



COMMONWEALTH of VIRGINIA

Department of Motor Vehicles
2300 West Broad Street

Richard D. Holcomb
Commissioner

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December 10, 2020

The Honorable David W. Marsden, Senator
Chairman Senate Committee on Transportation
Pocahontas Building, Room E618
900 East Main Street
Richmond, Virginia 23219

The Honorable Delores L. McQuinn, Delegate
Virginia House of Delegates
Chairwoman House Committee on Transportation
Pocahontas Building, Room E324
900 East Main Street
Richmond, Virginia 23219

RE: Salvage and Nonrepairable Vehicle Report

Dear Chairman Marsden and Chairwoman McQuinn:

On February 2, 2016, former House Transportation Committee Chairman Ron Villanueva requested that the Department of Motor Vehicles (DMV) conduct a stakeholder study to report on issues surrounding salvage and nonrepairable vehicles and return a report of findings. DMV initiated a study and participating stakeholders included representatives of the insurance industry, automobile dealer associations, motor vehicle dealers, salvage dealers, rebuilders, salvage pool operators, salvage yard operators, scrap metal processors, Commissioners of the Revenue, and law enforcement.¹ The issues outlined in the charge letter were addressed and, in addition, the study expanded to address the specific requests of stakeholders including amending the definition of "nonrepairable vehicle" as it existed in § 46.2-1600 of the *Code of Virginia* at the time of the study.

¹ The report can be found at https://www.dmv.virginia.gov/documents/salvage_oct16.pdf

At the initial stakeholder meeting in 2016, stakeholders identified certain requirements in the Virginia salvage process they wanted addressed. These issues included the requirement to submit a physical copy of the insurance repair estimate to obtain a nonrepairable or salvage certificate and DMV's process for issuing a nonrepairable or salvage certificate. The then-existing definition of "nonrepairable vehicle" mandated that "any late model vehicle that has been damaged and whose estimated cost of repair, excluding the cost to repair cosmetic damages, exceeds 90 percent of its actual cash value prior to damage" was deemed a nonrepairable vehicle.² The then-existing definition of "rebuilt vehicle" also required that a rebuilt vehicle's estimated cost of repair could not exceed 90 percent of its actual cash value.³ By extension, a vehicle with an estimated cost of repair less than 90 percent of its actual cash value prior to damage could be issued a salvage certificate. Thus, applying for either a salvage or a nonrepairable certificate required the applicant to provide an estimated cost of repair with the application. If the paperwork accompanying an application was incomplete, DMV staff expended administrative resources obtaining these estimates from insurance companies and other salvage and nonrepairable certificate applicants. The process was often slow and frustrating for all parties.

After discussing the requirement to obtain and submit an estimated cost of repair when applying for a nonrepairable or salvage certificate, stakeholders suggested that the concern could be addressed by no longer declaring a vehicle nonrepairable or salvage based on the percent of damage. Eliminating the requirement that the type of certificate be based on the percentage of damage eliminates the need for vehicle owners to submit a physical copy of the repair estimate when applying for a nonrepairable or a salvage certificate. It also allows salvage vehicles from other states to receive a Virginia salvage certificate regardless of the percent of damage. Finally, it removes the need for DMV staff to make administrative determinations about the amount of a vehicle's damage in order to comply with the requirements in the *Code*. A majority of the 2016 salvage study stakeholders supported the concept of removing the requirement that an estimated cost of repair in excess of 90 percent of a vehicle's actual cash value prior to damage result in a nonrepairable designation; however, support was not unanimous. Concerns were raised that this proposal would lead to fewer nonrepairable vehicles being available at auction and that the cost of those vehicles would rise.

Draft legislation amending the *Code* to remove the requirement that an estimated cost of repair be used in the determination of whether a vehicle is nonrepairable was included with the study report submitted to the General Assembly. Senator Frank M. Ruff, Jr., patroned Senate Bill 950, and Delegate Terry L. Austin patroned House Bill 1687. The bills and the legislation were enacted as Chapters 362 and 342 of the 2017 Acts of Assembly. Enactment clause 2 requires DMV to submit a report by December 1, 2020, on the numbers of salvage and nonrepairable certificates issued by DMV for fiscal years from July 2, 2014, through June 30, 2017, and the number of salvage and nonrepairable certificates issued by DMV for July 1, 2017, through June 30, 2020, to determine whether there is any impact on the number of nonrepairable vehicles.

