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RTA RULES:

**POLISHING THE
FINAL TOUCH**

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RTA RULES:

POLISHING THE FINAL TOUCH

A year ago this month, history was made when years of fighting for mandatory Right to Appraisal (RTA) for consumers came to fruition upon the adoption of Senate Bill 458. This legislative victory ensures that all Texas personal auto and homeowners insurance policies “must contain an appraisal provision” intended to provide a dispute resolution process when a policyholder and insurer disagree over the amount of loss. (See recap at greco-publishing.com/txa0725abatfeature.)

Since the bill was passed, the Texas Department of Insurance (TDI) has been working to finalize the rules of the appraisal requirements to be presented to the insurance commissioner for

approval. As we approach the anniversary of this victory, work is still being done to put the final touches to ensure the appraisal clause provision truly will protect the best interest of **consumers** – ABAT’s guiding light throughout the entire eight-year legislative process.

Although there have been many voices hailing for fairness and consumer protection, one in particular has perhaps been the strongest.

Consumer advocate Robert McDorman (Auto Claim Specialists) has been at the helm since day one championing for RTA. Not only has he gone to bat for insureds in Texas, he’s

nationally-known and sought out by legislators and consumer advocacy groups alike across the nation looking for guidance as they hope to pass mandatory appraisal rights in other states.

“As an insured citizen in Texas, I will do everything in my power to educate my fellow Texans about their Right to Appraisal when a dispute arises between them and an insurer,” he pledged. “These under-indemnification issues on motor vehicle claims are harmful to Texas and can be detoured or stopped with widespread consumer awareness.”

McDorman remains focused on seeing to it that the rules adopted will reflect the transparency and protection consumers deserve. Since the rule making process began last fall, he has submitted recommendations to TDI.

On April 27, 2026, TDI released their final draft with comments expected to come in from the public by June 8 in order to be finalized and put into effect. (The latest proposed rules are available at bit.ly/TDI-RTArulesfinaldraft).

According to McDorman, if TDI were to adopt the rules as currently drafted, it could create a mechanism for insurance carriers to control appraisal outcomes which would be harmful to the insureds. “This alone would trample on the spirit of the appraisal process and undermine the process of identifying the loss,” he stresses.

In his May 8, 2026 comments and direction statement, McDorman emphasized his support of the rule’s core projections but pointed to three areas that should be reconsidered in order to make sure insureds’ rights won’t get lost in mechanisms that ultimately would favor insurers.

Section 5.9806(b)(3) proposes “a carrier may embed a vendor-based umpire selection mechanism in its policy at issuance before any dispute exists.” McDorman points out that vendors who seek to be placed on carrier-approved lists face an “institutionalized incentive” to favor insurers, regardless of whether an individual were to act in bad faith. This type of financial entanglement has led to current active litigation around the United States against carriers and their vendors.

McDorman believes mandatory judicial appointment as an insured option should be the authority to appoint an umpire should a dispute arise as to the choice of an umpire by the independent appraisers.

“When both mechanisms are in the policy, the umpire rule should default to judicial appointment of the umpire if the parties disagree. The umpire rule needs to be crystal clear that the default mechanism to appoint an umpire should the parties not agree on an umpire is judicial appointment as the default. Most policyholders lack the resources or sophistication to invoke judicial appointment as a counter to a carrier-embedded default,” he stated.

McDorman acknowledged the language requires individual appraisers and umpires to be independent and disinterested;

however, it does not enforce transparency requirements on vendor entities that carriers select and list in their policies.

“A policyholder who receives a policy containing a vendor umpire mechanism has no way of knowing whether a vendor is financially dependent on the same insurer it will serve in a dispute,” he pointed out. “A policyholder can only make a meaningful choice between mechanisms if they know about the financial relationship when a claim arises. We ask that the policy say plainly that the listed vendor is compensated by the insurer.”

A standard appraisal requires both parties to pay for their own appraiser and split the cost of the umpire equally. According to McDorman, “That allocation is fair when both parties have an equal role in selecting the umpire. It’s not fair when the umpire is appointed through a vendor mechanism the carrier embedded in their policy, selected the vendors and negotiated the terms. In that situation, the carrier controls the process and should bear the cost. Requiring the insured to share in the cost of a vendor-appointed umpire compounds the structural disadvantage the insured already faces under that mechanism.”

He highlighted a more severe problem in the fact that the vendor costs are not disclosed to policyholders, anywhere in the policy. “A policyholder has no way of knowing what a given vendor charges before that vendor is invoked, and costs may vary significantly between the vendors the carrier has listed. It is not reasonable to hold a policyholder financially responsible for costs that are neither disclosed nor predictable.”

McDorman formally proposed the following in his statement to add new Section 5.9806(b)(3)(C) and (D):

(C) If an appraisal provision includes an option for umpire appointment by an independent vendor under paragraph (B) of this subsection, the provision must state:

(i) that the policyholder shall have the sole right to select which option will be used; and

(ii) whether each vendor listed receives compensation from the insurer or its affiliate in connection with umpire appointment services.

(D) If the policyholder elects to accept umpire appointment by an independent vendor under paragraph (B) of this subsection, the insurer shall bear the full cost of the vendor’s services and the umpire’s compensation.

“The provisions we propose share a common premise that policyholders should not be misled by the documents that govern their rights,” McDorman expressed. He urged the TDI to take his thoughts into account when finalizing the rules. “The proposed rule is a significant step in the right direction, but these three amendments would close a remaining gap.”

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ABAT echoed McDorman's recommendations, issuing a statement on May 15, 2026 also calling for the appraisal process to remain transparent and guided by the spirit of fairness.

