

TEXAS



AUTOMOTIVE™

The official publication of the Auto Body Association of Texas

February 2021
\$5.95

REAL-WORLD LABOR TIMES

INSIDE ABAT'S SUPPORT OF DATABASE ENHANCEMENT

PLUS:

- *Battle of the Beetle*
- *Out with the Old*
- *A Simple Formula Gone Wrong*



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.

Ask The Expert

“HOW COULD USAA DO THIS TO MY BEETLE?”

Dear Mr. McDorman:

Auto Claim Specialists recently helped me get my 2015 Volkswagen Beetle repaired after USAA wrongfully deemed it a total loss and refused to return it to its pre-loss condition. Ed, the owner of Griffin's Paint & Body in Winnsboro, explained to me how my Beetle could be safely and economically returned to its pre-loss condition. However, USAA informed me it was deeming my Beetle a total loss and would not be paying to repair it (presumably because it was in its best economic interest). When I resisted its offer, USAA even went so far as to contact my lender to apply pressure on me to accept its under-indemnified liability settlement. Despite my objections that it had undervalued my Beetle, USAA refused to listen to me. I was left confused and unsure how to convince my insurer that it had missed the mark to my detriment.

After presenting my situation to Ed and expressing to him I wanted my Beetle repaired and not replaced, he referred me to Auto Claim Specialists, who reviewed my loss statement with USAA and recommended I invoke my policy right of appraisal in contest of the USAA loss statement. At the end of the appraisal process, my strong hunch turned out to be true. USAA had undervalued the actual cash value of my Beetle by \$2,353 – 16 percent. With the correct actual cash value established, USAA saw it was now in its best economic interest to repair my vehicle.

Thanks to Auto Claim Specialists, USAA authorized Griffin's Paint & Body to repair my vehicle to its pre-loss condition. My question is, how could USAA undervalue the actual cash value by such a significant percentage and then refuse to take my complaints seriously and ignore my desire to repair my vehicle rather than replace it? Replacing a perfectly fixable car, while maybe in USAA's best economic interest, would have meant financial devastation for me. I still owed \$19,000 on the Beetle, while USAA was only offering me \$14,685 as a settlement. Do you see this type of under-indemnification often, and do carriers often place their own best financial interest ahead of the insured?

Sincerely,
Deonna Bishop

Thank you for your question. As I have outlined many, many times in past editorials, we see this type of gross under-indemnification regularly by carriers. Just last month, another of our clients had a very similar dispute with USAA. We appreciate your calling Auto Claim Specialists to help resolve your loss dispute. Also, as in your case, we often see the carriers go directly to the lender to apply pressure on the borrower to accept the under-indemnified and undisputed loss settlement. The carriers understand that a swift, united assault on the parties to make a quick decision to settle leads to fewer individuals challenging their under-indemnified proposed settlements and a cleaner escape from the true liability owed.

We particularly see many USAA clients in the same situation as yours. The reason for this is that the USAA policy states, under LIMIT OF LIABILITY, “We will declare **your covered auto** to be a total loss if, in our judgment, the cost to **repair** it would be greater than its **actual cash value** minus its salvage value after the loss.” However, as I will show in my response to your question, after the actual cash value was defined by the independent third-party appraisers in your case, the repair cost was actually less than the actual cash value minus the salvage. This ultimately resulted in USAA electing to repair your car as you had wished all along.

In your situation, USAA, with the help of CCC ONE, had determined the adjusted vehicle value of your Beetle to be \$14,685. USAA calculated, by a formulated valuing methodology, a salvage value on your Beetle of \$2,346. Griffin's Paint & Body, after a thorough inspection, determined that the complete repair cost to return your Beetle to its pre-loss condition was \$13,015.53. Under the USAA policy to determine whether it will administer the liability to replace or repair your Beetle, the salvage value of \$2,346 was subtracted from the CCC ONE adjusted vehicle value of \$14,685. This left a threshold of \$12,339. Only should the cost of repair exceed this amount would USAA be in the right to total your vehicle according to its own policy. Given the repair cost of \$13,015.53, it appeared that its replace threshold had been met. However, you rightfully questioned its valuation of your Beetle.

