



Total Loss: The Art & Science of “Getting it Right”

Industry Relations Committee

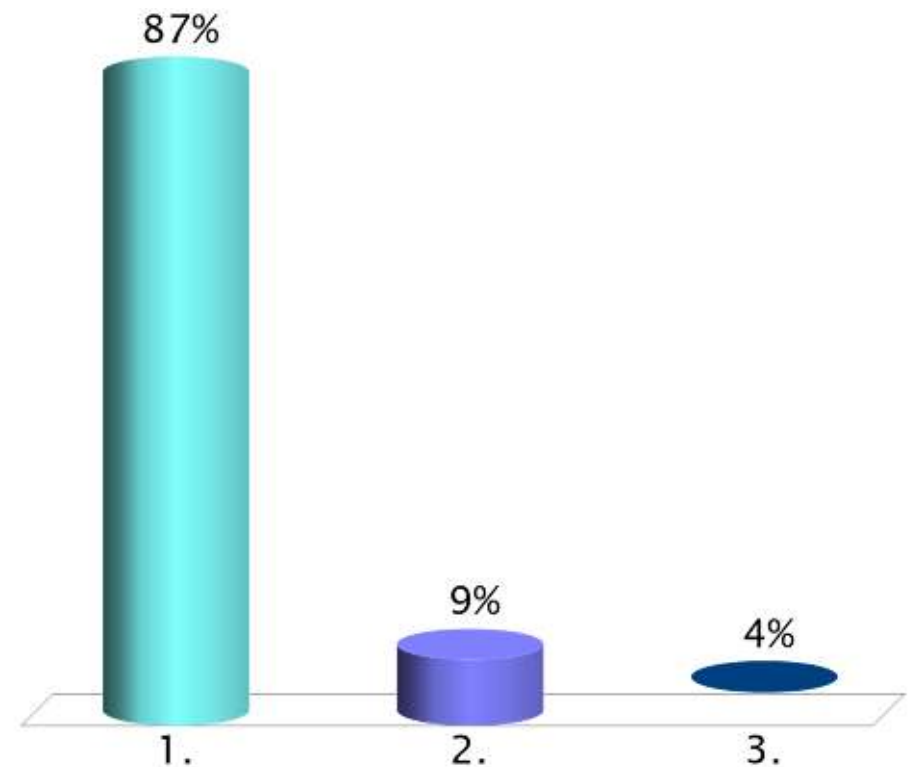
Presented by:

Jim Keller -Co-Chair

Jonathan Chase- Co-chair

Audience Response Question: Total Losses are a cause for consumer concern in the claims settlement process.

1. Agree
2. Disagree
3. Abstain





**COLLISION
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Insurer and Insured Appraisal Rights

Guest Presentation

Presented by:

Robert McDorman

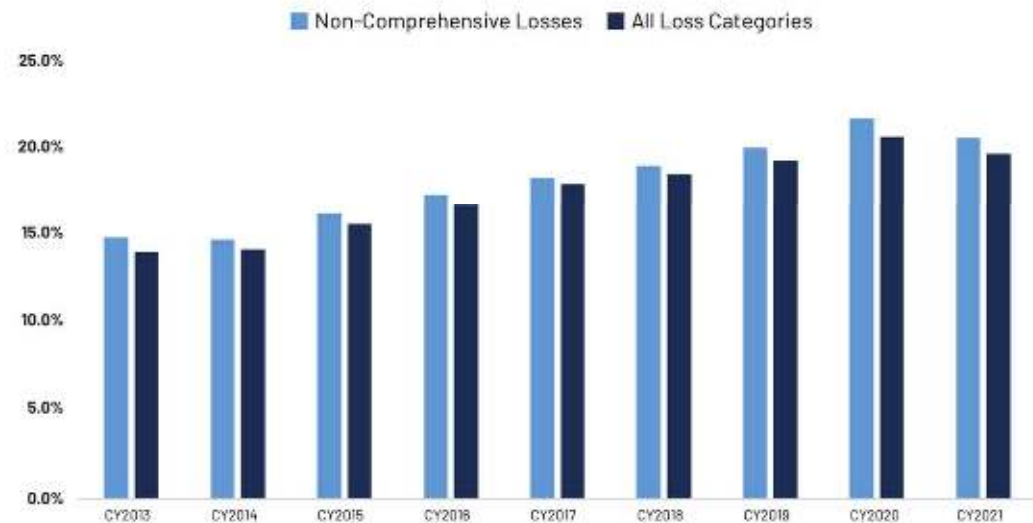
Auto Claim Specialists

13 Million Collision Claims Made in an Average Year in US*

About 20% (2.6M) of those claims are deemed a Total Loss

Figure 43 / Percent of Vehicle Appraisals Flagged Total Loss
CY2013-CY2021

SOURCE: CCC INTELLIGENT SOLUTIONS INC.



