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PROPER PARTS, PROTECTED CONSUMERS: ABAT BILLS MAKE WAVES IN AUSTIN

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HOUSE HEARS ABAT-ENDORSED APPRAISAL CLAUSE BILL

The Texas House Committee on Insurance recently heard testimony on House Bill 2534, legislation that would require all Texas auto insurers to include an Appraisal Clause option for insureds. The bill is sponsored by Representative Travis Clardy (R-Nacogdoches) and endorsed by ABAT.

Testifying in support of the bill, ABAT Board member and public insurance adjuster Robert L. McDorman (Auto Claim Specialists) stressed the importance of the Appraisal Clause as a consumer-protection tool.

“Appraisal is the absolute mechanism to define loss when a dispute over the loss arises. The Right of Appraisal is a fast, inexpensive method to resolve loss disputes [...] It also levels the playing field for the consumer.”

To illustrate the need for the Appraisal Clause, McDorman revealed that his clients have seen an average 28 percent – or \$3,600 – increase in total loss disputes as a result of invoking the provision. Additionally, he noted that it is “routinely” discovered that “the insurance carrier has written [for] an unsafe and improper repair.”

Joe Woods of the American Property Casualty Insurance Association and Jon Schnautz of National Association of Mutual Insurance Companies offered testimony in opposition of the bill, both stating that making the Appraisal Clause available in all policies would result in financial strain to insurers and (in Woods’ words) “inflated claims.”

Committee member and former body shop owner Ramon Romero (D-District 90) later asked Schnautz to respond to the figures McDorman shared.

“Do you find it concerning that the previous witness said that you can be off by an average of \$3,600 between whatever system you’re using now and what is determined as the actual cash value? I’m concerned with that; I don’t know if you are.”

“I think it would have to be put in context a little more,” Schnautz replied. “There are going to be some claims where the number was wrong initially. If that was happening on some huge percentage of claims, I agree – that’s of concern.”

Ware Wendell, executive director of the non-partisan consumer advocacy organization Texas Watch, brought attention to the irony surrounding the opposition’s refusal to embrace House Bill 2534.

“It’s strange for me to be making this point, [but] it was the carriers who wanted appraisals put in the policies. Here I am, standing up representing consumers [and] telling you we need appraisal, and you’re hearing from the carriers, ‘Wait a second, wait a second. Let’s not do this.’”

Gary Vucekovich, president of McKinney-based claims administration company ForeSight Services Group, testified in favor of House Bill 2534.

“The only way to make the customer whole is to refer them to a licensed public insurance adjuster to determine the actual cash value of the vehicle. By doing this, either the insurance carrier ends up paying the disputed portion of the total loss or the GAP

provider does.”

Vucekovich added that establishing the Appraisal Clause in all policies would help him avoid constant battles with insurers over full payments to consumers.

“[In] the last two and a half years, 24 out of 25 times, the primary carrier had to issue another check. I like those odds, so I now refer the customer to their policy. Hopefully, that policy has the clause in it that allows them to invoke their Right of Appraisal [...] Please make the Appraisal Clause mandatory to protect the insured.”

Representative Clardy urged the Committee to give the bill their favorable consideration.

“The Right of Appraisal clause in a car insurance policy is designed to be a way of reaching a settlement where there’s a dispute over the amount of a loss between the policyholder and an insurance company [...] The Right of Appraisal offers an amicable resolution to the disputed loss; it allows unbiased professionals to determine that loss and – importantly – it offers an alternative path to lawsuits.”

Readers are encouraged to view the video of the complete hearing on House Bill 2534 available at bit.ly/TDI42021. The discussion begins at 1:58:28. TXA

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