

IMPACT OF AUTO APPRAISAL

Too often, insurance companies undervalue auto claims. In most policies, consumers and insurers can hire an independent appraiser to resolve disputes regarding the cost to repair or the value of a total loss. Some insurance companies are trying to take the right to appraisal out of policies, which will financially hurt policyholders.

HB 1437 by Clardy and SB 554 by Hughes will make fair appraisal mandatory in Texas auto policies.

Texas Watch analyzed 1,246 auto insurance claims settled through independent appraisers. Please see Appendix A for our methodology.

Here are the key findings:

Average difference between appraisal award
and insurance offer for repair claims
(p. 2)

\$5,307.35

\$3,889.27

Average difference between appraisal award
and insurance offer for total loss claims
(p. 2)

Total amount that appraisal increased the
settlement across all claims analyzed
(p. 2)

\$5,081,431.83

The average amount
insurers undervalue
claims has

INCREASED

in the last 4 years
(pp. 4 & 6)

Appraisal increased
settlement
amounts by

131%

for repair
claims on
average and

26%

for total loss
claims on average
(p. 2)

The top 5 insurers in
Texas undervalued
repair claims by

\$5,006

on average
and total loss
claims by

\$3,872

on average
(pp. 3 & 5)

SUPPORT HB 1437 BY CLARDY & SB 554 BY HUGHES!

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P.O. Box 42198, Austin, TX 78704.

THE PROBLEM

Too often, insurance companies offer consumers too little to repair or replace their vehicle. Fair auto insurance appraisal allows consumers and insurers to determine the cost to repair vehicles or the value of the total loss. The Texas Department of Insurance includes establishing policy form appraisal guidance as a policy consideration for the 88th Texas Legislature in their *2022 Biennial Report*. [1] The Office of Public Insurance Counsel recommends preserving the right to invoke the appraisal clause. In their *Report to the 88th Texas Legislature Recommendations Report*, they state, "Without appraisal, they [consumers] may be forced to choose between accepting the insurer's offer and paying out-of-pocket for any disputed amount, or taking on the costly and time-consuming burden of going to court, while repairs to their auto or home remain in limbo." [2]

In 2015, TDI approved a form submitted by State Farm, which eliminated the right to invoke the appraisal clause for repair claims in its Texas policies. [1, 3] In 2022, GEICO filed a similar form to remove the right to invoke appraisal, which TDI rejected, as it did not have sufficient information. [1, 4]

THE SOLUTION

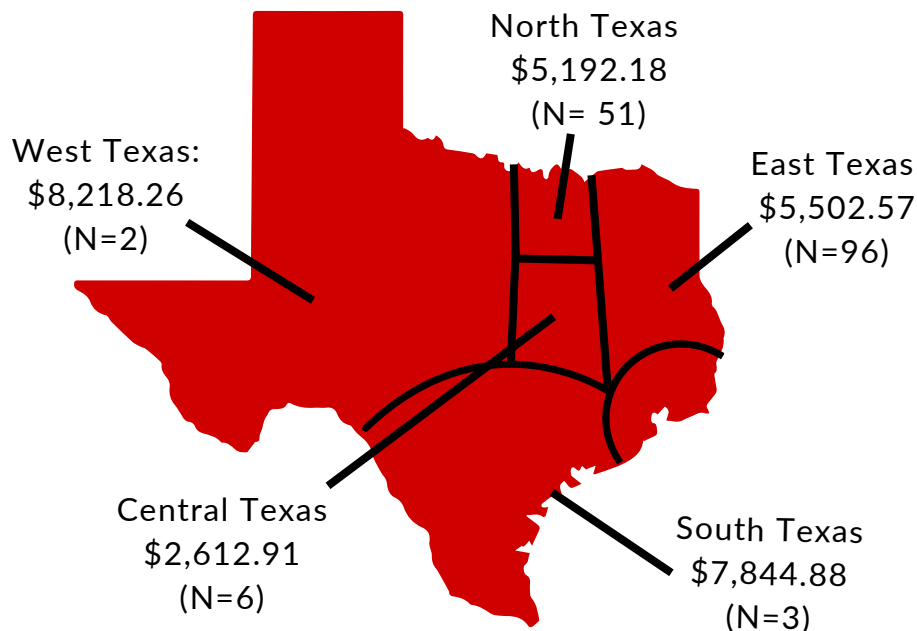
The 88th Texas Legislature has an opportunity to protect the right to a fair auto appraisal. [HB 1437](#) by Rep. Clardy and [SB 554](#) by Sen. Hughes make fair auto appraisal mandatory in Texas auto policies, establishing clear guidance for insurers and consumers.