One of the most unmanageable facets of a Total Loss Claim are the various and shifting total loss processes.

*220M insured vehicles, 5.9% collision claim frequency per Bankrate Auto Statistics

Outline

- **Who is Impacted by Improper Loss Valuations?**
- **What Constitutes a Total Loss?**
- **Total Loss Liability**
- **Example of a Misvalued Vehicle**
- **Average Results from Total Loss Valuation Disputes**
- **Appraisal Rights**
- **Introduction to the Appraisal Clause**

Who Is Impacted by Improper Loss Valuations?

Policy Holders

- Auto owners purchase insurance in order to be fully indemnified should they suffer an accidental loss. Indemnification means placing an insured in the same financial position following a covered loss event that they were in prior to the event.
- Inaccurate loss settlement disbursements obviously imply under-indemnification. Some common outcomes from under-indemnification include:
 - Deficit loan balance liability (GAP)
 - Lack of equity for replacing loss vehicle
 - Negative credit score impact
 - Major frustration and wasted time

Who Is Impacted by Improper Loss Valuations?

Auto Body Shops

- Auto body shops are - at times - placed in the position of having to write off losses due to low repair cost settlements, or sacrifice on the quality of their work.
- Inaccurate valuations could result in vehicles being totaled that could have been economically and safely repaired. This unfortunately drains rightful business from body shops.

Who Is Impacted by Improper Loss Valuations?

Auto Manufacturers

- Inaccurate valuations generated from algorithms used by Market Valuation firms could reflect poorly on the manufacturer brands.
- Customers assuming the “market valuations” are true Actual Cash Values could blame the “rapid depreciation” on the brand, and are then likely to switch brands.
- Manufacturers unfortunately have no workable solution to this industry issue.

Who Is Impacted by Improper Loss Valuations?

Lenders

- An inaccurate low settlement payout by primary insurers typically result in negative loan balances after all other obligations have been settled, even when borrowers have purchased GAP Addendums.
- Lenders may have to write off these negative balances as charge off expenses.

Who Is Impacted by Improper Loss Valuations?

GAP Providers

- GAP Providers are expected to pay the difference between the primary insurance settlement payout and the loan balance as of the date of loss.
- Inaccurate settlement payouts by the primary carriers result in larger than fair GAP obligations.
- GAP Providers have some, but limited means to protect themselves from this industry problem.

What Constitutes a Total Loss

State Total Loss Criteria Summary

Total Loss Formula	22 States
Total Loss Threshold	28 States
100% Threshold (TX, CO)	2 States
80% Threshold	3 States
75% Threshold	16 States
70% Threshold	4 States
<70% Threshold (Min 50% - IA)	3 States

