

# Salvage Study

2016 Report

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Virginia Department of Motor Vehicles

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## EXECUTIVE SUMMARY

On February 2, 2016, House Transportation Committee Chairman Ron Villanueva requested that DMV "...establish a stakeholder study for the purpose of examining further issues regarding how vehicle status is reported to the National Motor Vehicle Titling Information System (NMVTIS), as well obtaining a Virginia title for a vehicle that has been branded as nonrepairable by another state." He requested that the stakeholders include representatives from the salvage and insurance industries, law enforcement, the Virginia Automobile Dealers Association (VADA), the Virginia Independent Automobile Dealers Association (VIADA), the Commissioners of the Revenue Association of Virginia, and any other necessary stakeholders identified by DMV. A copy of the February 2, 2016 charge letter from Chairman Villanueva appears as Appendix A.

Chairman Villanueva requested that the results of the study and the work group's recommendations be reported back to the House Transportation Committee by December 1, 2016. The results of the study and recommended legislation will be presented to a Joint House and Senate Transportation committee meeting in November, 2016.

In response to the Chairman's request, DMV assembled an internal team to organize and manage the study. Invitations to participate were extended to stakeholders to include: members 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. A series of meetings were held between April and September, 2016.

The issues outlined in the charge letter were addressed through the following concepts:

- Issuing a nonnegotiable title to vehicles that had received a nonrepairable or equivalent brand in another state and subsequently rebuilt, retitled, and registered for use in another state; and
- Dedicating additional DMV law enforcement resources to gathering data on the salvage process in lieu of additional reporting requirements through NMVTIS or another electronic system.

In addition to the issues outlined in the charge letter, the study expanded to address the specific requests of stakeholders:

- Removing the definition of Nonrepairable Vehicle based on the percentage of damage;
- Allowing dealer license plates to be used to transport salvage vehicles from a salvage rebuilder or dealer's business location to a state safety inspection location and back;
- Allowing salvage dealers that are also licensed inspection stations to inspect their own salvage vehicles;
- Addressing the process by which self-storage unit operators can dispose of a motor

- vehicle left by the owner; and
- Technical corrections to the *Code of Virginia* recommended by stakeholders and DMV staff.

### *Vehicle Branding*

The vehicle branding discussion explored the various components of how vehicles are declared as either salvage or nonrepairable in Virginia. Stakeholders discussed goals of creating a clear process in Virginia law for obtaining a salvage or nonrepairable certificate that is easy to follow and that does not require administrative interpretations of law. They also examined the status of vehicles that were declared junk, and subsequently rebuilt, retitled, and registered for use according to the laws of another state.

At the initial meeting, stakeholders identified certain requirements in the Virginia salvage process that they wanted addressed. These issues included the requirement to submit a physical copy of the insurance repair estimate, vehicles declared salvage in one state being declared nonrepairable under Virginia law, and confusion caused by the actions taken by DMV to enforce the requirements in the *Code of Virginia*.

After discussing these issues, stakeholders suggested that a majority of the concerns expressed could be addressed by no longer declaring a vehicle nonrepairable based on the percent of damage, and by issuing nonnegotiable titles for some rebuilt vehicles from other states.

Eliminating the nonrepairable certificate based on the percentage of damage would eliminate the need for vehicle owners to submit a physical copy of the insurance estimate when applying for a salvage certificate. It would allow salvage vehicles from other states to receive a Virginia salvage certificate regardless of the percent of damage. Finally, it would remove the need for DMV staff to make administrative determinations in order to comply with the requirements in the *Code*.

A majority of the stakeholders supported the concept of removing the nonrepairable designation based on percent of damage; however, support was not unanimous. Concerns were raised that this proposal would lead to a reduction in the number of cars purchased at auction for the purpose of recycling auto parts. Separate legislation amending the *Code of Virginia* to remove the nonrepairable designation based on percent of damage is included with this report, along with comments from stakeholders in support of or opposed to the concept.

The vehicle branding discussion also addressed the issue of vehicles purchased by Virginia residents having a junk brand and subsequently rebuilt, titled, and registered in another state. As a solution, stakeholders proposed issuing these vehicles nonnegotiable titles. This would allow Virginia residents who acted in good faith to title and register a vehicle, but would prevent it from being subsequently sold to an individual that might not have access to the vehicle's complete history. Stakeholders unanimously supported this concept, and determined that it should be incorporated into the recommended legislation.

### *Vehicle Reporting*

The various reporting requirements of all salvage industry participants was a major topic of concern. This included the data that businesses and DMV report to the National Motor Vehicle Title Information System<sup>1</sup> (NMVTIS), as well as data that some auto recyclers voluntarily report to DMV when a vehicle is demolished. Each industry participant has data it is required to report, which often leads to reporting to multiple sources.

Concerns about unlicensed individuals purchasing vehicles at auction in violation of Virginia law were identified as problematic. Stakeholders stated their views that expanding licensee reporting requirements to include data on individuals purchasing salvage vehicles could provide an accurate picture of the life of a salvage vehicle and help identify any violations of law. Auto auctions are required by law to keep certain information on vehicle purchasers, but that information is not reported to either DMV or NMVTIS. However, DMV does retain data on vehicles when new owners apply for either a salvage certificate, a nonrepairable certificate, or a salvage rebuilt title. The *Code of Virginia* grants DMV law enforcement personnel the ability to conduct compliance reviews at auto auctions to ensure that they are operating in accordance with Virginia law.