Fair auto insurance appraisal allows cars to be repaired safely or vehicles to be valued accurately in the event of a total loss. The chart below shows the average differences between the appraisal award and the insurance offer ("average amount undervalued"), the percentage that the claim payout increased, the number of claims analyzed, and the total amount undervalued.

	Repair Claims	Total Loss Claims	All Claims
Average Amount Undervalued	\$5,307.35	\$3,889.27	\$4,078.20
Percent Claim Payout Increase	131%	26%	40%
Claims Analyzed	166	1,080	1,246
Total Amount Undervalued	\$881,020.32	\$4,200,411.51	\$5,081,431.83

HOW MUCH DO INSURANCE COMPANIES UNDERVALUE REPAIR CLAIMS IN DIFFERENT REGIONS OF TEXAS ON AVERAGE?

This graphic illustrates the average difference between the appraisal award and the insurance offer based on the location of the policyholder. N represents the number of claims analyzed. To see which cities were included in each region, please visit Appendix B.



HOW MUCH DO THE TOP INSURANCE COMPANIES IN TEXAS UNDERVALUE REPAIR CLAIMS ON AVERAGE?

Insurance Company	Market Share in Texas [Appendix C]	Average Amount Undervalued	Count of Claims Analyzed
Progressive	16.06%	\$4,456.08	38
State Farm	13.86%	No Appraisal in Policies	No Appraisal in Policies
GEICO	13.49%	\$4,993.46	40
Allstate	10.57%	\$4,891.60	21
USAA	6.85%	\$7,975.24	8
Other	-	\$5,854.67	59
Top 5 Insurers Total	60.83%	\$5,005.56	107

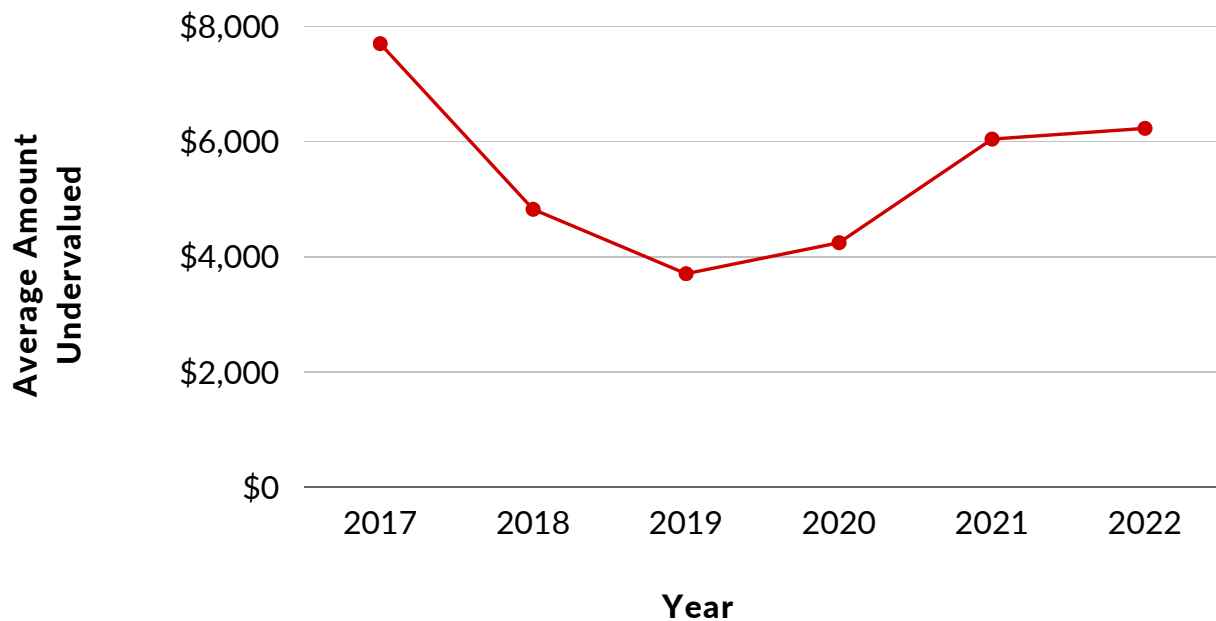
HOW MANY PEOPLE RECEIVED LOWBALL OFFERS FOR THEIR REPAIR CLAIM AND BY HOW MUCH?