Total Loss Liability

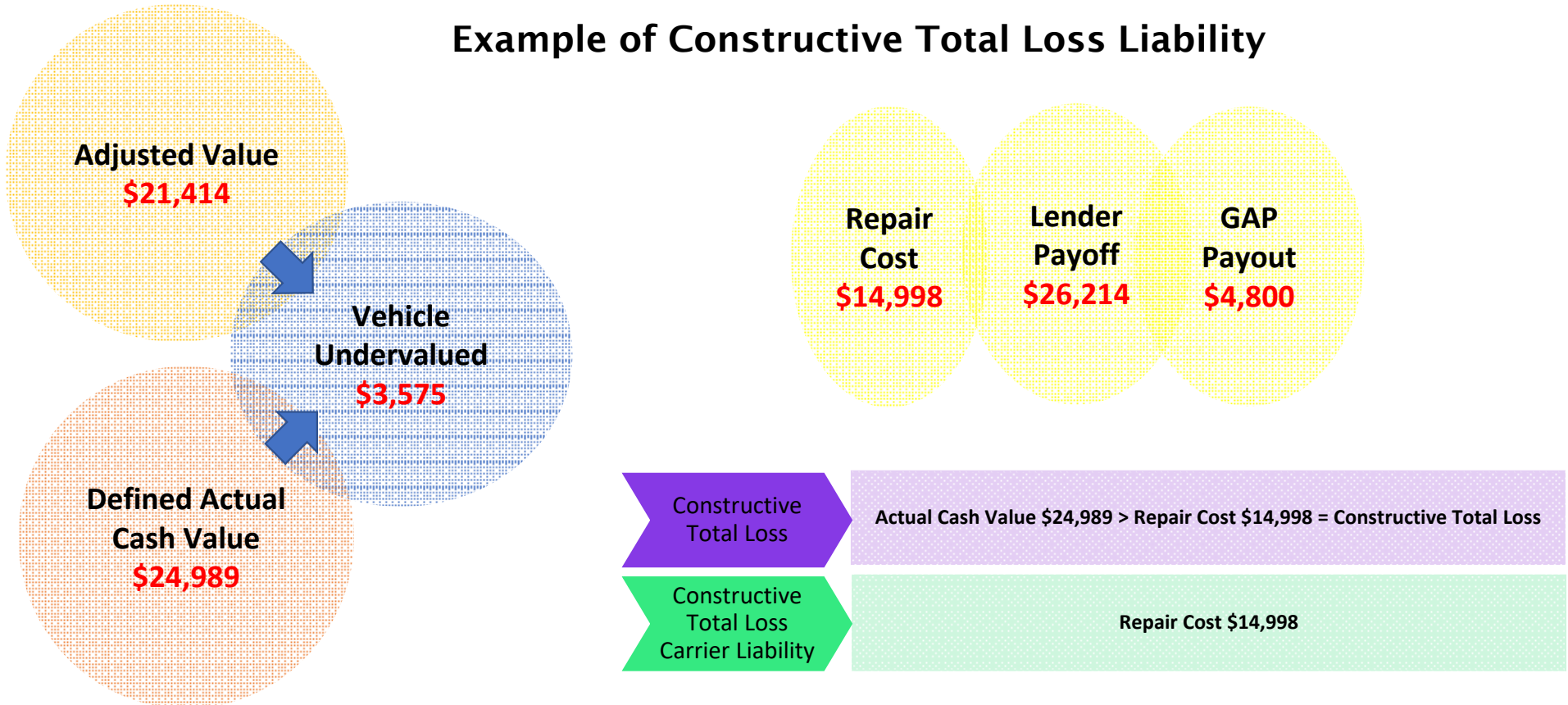
Example of Constructive Total Loss Insurance Policy Limit of Liability (TLT)

“Our limit of liability for loss will be the lesser of the:

- a. Actual cash value of the stolen or damaged property.
- b. Amount necessary to repair or replace the property with other of like kind and quality; or
- c. Amount stated in the Declarations of this policy.”