The concept of using electronic means to submit vehicle buyer data was discussed. Several stakeholders raised objections to creating new reporting requirements. Some of the concerns raised were creating burdens for vehicle buyers and sellers, as well as privacy concerns with electronically submitting buyer's personal information. In addition, a majority of the stakeholders agreed that data on vehicle purchasers and examples of violations are needed to demonstrate which reporting requirements could be justified. Rather than develop this proposal as a statutory change, DMV offered an administrative approach through law enforcement resources to help compile data in order to determine whether additional reporting requirements would be needed.

As the primary component of its administrative approach, the study group determined that additional agency resources should be dedicated to the salvage process. As a result, DMV transferred one current staff position to hire an additional Law Enforcement Officer, and reassigned another Law Enforcement Officer to oversee the Salvage Program. The work done by DMV law enforcement will help identify problems that may exist with the current process for purchasing vehicles at auction, if any are present.

### *Other Salvage Issues Discussed*

In addition to the vehicle branding and vehicle reporting issues discussed, stakeholders identified other items that, while not directly related to the study charge letter, were pertinent to the salvage industry. These issues included:

- Allowing Dealer License Plates to be used on salvage vehicles for the purpose of transporting such vehicles to safety inspection stations;
- Allowing salvage dealers that are also licensed inspection stations to inspect their own

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<sup>1</sup> "NMVTIS is a system that allows the titling agency to instantly and reliably verify the information on the paper title with the electronic data from the state that issued the title. NMVTIS is designed to protect consumers from fraud and unsafe vehicles and to keep stolen vehicles from being resold. NMVTIS is also a tool that assists states and law enforcement in deterring and preventing title fraud and other crimes. Consumers can use NMVTIS to access important vehicle history information." ([www.aamva.org/nmvtis](http://www.aamva.org/nmvtis))

- salvage vehicles;
- The methods for self-storage facilities to dispose of motor vehicles with no market value; and
- Technical corrections to the *Code of Virginia* recommended by stakeholders and DMV staff.

Independent auto dealers that also operate as salvage rebuilders raised the issue of using dealer license plates for the purpose of transporting vehicles to safety inspection locations. After discussing this issue with the independent dealers, DMV staff proposed amending the *Code* to allow salvage vehicles owned by a licensed salvage rebuilder that is also licensed as a salvage dealer to use its dealer license plates for the sole purpose of transporting a vehicle to and from a safety inspection location. There were no objections from stakeholders to this proposal, which is included in the consensus legislation accompanying this study.

After discussion with self-storage facility owners about the process they are currently using to dispose of vehicles with no value, the study group determined that the facilities may not be fully utilizing the existing process in the *Code of Virginia* for the enforcement of storage liens, including those on vehicles left in self-storage units. DMV is assisting the self-storage facility owners with adjusting their practices and, as such, the study group determined that changes to current law were not necessary.

## SALVAGE OVERVIEW

The Department of Motor Vehicles has conducted numerous stakeholder studies on the salvage industry, the most recent in 2014<sup>2</sup>. That study included information on Virginia law regulating the salvage industry, as well as a description of the salvage process. The salvage overview section here draws from the 2014 report, with modifications to reflect current law and procedure.

The departure point for all of the following discussions, findings, and recommendations presented in this report is the salvage vehicle program as it is currently established in Virginia. The Commonwealth's salvage program was originally enacted to eliminate the prevalent use of "chop shops" illegally stripping stolen vehicles of parts for resale. Chapter 16 (§ 46.2-1600 et seq.) of Title 46.2 of the *Code of Virginia* authorizes DMV to administer the program, which applies to citizens, insurance companies, and the various groups that comprise the salvage industry. DMV licenses all salvage-related businesses and ensures compliance with all statutory requirements. The laws are designed to regulate the industry, provide for disclosure of damages to vehicles, assist law enforcement in combating vehicle theft and fraud, and inform customers of a vehicle's status through the branding of the vehicle's credentials and record.

It is important to note that this process has nothing to do with the automobile insurance claims process most people are familiar with: your vehicle is damaged and your insurance company pays for the repairs. The salvage process is what happens after your insurance company pays you for the value of your damaged vehicle and assumes ownership as part of the claims settlement. It is required for late model vehicles (vehicles up to six years old or worth at least \$10,000 prior to damage) and recovered stolen vehicles (with damage in excess of 75% of value). Insurance companies may also follow the salvage process if they take possession of vehicles that are not late model, but, in most cases, it is not mandatory to do so.

It is also important to note that the salvage program addresses "Late Model" vehicles. The *Code of Virginia* defines a "Late Model" vehicle as the current model year plus an additional five years, and any vehicle whose actual cash value is determined to have been at least \$10,000 prior to being damaged.