² Va. Code § 46.2-1600 (2016).

³ Va. Code § 46.2-1600 (2016).

Additional enactment clauses provide that the provisions of the legislation shall expire on July 1, 2021.⁴

To provide a better understanding of the data presented in this report, additional definitions and an explanation of the difference between a salvage certificate and a nonrepairable certificate follow.

Currently, Va. Code § 46.2-1600 defines the following terms:

"Nonrepairable certificate" means a document of ownership issued by the Department for any nonrepairable vehicle upon surrender or cancellation of the vehicle's title and registration or salvage certificate.

"Nonrepairable vehicle" means any vehicle that has been determined by its insurer or owner to have no value except for use as parts and scrap metal or for which a nonrepairable certificate has been issued or applied for.

"Rebuilt vehicle" means (i) any salvage vehicle that has been repaired for use on the public highways or (ii) any late model vehicle that has been repaired and the estimated cost of repair exceeded 75 percent of its actual cash value, excluding the cost to repair damage to the engine, transmission, or drive axle assembly.

"Salvage certificate" means a document of ownership issued by the Department for any salvage vehicle upon surrender or cancellation of the vehicle's title and registration.

"Salvage vehicle" means (i) any late model vehicle that has been (a) acquired by an insurance company as a part of the claims process other than a stolen vehicle or (b) damaged as a result of collision, fire, flood, accident, trespass, or any other occurrence to such an extent that its estimated cost of repair, excluding charges for towing, storage, and temporary replacement/rental vehicle or payment for diminished value compensation, would exceed its actual cash value less its current salvage value; (ii) any recovered stolen vehicle acquired by an insurance company as a part of the claims process, whose estimated cost of repair exceeds 75 percent of its actual cash value; or (iii) any other vehicle that is determined to be a salvage vehicle by its owner or an insurance company by applying for a salvage certificate for the vehicle, provided that such vehicle is not a nonrepairable vehicle.

Both a salvage certificate and a nonrepairable certificate are ownership documents issued by DMV to the owner (often an insurance company) of a damaged or inoperable vehicle. No vehicle with a salvage certificate or a nonrepairable certificate can be driven on the highways of the Commonwealth. A vehicle with a salvage certificate or a

⁴ Chapters 342 and 362 of the 2017 Acts of Assembly are attached for reference.

nonrepairable certificate can be sold at auction for parts or for scrap metal. A vehicle with a salvage certificate can also be sold to a rebuilder to be rebuilt, and once it has passed a motor vehicle safety inspection and a rebuilt vehicle examination, the rebuilder can apply for a title. Once a title is issued, the vehicle can be legally driven. Once a nonrepairable certificate is issued for a vehicle, the vehicle cannot ever be rebuilt and driven.

Table 1: Salvage and Nonrepairable Certificates Issued by DMV, FY 2015 through FY 2020

Fiscal Year	Salvage Certificates Issued	Nonrepairable Certificates Issued	Total Salvage and Nonrepairable Certificates Issued
FY 2015	14,449	13,681	28,130
FY 2016	24,407	22,810	47,217
FY 2017	31,053	29,469	60,522
Combined FY 2015 – FY 2017	69,909	65,960	135,869
FY 2018	61,890	6,457	68,347
FY 2019	65,996	3,409	69,405
FY 2020	79,532	3,519	83,051
Combined FY 2018 – FY 2020	207,418	13,385	220,803

The data in Table 1 shows the number of salvage certificates and nonrepairable certificates issued by DMV in the fiscal years required by Chapters 342 and 362 of the 2017 Acts of Assembly, along with combined totals for the fiscal years 2015-2017 and combined totals for the fiscal years 2018-2020. The data shows a decline in the number of nonrepairable certificates issued and a dramatic increase in the number of salvage certificates issued.