Total Loss Liability

Example of Constructive Total Loss Liability



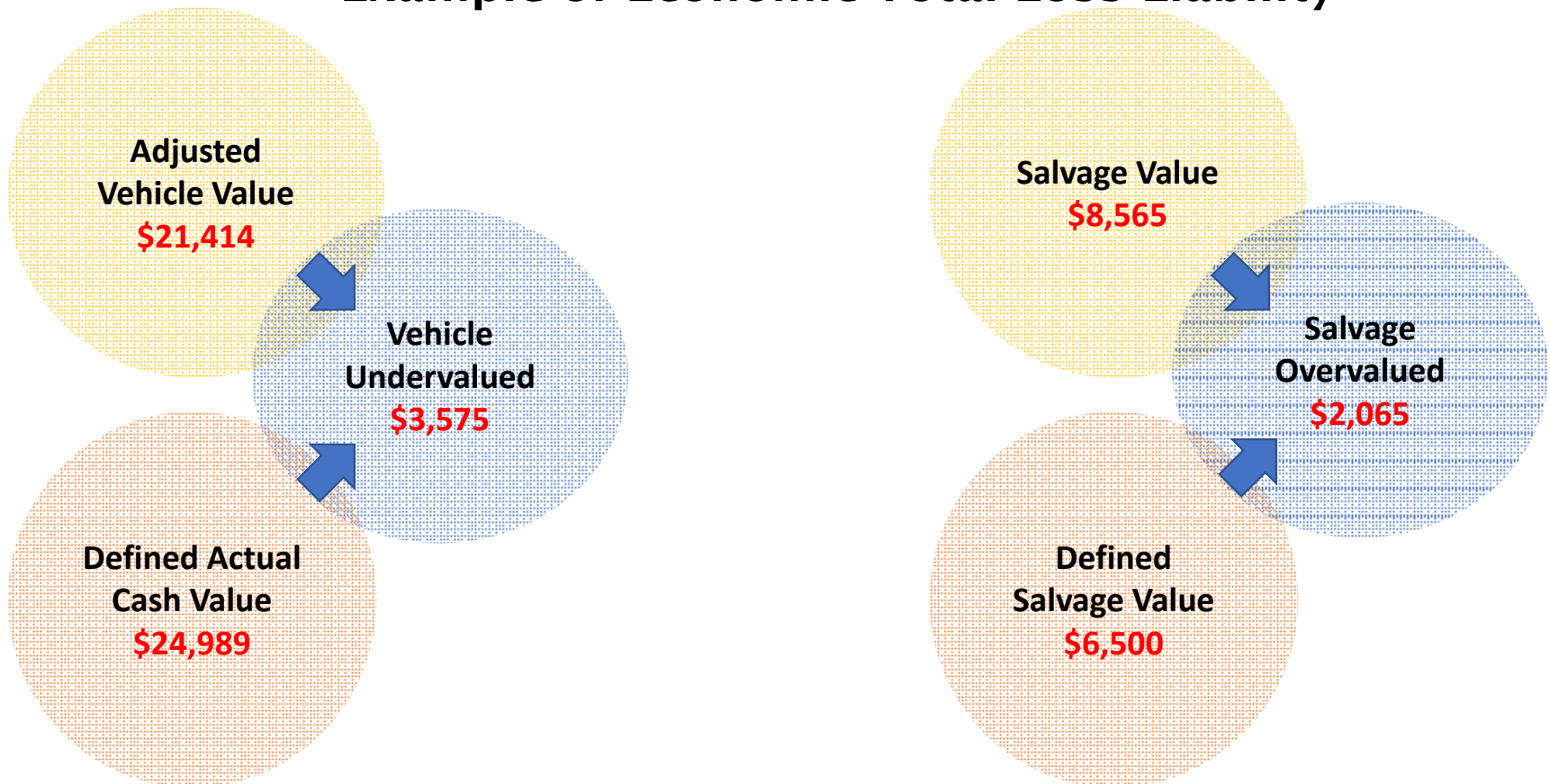
Total Loss Liability

Example of Economic Total Loss Insurance Policy Limit of Liability (TLF)

“**Our** limit of liability under Comprehensive Coverage and Collision Coverage is the **actual cash value** of the vehicle, inclusive of any custom equipment. **We** will declare **your covered auto** to be a total loss if, in our judgment, the cost to **repair** it would be greater than its **actual cash value** minus its salvage value after the **loss**.”

