

The official publication of the Auto Body Association of Texas (ABAT)

# TEXAS

# AUTOMOTIVE™



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**TDI**  
**Responds...**  
**but Do**  
**They Ever**  
**ANSWER?!**

Does the Consumer Know  
**WHAT YOU'RE WORTH?**

Why Are Safely Repairable Vehicles  
**BEING TOTALED?**

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## WHY ARE SAFELY REPAIRABLE VEHICLES BEING TOTALED IN OKLAHOMA?

Dear Mr. McDorman:

I own and operate a collision facility in Oklahoma. In Oklahoma, the total loss threshold is 60 percent of the actual cash value. Several times a month, one of our client's insurance carriers will deem what we know is a safely repairable vehicle to be a total loss. We haven't been successful with reversing the carrier's position so we can repair these vehicles. Over the past few years, I have 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? Also, with the Oklahoma total loss threshold being 60 percent of the actual cash value, is your company's typical approach still a workable option in my state? If so, 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 their position which is economically harmful to all involved except themselves.

Thank you for your comments and very good questions. We do handle a number of these repair-or-replace type claims each month across the United States. Most definitely, our process for turning safely repairable economic total losses into repaired vehicles is applicable in Oklahoma. Our remarkable average total loss settlement increase of 28 percent above the carrier's undisputed loss settlement is often large enough to reverse insurance carrier economic total losses into safely repairable vehicles regardless of the applicable total loss formula used. Our way of handling these types of claims varies from state to state depending on the state transportation code – and from carrier to carrier depending on the language in the policy. We have each state's total loss threshold and formula calculation in our library along with most insurance policies. In most motor vehicle insurance policies, the limit of liability is defined 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(s) 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 to repair and keep their vehicle, if 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 the vehicle can be safely returned to its pre-loss condition. If so, we will request the collision facility's complete blueprint/repair plan. We then review the proposed settlement offer from

the insurer and obtain an expected actual cash value range for the vehicle from our subsidiary Vehicle Value Experts. In states with a 100 percent threshold, such as Texas, and Oklahoma with a 60 percent threshold calculation dictating when to deem a vehicle a total loss regardless of the policy limits of liability, we must be sensitive to the state transportation code, of course. In the event the expected true actual cash value is greater than the repair cost minus the paint labor, paint materials and sales tax for a Texas claim, or the repair cost does not exceed 60 percent of the expected true actual cash value for an Oklahoma claim, 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 Right of Appraisal in contest of the loss type repair or replace. 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:

1. Pay its chosen appraiser, and
2. 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 of Appraisal on our client's behalf to define the actual cash value. That sets into motion a timeline for the above outlined proceedings. Once the actual cash value is defined by Vehicle Value Experts and

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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](mailto:AskTheExpert@autoclaimspecialists.com).

# Ask The Expert

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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 to 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 if the state transportation code allows.

The true actual cash value once defined is typically significantly higher than the carrier's settlement offer based on their flawed adjusted vehicle value approach. Across thousands of claims we have worked, the average increase we have negotiated has been over \$3,600. After the defining of the true actual cash value, the settlement increase often supports both the policy limits of liability for repair and the applicable state total loss threshold requirements. While the state total loss threshold requirements and the insurance policy dictate how a total loss is handled, without a correct quantification of the elements of loss, the resolution can be detrimental to certain parties. It is our experience that the party being harmed is seldom, if ever, the insurance carrier.

We have found the under-indemnification in total loss and repair procedure claims to be rampant in most if not all states where we are licensed to do business. Besides our 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. These under-indemnification percentages are staggering and harmful to insured 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 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 their 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**



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