From the data we collected on over 160 repair claims, the average difference between the appraisal award and the insurance offer varied greatly. The chart below shows the range of how repair claims were undervalued.



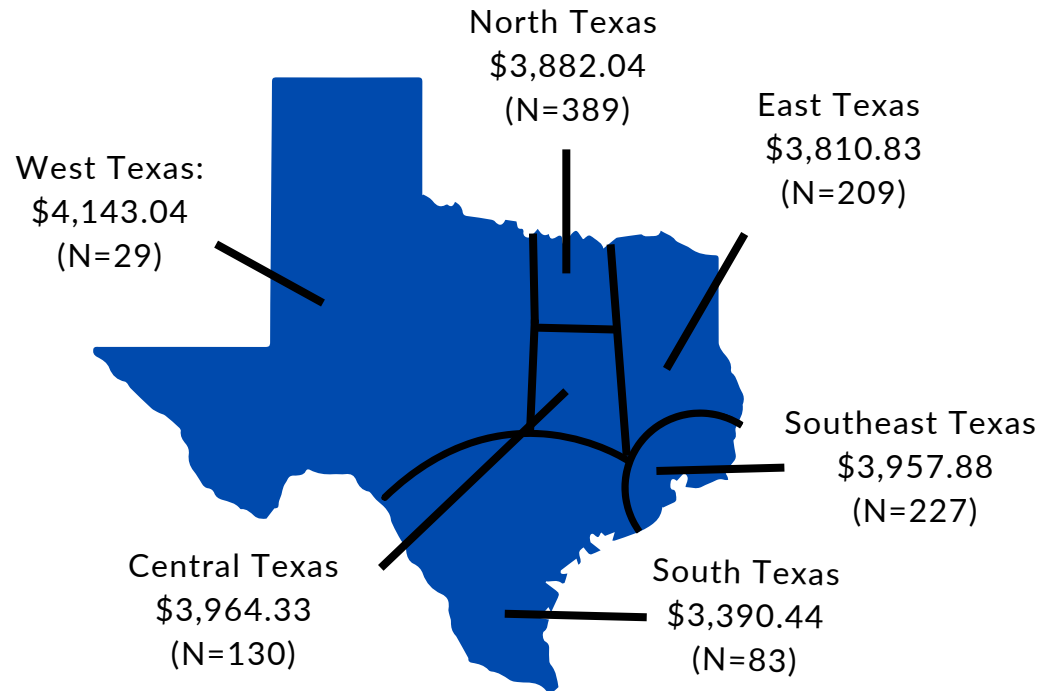
HOW MUCH HAS THE AVERAGE DIFFERENCE BETWEEN THE APPRAISAL AWARD AND INSURANCE OFFER VARIED OVER THE YEARS?

Our data shows that the average amount insurance companies undervalue repair claims has varied in recent years, with an increase in the last 4 years.



HOW MUCH DO INSURANCE COMPANIES UNDERVALUE TOTAL LOSS CLAIMS IN DIFFERENT REGIONS OF TEXAS ON AVERAGE?

This graphic illustrates the average difference between the appraisal award and the insurance offer based on the location of the policyholder. N represents the number of claims analyzed. To see which cities were included in each region, please visit Appendix B.