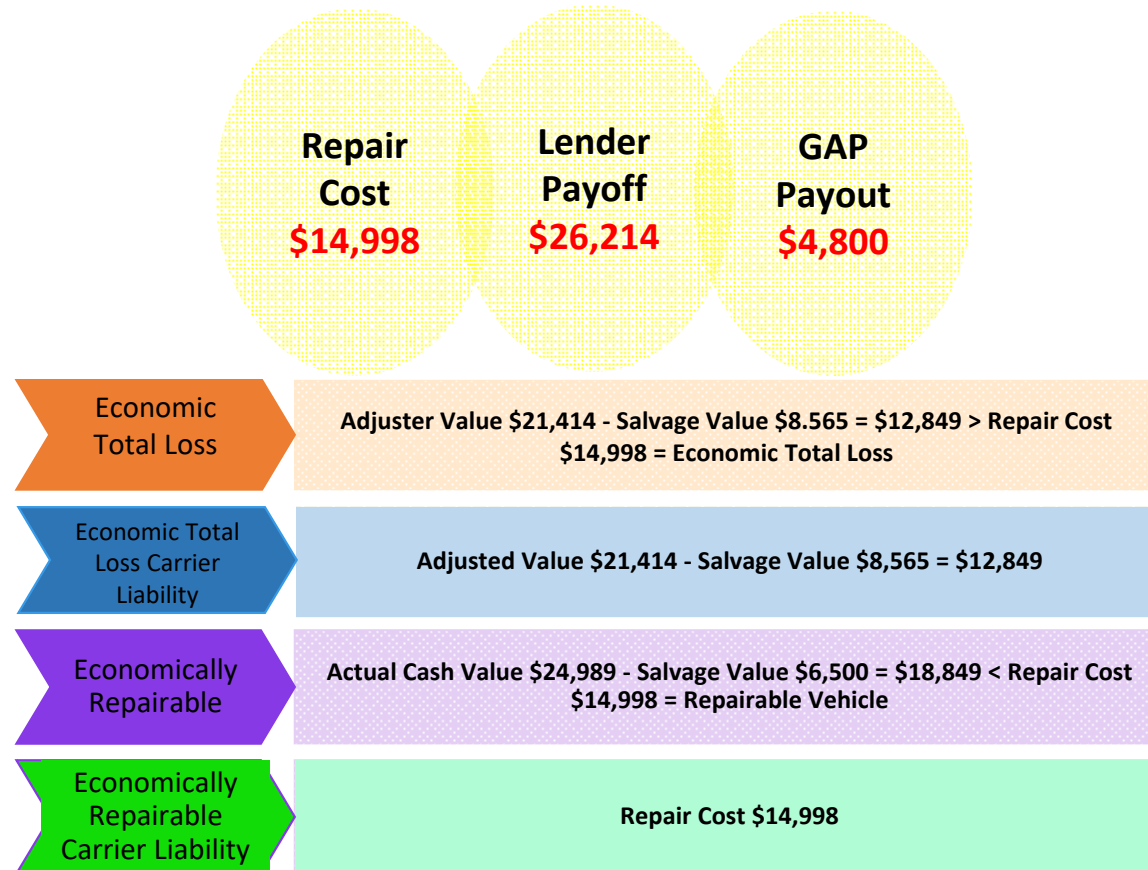
Total Loss Liability

Example of Economic Total Loss Liability



Total Loss Liability

Example of Economic Total Loss Liability



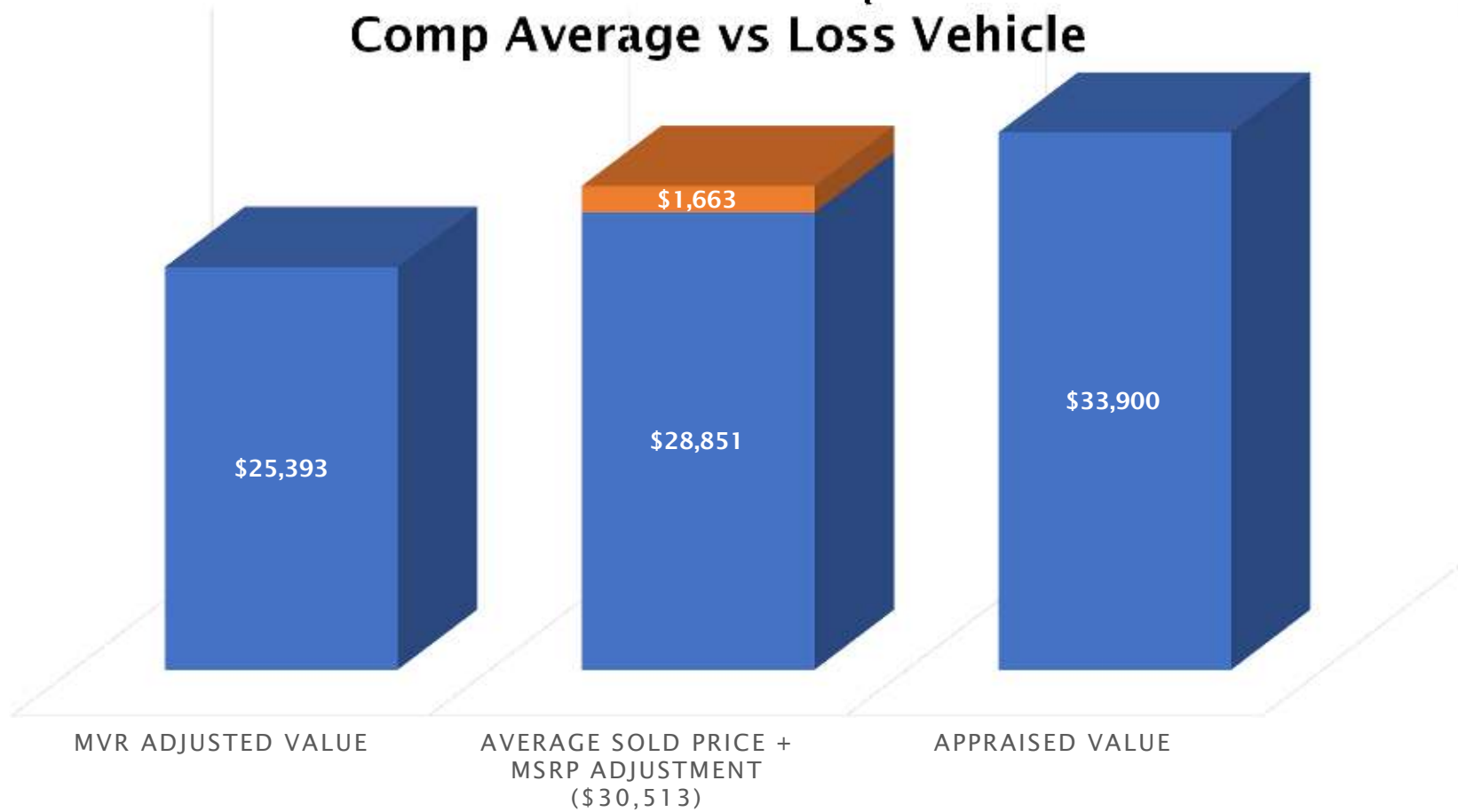
Example of a Misvalued 2017 RAM 1500

Market Valuation Report Comparables vs Loss Vehicle 2017 RAM 1500

Comp	Last 5 VIN	Year	Make	Model	Mileage	List Price	Take Price	Adjusted Value	Sold Price	Sold Mileage	MSRP	MSRP vs Loss Vehicle MSRP
1	39608	2017	RAM	1500	43,128	\$27,900		\$26,408	\$27,401	43,128	\$45,920	-\$2,570
2	55175	2017	RAM	1500	34,465	\$29,216		\$25,902	\$27,000	34,465	\$46,000	-\$2,490
3	46435	2017	RAM	1500	27,000	\$27,995		\$23,986	\$28,800	23,685	\$46,775	-\$1,715
4	02838	2017	RAM	1500	35,620	\$27,500		\$24,390	\$32,440	35,635	\$46,905	-\$1,585
5	26858	2017	RAM	1500	20,506	\$32,995		\$28,158	\$30,500	20,507	\$47,490	-\$1,000
6	89915	2017	RAM	1500	17,934	\$28,994		\$24,048	\$28,050	17,934	\$46,890	-\$1,600
7	69031	2017	RAM	1500	35,031	\$29,992		\$26,814	\$29,295	35,050	\$46,735	-\$1,755
