* On interlocutory review, the Seventh Circuit rejected the "methodological" breach theory and reversed class certification. *Id.*

The *Schroeder* court quoted language from the policy authorizing Progressive to use "estimating, appraisal, or injury evaluation systems to assist [the company] in determining" actual cash value, which systems may be developed by a "third party" and include "computer software, databases, and specialized technology." *Id.* Consistent with this language, Progressive used a valuation system to estimate a vehicle's actual cash value at the time of loss that resulted in "Projected Sold Adjustments" to the list price of comparable cars. *Id.* at *2. The parties' "duty" dispute centered on these Projected Sold Adjustments.

While both parties agreed Progressive had a duty to pay its insureds the "actual cash value of their cars," the plaintiff insured argued that Progressive had a second duty to "determine actual cash value based on market value." *Id.* at *4. Assuming Progressive owed a "methodological duty," then the class need only show that "Progressive used an invalid method to calculate actual cash value—independent from the result of the calculation—to prove a breach." *Id.* at *5. And where insureds have claimed an insurer

breached a methodological error by "applying an invalid adjustment," courts have reached "different conclusions about the evidence required to prove resulting damages." *Id.* The Seventh Circuit ruled that the district court necessarily rested its certification decision on the question of whether the Projected Sold Adjustments violated a methodological duty by using the Projected Sold Adjustments. *Id.*

The *Schroder* court addressed the meaning of "actual cash value" first. Because the policy did not define "actual cash value," the Court of Appeals turned to Indiana law, which defines actual cash value as "'the price at which property would change hands between a willing buyer and seller, neither being under any compulsion to consummate the sale.'" *Id.* (quoting *Ohio Cas. Ins. Co. v. Ramsey*, 439 N.E.2d 1162, 1167 (Ind. Ct. App. 1982)). The *Schroeder* plaintiff's general challenges to the Projected Sold Adjustments could not eliminate the highly individualized nature of this inquiry for any specific vehicle because each Project Sold Adjustment calculation involved a uniquely generated group of sales of other vehicles comparable to the insured's totaled vehicle. *Id.* at *6-7. Thus, individualized issues precluded certification of the question whether Progressive breached its duty to pay its insureds the "actual cash value" for a totaled vehicle. *Id.* at *7.

Turning to the *Schroeder* plaintiff's claim for breach of a "methodological duty," the Seventh Circuit noted that some Courts of Appeals had "assumed or held that an insurance policy contains a promise by an insurer to calculate covered losses in accordance with a prescribed method or formula—independent of a promise by the insurer to pay for covered losses." *Id.* at *8 (collecting cases). These courts either (1) found a methodological duty "in state insurance regulations incorporated into the policy" or (2) "defined the term 'actual cash value' using a formula, then held that the insurer had a contractual duty to calculate actual cash value in accordance with this formula, independent of a contractual duty to pay insureds the actual cash value of losses." *Id.* Neither of these lines of authority helped the *Schroeder* plaintiff, who had not identified any Indiana cases utilizing a "formula" to calculate actual cash value or identified "any other policy provision or Indiana insurance regulation that prescribes a formula or method for calculating actual cash value." *Id.*

Because "Progressive's use of Projected Sold Adjustments in calculating actual cash value payments does not by itself establish liability for breach," the district court predicated its class certification ruling on an "erroneous legal conclusion." *Id.* Thus, the Seventh Circuit reversed the class certification order and remanded for further proceedings.