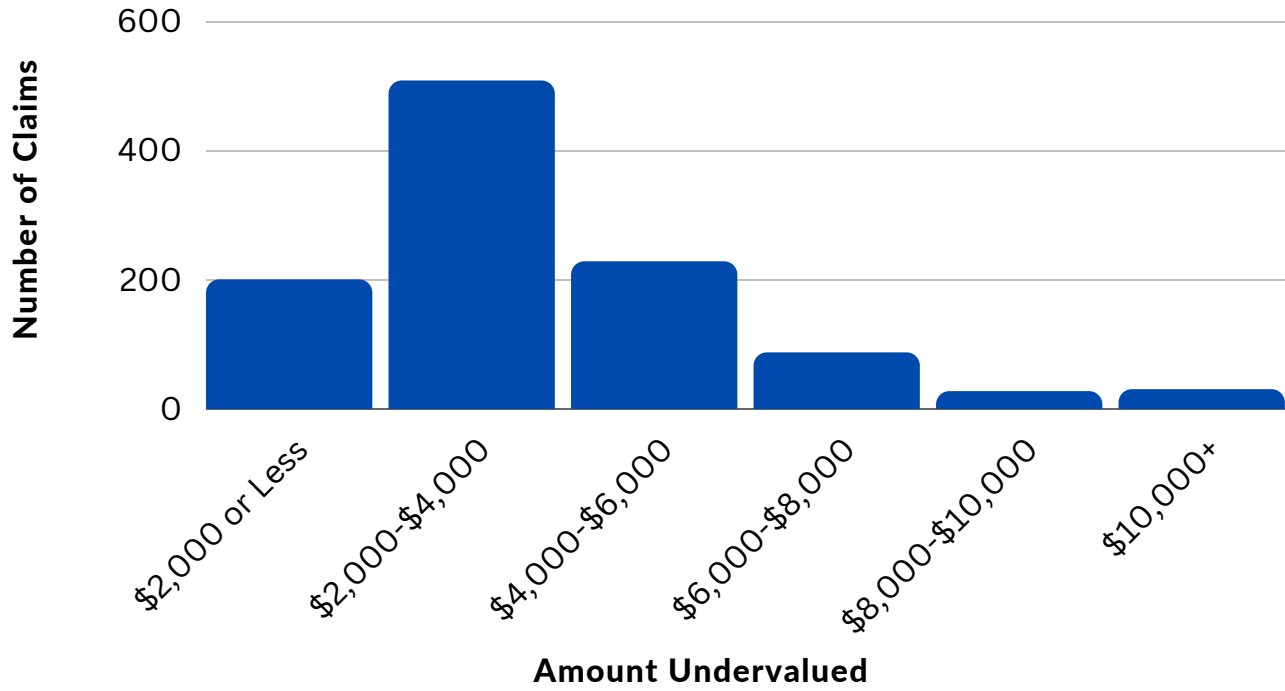


HOW MUCH DO THE TOP INSURANCE COMPANIES IN TEXAS UNDERVALUE TOTAL LOSS CLAIMS ON AVERAGE?

Insurance Company	Market Share in Texas [Appendix C]	Average Amount Undervalued	Count of Claims Analyzed
Progressive	16.06%	\$4,118.16	110
State Farm	13.86%	\$4,382.82	128
GEICO	13.49%	\$3,440.46	137
Allstate	10.57%	\$3,809.46	136
USAA	6.85%	\$3,547.33	77
Other	-	\$3,910.24	492
Top 5 Insurers Total	60.83%	\$3,871.72	588

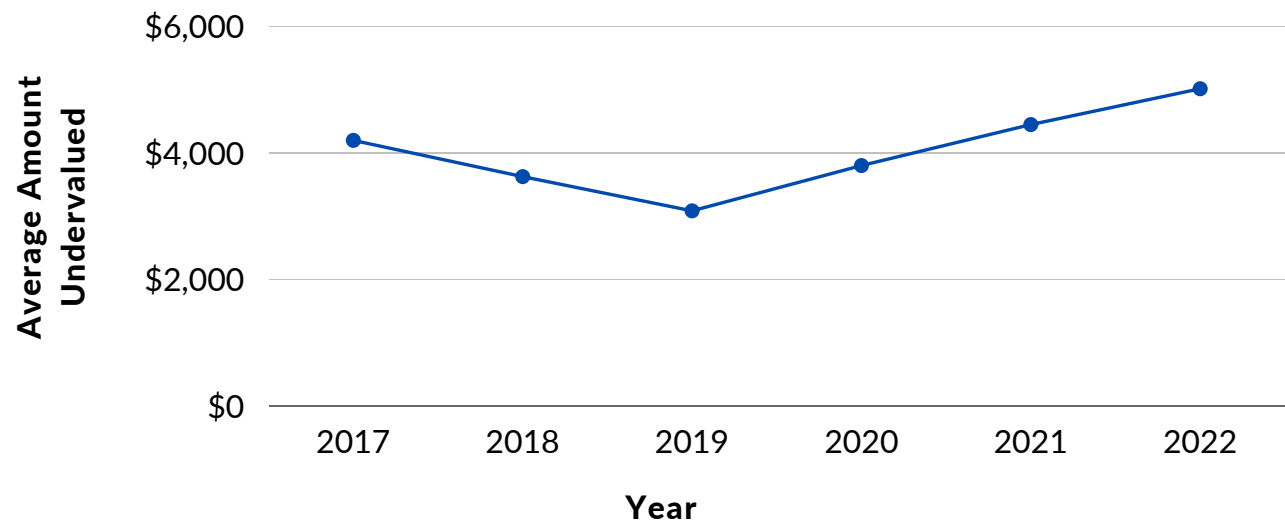
HOW MANY PEOPLE RECEIVED LOWBALL OFFERS FOR THEIR TOTAL LOSS AND BY HOW MUCH?

