

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

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March 2025
\$5.95

RTA:

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THE IMPORTANCE OF MANDATORY RIGHT TO APPRAISAL TIME TRIGGERS

Dear Mr. McDorman,

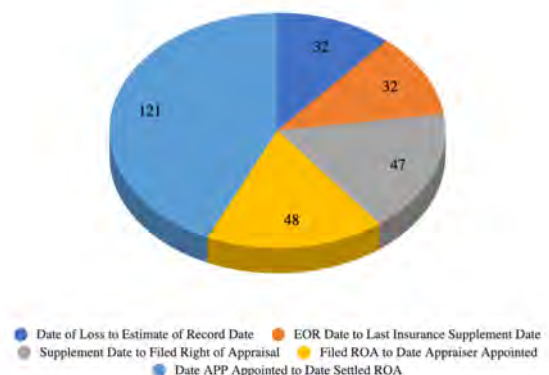
I own and operate a collision facility in North Texas. Your December article about Senator Charles Schwertner's Senate Bill 369 concerning mandatory appraisal rights in Texas mentioned time triggers in his appraisal bill. For repair procedure disputes, I believe I can see where these are a needed component of the bill. How do you view the importance of time triggers, and how do you see them helping insureds in loss disputes? Also, does Auto Claim Specialists keep data on typical cycle times for clients with claims going through appraisal? If so, can you share this with the readers so we can see how these compare with the time triggers in Senator Charles Schwertner's Bill?

Thank you for your comments and questions. We view the need for mandatory time triggers in the Right to Appraisal (RTA) bill as being essential. We do record the average time it takes for our clients' repair procedure claims to make it through the entire appraisal process, from date of loss to final settlement date. For repair procedure RTA disputes where claims do not require an umpire, our records show that from the date of loss to final settlement takes 280 days on average. It is broken down as follows: from date of loss until the carrier issues their estimate of record takes 32 days on average; from the estimate of record date until the last supplement by the carrier is issued also takes an average of 32 days; from the date of the last supplement is issued by the carrier until the RTA is invoked takes another 47 days; from the date the RTA is filed until the carrier appoints their independent appraiser takes 48 days; and finally, from the date the carrier appoints their independent appraiser until the appraisers agree on the amount of loss averages 121 days (see graph).

Senator Schwertner's bill contains critical time-sensitive triggers that prevent the harmful delays in the insurance claim process we see and deal with daily, as outlined above. As noted in the bill, should there be a dispute in the amount of loss, either party – the insurer or the insured – must invoke this RTA within 90 days after the insurer accepts liability and issues their undisputed liability offer. Also, it sets a timeline that requires the parties to appoint and name their appraisers no later than the 15th day after the appraisal is demanded. The bill requires that the appraisers agree on the amount of loss on or before the 30th day following the date both appraisers are appointed. The bill sets a drop-dead date on the timeline for which the appraisers must select an umpire if they cannot agree on the loss. The appraisers must choose an umpire on or before the 15th day after the date the appraisers determine an umpire is needed. Should the appraisers not be able to decide on an umpire, the insurer or the named insured may request that a court in the county in which the named insured resides select the umpire. The appraisers and umpire must determine the amount of loss not later than the 30th day after the date the umpire is selected.

As you can see from comparing these time triggers in Senator Schwertner's bill to our historical average cycle times, just the decrease in time from filed RTA to the date appraisers are appointed (our historical 48 days versus the bill's 15 days) and from the date appraisers are appointed to the day appraisers agree on the amount of loss (our historical 121 days versus the bill's 30 days) would drop the total repair claim cycle time by 124 days, which is close to half the current average total cycle time! This would be a huge relief for insureds in Texas.

Average Repair Claim Cycle Times (Days)
(Claims Settled Without Umpire)



In addition to these time-sensitive triggers, Senator Schwertner's bill also contains a fee-shifting component that will also provide relief to Texas insureds. This component reads, "If, at the end of the appraisal process, the amount of loss is determined to be more than 10 percent greater than the amount of the insurer's last offer, the insurer shall refund the named insured's reasonable out-of-pocket expenses for the insured's appraiser's fees and expenses." To make it fair for the insurers as well, and prevent excessive, unnecessary appraisal demands, it states that if, at the end of the appraisal process, the appraisal award is more than 10 percent less than the amount the insurer last offered, the named insured shall pay the insurer appraiser's reasonable fees and expenses. We believe this is fair.

The under-indemnification in repair procedure claims in Texas is rampant. Most of the estimates and supplements we see for repair claims have many overlooked (by design) safety and OEM-required operations needed to restore the loss vehicle to its pre-loss condition

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

Ask The Expert

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to the best of one's human ability. Limiting or removing the insured's right to appraise a repair procedure is a serious safety issue. The limitation or elimination of the RTA by the insurance carrier in a repair procedure dispute will be the nail in the coffin for safe roadways in Texas.

As I have written many times, we at Auto Claim Specialists understand your concerns about under-indemnification. Until legislators pass laws to make the Right to Appraisal mandatory in Texas for all motor vehicle policies, we have no choice but to continue to advise our clients who have been harmed and cheated by their insurance carriers to fight like the third monkey in line to get onto Noah's Ark when it has already begun to rain, and we will help. In my professional opinion, the more times these systematic under-indemnification schemes are exposed and monetary punishment is levied, the quicker change will come to help us all.

Our position at Auto Claim Specialists is that RTA should be a mandatory contractual right in every policy. For the 89th Texas Legislative panel, we have teamed up with lobbyist Andrew "Drew" Graham to educate lawmakers and help secure mandatory contractual appraisal rights for all insured Texans. We, the insureds, are many, and I am confident that if we join forces and all do what we can, we can be successful in securing our rights and our children's rights to contest insurance settlement offers that would result in underpayment of losses and/or shoddy and dangerous repairs.

The spirit of the Appraisal Clause is to resolve loss disputes

fairly and to do so in a timely and cost-effective manner. Invoking the Appraisal Clause removes inexperienced and biased carrier appraisers and claims handlers from the process, undermining their management's many tricks to undervalue the loss settlement and under-indemnify the insured. Through the Appraisal Clause, loss disputes can be resolved relatively quickly, economically, equitably and amicably by unbiased, experienced, independent third-party appraisers as opposed to more costly and time-consuming methods such as mediation, arbitration and litigation.

In today's world, regarding motor vehicle insurance policies, frequent changes in claim management and 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 remember that safe repair is a quality repair, and quality equates to value. I thank you for your question and look forward to any follow-up questions that may arise.

Sincerely,
Robert L. McDorman
TXA



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