

A CASE OF BLUE TITLES: DEFENDING CONSUMER SAFETY

“We only represent the consumer; we are consumer advocates,” Robert McDorman (Auto Claim Specialists) informed attendees at the most recent Collision Industry Conference (CIC) where he provided insights on titling issues related to total losses during the Industry Relations Committee’s presentation.

Using a random sampling of 200 total loss claims, McDorman explained that while 66.5 percent were titled as salvage, one-third of those vehicles deemed a total loss were either sold with a blue title or still remain in the client’s name with a blue title. Since the blue title does not indicate the damage sustained by the vehicle, these cars are often unsafely rebuilt and sold to unsuspecting consumers.

“Insurers should be required to transfer the title on all total losses to a salvage title within 30 days which would prevent a lot of curbstoning and detour rebuilders from buying these cars to rebuild and remarket as clean title vehicles,” McDorman stressed. “It is a virus and a problem. It’s a safety problem, and we need relief.”



Robert McDorman

McDorman examined a claim on a 2017 Chevrolet Traverse which State Farm valued at \$18,880 and sold at auction for \$4,800 with a reported estimated repair cost of \$14,345. Although it was reported to CarFax as a total loss, the vehicle was sold with a clean title – showing no indication of damage history – since the damage ratio came in at 75 percent based on

the insurer’s figures; however, the vehicle was deemed a total loss based on the actual repair value of \$18,970.01, which would have prevented the car from being sold with a clean title if that value had been provided at auction.

“This vehicle is being driven today by a driver who has no idea how badly damaged his vehicle was,” McDorman lamented. “These are driving weapons that could fall into somebody’s hands. When the insurance company deems the vehicle a total loss, they should be required to issue a salvage affidavit and transfer the title as a salvage title.”

By invoking Right to Appraisal (RTA), Auto Claim Specialists helps consumers settle total losses for higher values of \$3,672 on



Robert McDorman used an example of this Chevy Traverse to demonstrate the dangers of total loss vehicles being sold with blue titles.

average as well as repair procedure loss disputes. McDorman’s data demonstrated that final repair estimates regularly exceed carriers’ original estimates by an average of 77 percent up to 102 percent, depending on the insurer.

“The delta between the amount that carriers offer and the average actual cash value reflects an under-indemnification issue. The public insurance departments need to hold these carriers accountable for the indemnification of the claim.”

Reviewing the difference between data provider repair estimates and final repair plan through RTA, McDorman revealed an average under-indemnification concern ranging from \$2,800 up to over \$7,000.

“The problem is twofold: The data provided by the market valuation/data provider firms is incomplete and unsupported, and the carrier plays an instrumental role in evaluating the loss. It’s multi-faceted,” McDorman summarized. “It’s not right because the consumer is negatively affected, but this problem has a lot to do with money; everything hinges around cost [for the insurer,] yet the consumer is the one who ends up suffering.

“This isn’t going away anytime soon. We can’t keep doing what we’re doing because what we’re doing isn’t working! We need to try something new. We all need to get together to talk about how we can lobby and address these problems so we can fix them and take care of our consumer.”

If you missed McDorman’s exploration of this topic in last month’s “Ask the Expert,” be sure to check it out on page 20 of *Texas Automotive*: bit.ly/TXA0222. **TXA**