From the data we collected of over 1,000 total loss claims, the difference between the appraisal award and the insurance offer varied greatly. The chart below shows the range of how total loss claims were undervalued.



HOW MUCH HAS THE AVERAGE DIFFERENCE BETWEEN THE APPRAISAL AWARD AND INSURANCE OFFER VARIED OVER THE YEARS?

The average difference between the appraisal award and the insurance company's offer has varied over the years, with an increase in the last 4 years.



CONCLUSION

Fair auto appraisal gives consumers an essential tool if their insurance company undervalues the cost of repairing the vehicle or the value of the total loss. This report shows the average difference between the appraisal award and the insurance offer from five appraisers working in Texas, touching the surface of the problem. Our analysis quantifies the experience of over a thousand Texans, demonstrating millions of dollars in undervalued claims. Each year, there are millions of crashes causing property damage to vehicles in the United States. [5] From our data alone, appraisal helped over 1,000 Texans recover over \$5 million in property damages, collectively. Scaled across millions of Texas drivers, one may safely assume the problem of under indemnification is orders of magnitude larger.

Fair auto insurance appraisal helps consumers get their car repaired safely and receive fair value as it **increases the insurance payout by an average of \$5,307.35 for repair claims and \$3,889.27 for total loss claims.** For the everyday Texan who needs a safe car to go to work or take their kids to school, paying thousands of dollars because the insurance company lowballed the offer to repair the vehicle is devastating. If fair auto appraisal is not a mandatory right in policies, **consumers will be forced to pay out of pocket to have their vehicle repaired safely or corners will be cut on repairs, resulting in unsafe vehicles on our Texas roads.** (To read about how a State Farm insured had to pay thousands of dollars out of pocket to repair his vehicle, please visit texaswatch.org/we-need-fair-appraisal.)

We need all insurance policies in Texas to have fair appraisal as an option for consumers. The Texas Department of Insurance lists appraisal on its website as a way to resolve disputes with most auto insurance companies. [6] Additionally, **we need widespread education on the policyholders' right to invoke the appraisal clause.** Texas Watch's Director of Organizing called dozens of consumers who experienced an issue with their insurance company while getting their vehicle repaired or assessing their total loss valuation. Only four people told her that the insurance company educated them about their policy right to an appraisal. **Thirty four said their insurance company did not educate them about the appraisal process.** Consumers were often upset that their longtime insurer did not educate them about the appraisal process to resolve their dispute.

In conclusion, we must make the right to a fair auto insurance appraisal mandatory in Texas policies and educate policyholders about their right to invoke appraisal. Without the right to a fair auto appraisal, consumers have few options when determining the right dollar amount for the repair cost or the value of their total loss. **Fair appraisal leads to safe repairs, and safe repairs save lives!**

SUPPORT HB 1437 BY CLARDY & SB 554 BY HUGHES!

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To learn more, please visit saferepairs.org

APPENDIX A: METHODOLOGY

This report set out to understand, on average, how much does the insurance company's offer to a policyholder differ from an appraisal award determined by independent, third party appraisers? **We requested data from body shops and appraisers who work in Texas for all recent claims that had gone to appraisal.** We received data that included claims from 5 different appraisers. We received 15 repair claims from Appraiser A, 42 total loss claims from Appraiser A, 1 repair claim from Appraiser B, 108 total loss claims from Appraiser B, 105 repair claims from Appraiser C, 930 total loss claims from Appraiser C, 4 repair claims from body shop A (these claims were handled by Appraiser D), and 41 repair claims from body shop B (these claims were handled by Appraiser E). The data included the following:

- The insurance company's offer to repair vehicle or the insurance company's value of the vehicle (without sales tax)
- The appraisal award for the cost to repair or the value of the total loss (without sales tax)
- The city of the insured
- The insurance company
- The date of loss
- The date of appraisal award or the date repairs were completed

The data set encompassed repair or total loss claims from **28 collision repair facilities** across Texas. We excluded the claims from our dataset that had insufficient data.