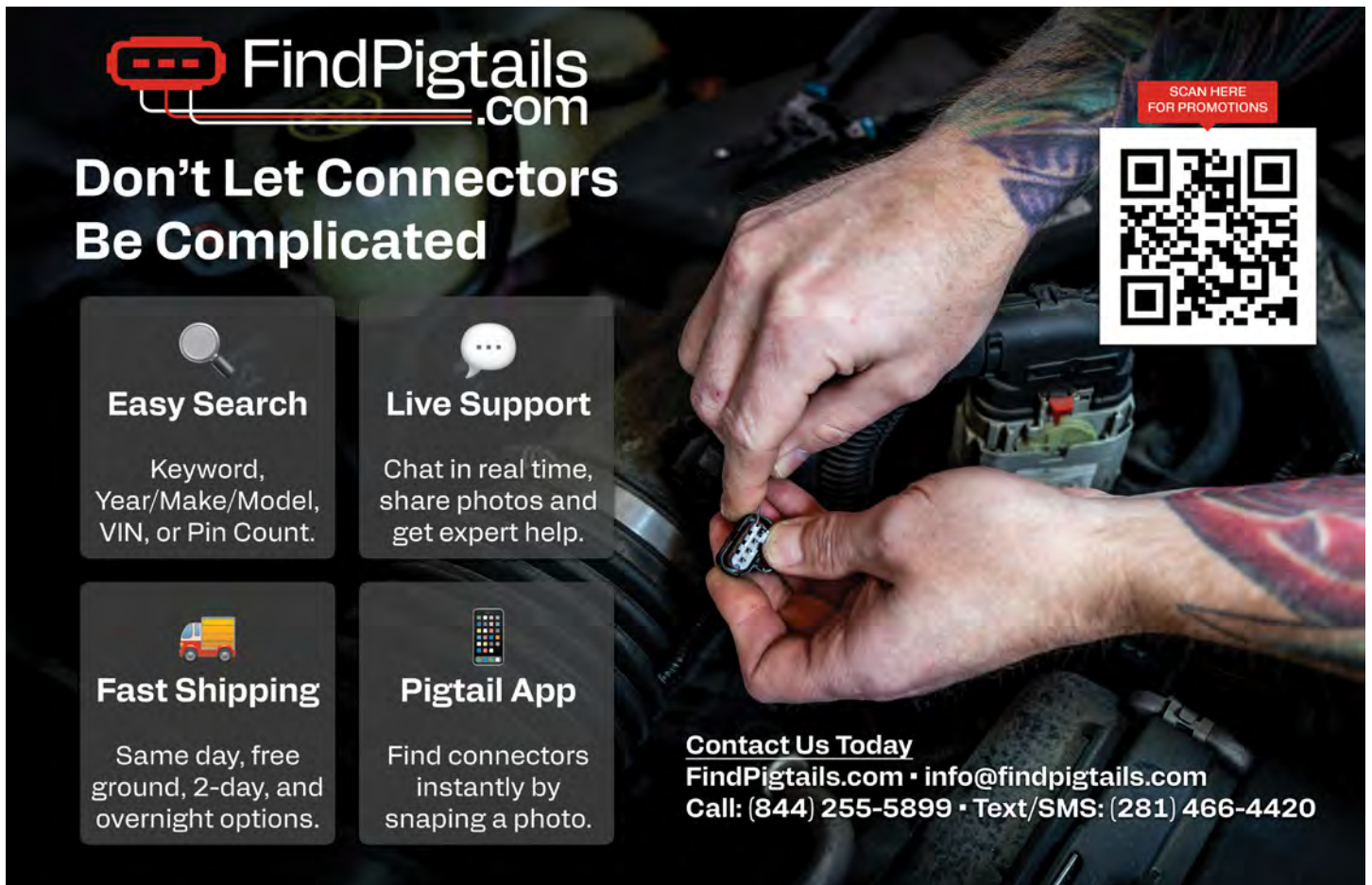
"As collision repairers, we have a front-row seat to the experience the consumer has during the claims and collision repair process and establishing fair and unbiased rules is of utmost importance to the safety of Texans," the letter, signed by outgoing ABAT President Burl Richards, stated. "The appraisal clause provides the consumer with the protection needed to receive a safe and proper repair and be properly indemnified for their loss [...] The only thing worse than denying an insured the ability to invoke their Right to Appraisal is allowing rules or policy language that insurers can manipulate to their own advantage, further harming consumers and controlling the process."

McDorman emphatically believes that the umpire is important to ensuring accurate outcomes in property damage disputes. An umpire's primary function is to enforce rules and make judgement calls. Courts have recognized that a fair and impartial court appointed umpire with subject matter expertise is best suited to control the appraisal and achieve the most accurate outcome for the insurer and the insured in a property damage loss dispute. To avoid gamesmanship and to ensure the sanctity of the appraisal

process, It is imperative that the insured have the option to petition an unbiased judge to appoint an unbiased umpire who is not economically motivated to be on a vendor umpire list controlled by the insurance carrier. Any limiting, restricting or manipulating of the well-structured independent unbiased appraisal process in a repair procedure dispute will be the nail in the coffin for safe roadways in Texas.

McDorman is confident things will move ahead favorably and TDI is likely to have the rules in place by September. Next steps will involve making sure shops and consumers are aware of RTA and how it can be used in their fight for safe and proper repairs. In speaking with *Texas Automotive*, McDorman highlights that TDI made it so consumers will learn of their RTA option as carriers will be required to notify them. "Carriers have to send notice to the customer that says they have the Right to Appraisal by law. This was designed to increase public awareness of RTA. To me, this is one of the best things about this. It can't get better than that."

He encourages consumers to take advantage of this right when they encounter a loss dispute. "They have a right to take their proposed settlement to an independent appraiser who can come to an agreement and help in their situation." **TXA**



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