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New Program Launched by Industry Veteran Seeks to Re-Evaluate Perceived “Low” Valued Vehicles

Written by Stacey Phillips

Determining the value of a vehicle after a collision can often be a complicated and controversial process, especially when the car owner and insurance company disagree over the perceived value.

Robert McDorman, owner of Vehicle Value Experts, is currently addressing this issue in Texas. The Vidor-based company provides specialized valuation services including total loss evaluation reports; body shop estimates and evaluations; pre- and post- repair appraisals; diminished value assessment and fair market value reports.

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"The single most deciding factor in the process to repair vehicles is in fact the vehicle value," said McDorman. "When the insurance companies provide claimants and body shops with unsupported market vehicle value reports with below market values, everyone loses. When the wrong vehicle value is used as a bench mark as the deciding factor as to the collision repair, more times than not the vehicle is deemed a total loss and the body shop loses the job and the customer."

McDorman has owned, operated and worked in various areas of the auto industry, including collision repair, sales, dealer controlled financing, mechanical repair, towing and storage. Over the last 25 years, he has often negotiated with insurance companies to receive higher amounts for vehicles that were deemed totaled. A few years ago in 2013 he began focusing on valuations for consumers and body shops. First, McDorman reviews the market valuation report given to the customer by the insurance company in reference to the value of the damaged car. He uses CARFAX, N.A.D.A., Kelley Blue Book and Manheim values to help determine the value of the car as well as proprietary software models he designed. Then he conducts a thorough market valuation report analysis to determine if the insurance company has issued a fair market value on the car.

"I've never seen one that they did [issue a fair market value]. Every one of them are a minimum of 15 to 20 percent low," said McDorman. "Once you look at the proper value of the car then the insurance company sees that it doesn't meet the threshold to total the car out. Either the body shops end up repairing the car at that point or the customer gets a more favorable settlement."

In April, McDorman was asked to review a market valuation report for John and Irina Wilson, owners of a 2011 Honda CRV that was involved in a multiple car crash due to the fault of another driver. The insurance valuation report suggested that the replacement value for the vehicle was \$17,500. After a detailed analysis, McDorman found that no compensation was given for DMV fees, sales tax and other applicable fees. In addition, he said each comparable had a deduction for what was called "comparable vehicle adjustment." These additions brought his recommended value of the vehicle from \$17,500 to \$21,900. Eventually, the insurer awarded the vehicle owner \$20,785.25 after receiving the

report from Vehicle Value Experts.

"I know that without the help and expertise of Mr. McDorman, we would have come out of our ordeal in an entirely different manner," John Wilson wrote in a letter to the Texas Department of Insurance. "The difference of outcomes was staggering and without Mr. McDorman's knowledge of the process, we would have ended up with an unjust settlement that would have been a terrific burden."

In Texas, every insurance policy includes an appraisal clause that allows a third-party appraiser to be hired if the consumer and insurance company cannot agree on the amount of the settlement after a collision. According to the Texas Department of Insurance website, the insurance company might not have considered the "...car's condition, special features, or value on the local market when it calculated its settlement offer."

An appraisal is only available in disputes between consumers and their insurance companies. It is not available if the other driver was at fault and the consumer disagrees with his or her company's offer.

"The third-party appraiser and I determine the fair market value and if we're unable to reach an agreement, then we employ an umpire to make a decision between my value and the third-party appraiser value that the insurance company hired," said McDorman.

The process usually takes two weeks.

"Sometimes they go ahead and fix the car once we prove that the fair market value they used is wrong," said McDorman. "Even if we don't fix the car, the customer gets the fair market settlement instead of the amount they said. I've never had one that I wasn't able to increase the value."

