



Potential Insured Financial Impact of the Mandatory Appraisal Law in Texas

In December 2024, the Texas Department of Insurance reported the results of a data call in regard to insurance appraisals in Texas. The report was titled “TDI Appraisal Experience Data Call Report.” According to the report, in 2023 there were 446 completed appraisals across all of Texas for personal auto claims (combined repair and total loss claims), with awards averaging \$5,252 above the insurer’s initial offers. In fact, ninety-eight percent of claims that went to appraisal were above the insurer’s initial offer. However, the 446 completed appraisals made up an extremely low percentage of all auto claims in 2023 despite the 98% success rate. This was likely due to a lack of knowledge among insureds of the appraisal clause in their policy and their right to invoke appraisal. Additionally, some insurance policies omitted the right to appraisal or required that both the insured and the insurer must agree to move a claim to appraisal.

With the right to appraisal now made mandatory in Texas auto policies, and with expected rules requiring insurers to inform insureds of their right to invoke appraisal upon claim submission, it is expected that the percent of personal auto claimants choosing to utilize the appraisal process to resolve the true extent of their loss will increase significantly. With each dollar below actual losses being a dollar of under-indemnification, how much could the current level of ongoing under-indemnification in Texas be decreased due to the new mandatory appraisal clause and rules in Texas?

Using the numbers from the “TDI Appraisal Experience Data Call Report” as the base, the 446 completed appraisals with an average award of \$5,252 resulted in a \$2.34 million reduction in under-indemnification for auto claims in 2023 due to appraisal. There are currently 7,403,262 privately registered automobiles in Texas (1). With an 8.1% annual claim frequency (2) and a 23.1% total loss frequency (3), that implies the following number of annual personal auto claims:



Total Loss: $7,403,262 * 8.1% * 23.1% = 138,522$ claims

Repair: $7,403,262 * 8.1% * (100% - 23.1%) = 461,142$ claims

Auto Claim Specialists has assisted in thousands of appraisal claims and has on average increased repair claim awards by \$6,111 and total loss awards by \$4,044. Using these amounts of increase, and assuming that the number of now informed insureds requesting their now mandatory right of appraisal increases to 10% of claimants, the decrease in current under-indemnification for auto claims in Texas would be:

Total Loss: $138,522$ claims * 10% * \$4,044 = \$56 million

Repair: $461,142$ claims * 10% * \$6,111 = \$281.8 million

Total insured financial impact across all personal auto claim appraisals: \$337.8 million.

Auto Claim Specialists Average Negotiated Increase In Actual Cash Value

Age	% of Claims	Average \$ Increase	Average % Increase	Maximum \$ Increase
ALL	100.0%	\$4,044	26.0%	\$43,462
0-2	23.5%	\$4,550	16.1%	\$33,093
3-5	32.1%	\$4,007	18.5%	\$27,039
6-8	21.4%	\$3,780	27.1%	\$43,462
9-11	11.0%	\$3,618	34.0%	\$18,984
12-14	5.9%	\$3,511	46.4%	\$9,262
>14	6.0%	\$4,502	67.4%	\$14,717

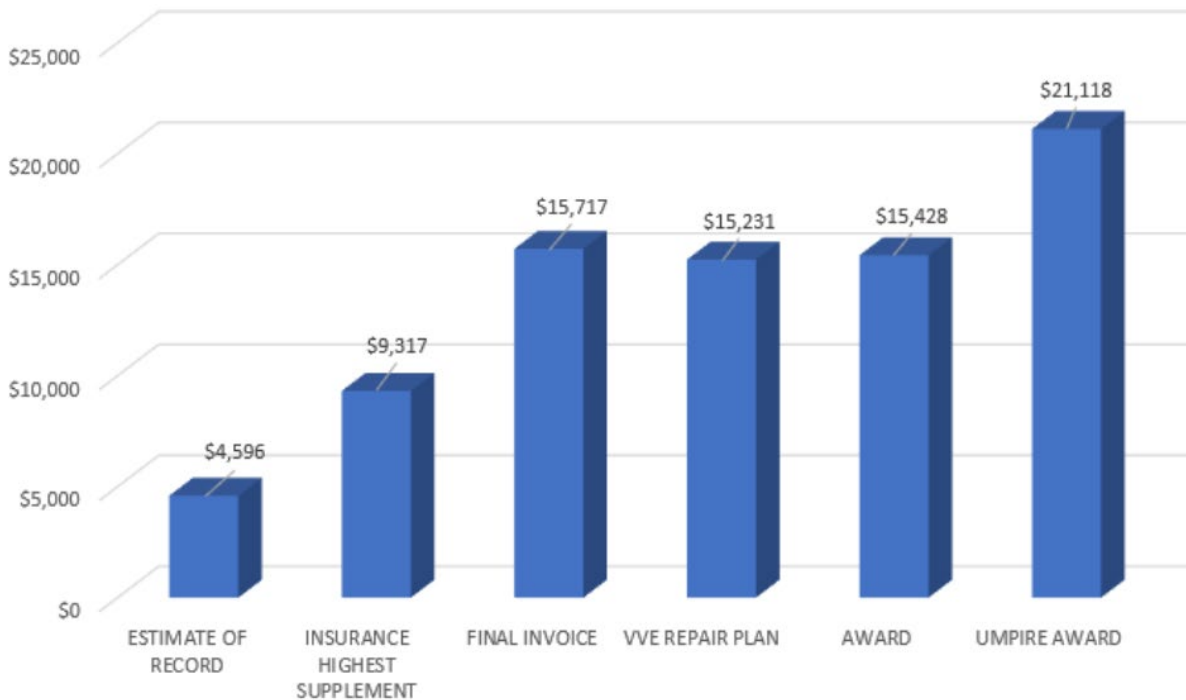
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Average Vehicle Repair Claim Values



Thanks to the mandatory appraisal clause and new appraisal rules in Texas, the reduction in the amount of under-indemnification in insured auto claims from appraisal could grow from the current \$2.34 million to \$337.8 million, which means over \$335 million more going into the pockets of Texas insureds. And this is just from 10% of Texans being fully indemnified for their auto claim losses. It is the experience of Auto Claim Specialists that at least 80% of auto claims are being significantly under-indemnified.

One thing that could put a fly in the ointment for achieving the above results is a proposal in the rules that would allow a carrier to embed a vendor-based umpire selection mechanism in its policy at issuance before any dispute exits. This would practically assure the selection of carrier-approved umpires with an institutional bias to produce results favorable to the insurers, which goes against the entire spirit of the appraisal process. If



you agree that the insured should retain the express authority to make the election of an umpire at the time of submitting a claim rather than when purchasing their policy, please send your comments to TDI. It is imperative that insureds retain the right to judicial appointment for an umpire should one be needed.

References:

- (1) Statista Research Department, Nov 19, 2025
- (2) Insurance Information Institute, Physical Damage 2024
- (3) CCC Crash Course 2026 report

Sincerely,

Robert McDorman