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PLEASE HELP ME UNDERSTAND WHY THE INSURANCE CARRIER TOTALED A REPAIRABLE VEHICLE

Dear Mr. McDorman:

I own a collision facility in Austin. Over the last year, we have seen the number of repairable vehicles being deemed a total loss increase at an alarming rate. At our facility, we average 30 total loss vehicles a month. Granted, we collect our administrative, blueprinting and storage fees. However, we would rather repair the vehicle if it can be economically and safely returned to its pre-wreck OEM condition to our client's wishes. In my professional opinion, eight of the 30 vehicles the insurance carrier deems a total loss in our shop each month could and should have been returned to their pre-wreck OEM condition. It seems obvious to me that insurance carriers would rather deem a vehicle a total loss than repair it. I've heard insurance adjusters make catty comments such as, "Good news for us; we totaled another one." For the life of me, I just don't understand this. If we could repair just four of these eight vehicles that are, in my professional opinion, being wrongfully deemed a total loss, we could grow our business and spend more on education, certification and equipment. We could also better invest in our employees and their families. Is there a way or a process to prevent the insurance carrier from wrongfully deeming a repairable vehicle a total loss when my customer wants their vehicle to be returned to its OEM pre-wreck condition?

This is a great question, and I have helped many shops deal with this frustrating issue. Yes, there are several ways to prevent the insurance carrier from deeming a repairable vehicle a total loss. The labeling of this wrongful action is "economic total loss." This practice is called an "economic total loss" because it is in the best economic interest of the insurance carrier. When an economic total loss event occurs, the insurance carrier has placed its financial interest ahead of the insured or policyholder. Each time the insurance carrier is allowed to wrongfully deem a repairable vehicle a total loss, the collision facility not only loses the job, but it also loses its customer *and* that customer's family and potential referrals. It doesn't have to end like this, as there are several methods to detour this troublesome practice.

The first step is to educate your staff and client on the total loss process and the client's options. We encourage you to call or email Auto Claim Specialists with any questions your staff or clients have about the motor vehicle claim. We review many clients' proposed total loss settlements each day in our office. As a Public Insurance Adjuster agency, we are experts in all matters pertaining to vehicle insurance settlements.

The second step is to inform the client the very instant the carrier deems the vehicle a total loss so that they can request that the company emails them the market valuation report. This report is the Ouija board used by the insurance carrier to undervalue the vehicle. These reports tend to be populated with errors and are always skewed in the insurance carrier's favor. The vehicle's proper **actual cash value** is the driving force for reversing the economic total loss into a safe OEM restoration. On average, one in five total loss proposed settlements we review result in this reversal. Expert appraisers at our subsidiary company, Vehicle Value Experts, will analyze the insurance carrier's market valuation report and arrive at a true actual cash value of the vehicle at no charge to your client.

The third step is understanding the Texas Transportation Code. This code – not the insurance carrier – is what truly defines a non-repairable or salvage motor vehicle. Texas is a 100 percent total loss threshold state, and it does not recognize the total loss formula to define what constitutes a non-repairable or salvage vehicle. Under the 100 percent threshold definition, should the repair cost fall below the **true actual cash value** of the vehicle (not the perceived actual cash value arrived at by the market valuation firm) and that vehicle is not missing a major component, then it isn't classified as non-repairable or salvage. Additionally, Texas Transportation Code 501 takes the equation one step further and says that the repair cost – including parts and labor other than the cost of materials and labor for repainting and excluding sales tax on the total cost of repairs – must exceed the **actual cash value** of the motor vehicle immediately prior to being damaged. Before the calculation of determining if the vehicle fits the Texas Transportation Code definition of a non-repairable or salvage vehicle, all refinishing time, paint materials and sales tax must be deducted from the final repair



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 11 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+ 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

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invoice. The accumulated dollar amount of these three components typically averages approximately 25 percent of the total estimate, which in return drastically decreases the severity percentage. If the determined value is less than the **true actual cash value** of the vehicle, then it does not meet the Texas Transportation Code 501 definition of a non-repairable or salvage vehicle. Arriving at the **true actual cash value** of the vehicle is paramount.

In the 11 states in which we are currently licensed, Auto Claim Specialists has an average settlement increase of 29 percent over the insurance carrier's final proposed settlement offers. Once a carrier realizes it is not going to be able to undervalue the insured's vehicle, that alone can turn the tide and make it in the carrier's best economic interest (based on correct valuations) to repair the vehicle. In the instances where the vehicle cannot be repaired, you will help your client receive an average 29 percent increase in settlement value. This happy client will then become your best advertising tool.

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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