His fee is three percent of the base N.A.D.A. retail value of the car. Burl Richards, president of the Auto Body Association of Texas (ABAT), said McDorman reached out to the association a few months ago and recently spoke at an ABAT conference in August regarding the processes and procedures needed to repair vehicles to their pre-loss condition. Richards said he now has a better understanding of how insurance companies value vehicles and has recognized that this is a growing problem in the industry. His Henderson-based shop, Burl's Collision Center, has several "ongoing" claims that Vehicle Value Experts is handling in regard to diminished value.

"It amazes me that the consumer is generally completely unaware that diminished value exists. The customer has a right to know, and believe me, when we explain it to them the customer knows who is looking out for their best interest," said Richards. Diminished value is defined as the loss in market value of a

vehicle from its pre-wreck fair market value due to the vehicle being in a wreck.

Richards informs all of his technicians that the vehicle they are working on could be re-inspected by a third-party in order to evaluate the diminished value.

"This just gives them even more incentive to do a great job," said Richards. "Safety and quality have always been our number one concern, and I know if we take care of the customer everything else will take care of itself. We do final QC inspections on all repairs, but this helps my technicians to police themselves even more."

Gene Domec, who owns S&W Auto Body and Painting in Vidor, Texas with his two brothers, said that McDorman contacted him about a year ago to find out if he had noticed a trend among insurance companies totaling out cars that should be repaired. "At the time, I was noticing that trend here in my shop," said Domec. "Insurance companies would come out to do an estimate on a fairly late model vehicle that didn't look like it had much damage. I figured it would be repaired but they did a salvage value analysis on it, which came in high and would total out the car."

He said salvage yards would often let the insurance companies know what they were willing to pay for the vehicle while they were doing an estimate.

"It's cheaper for them to buy a wrecked car for a low price and fix it rather than import a new car. In many cases, the customer has no control and the car is totaled out that they thought was going to be able to be repaired."

Domec's own Toyota Camry was involved in a collision three years ago and the car was totaled. The insurance company offered him below what he felt it was worth. He kept insisting the adjuster find a similar car to his and base the settlement on that, which he said they never did. Eventually, he received an offer within \$200 of the N.A.D.A. A couple of years later, he took his report to Vehicle Value Experts and found that the comparable cars to his used in the market valuation report were priced higher and subsequently sold for substantially higher than the market valuation report supplied by the insurance company. After his own experience, Domec said he began telling his customers about the services Vehicle Value Experts offers.

"Every one I have sent to him so far has a really positive experience with him," said Domec. "I've actually been able to fix one car that Allstate totaled out that should never have totaled."

Domec said the customer was adamant about getting the car repaired so McDorman got to work immediately. After a preliminary analysis, Domec said he found the car was worth

more than the insurance company was offering.

"The final settlement he received was more than enough to get it fixed."

Autobody News interviewed Ann Mullen-Martin, President of Mullen Insurance Company in Garland, Texas. Mullen ran a Farmers Agency prior to establishing Mullen Insurance in 1988. She has worked with members of the Texas Independent Automobile Dealers Industry for more than 30 years, 27 of those as an agency specializing in providing insurance programs for members of the Texas Automobile Industry.

As an independent insurance agent, Mullen said, "Agent incomes are directly related to claims activity on many levels."

She said these include the quality of service the client receives, the loss ratios generated as a result of claim activity and the company satisfaction with both of these.

"What Robert is doing enhances all three items listed and therefore creates a more profitable environment for all of us, i.e. the client, the company and the agent."

Mullen has known McDorman for more than 15 years and served as an insurance consultant to him as well as his designated agent.

"Robert's auto industry background uniquely qualifies him to provide expert opinions from cost-to-repair to vehicle values," she said. "More important than his vast knowledge of cars and the car industry is his ability to bring an unbiased opinion to the table when determining a fair and equitable claim result."

McDorman stresses the importance of educating consumers, body shops and lenders about their rights and legitimate claims on collision damages.

He said, "This will lead to more cars being repaired and ultimately the retention of more customers." Look for PART 2 of this story in the November issue of Autobody News magazine, which will address more detailed information about diminished value and total loss evaluations.