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FACT CHECKING GEICO'S DEFICIENT RESPONSE TO TDI

Dear Mr. McDorman:

I own and manage a collision facility in East Texas, and we regularly refer our clients to you when they are faced with disputes over their loss with their primary insurance carrier. Earlier this week, I read the *Repairer Driven News* editorial, "TDI Includes RTA in Report to Legislature, Invites Public Policy Response," and could not help but notice some of the reported GEICO response to TDI circled around the same data on claims going to appraisal as you testified to legislators in the September 2022 hearing at the Capitol. After listening to the September hearings concerning the mandatory Right to Appraisal in Texas motor vehicle insurance policies and reading the above referenced editorial, I have several questions I hope you can answer for me and other readers. First, GEICO stated to TDI that the average increase from the undisputed liability offer and the final appraisal award that went through the appraisal process was \$4,279.03 (or 82 percent) for repair procedure disputes and \$3,205.17 (or 18 percent) for total loss claims. Do you track this type of data on your clients by insurance carrier and, if so, can you share it with the readers? Recently, State Farm filed to eliminate Right to Appraisal on all residential policies as well, yet State Farm reported that, over a three-year period, 90 percent of the homeowner claims that went through appraisal were settled without litigation, which appears to be similar to the impact appraisal has on auto claims, though State Farm has already removed appraisal from those policies. It seems clear to me that based upon this alone it would make economic sense for the Right to Appraisal to be mandatory in each policy.

Thank you for your observation of the sensitive issues relating to the Right of Appraisal and for your comments and questions. Let me start by answering your first question. Yes, we monitor and keep track of the data relating to our clients' claims by carrier. As it relates to our clients' claims who were insured by GEICO and came to us for help with their under-indemnification issues over the past seven years, the average increase from the original undisputed liability offers compared to the final appraisal outcome was \$4,978.24 on repair procedure disputes. Over the same time span, the average increase from the original undisputed liability offers to the final appraisal outcome was \$3,598.29 on total loss claims. These numbers are close enough to GEICO's numbers to make us think that our clients likely make up the majority of GEICO insureds who invoke their Right of Appraisal, with some insureds going it alone and pulling down GEICO's average.

In reference to your statement about it making economic sense if 90 percent of the claims that went through the appraisal process were settled without litigation that the Right to Appraisal should be mandatory, I could not agree more! Also, it is my understanding that the Texas Supreme Court has ruled that appraisal should be the absolute mechanism to define loss precedent to litigation. With this said, how can the Right to Appraisal not be mandatory if it has been determined by the Texas Supreme Court that the appraisal process is precedent to litigation to define loss.

As I have emphatically stated in past editorials, 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 (as seen in our and GEICO's own numbers above) 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 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 relating 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



Robert is a recognized Public Insurance Adjuster and Certified Vehicle Value Expert specializing in motor vehicle-related insurance claim resolution. Robert can be reached at (800) 736-6816, (817) 756-5482 or via email at AskTheExpert@autoclaimspecialists.com.