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AGAINST ALLSTATE

REVERSING

A TOTAL LOSS

HOW CAN SHOPS REVERSE AN INSURER'S TOTAL LOSS OF A SAFELY REPAIRABLE VEHICLE?

Dear Mr. McDorman:

I own and operate a collision facility in East Texas. Several times a month, our client's insurance carrier will deem what we know to be a safely repairable vehicle a total loss. We haven't been successful with reversing the carrier's position so we can repair these vehicles. Over the past few months, I've read several trade publications mentioning that Auto Claim Specialists, as a public insurance adjusting agency specializing in auto claims, has indeed been successful in reversing carriers' total loss decisions for safely repairable vehicles. Can you explain to me and the readers how this process works? I am certain many other collision facilities such as ours also routinely have safely repairable vehicles deemed as total losses and would like to understand the path to getting the carrier to reverse its position, which is economically harmful to all involved except themselves.

Thank you for your question, which is a good one. We do handle a number of these repair or replace-type claims each month. How we handle these types of claims changes from carrier to carrier depending on the language in the policy. However, in most motor vehicle insurance policies in Texas, the limit of liability is as follows:

Limit of Liability

1. Our limit of liability for loss will be the lesser of the:
 - a. Actual cash value of the stolen or damaged property;
 - b. Amount necessary to repair or replace the property with other of like kind and quality;
 - c. Amount stated in the Declarations of this policy.

When an insured comes to us with a total loss claim and would like the vehicle repaired, and their insurance policy limits of liability are as listed above, we first reach out to the collision facility where the vehicle is located and confirm that it can be safely returned to its pre-loss condition. If so, we will request the collision facility's repair plan. We then review the proposed settlement offer from the insurer and obtain an actual cash value appraisal of the vehicle. In the event the actual cash value is greater than the repair cost, we will recommend the insured hire Auto Claim Specialists as their public insurance adjuster and Vehicle Value Experts as their independent appraiser to invoke their policy's Right to Appraisal in contest of the repair or replace loss type. In most auto policies, the **Appraisal Clause** states:

Appraisal

If we and you do not agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will select a competent appraiser. The two appraisers will select an umpire. The appraisers will state separately the actual cash value and the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- Pay its chosen appraiser; and
- Bear the expenses of the umpire equally.

We do not waive any of our rights under this policy by agreeing to an appraisal.

Once retained, Auto Claim Specialists will invoke the Right to Appraisal on our client's behalf. That sets into motion a timeline for the proceedings mentioned earlier. Once the actual cash value is defined by Vehicle Value Experts and the carrier's independent appraiser, this becomes the fence post for determining the proper loss type (repair or replacement). We will then circle back around and make a demand on the carrier to honor the policy limits of liability of the lesser of the two (repair or replace) and issue an authorization to repair the loss vehicle.

The true actual cash value once defined is typically significantly higher than the carrier's settlement offer based on a flawed adjusted vehicle value approach. Across thousands of claims we have worked on, the average increase we have negotiated has been over \$3,600. In situations such as the example discussed here, after the defining of the actual cash value, the settlement increase often supports the policy limits of liability for repair. As always, the insurance policy itself dictates how a loss is handled. But without a correct quantification of the loss, the resolution can be detrimental to certain parties. It is our experience that the insurance carrier is seldom (if ever) the party being harmed.

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 by an average of 90 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 to do so 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 question and look forward to any follow-up questions that may arise.

Sincerely,
Robert L. McDorman

TXA



Robert is a recognized Public Insurance Adjuster and Certified Vehicle Value Expert specializing in motor vehicle-related insurance claim resolution. Robert can be reached at (800) 736-6816, (817) 756-5482 or via email at AskTheExpert@autoclaimspecialists.com.