

Montana Introduction to the Appraisal Clause



AUTO CLAIM SPECIALISTS

“Fair settlements come from knowledge and negotiation.”



Introduction to the Appraisal Clause

- The key defense insurance policyholders have to protect their contractual right of indemnification is the appraisal clause in their policy.
- Utilizing the appraisal clause, obtain fair settlement of auto claims.
- Utilizing the appraisal clause on repair procedure disputes preserves a safe and proper repair methodology.
- Reduces complaints on under-indemnification disputes concerning the loss.

Mandatory 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.

General Appraisal Clause Language



Appraisal

“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.”

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
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

Average Results from Repair Valuation Disputes



Average Negotiated Repair Settlement vs Carrier's Offer

Carrier	# Claims	Average Carrier Repair Estimate	Final Appraised Repair Estimate	Average Difference	Average % Difference
Carrier 1	4	\$5,652.74	\$10,090.79	\$4,438.06	78.51%
Carrier 2	10	\$3,885.59	\$6,890.10	\$3,004.51	77.32%
Carrier 3	8	\$7,174.24	\$14,433.74	\$7,259.50	101.19%
Carrier 4	9	\$5,618.60	\$10,160.04	\$4,541.45	80.83%
Carrier 5	2	\$4,406.30	\$8,925.82	\$4,519.53	102.57%
<u>Others</u>	<u>13</u>	<u>\$7,205.83</u>	<u>\$14,020.27</u>	<u>\$6,814.44</u>	<u>94.57%</u>
Total	46	\$5,911.23	\$11,223.69	\$5,312.46	89.87%



