

House Bill 2534 Support of Testimony

4/29/21 5:44 PM

From: "Robert L. McDorman" <rmcdorman@autoclaimspecialists.com>

To: "Travis Clardy" <travis.clardy@house.state.tx.us>, "Jacob Smith" <jacob@longleaftx.com>, "Ware" <wwendell@texaswatch.org>

Cc: "Gary Vucekovich" <garyv@fsgadmin.com>, "Karen" <kphillips@tada.org>

Dear Chairman Oliverson and Committee Members,

It was an honor for me to be allowed to speak before you last Tuesday, April 20th, about House Bill 2534 regarding the mandatory right of appraisal for motor vehicle insurance policies. I was a little surprised when I heard Mr. Woods' testimony claiming that the appraisal clause was designed for the appraisers and the umpire to come up with a deal that makes the parties happy. This could not be further from the truth. The appraisers are required to issue loss statements, exchange the loss statements and discuss the differences. Only if they cannot agree on a value are their loss statements turned over to an umpire. In my extensive experience there has rarely been a need for an umpire. Should an umpire be called into play, upon any two of the three agreeing on the loss the agreement becomes binding on the parties.

Also, Mr. Woods referred to the valuation difference in most cases being only between \$500 and \$700. Again, this could not be further from the truth. Our average settlement increase over the carrier's final offer for Texas claims is \$3,522.79, and we have increased settlement values in some cases by \$20,000 to \$30,000. I have attached a spreadsheet from our database that has 758 total loss claims we have settled in Texas over the past several years. (This constitutes ALL worked claims over this period, not picking and choosing claims.) Please feel free to ask me for supporting documents for any of the entries where you would like to verify the authenticity of the data. Committee Member Romero stated that if the average settlement increase was as I stated, he was concerned with this. Mr. Stout concurred this as well. The attached spreadsheet supports my statement. *In states where the insurance carriers do not have an appraisal clause we see the insureds under-indemnified even more.* HB 2534 levels the playing field and makes sure the parties have a non-judicial path to resolve loss disputes when they arise.

I would also like to comment on the task assigned to the counsel for the insurers to determine the percent of claimants who invoke appraisal. I am sure that this is a very small percent, but that in no way reflects upon the importance of this bill. What it does reflect upon, and very poorly I may add, is the lack of candor between the insurers and their policyholders where it comes to policyholder rights in loss disputes. I have talked to thousands of insureds over the years, and I have yet to hear from a single one who was told by their carrier about their right to invoke appraisal. The percent of insureds who request appraisal is currently small because hardly anyone knows about this right. This is something that hopefully publicity from this bill can help to change.

In support of Chairman Oliverson needing additional support, I have attached a Market Valuation Report for CCC ONE, Mitchell and Audatex (Autosource) along with the binding agreement letter signed by the appraisers once the Actual Cash Value has been identified.

In the Binder claim the insurance carrier was GEICO, and GEICO used the CCCONE Market Valuation Report. CCCONE arrived at a formulated Adjusted Vehicle Value of \$28,224.00 (see attached Binder

CCONE Market Valuation Report). Once the Actual Cash Value was defined through appraisal it was agreed to actually be \$39,350.00 as of the date of loss (see attached Binder Agreement Letter Signed 4.1.2021). Through the appraisal process it was determined the insured was under-indemnified \$11,821.38.

In the Ingle claim the insurance carrier was Progressive, and Progressive used the Mitchell Market Valuation Report. Mitchell arrived at a formulated Market Value of \$19,125.30 (see attached Ingle Mitchell Market Valuation Report). Once the Actual Cash Value was defined through appraisal it turned out to be \$26,500.00 as of the date of loss (see attached Ingle Agreement Letter Signed 10.1.2020). Through the appraisal process it was determined the insured was under-indemnified \$7,835.62.

In the Arnall claim the insurance carrier was State Farm, and State Farm used the Audatex Market Valuation Report. Audatex arrived at a formulated Adjusted Market Value of \$18,470.00 (see attached Arnall Audatex Market Valuation Report). The settled upon Actual Cash Value through appraisal was \$23,609.39 (see attached Arnall Agreement Letter Signed 3.11.2021). Through the appraisal process it was determined the insured was under-indemnified \$5,460.60.

It is important to note that not one of the three Market Valuation Reports listed above refers to the Actual Cash Value. In each of the Texas policies we have in our library, the **LIMITS OF LIABILITY IS ALWAYS** listed as the **Actual Cash Value**. HB 2534 will provided a mandatory appraisal clause be listed in every motor vehicle policy to ensure the insurer or the insured has a mechanism to resolve any dispute over a loss without having to resort to the judicial system.

I went through each of the insurance policies we had in our library and posted the appraisal clause for each on the attached Texas Insurance Policy Appraisal Clauses. Each policy had an appraisal clause. It is particularly interesting to look at the State Farm policy before 2019 (9843P.4NT) versus the post-2019 policy 9843A. Beginning with the 9843A policy, State Farm started restricting the right of appraisal to Actual Cash Value disputes only. When there is a dispute over the loss statement/repair estimate under the 9843A policy, the insurer or the insured cannot invoke the right of appraisal. This is very concerning and troubling. HB 2534 will not only require State Farm to change their policy to properly allow all covered losses to be subject to appraisal; it will prevent other carriers from following State Farm's lead in limiting appraisal rights.

In closing, HB 2534 levels the playing field for all parties and makes sure when a dispute arises over the covered loss, the loss dispute can be turned over to independent appraisers to arrive at a proper loss. I respectfully request you give this unbiased bill your support and approval.

Sincerely,



Robert L. McDorman



Certified, Bonded and Insured Licensed Adjuster

Texas Department of Insurance Licensed
[Public Insurance Adjuster License 2082754](#)
[IACP Certified Auto Appraiser License 99791144](#)
National Insurance Producer Registry 17909912
Insurance Automobile Claim Mediator

Insurance Appraisal Clause Umpire
email: rmcdorman@autoclaimspecialists.com
visit me at: www.robertlmcorman.com



AUTO CLAIM SPECIALISTS

"Fair settlements come from knowledge and negotiation"

Visit us at www.autoclaimspecialists.com

Texas Department of Insurance Licensed
[Public Insurance Adjuster Agency 2191725](#)

Auto Claim Specialists, LLC
771 East Southlake Blvd.
Suite 208
Southlake, Texas 76092
Direct: (817) 756-5482
Toll Free: (800) 736-6816
fax: (866) 550-0484

Find out what our Clients are saying about us at [Trust Pilot](#)



"Confidentiality Notice: This electronic transmission and any attached documents or other writings are intended only for the person or entity to which it is addressed and may contain information that is privileged, confidential or otherwise protected from disclosure. If you have received this communication in error, please immediately notify sender by return e-mail and destroy the communication. Any disclosure, copying, distribution or taking of any action concerning the contents of this communication or any attachments by anyone other than the named recipient is strictly prohibited."

Attachments:

- Arnall Agreement Letter Signed 3.11.2021.pdf
- Arnall Audatex Market Valuation Report .pdf
- Binder Agreement Letter Signed 4.1.2021.pdf
- Binder CCCONE Market Valuation Report .pdf
- Ingle Agreement Letter Signed 10.1.2020 .pdf
- Ingle Mitchell Market Valuation Report .pdf
- Texas Insurance Policy Appraisal Clauses 4.29.2021 .pdf
- Texas Settlement Increase Spreadsheet 04292021.xlsx