After we received data from appraisers and body shops, we combined all data into two spreadsheets: one for total loss and one for repairs. We calculated the **difference between the insurance offer and the appraisal award and the percent change** between the insurance offer and the appraisal award for each claim. For all total loss claims and all repair claims, we found the average amount undervalued, the average percent increase, and the sum of all the differences between the insurance offer and the appraisal award.

We created the following pivot tables:

- The average difference between the appraisal award and the insurance offer based on the geographical region (please see Appendix B for regions used).
- The average difference between appraisal award and insurance offer based on the insurance company. To calculate the top 5 insurance companies in Texas, we added the percentages of market share for insurance companies with the same name who appeared on the *Top 40: Passenger Auto* insurers from TDI's website. Please see Appendix C for a revised list of top insurance companies in Texas. As we have noted in this report, State Farm policies in Texas do not have the right to invoke appraisal for repair claims. To calculate the average amount undervalued for repair claims for the top 5 insurers in Texas, we only averaged the amounts for Progressive, GEICO, Allstate, and USAA.

APPENDIX A: METHODOLOGY

- The number of claims in which the difference between the appraisal award and the insurance offer was: \$2,000 or less; \$2,000-\$4,000; \$4,000-\$6,000; \$6,000-\$8,000; \$8,000-\$10,000; or \$10,000+.
- The average difference between the appraisal award and the insurance offer based on the year the loss occurred for both total loss claims and repair claims.

We rounded to the nearest dollar and cent where appropriate in presenting this data.

A note regarding language used:

We propose that if the appraisal award is greater than the insurance offer, the insurance company has undervalued the claim. In this report, we refer to the "average amount undervalued," which is the average difference between the appraisal award minus the insurance offer.

APPENDIX B: CITIES INCLUDED IN EACH REGION

Central Texas:

Austin	Fair Oaks Ranch	Leander	Round Rock
Bastrop	Gatesville	Liberty Hill	Salado
Bertram	Georgetown	Lorena	San Marcos
Boerne	Harker Heights	Luling	Schertz
Bryan	Hewitt	Manchaca	Spring Branch
Bulverde	Hutto	Manor	Taylor
Burnet	Jarrell	Mart	Temple
Canyon Lake	Kerrville	New Braunfels	Waco
Driftwood	Kirbyville	Paige	West
Elgin	Kyle	Pflugerville	Wimberly

East Texas:

Arp	Hawkins	Livingston	Scroggins
Arthur City	Henderson	Long Branch	Scurry
Athens	Holbrook	Longview	Shelbyville
Atlanta	Honey Grove	Lufkin	Sheperd
Beckville	Hugh Springs	Mabank	Sulphur Springs
Big Sandy	Hughes Springs	Marshall	Sumner
Blossom	Hunstville	Mineola	Talco
Bullard	Huntington	Mount Enterprise	Tatum
Como	Huntsville	Mount Pleasant	Terrell
Cooper	Jacksonville	Nacogdoches	Texarkana
Cushing	Jefferson	New London	Troup
Daingerfield	Joinerville	Newton	Tyler
Detroit	Kaufman	Omaha	Van
Diboll	Kemp	Overton	Waskom
Emory	Kennard	Palestine	White Oak
Flint	Kilgore	Panola	Whitehouse
Gary	Ladonia	Paris	Winnsboro
Gilmer	Laneville	Pickton	Wortham
Gladewater	Lindale	Quitman	Zavalla
Grand Saline	Linden	Roxton	

APPENDIX B: CITIES INCLUDED IN EACH REGION

North Texas:

Allen	Euless	Lavon	Sanger
Argyle	Fairview	Leonard	Savannah
Arlington	Farmersville	Lewisville	Seagoville
Aubrey	Flower Mound	Little Elm	Seagoville
Bedford	Forestburg	Mansfield	Sherman
Benbrook	Forney	McKinney	Southlake
Bowie	Fort Worth	Meridian	Sunnyvale
Burleson	Frisco	Mesquite	The Colony
Carrollton	Garland	Midlothian	Trophy Club
Cedar Hill	Grand Prairie	Murphy	Venus
Celina	Grapevine	Newark	Waxahachie
Cleburne	Haltom City	Ovilla	White Settlement
Colleyville	Haslet	Plano	Whitney
Combine	Heartland	Pottsboro	Wichita Falls
Coppell	Hurst	Prosper	Wylie
Corsicana	Irving	Reno	
Dallas	Italy	Richardson	
Decatur	Justin	Roanoke	
Denison	Keller	Rockwall	
Denton	Krum	Rowlett	
Desoto	Lake Dallas	Royse City	
Duncanville	Lancaster	Sachse	