The decline in nonrepairable certificates issued suggests that when given the choice, vehicle owners are more likely to apply for a salvage certificate than a nonrepairable certificate. However, stakeholders in the 2019 Salvage Study suggested the large increase in the number of salvage certificates issued is partly because eliminating the requirement to provide an estimated cost of repair makes it easier to obtain a salvage and a nonrepairable certificate, whereas prior to the 2017 legislation it was easier in some cases for the owner of a damaged vehicle to apply for a title instead of a salvage or a nonrepairable certificate.⁵

Other available data that is relevant to this report are the number of rebuilt vehicle examinations that DMV has performed in fiscal years 2015-2020. As already noted, a salvage vehicle cannot be driven on the roads of the Commonwealth unless a title is obtained, and no title is issued to a salvage vehicle until a rebuilt vehicle examination is performed by a DMV law enforcement officer.

⁵ The 2019 Salvage Study Report can be found at <https://www.dmv.virginia.gov/documents/guidance/salvage.pdf>

Table 2: Rebuilt Vehicle Examinations Performed

Fiscal Year	Number of Rebuilt Vehicle Examinations Performed
FY 2015	4,573
FY 2016	4,614
FY 2017	5,186
FY 2018	6,257
FY 2019	6,535
FY 2020	7,391

Table 2 shows the number of rebuilt vehicle examinations performed each year. When looking at the data in Table 2 compared to that in Table 1, it is clear that the number of rebuilt vehicle examinations performed in the Commonwealth increased at a significantly slower rate than the increase in the number salvage certificates issued during the same years (62% compared to 450%).

While the data from both tables shows a decrease in the number of nonrepairable certificates issued, an increase in the number of salvage certificates issued, and an increase in the number of salvage vehicles purchased and rebuilt for resale, it is notable that the total number of rebuilt vehicles in fiscal year 2020 is less than nine percent of the combined total number of vehicles for which a salvage or nonrepairable certificate was issued in the same year.

Conclusion

DMV has no available data that directly addresses the concern raised in the 2016 Salvage Study that eliminating the estimated cost of repair language from the nonrepairable vehicle and rebuilt vehicle definitions would lead to fewer nonrepairable vehicles being available at auction and that the cost of those vehicles would rise. However, the large total number of salvage and nonrepairable certificates issued combined with the much smaller number of rebuilt vehicle examinations suggests many vehicles are available for sale at auction that are not ultimately purchased to be rebuilt.

Allowing a vehicle owner (often an insurance company) the discretion to apply for a nonrepairable or salvage certificate allows the owner and the salvage industry to make the determination of whether a vehicle can economically be sold and purchased for repair and resale or whether the vehicle is better sold for its parts, sold for scrap metal, or demolished. The requirement to provide an estimated cost of repair before applying for an ownership document imposes a burden on both the vehicle owner and DMV, causing a delay in the processing time for that ownership document. In turn, this prevents a vehicle owner from disposing of a vehicle in a timely fashion, and consuming limited administrative resources at DMV. Even with the

The Honorable David W. Marsden
The Honorable Delores L. McQuinn
December 10, 2020
Page 6

significant increase in the number of salvage certificate applications, DMV has been able to manage the increased volume because eliminating the requirement to process an estimated cost of repair has streamlined the process.

For these reasons, DMV recommends retaining the definitions of nonrepairable and rebuilt vehicle enacted in Chapters 342 and 362 of the 2017 Acts of Assembly and attaches draft legislation⁶ repealing the enactment clauses which would cause the legislation to expire on July 1, 2021.

Sincerely,



Richard D. Holcomb

c: The Honorable Shannon R. Valentine, Secretary of Transportation
The Honorable Frank M. Ruff, Jr., Senate of Virginia
The Honorable Terry L. Austin, Virginia House of Delegates

⁶ Draft legislation is attached.

1 *A BILL to repeal the second enactment of Chapter 342 of the Acts of Assembly of 2017*
2 *and the third enactment of Chapter 362 of the Acts of Assembly of 2017, relating to*
3 *nonrepairable and rebuilt vehicles.*

4 **Be it enacted by the General Assembly of Virginia:**

5 **1. That the second enactment of Chapter 342 of the Acts of Assembly of 2017 and**
6 **the third enactment of Chapter 362 of the Acts of Assembly of 2017 are repealed.**