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

General Total Loss Threshold Language



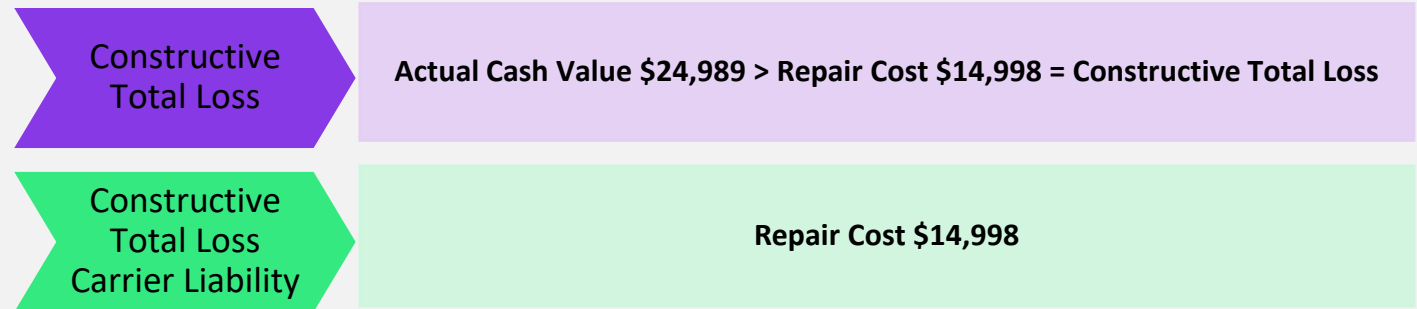
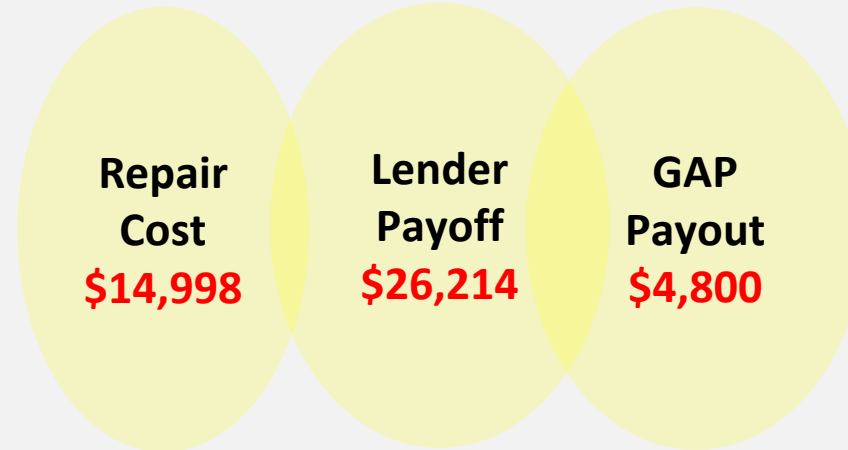
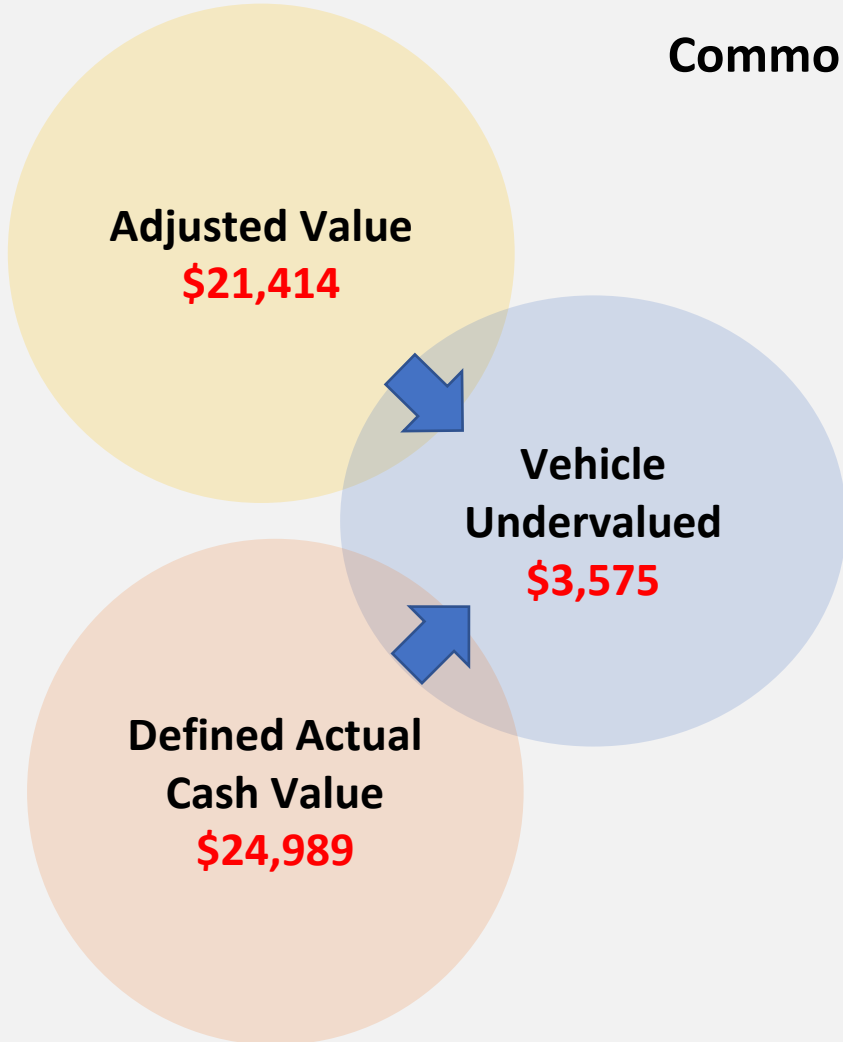
Limit of Liability (Total Loss Threshold)

