

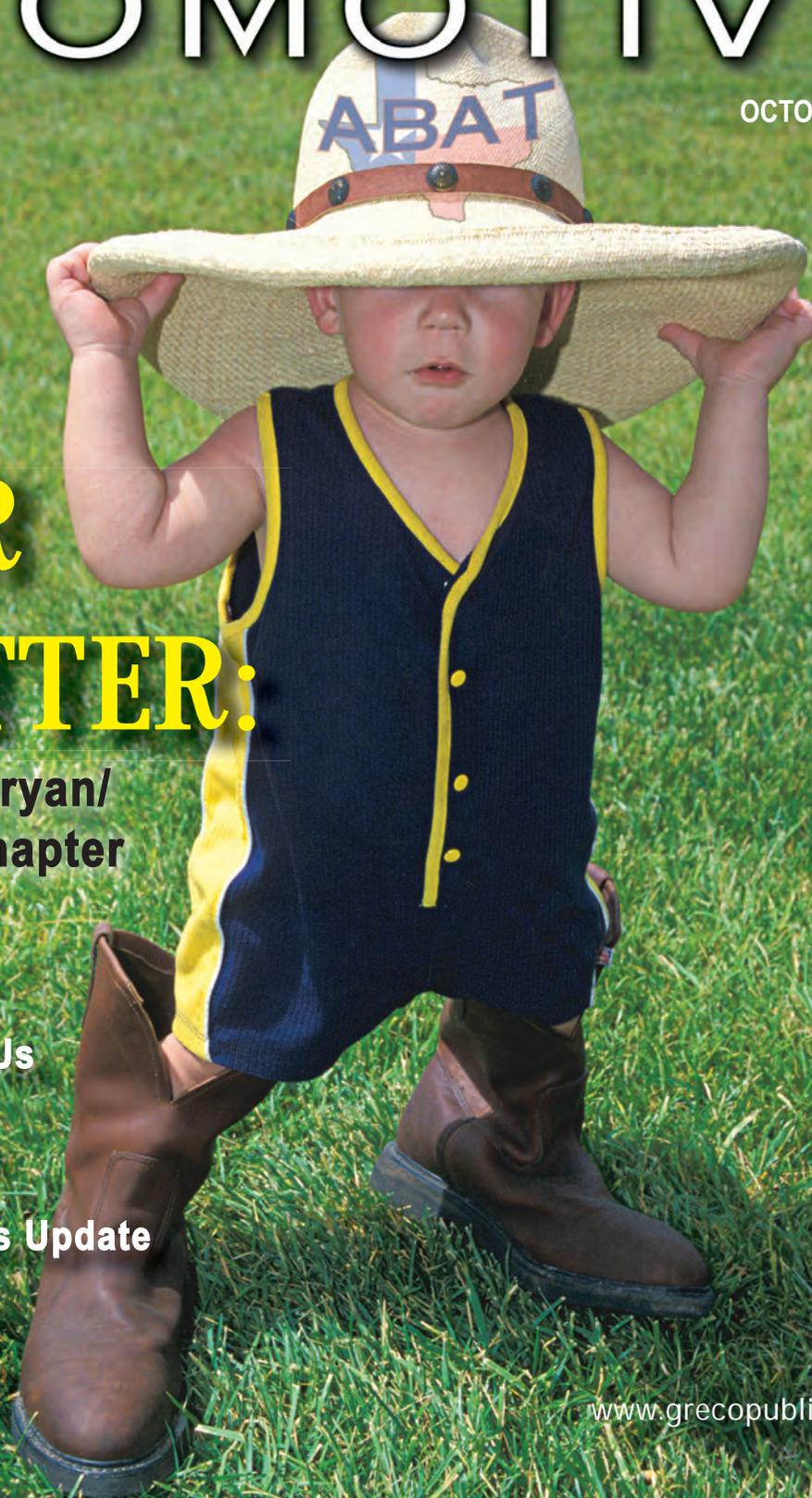
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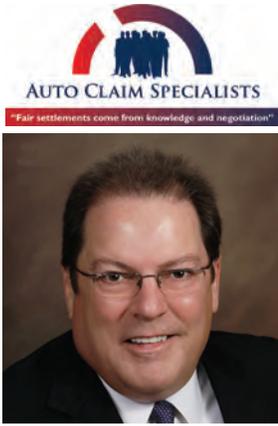
**ABAT Adds New Bryan/
College Station Chapter**

Curing What Plagues Us

More Total Loss Woes

Virtual Industry Events Update

IS STATE FARM TOTALING CLIENTS' VEHICLES WITHOUT INSPECTION OR APPRAISAL?



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 over 25 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-plus 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.