8	39322	2017	RAM	1500	48,004		\$26,591	\$24,838	\$27,321	48,058	\$47,905	-\$585
Average								\$25,568	\$28,851		\$46,828	-\$1,663
Loss Vehicle	85056	2017	RAM	1500	44,000						\$48,490	

Example of a Misvalued 2017 RAM 1500

Market Valuation Report Comp Average vs Loss Vehicle



ACS' Data - Avg Results, Total Loss Valuation Disputes

Average Settled Appraised ACV vs Market Valuation Report

Age	% of Claims	Average Carrier's Offer	Average Settlement	Average \$ Difference	Average % Difference	Maximum \$ Difference
All	100%	\$18,292	\$21,963	\$3,672	27.6%	\$51,000
0-2	26.0%	\$26,200	\$30,134	\$3,933	16.6%	\$32,674
3-5	31.1%	\$21,113	\$24,919	\$3,805	19.7%	\$27,039
6-8	19.4%	\$14,345	\$17,601	\$3,255	28.9%	\$11,719
9-11	11.0%	\$10,396	\$13,640	\$3,244	35.7%	\$18,984
12-14	7.1%	\$9,032	\$12,398	\$3,366	47.9%	\$9,262
>14	5.4%	\$6,345	\$10,754	\$4,409	78.3%	\$51,000



July 5, 2021,
Negotiator: Initial total loss ACV's coming in low, might cost consumers, shops chance to repair.