- “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



Common Example of Constructive Total Loss Liability



General Total Loss Formula Language



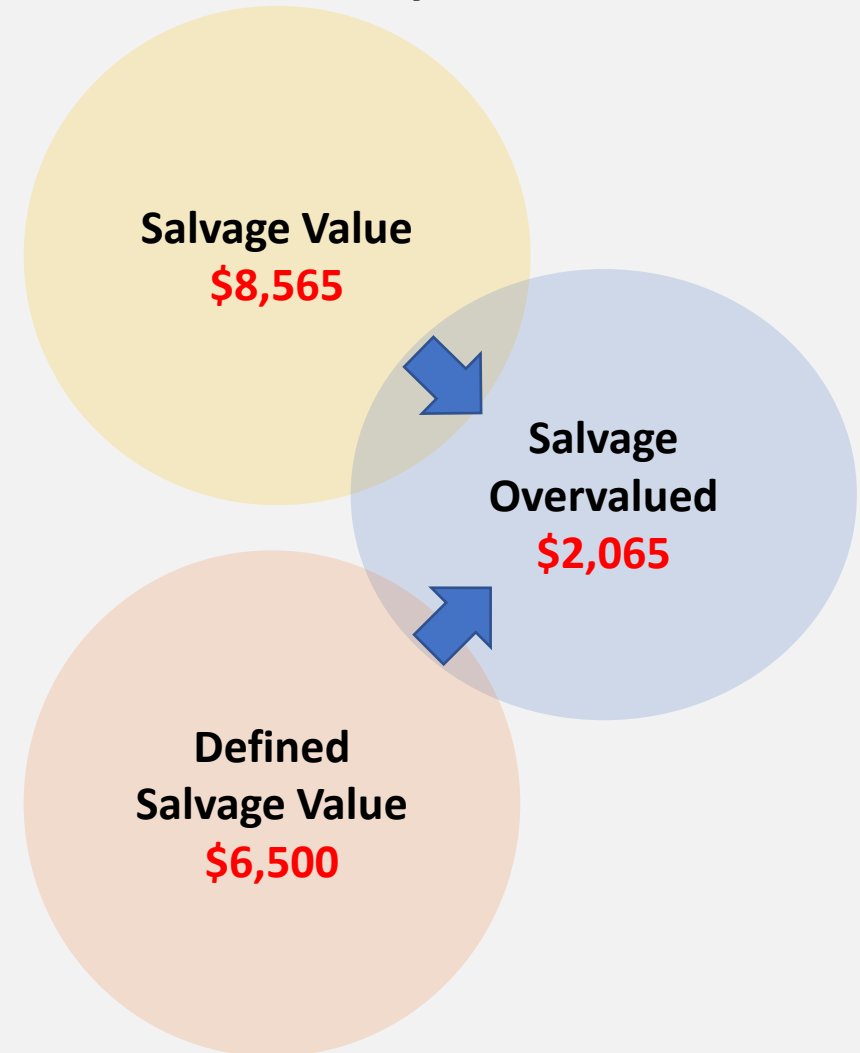
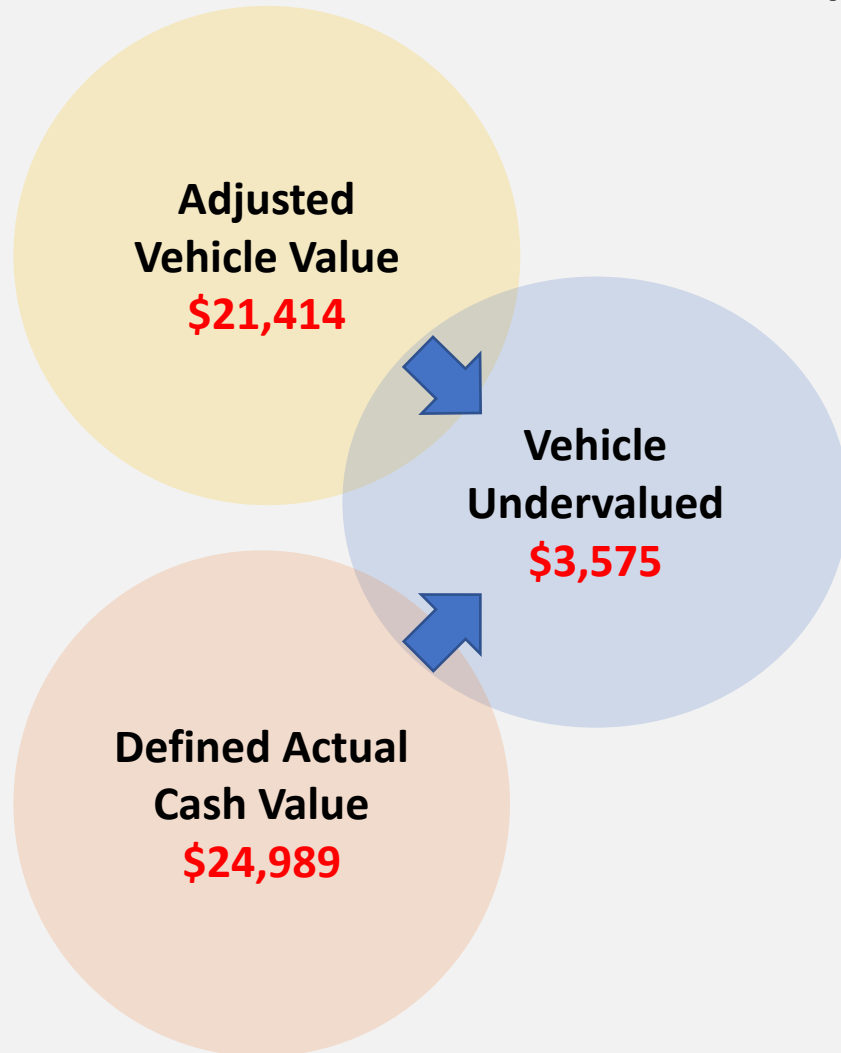
Limit of Liability (Total Loss Formula)

