

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

TEXAS



AUTOMOTIVE™



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TDI Turns a Blind Eye



to Consumer **Under-Indemnification**

Sounding
THE ALARM

Who Pays for What?

**SURVEYS HELP
REPAIRERS SUCCEED**

ABAT Panelists Steal the Show at
NORTHEAST® 2022

WHAT IS THE DIFFERENCE BETWEEN SETTLED APPRAISED ACTUAL CASH VALUE SUPPORTED DATA VS. CARRIER'S MARKET VALUATION REPORT UNSUPPORTED DATA?

Dear Mr. McDorman:

I own and operate several collision facilities in North Texas. I attended the Collision Industry Conference (CIC) in Arizona in January and sat in the "It's About Trust" panel discussion concerning total losses which included yourself, Dan Risley (CCC Intelligent Solutions) and Sandy Blalock (Automotive Recyclers Association). During your presentation, your chart on "Settled Appraised ACV versus Carrier's Market Valuation Report" showed the average total loss settlement increase obtained by Auto Claim Specialists for your clients is \$3,672, or 27.6 percent above the carrier's final offer. We have referred many of our clients to Auto Claim Specialists over the years, and our clients routinely report back to us on how they obtained these types of increases or greater.

During the panel discussion, you referred to the data providers' (CCC, Mitchell and Audatex) data as being "not supported" versus the data you were sharing being "supported." Can you explain the difference to me and the other readers between unsupported and supported data as it relates to your "Settled Appraised ACV vs. Carrier's Market Valuation Report?" Also, you stated, "As long as the insurance carriers are allowed to participate in valuing the loss and manipulating the unsupported data provided by the market valuation/data provider firms, there will continue to be trust issues related to the total loss designation." How are the carriers allowed to participate in the valuing of the loss and manipulating the data?

Thank you very much for your questions, attending the panel discussion and referring your clients to us. These are two excellent questions and takeaways from the panel discussion. The moderator stopped me before I had a chance to explain this to attendees at CIC.

The unsupported and supported data I spoke about related to the "Settled Appraised ACV vs. Carrier's Market Valuation Report" spreadsheets showing our \$3,672 or a 27.6 percent increase. The market valuation/data providers always use a complex algorithm to arrive at an adjusted vehicle value, rather than appraising the loss specifically associated with the vehicle in question. These algorithms begin with questionable samples of "comparable" vehicles and apply condition, mileage and option adjustments based on black box analytics. Also, they typically contain additional straight-line adjustments to their comparables and the loss vehicle that are not based on facts or supported data. The factored adjusted vehicle value generated by the algorithms used by the market valuation/data providers is extremely subjective and not the actual cash value

(ACV). That is why I call it unsupported data. There are no credible alternative data sources backing up the inputs to or outputs from these algorithms.

Compare this to professional appraisers defining the ACV through the appraisal process. During this process, there is an exchange of data and information about the loss vehicle that requires each side to support their valuations and together arrive at an agreed upon ACV as of the date of loss. Once the appraisers have defined the ACV for the loss vehicle, *this* is truly supported data. In most (if not all) insurance policies in our library, the limit of liability is based on the ACV, not the adjusted value arrived at by some market valuation/data provider algorithm.

In response to your query on how carriers are allowed to participate in valuing the loss and manipulating the unsupported data, this is done via a number of user inputs which vary by market valuation provider, such as allowing the carrier to use internal guidelines to determine the condition of and conditioning adjustments to the loss vehicle. Based on the conditioning adjustments made by the carrier per their own internal guidelines, an unsupported dollar adjustment is generated. Additionally, the market valuation/data providers allow the carrier to select the number of comparables and their geographic location to arrive at a desired valuation. These are just a few examples. It is correct that CCC, Audatex and Mitchell can provide data that is strong and

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Executive Director's Message

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defend that it is not a flawed system.

Oh yeah, and those complaints that were changed to ABAT's name? Here's a response from the insurance company: "The complainant in this matter, the Auto Body Association of Texas (ABAT) is a trade association. They are neither an insured nor a third-party claimant with respect to the claim referenced above. Accordingly, we do not feel it necessary to respond to Ms. Tuggle or ABAT."

So, with all of this said, do you feel like the Texas Department of Insurance is doing its job to protect Texas consumers? We would love to hear about your experiences with TDI. As a champion for safe and proper repairs, we are also passionate about the fight for what is right and just. Beginning with our state entities. We have just gotten started.



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Ask The Expert

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helpful, but like any algorithm, it is "garbage in, garbage out." Their valuation tools include many input levers for the carriers to use to obtain a desired result.

As I have spoken about many times, the delta between the amount of the undisputed liability settlement and our average settlement increase of \$3,672 or 27.6 percent is an under-indemnification issue by design. The systematic undervaluing of total loss claims by the carrier is of epic proportion. It is just a matter of time before the right legal authority takes interest in our data, business model and customer base and uses that information to pursue justice for our clients. Over the past 18 months, our clients - who have been forced to seek judicial support against their unlawful carrier to remedy infractions - have been compensated \$26,000 on average in consequential damages, including payment of all associated attorney fees against their insurance company.

Please call me should you have any additional questions or comments relating to this systematic under-indemnification scheme of total loss vehicles, policy or covered loss issues. 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 questions and look forward to any follow-up questions that may arise.

Sincerely,
Robert L. McDorman
TXA



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