Appraisal Rights

- 1) Due to the tremendous volume of auto claims, the valuation of loss is highly benefited from automation.
- 2) Automated vehicle valuation systems must have valid data input in order to be accurate.
- 3) Not all states have “right of appraisal” legislation in place. The consumers right of appraisal has been proven to be an effective method for resolution when values are disputed.

Appraisal Rights

- With 2.6M Total Losses in US per year, if just 5% of the automated valuations are inaccurate, and when they are inaccurate, they are undervalued \$3,650 on average (our average settlement increase), that means there could be an average **total annual under-indemnification of \$475,000,000.**

Introduction to the Appraisal Clause

- A key defense insurance policyholders have to protect their contractual right of indemnification is the appraisal clause in their policy.
- Utilizing the appraisal clause, policyholders may obtain fair settlement of their auto claims when disputed, and in the process could help auto manufacturers, lenders, GAP providers and body shops.

Introduction to the Appraisal Clause

Insurance Policy Appraisal Clause, example:

“If we and you do not agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will select a competent appraiser. The two appraisers will select an umpire. The appraisers will state separately the actual cash value and the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

1. Pay its chosen appraiser; and
2. Bear the expenses of the umpire equally.

We do not waive any of our rights under this policy by agreeing to an appraisal.”

Introduction to the Appraisal Clause

Purpose of Appraisal Clause

- The spirit of the appraisal clause is to resolve loss disputes fairly and to do so in a timely and cost-effective manner.
- Through the appraisal clause, loss disputes can be resolved relatively quickly, economically, equitably, and amicably by unbiased, experienced, and independent third-party appraisers as opposed to more costly and time-consuming methods, such as mediation, arbitration, and litigation.

Supported Appraisal Rights Example



**Texas Department
of Insurance**

Get help with an auto insurance complaint

Step 1: Talk to the insurance company.

Step 2: Ask for an appraisal.

Your policy may include an appraisal process to resolve complaints. Appraisal allows you and the company each hire an appraiser. The two appraisers then choose a third appraiser as an umpire. You must pay for your appraiser and half of the umpire's costs.

The appraisers review your claim and estimate the amount of damage. If their estimates are different, the umpire decides.

You can only use appraisal to resolve disputes about the amount of damage. If there's a dispute about whether something is covered, you can try to resolve that issue after the appraisal.

Check your policy for any deadlines to request appraisal. If you need help finding an appraiser, search for a "property damage appraiser" online or check with your contractor.

Step 3: File a complaint with us.

Step 4: Get legal help

The Fence Post in the Loss Begins with the ACV

Average Settled Appraised ACV vs Market Valuation Report

Age	% of Claims	Average Carrier's Offer	Average Settlement	Average \$ Difference	Average % Difference	Maximum \$ Difference
All	100%	\$18,292	\$21,963	\$3,672	27.6%	\$51,000
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6-8	19.4%	\$14,345	\$17,601	\$3,255	28.9%	\$11,719
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Thank You!





OE Perspective on Total Loss Valuations

Guest Presentation

Presented by:

Dan Ducharme

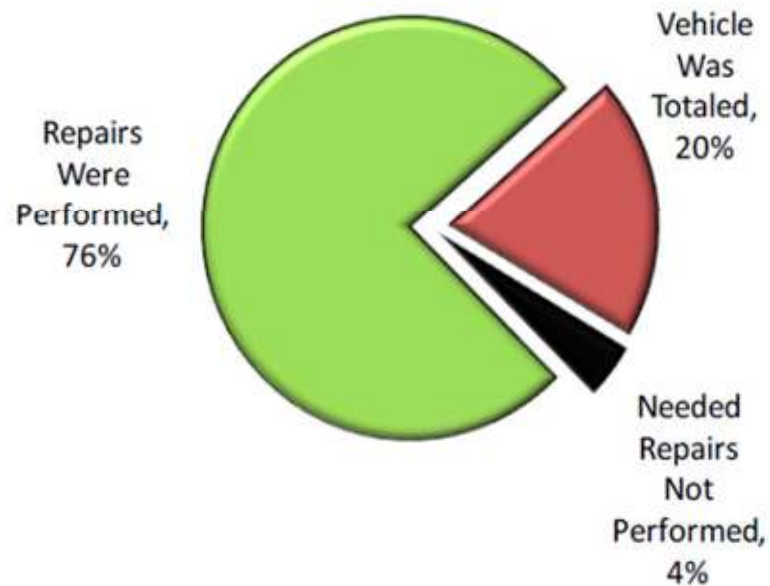
Volkswagen Group of America, Inc.