Dear Mr. McDorman:

In the last few months, several of our State Farm insured clients have had their vehicles deemed a total loss even before an inspection or appraisal of the vehicle. For each of these clients, we received a fax from State Farm informing us that storage will only be paid through a certain day and that the insured will be responsible for all storage and associated charges incurred after this date. The fax further states that these charges will be deducted from their total loss settlement. Can you help me understand how State Farm is allowed to do this and what my client can do to resolve this situation? Have you experienced this situation with other clients? If so, can you share the outcome and how the situation was resolved?

Thank you for your questions, which bring up a sensitive issue. Yes, we see this type of situation often. We must always look to the policy to identify the limits of liability to determine how the parties should best handle the loss. The current Texas State Farm policy booklet 9843A states the following under **Supplementary Payments – Comprehensive Coverage and Collision Coverage:**

2. store the **covered vehicle**, if it is not drivable immediately after the **loss**, at:

(a.) any one repair facility or commercial storage facility, neither of which was chosen by an insured or the owner of the **covered vehicle**; and

(b.) any one repair facility chosen by the owner of the **covered vehicle**, and **we** determine such vehicle a total loss.

*If the owner of the **covered vehicle** consents, then **we** may move the **covered vehicle** at our expense to reduce storage cost. If the owner of the **covered vehicle** does not consent, then **we** will pay only the storage costs that would have resulted if we had moved the damaged **covered vehicle**.*

As we see from the policy language on 9843A, State Farm has the right to deduct any storage fees after the specified date it recognizes as the date its liability ends. However, the State Farm 9843A policy is silent as to the liability due to the collision facility associated with the disassembly of the vehicle to write a complete repair plan. This includes scanning, pictures, OEM research and other administrative costs associated with the proper inspection of the vehicle to make a safe and accurate determination of the repair or replace function of the loss. These also must be looked at and addressed. The dispute over these administrative liabilities is routinely the one we see over the loss.

In situations where State Farm has not inspected nor appraised the vehicle before deeming it a total loss, we have recommended to our clients that they have the collision facility negotiate a settlement with its associated administrative charges with the insurer, including storage fees through the specified date on the notice, and get this arrangement in writing. After this process is agreed to and documented, we recommend the client make arrangements at their expense to allow the vehicle to stay at the collision facility under that facility's care and security until an appraisal of the loss by all parties has been completed. Without an appraisal as of the date of loss, it is impossible to determine the liability. Also, in the event the vehicle should

be moved from one storage facility to another and additional damage occurs, the subjectivity in the loss becomes more complex and difficult to identify.

In most policies in Texas, the loss dispute is subject to the **Appraisal Clause** when a dispute over the loss occurs. However, the State Farm policy limits the insured or insurer's policy right of an appraisal to only the loss dispute over the actual cash value (ACV) of the **covered vehicle**. Appraisers shall have no authority to decide any other questions of fact, decide any questions of law or conduct appraisal on a class-wide or class-representative basis.

Many of our clients who have followed the steps listed herein after an appraisal of the loss have been able to get their safely repairable vehicle repaired. The policy is clear as to the limit of liability being the actual cash value of the covered vehicle. The only way to arrive at the actual cash value is through an appraisal. The systematic valuing tool used by the carriers uses a formulated value to arrive at the undisputed loss settlement on a total loss claim. We have seen time and time again once an appraisal has been completed to define the actual cash value, the increase between that value and the carrier's formulated value is sufficient to satisfy the policy requirements to repair the vehicle. In the cases where it does not, eight out of 10 claimants who we end up representing as clients enjoy an average increase in their loss settlement of 28 percent.

The under-indemnification in total loss and repair procedure claims in Texas is rampant. Besides the higher settlements for total loss clients, we have also reduced clients' out-of-pocket expenses an average of 35 percent on repair procedure disputes, such as the example provided here. These under-indemnification percentages are staggering and harmful to Texas citizens.

The spirit of the **Appraisal Clause** is to resolve loss disputes fairly and in a timely and cost-effective manner. The invoking of the **Appraisal Clause** removes inexperienced and biased carrier appraisers and claims handlers from the process, undermining their management's many tricks to undervalue the loss settlement and under-indemnify the insured. Through the **Appraisal Clause**, loss disputes can be resolved relatively quickly, economically, equitably and amicably by unbiased experienced, independent third-party appraisers as opposed to more costly and time-consuming methods, such as mediation, arbitration and litigation.

In today's world regarding motor vehicle insurance policies and frequent changes in claim management, claim-handling

policies and non-standardized GAP Addendums, we have found it is always in the best interest of the insured or claimant to have their proposed insurance settlement reviewed by an expert before accepting. There is never an upfront fee for Auto Claim Specialists to review a motor vehicle claim or proposed settlement and give its professional opinion as to the fairness of the offer.

Please call me should you have any questions relating to the policy or covered loss. We have most insurance policies in our library. Always keep in mind a safe repair is a quality repair, and quality equates to value. I thank you for your question and look forward to any follow-up questions that may arise.

TXA

Sincerely,
Robert L. McDorman



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