

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

TEXAS

AUTOMOTIVE

December 2022

\$5.95



Arming ABAT for Battle:

**Legislation and Resources
for Shop Success**

ABAT Creates

MOMENTUM FOR 2023

Guidance for Invoking

THE APPRAISAL CLAUSE

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“WHO IS AFFECTED BY THE INSURANCE CARRIER ECONOMIC TOTAL LOSS SCHEME?”

Dear Mr. McDorman:

I am the senior lending manager of an automotive captive lender. I attended your presentation this year at SEMA and was shocked at some of the data you presented. I was caught off guard when I heard the outrageous percentage of repairable vehicles being deemed an economic total loss by the insurance carriers. The information you gave should be an eye-opener to every consumer, collision facility, manufacturer, lender, GAP Administrator and provider. At the end of your presentation, it became clear that the systematic economic total loss scheme you referred to seriously harms both the insureds and the collision industry. You mentioned other parties being harmed as well. Could you elaborate, and do you have data that quantifies just how much this scheme is costing all parties involved?

Thank you for your comments, interest in our work and such an excellent question. The scheme involving the systematic undervaluing of total losses penalizes policyholders, stifles auto body shops, leads to unsafe repairs, causes lender loss of income and clients and destroys auto manufacturers' brand loyalty. Additionally, erroneous low settlement payouts by the primary carriers result in unfairly high GAP obligations for the defenseless GAP provider who is expected to cover whatever loan balance remains...regardless of the legitimacy of the shortfall.

Historically, over many thousands of claims, we increase total loss settlements (on average) by \$3,672 or 27.6 percent above the carrier's final offer on eight of the 10 claims we look at. CCC Crash Course 2022 data states there are 13 million collision claims in an average year across the United States, and about 10 percent (2.6M) of those claims are deemed a total loss. With 2.6M total losses in the US per year, if just five percent of the carriers' automated valuations are inaccurately undervalued by our \$3,672 average settlement increase, that means there could easily be an average **total annual under-indemnification of \$475,000,000.**

We have indeed quantified exactly how much our involvement aids both lenders and GAP providers, which is a

conservative estimate of how much they are being harmed by this scheme (conservative because there is a cost to our involvement that gets netted from their benefit). Based on the thousands of clients/borrowers we have represented who suffered a total loss and had their motor vehicle loans financed with either Ally Financial, Capital One, Credit Human Federal Credit Union, GM Financial, Honda Financial, Nissan Motor Acceptance, Regional Acceptance, Santander, Security Services Federal Credit Union, TD Bank, Toyota Financial or Wells Fargo, we were able to reduce the balance deficit after the primary carrier undisputed liability settlement and the funding of the GAP liability on average by 75 percent through the appraisal process to define the Actual Cash Value (ACV). Additionally, for the same group of borrowers with GAP coverage after the appraisal process to define the ACV, the realignment of the liability reduced the GAP Administrator/Providers liability by an average of 55 percent.

It is my professional opinion that the insurer should never be in control of the loss settlement; however, they are gaining greater control each year. When this happens, shortcuts will invariably be made to reduce their liability, which will lead to rampant under-indemnification issues and substandard repairs. This is the driving force behind our advocacy for the mandatory Right to Appraisal in every motor vehicle insurance policy. The Right of Appraisal works as a guardrail to prevent under-indemnification and substandard repairs. It is my unwavering position that the removal of the Right to Appraisal on repair procedure disputes will be the enemy of a safe repair and become the stake in the



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Ask The Expert

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coffin for safe roadways for us all while further escalating grossly undervalued total loss settlement offers.

In today's world, regarding motor vehicle insurance policies, frequent changes in claim management, claim handling policies and non-standardized GAP Addendums, we have found it is always in the best interest of the insured or claimant to have their proposed insurance settlement reviewed by an expert before accepting. There is never an upfront fee for Auto Claim Specialists to review a motor vehicle claim or proposed settlement and give their professional opinion as to the fairness of the offer.

Please call me should you have any questions related to the policy or covered loss. 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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