Upon your providing us with the USAA CCC ONE Market Valuation Report (MVR), we sent it to our subsidiary, Vehicle Value Experts, to issue a certified actual cash value. The USAA policy limit

of liability under comprehensive coverage and collision coverage is the actual cash value. Vehicle Value Experts quickly identified that USAA had undervalued the Beetle a minimum of \$2,000. We recommended you retain Auto Claim Specialists as your public insurance adjuster agency, use Vehicle Value Experts as your independent third-party appraiser and invoke your policy right of appraisal in contest of the loss settlement. At the end of the appraisal process, Vehicle Value Experts and the USAA independent third-party appraiser defined the actual cash value of your Beetle as \$16,900.

Once the independent appraisers define the true actual cash value, this becomes the loss value as defined under the USAA policy. Thus, USAA had to then use the true actual cash value of \$16,900 less the salvage value of \$2,346 to arrive at a proper and attested threshold of \$14,554. Only if the cost of repair exceeded this amount would USAA be in the right to total your vehicle according to its own policy. Given the repair cost of \$13,015.53, we see under the USAA LIMIT OF LIABILITY that the carrier is required to return the Beetle back to its pre-loss condition.

The calculation method used by USAA to deem your Beetle a total loss is called the total loss formula, which always benefits the insurance carrier. Most policies in Texas use the total loss threshold method to determine the repair or replace loss type. Under the total loss threshold method, if the cost to repair is less than the actual cash value, the carrier will generally elect to repair. At the end of the appraisal process revealing that USAA under-indemnified your loss by \$2,353, it was clear that your Beetle should obviously be repaired under either calculation method. Thus, USAA finally authorized Griffin's Paint & Body to repair the Beetle. We expose this type of under-indemnification by carriers on a daily basis. However, it's still the case that few insureds understand they have the right to an appraisal of the loss.

The under-indemnification in total loss and repair procedure claims in Texas is rampant. Besides the higher settlements for total loss clients averaging 28 percent above the carrier's undisputed loss statement, 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 and 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,

frequent changes in claim management and 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 letter and look forward to any follow-up questions that may arise. **TXA**

Sincerely,
Robert L. McDorman

Cover Story

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"We've all come across that one clip that's held up that one car on the day of delivery back to the vehicle owner because we didn't identify that clip in the system or it didn't have a note in there that it's a one-time-use part. If we have that information in there from the get-go, we can make a correct labor assessment or repair plan reflecting that part needed, and we're not struggling to get that \$1.50 clip [that's not in stock] on the very last day."

As for the future of the DEG, ABAT Executive Director Jill Tuggle is hopeful that the association's increased involvement will strengthen the project moving forward.

"As a non-profit, we understand how important sponsorships are, especially with the current business climate. We also know how valuable the DEG is to shops and what an impact it can have on our industry. The fact that it is a free service to shops is definitely something we want to be a part of. We appreciate all the work that goes into what it does, and we will continue to promote it within our organization and beyond."

In addition to receiving strong financial support from ABAT, the DEG is funded by member dollars from SCRS and the Alliance of Automotive Service Providers (AASP) as well as corporate sponsorships from PPG, Collision Advice, ASA, Spanesi Americas, the Washington Metropolitan Auto Body Association (WMABA), ALLDATA, Redwood City Auto Body (Redwood City, CA), Nylund's Collision Center (Englewood, CO), Auto Body Hawaii (Kailua-Kona, HI), the Kansas Auto Body Association (KABA) and the Carolinas Collision Association (CCA).

For more information on the DEG, please visit degweb.org or email admin@degweb.org. **TXA**