“**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



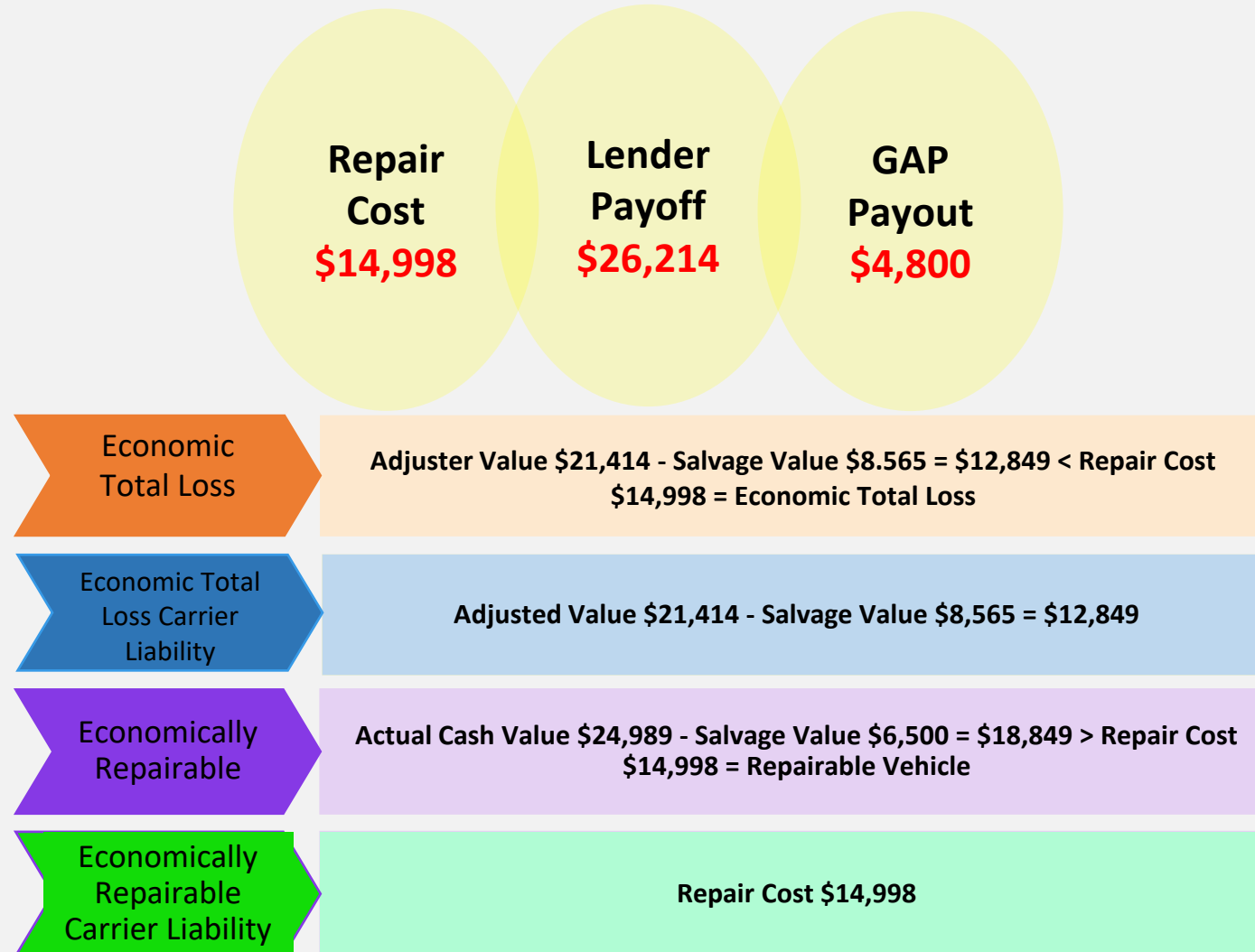
Common Example of Economic Total Loss Liability



