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## Determining Values for Total Loss Vehicles Often Complicated and Controversial

by **Stacey Phillips**, Assistant Editor

Earlier this fall, *Autobody News* talked to **Robert McDorman** from *Vehicle Value Experts* about total loss evaluations. Based in Vidor, Texas, McDorman works as a third-party appraiser, negotiating with insurance companies to receive higher amounts for consumers whose vehicles are deemed total losses.

Following that news coverage, we reached out to several insurance companies as well as market valuation companies to learn how total losses are determined and how prices are set. All declined to be interviewed.

"There are over 3.5 million vehicles deemed total losses each year in the United States," according to *Insurance Auto Auctions* (IAA). "Since 1997, this number has grown significantly, mostly due to vehicle manufacturing changes and improvements including air bags."

Established in 1982, IAA is a salvage vehicle auction company with more than 165 auction locations. Twice a year, IAA releases an industry report that analyzes and interprets major industry trends, as well as the industry's response to the economy.

The findings help IAA analyze the salvage vehicle market.

The six indicators they use include: crushed-car price index, metal prices, vehicle parts and equipment prices, used-car price index, U.S. dollar index and an index of foreign buyers.

"IAA collaborates with sellers to facilitate the sale of vehicles deemed total losses," according to IAA's web-

value assigned to the car," said **Michael Barry**, vice president, media relations of I.I.I.

"For you to get a settlement higher than the book value of your car's make and model, you will have to submit evidence such as mileage records, service history and affidavits from mechanics to show that your car was worth more. You're entitled to the market price of

McDorman wrote an in-depth review entitled "The Science of Risk" that outlines the economic impact of such actions from a body shop, lender and consumer position. "It is my adamant professional opinion based on factorial archived data, that the wrongful perceived value computation used by the market valuation firms at the direct instructions of the insurance industry on motor vehicles is the driving factor of economic total loss claims."

His study was based on a situation with **Terry and Victoria Cerasimis** and *State Farm Insurance*.

Terry and her daughter Victoria purchased a 2008 Dodge Avenger in 2013 from *Martin Motors*, located in Beaumont, Texas. McDorman said the car was above average, had a clean car fax and no accidents reported.

State Farm Insurance issued full coverage insurance for the owners of the vehicle and *ChrisDan Capital*, the lender, against the potential loss and/or damage of the vehicle through March 2014. In January of that year Victoria was involved in an accident while driving the vehicle, of which she was at fault. State Farm estimated

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—Insurance Auto Auctions (IAA)

site. "When a vehicle comes to IAA, its experts have a detailed process to inventory the vehicle, prepare it for auction, and load it for transport once it's sold. IAA's efforts to provide a vast network of local, national, and international buyers ensure that vehicles sell quickly and for the best possible price."

*Autobody News* contacted the Insurance Information Institute (I.I.I.), a New York City-based consumer education organization that is funded by the insurance industry. "Most standard auto policies will not pay to repair a vehicle if the repairs cost more than the cash

the car you just lost. You shouldn't get more or less than what you are due."

### Vehicle Value Experts Case Studies

After more than 25 years of working in the industry, McDorman began focusing on detailed valuations for consumers and body shops in 2013. "It is my contention as much as 50 percent of the total losses were totaled in error by the insurance companies," said McDorman. "I work every day on overturning economic total loss claims and convincing the insurance company to repair the vehicle instead of totaling it out."



the repair costs at \$6,375.30 and determined that the market value of the vehicle was \$8,336.12. Subsequently, the insurance company notified Terry they were going to total the car.

Terry contacted McDorman and said that she owed \$16,951.43 on the car and she had no choice but to release the car back to ChrisDan Capital dba Martin Motors and walk away from her investment in the vehicle.

McDorman conducted a market evaluation report and estimated the fair market value at \$9,300.

“State Farm should have repaired the Ceramis’ vehicle,” said McDorman. “Since State Farm solely chose to total out the Ceramis’ vehicle, they should have used a realistic fair market value to compensate all interested parties and they did not.”

**Danny Martin** of Martin Motors has known McDorman for more than 25 years. “We used to be in competition with each other,” he said. “My son and I used to drive by his car dealerships and laugh about how many wrecked customer cars were in his storage lot. Little did we know these were insurance claims he was working on for his customers that he had financed.” Today, McDorman handles

all of Martin Motors’ insurance claims on his customer loan portfolio.

“The benefit of doing the analysis has been staggering,” said Martin. “Prior to me employing Mr. McDorman a little over seven years ago to handle the wreck claims on our customer loans, Martin Motors was losing an average of \$6,500 a loan on customers’ car loans we had financed that were in a wreck and subsequently totaled out.” He said they have reduced that number to an average of \$3,300 per total loss

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**—Robert McDorman of Vehicle Value Experts**

claim. Martin Motors averages three total loss transactions a month and an average of six collision damage claims a month on the cars they are the lien holder on.

“I wish every lender in the industry could find out that they do not have to take the original offer of settlement from the insurance company,” said Martin. He said most lenders are not aware that the lender who is the loss payee of the collateral can hire a third-party appraiser to receive a fair

market settlement, which he said drastically cuts down repossession losses from vehicles that are totaled.

**Danny Smith** also hired McDorman as a third-party appraiser to help with a 2005 Toyota Camry. His wife was hit by another vehicle and the damage seemed to be limited to the trunk area. *S&W Paint and Body* in Vidor, Texas evaluated the car, and told the Smiths the cost of repairs would be about \$4,500. The other insurance company proposed the value at \$5,100 with

a \$1,500 salvage value, totaling the car.

The Smiths purchased their car new and had driven it for more than 10 years. “It was in excellent condition and we were not ready to purchase another car with notes,” said Smith. “We felt there was no need to total the car and we really wanted to keep it.” The Smiths hired McDorman to conduct a market evaluation report. When the report was submitted to State Farm, the insurance company changed their evaluation to \$7,800, which enabled the Smiths to re-

pair the car.

Smith said the evaluations “...offer the vehicle owner a choice in the matter to recover their valued loss instead of being dictated by insurance companies what they must do. It took into consideration every aspect of the car and its uniqueness instead of evaluating it with a dozen similar vehicles on the market. In this case, it proved it was of more value than those that were compared to it.”

*Autobody News* contacted State Farm about these situations and total loss claims in general. “We handle each claim on its own merits and cannot discuss the specifics of our customer’s individual claim,” said **Roszell Gadson**, State Farm Public Affairs—Media Relations. “As an organization, we take pride in our customer service. We are committed to paying what we owe, promptly, courteously, and efficiently.”

The following companies declined to be interviewed: *CCC, Mitchell, Farmers Insurance* and *Germania Insurance*.

*Autobody News* will continue to follow this story and welcomes any information from the industry about total loss evaluations. Contact Stacey Phillips at [sphillips@autobodynews.com](mailto:sphillips@autobodynews.com).