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A group of approximately 15 industry professionals, including men and women in business attire, are posed on the stone steps of a building. Many of them are wearing red circular pins on their lapels. The background shows a large, ornate blue door set within a stone wall.

**THE CALL
FOR CHANGE:**
*ABAT and HABA
Testify in Support
of House Bill 1348*



Robert is a recognized Public Insurance Adjuster and Certified Vehicle Value Expert specializing in motor vehicle-related insurance claim resolution. As the general manager of Auto Claim Specialists, Robert expertly leads this National Public Insurance Adjuster Agency, which is currently licensed in 11 different states and specializes in providing automotive-related claim liquidation techniques, strategies and motor vehicle valuation services to all parties, including individual consumers, body shops, auto dealers, repair facilities, towing and storage operations, lenders, finance companies, banks, legal professionals, governmental agencies and others. The firm's consistent success can be attributed to Robert's 35+ years of automotive industry knowledge, practical hands-on experience and multiple certifications, including licensure by the Texas Department of Insurance as a Public Insurance Adjuster. Auto Claim Specialists clients can absolutely trust that they will be provided with analytical, sophisticated, state-of-the-art, comprehensive, accurate, unbiased and up-to-date data and information that all parties can rely upon as both factual and objective. Robert can be reached at (800) 736-6816, (817) 756-5482 or asktheexpert@autoclaimspecialists.com.

WHAT HAPPENS TO A TOTAL LOSS VEHICLE WHEN IT LEAVES THE COLLISION REPAIR FACILITY?

Dear Mr. McDorman:

I own and operate several collision facilities in East Texas. Between our locations, we handle an average of 35 total loss claims per month. As an OEM-certified repair facility for the makes and models we repair, I always question the validity of the carriers' decision to deem the vehicle a total loss on at least 30 percent of these transactions. In these situations, the liable carrier always picks up the vehicle and pays our associated charges. After this point, we lose track of the vehicle and what happens next. I have multiple reasons for wanting to understand what happens to the vehicle after it leaves our facility. Each of my concerns and questions revolve around

consumer safety. If my hunch is correct that at least 30 percent of these vehicles that were deemed a total loss could have been safely repaired and returned to their OEM pre-loss condition, then what happened to them? Could they have been sold to a rebuilder who would have possibly performed an unsafe repair and then made the vehicles available to be sold to the public? For the remainder of the vehicles that could not be safely returned to their OEM pre-loss condition, what measures are in place to prevent them from falling into the hands of a rebuilder who would perform a less than desirable unsafe repair and then make them available for sale? Does Texas have a system in place to prevent this from happening?



Ask the Expert

These are great questions. The safety mechanism in place to prevent a total loss vehicle from being repaired and made available for sale to the public is the Texas Department of Motor Vehicle titling system. Almost always, the auction facility that picks up the vehicle from the collision facility also serves as the procurement department for the titling of the vehicle for the insurer. From time to time, if not most of the time, the total loss vehicle **WILL NOT** be titled as a salvage vehicle if it does not meet the Texas Transportation Code 501 definition of a non-repairable or salvage vehicle. When the vehicle **IS NOT** titled as a non-repairable or salvage, this allows it to be sold to the rebuilder with a clean or blue title.

Texas is a 100 percent total loss threshold state. The 100 percent threshold definition states that should the repair cost not exceed the **actual cash value**, and the vehicle is not missing a major component, then the vehicle is not non-repairable or salvage. Additionally, Texas Transportation Code 501 takes the equation one step further and says that the repair cost (including parts and labor other than the cost of materials and labor for repainting and excluding sales tax on the total cost of repairs) must exceed the actual cash value of the motor vehicle immediately prior to being damaged. Before the calculation of determining if the vehicle fits the Texas Transportation Code definition of non-repairable or salvage, all refinishing time, paint materials and sales tax must be deducted from the final repair invoice. The accumulated dollar amount of these three components typically average approximately 25 percent of the total estimate, which in return drastically decreases the severity percentage. Once this value is determined, and should it be less than the true actual cash value of the vehicle, that automobile does not meet the Texas Transportation Code 501 definition of a non-repairable or salvage vehicle.

The total loss vehicles are placed for sale by the auction facility that also is the procurement department for the titling of those vehicles. Should the vehicle deemed a total loss not meet the Texas Transportation Code 501 and it has a clean or blue title, the auction facility promotes and presents it as such. Regardless of the condition of a total loss vehicle, should it be titled as clean or blue, the vehicle will bring a premium price. The buyer understands and knows that

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once this vehicle is rebuilt, it will be sold with a clean or blue title. Any vehicle with a clean or blue title is the gem of the salvage sale and promoted as such.

Your question led us to perform a study of the total loss claims we have handled for Texas clients. We randomly selected 200 total loss claims we handled this past year and researched the title history for each. Our findings showed 118 (or 59 percent) were titled with salvage titles, 60 (or 30 percent) were still in the claimant's name (blue title) and 22 (or 11 percent) had been subsequently transferred to another individual with a clean or blue title. I found it alarming that over 40 percent of the 200 total loss claims we randomly picked and researched either had been since sold and titled with a clean or blue title or still had an open (untransferred) blue title.

In closing, it is my professional opinion that if the vehicle is deemed a total loss by the carrier, then the next step of the claim closure and titling process is the transfer of the title to the carrier as a salvage title, and that any such subsequent sale or transfers would reflect this status. This process would curtail the purchasing, marketing and selling of total loss vehicles that have been unsafely rebuilt and made available to the public with clean or blue titles.

Please call me should you have any questions relating to a motor vehicle insurance claim. I thank you for your letter and look forward to any follow-up questions that may arise.

Sincerely,
Robert L. McDorman **TXA**



LET US TURN THEM AROUND!

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