South Texas:

Brownsville	Eagle Pass	Marion	Somerset
Cibolo	Edinburg	McAllen	Uvalde
Converse	Elmendorf	Mission	Victoria
Corpus Christi	Harlingen	Pleasanton	Von Ormy
Cotulla	Helotes	Port Lavaca	Windcrest
Crystal City	Jourdanton	Rio Grande City	
Devine	Laredo	San Antonio	

APPENDIX B: CITIES INCLUDED IN EACH REGION

Southeast Texas:

Bay City	Dayton	Missouri City	Seabrook
Baytown	Friendswood	Nederland	Spring
Beaumont	Groves	Needville	Sugar Land
Brenham	Hampshire	New Caney	Vidor
Bridge City	Houston	Orange	Village Mills
Brookshire	Humble	Pearland	Waller
Chappel Hill	Katy	Pinehurst	Willis
Cleveland	Kingwood	Port Arthur	Winnie
Clute	La Porte	Port Neches	
Conroe	League City	Richmond	
Cumberland	Lumberton	Rosenberg	
Cypress	Magnolia	Rosharon	

West Texas:

Abilene	Comanche	Granbury	Springtown
Aledo	Cross Plains	Hereford	Stephenville
Amarillo	El Paso	Lubbock	Weatherford
Clyde	Graham	San Angelo	

*For repair claims displayed on page 3, we did not receive any repair claim data from the Southeast region.

APPENDIX C: REVISED LIST OF TOP PASSENGER AUTO INSURERS

Insurance Company	Percentage of Market Share in Texas
Progressive	16.06
State Farm	13.86
GEICO	13.49
Allstate	10.57
USAA	6.85
Farmers	5.76
Liberty Mutual	4.47
Texas Farm Bureau	3.18
Consumers County Mutual	2.19
Home State	1.8
Auto Club	1.61
Garrison	1.57
Redpoint	1.44
Old American	1.25
Foremost	1.23
Infinity County Mutual	1.1
Loya	1.05
Colonial	1.03
American Access	0.97
Germania	0.9
Root	0.57
Alinsco	0.53
Amica	0.48
Dairyland	0.48
Esurance	0.38
Elephant	0.36
MGA	0.34
Unitrin	0.32
Mercury	0.29

APPENDIX C: REVISED LIST OF TOP PASSENGER AUTO INSURERS

We added the market shares of insurance companies that appeared on TDI's list of *Top 40: Passenger Auto* insurers. For example, for the "USAA" entry, we added the market share of United Services Automobile Association (USAA), USAA Casualty Insurance Company, USAA General Indemnity Company, etc. For TDI's list of *Top 40: Passenger Auto* insurers in Texas, please visit <https://www.tdi.texas.gov/company/top40.html>.

ENDNOTES

1. *2022 Biennial Report*, Texas Department of Insurance (December 2022): <https://www.tdi.texas.gov/reports/documents/biennial-report.pdf>
2. *Report to the 88th Legislature Recommendations Report*, Office of Public Insurance Counsel (January 2023): <https://www.opic.texas.gov/wp-content/uploads/2023/01/2023-OPIC-Recommendations-Report.pdf>
3. *Response to 2-4, 2-6, 2-23 Objections [SERFF Tracking Number SFMA-129506241]*, National Association of Insurance Commissioners (September 2015): <https://filingaccess.serff.com/sfa/home/TX>
4. *Explanatory Memorandum [SERFF Tracking Number GECC-133271173]*, National Association of Insurance Commissioners (July 2022): <https://filingaccess.serff.com/sfa/home/TX>
5. *Auto insurance statistics and facts*, Bankrate (June 2022): <https://www.bankrate.com/insurance/car/auto-insurance-statistics/>
6. *Get help with an auto insurance complaint*, Texas Department of Insurance (November 2021): <https://www.tdi.texas.gov/consumer/auto-insurance-complaint.html>