Total Loss Liability



Common Example of Economic Total Loss Liability



Average Results from Total Loss Valuation Disputes



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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					32,711			\$25,568	\$28,851		\$46,828	-\$1,663
Loss Vehicle	85056	2017	RAM	1500	44,000						\$48,490	

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

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

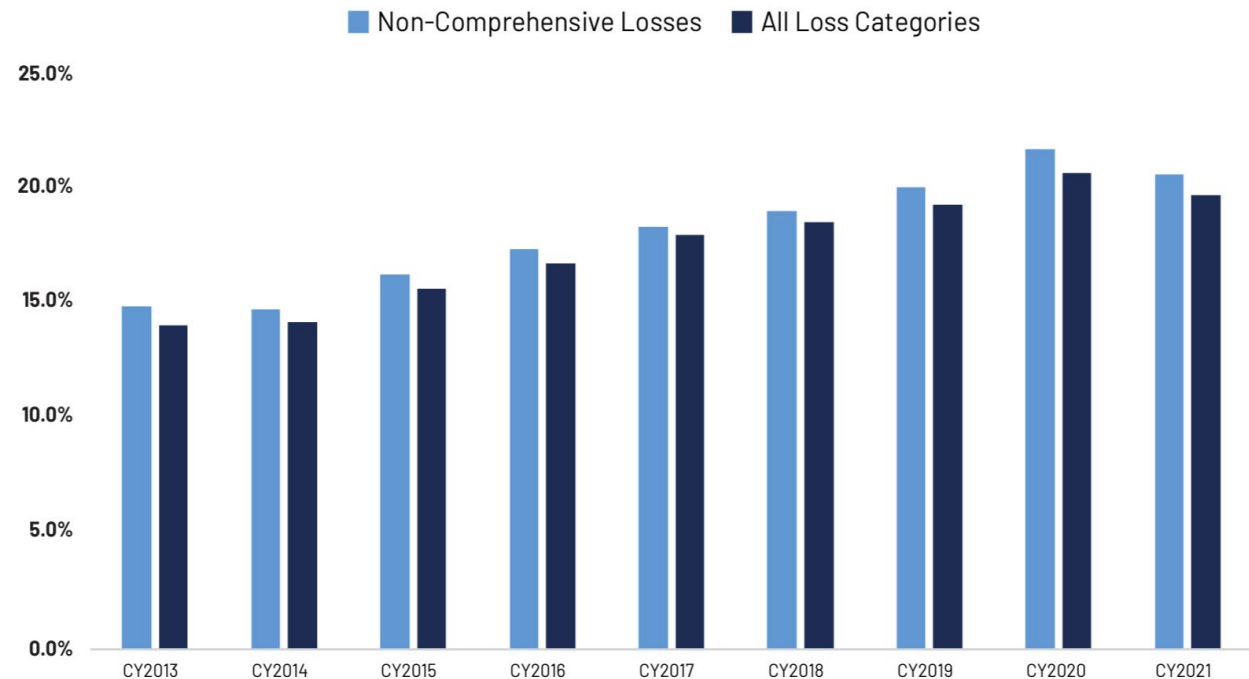


One of the most unmanageable facets of a Total Loss Claim are the various and shifting total loss processes.

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

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

SOURCE: CCC INTELLIGENT SOLUTIONS INC.





2.6 Million Total Losses in United States Per Year

- 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.**

Texas Department of Insurance Claim Dispute Path



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

Our Position on Mandatory Appraisal Rights



- Our Position IS NOT: Every auto claim should go to appraisal.
- Our Position IS:
 - 1) Due to the tremendous volume of auto claims, the valuation of loss **MUST BE AUTOMATED.**
 - 2) There is no, and will never be, a perfect automated vehicle valuation system.
 - 3) The automated valuation systems approved by insurance carriers will always and understandably penalize any tendency of over-indemnification. Thus, the inevitable valuation errors will tend always to be to the low side.
 - 4) Therefore, the right of appraisal should be mandatory in every state of our nation and presented to insureds as the means of resolution when values and repair methodology are disputed.

Q&A



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