Vehicle Replacement



- Nearly two-thirds (62%) of consumers whose vehicles were totaled, or who disposed of their collision vehicle after repairs, (a total of 189 individuals), *replaced their vehicle with a different make*.
- Newer-model vehicles (2007-2012) are more likely to be replaced with the same make (58%).

Consumer Involved in a Collision
[n=500]



Replaced Collision Vehicle with
Same Make [n=189]





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Collision Repairer Perspectives on Total Loss Valuations

Guest Presentation

Presented by:

Ron Reichen-Precision Body & Paint

Barry Dorn- Dorn's Body & Paint

Gary Wano- GW & Sons Auto Body



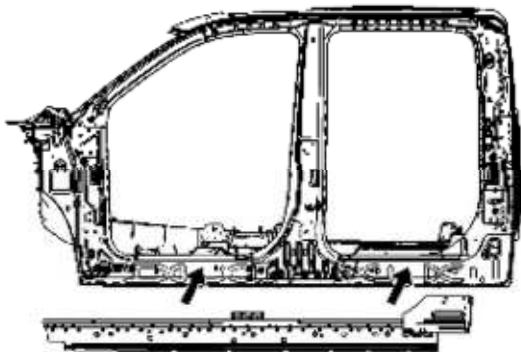




Rocker Inner Panel Replacement

9. Remove the damaged rocker inner panel reinforcement assembly.

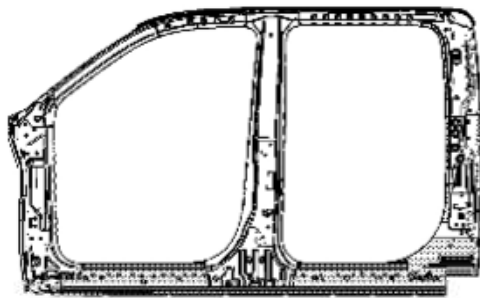
Installation Procedure



1. Clean and prepare all attachment surfaces for welding.
2. Apply GM-approved Weld-Thru Coating or equivalent to all mating surfaces. Refer to [Anti-Corrosion Treatment and Repair](#).
3. Position the inner rocker reinforcement assembly to the vehicle using 3-dimensional measuring equipment. Clamp in place.



Rocker Inner Panel Replacement



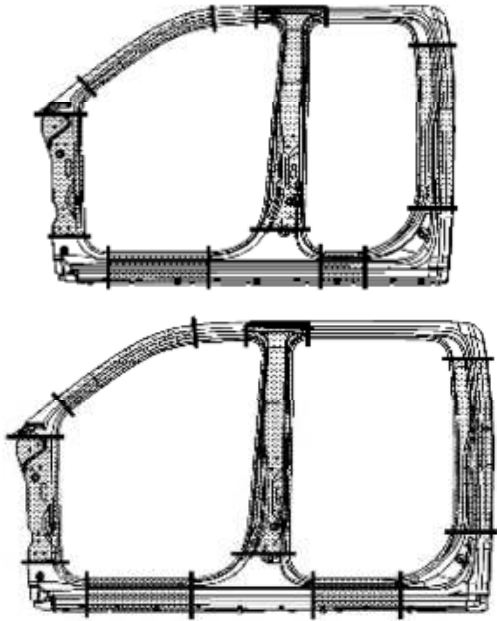
Note: The rocker inner panel reinforcement assembly is made of Ultra High Strength Steel. Sectioning or repair of Ultra High Strength Steel is not recommended. It should be replaced as a complete assembly at factory locati

Note: For access to the rocker inner panel reinforcement assembly, the outer door frame can be replaced at the factory seams, but requires the removal of the windshield, roof, and back panel. Sectioning procedures have been developed as a more cost-effective alternative to complete replacement. The specific area to be sectioned is determined by the extent of the damage to the vehicle. This procedure shows the outer door frame completely removed on a crew cab, the extended cab is similar.

1. Disable the SIR system. Refer to [SIR Disabling and Enabling](#).



Rocker Outer Panel Sectioning



Note: The door frame can be replaced at the factory seams, but requires the removal of the windshield, roof, and back panel. Sectioning procedures have been developed as a more cost-effective alternative to complete replacement. The specific area to be sectioned is determined by the extent of the damage to the vehicle.



Questions?