### *Damage Assessment*

The first step for the insurance company is to have the damage assessed and the cost to repair calculated. The person assessing the damage will take the following factors into consideration:

- The vehicle's age;
- The vehicle's actual cash value;
- The cost to repair the vehicle; and

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<sup>2</sup> The 2014 Salvage report can be found at the following website:  
<http://leg2.state.va.us/DLS/h&sdocs.nsf/5c7ff392dd0ce64d85256ec400674ecb/86e0f3fff3edfc2c85257db100664eb8?OpenDocument&Highlight=0,Salvage>

- The vehicle's current salvage value.

The decision to repair or scrap a vehicle hinges on the percent of damage. It determines whether the vehicle will receive no brand, be branded as salvage, or declared nonrepairable. The damage estimate takes into consideration the age of the vehicle, its current salvage value (basically, the value of its parts), the type and amount of damage, and the costs of parts and labor that would be required to repair the vehicle. The percent of damage is calculated by dividing the estimated cost of repair (ECR) by the actual cash value (ACV) of the vehicle. The ACV is what the vehicle could have been sold for prior to the damage sustained. It is determined by consulting a recognized evaluation source such as the Kelley Blue Book. The *Code of Virginia* sets out and defines the damage thresholds that determine what should be done with the vehicle.

### *No Brand*

An insurance company must apply to DMV for a salvage certificate when taking possession of any late model vehicle of as part of the claims process, regardless of the percentage of damage, except when the vehicle is a "repairable vehicle" under the *Code*. A "repairable vehicle" is a late model vehicle with less than 75% damage, repaired to its pre-loss condition by an insurance company, and, following the repair, not accepted by the vehicle owner. Even though the vehicle is acquired by an insurance company through the claims process, the vehicle is exempt from the salvage process. Repairable vehicles receive clean titles with no brands.

### *Salvage Brands*

If a vehicle is declared salvage by an insurance company or the vehicle owner, the title is cancelled, a salvage certificate is issued, and the vehicle record is branded "Salvage." Salvage vehicles may have sustained damage up to 90% of their ACV. Vehicles with a salvage certificate cannot be registered or operated on the highways.

Salvage vehicles are normally acquired by licensed rebuilders from a salvage pool and transported to a body shop, garage, or repair facility. If a salvage vehicle is repaired, the owner (usually the repairer of the vehicle) must request a DMV anti-theft examination. This exam is intended to insure no stolen parts have been used for repairs. If it passes, DMV issues the insurance company or salvage dealer a new title branded "Rebuilt." The vehicle record is also branded. Anyone selling a rebuilt vehicle must provide the buyer with a Rebuilt Vehicle Disclosure Statement.

### *Nonrepairable Vehicles*

A vehicle with damage beyond 90% of its ACV must be declared nonrepairable. It is not eligible to be repaired or rebuilt and it cannot be operated on the highways. The insurance company or vehicle owner must apply to DMV for a nonrepairable certificate. It is the death certificate for the vehicle.

Nonrepairable vehicles are usually consigned to salvage dealers, demolishers, auto auctions, or vehicle removal operators. The nonrepairable certificate is not a title and therefore a bill of



sale must be used to transfer ownership. It is unlawful for any person to sell a nonrepairable vehicle to any person who is not a scrap metal processor or licensed as a salvage dealer, demolisher, or a vehicle removal operator.

Once the ownership is transferred, the vehicle can then be stripped of any usable parts and the remainder is crushed or shredded. The demolisher or salvage dealer must notify DMV on the final disposition of the vehicle so the vehicle record is updated to reflect the demolished status, and the title and VIN are removed from circulation.

### *Owner-Retained Vehicles*

An insurance company is required to notify DMV when a vehicle owner elects to retain a late model vehicle after a claim has been settled if the damage estimate to the vehicle exceeds 75% of the actual cash value. DMV updates the record of such owner-retained vehicle to reflect whether the vehicle is “Salvage” (damage up to 90%) or “Nonrepairable” (damage over 90%). The vehicle owner is then required to apply for the applicable salvage or nonrepairable certificate for the vehicle.

### *Reporting*

Virginia's salvage vehicle program is designed to provide a prospective car buyer - whether a vehicle dealer, rebuilder, salvage dealer, or a member of the general public - a full accounting of prior damage. Each step in the process requires the reporting and recording of the transfers of ownership (through titles and certificates), along with the appropriate notations on the vehicle record. It also requires all salvage licensees to report the same information to NMVTIS. This national database is operated jointly by the U.S. Department of Justice and the American Association of Motor Vehicle Administrators (AAMVA). Its main purpose is to identify stolen, unsafe, or damaged vehicles and to protect the states, businesses, and consumers from fraud.

## VEHICLE BRANDING

### *Salvage and Nonrepairable Certificates*

#### *Objective*

The stakeholders discussed vehicle branding by examining salvage laws and devising a process to be established in *Code* that is easy to follow and does not require administrative interpretations by DMV in order to be properly enforced. This discussion centered on identifying and taking into consideration the industries involved, business needs, concerns, and issues in order to develop recommendations.

#### *Background*

Vehicles that have been damaged will normally be assessed by the owner's insurance company, mechanic, or an independent appraiser to determine the extent of the damage and estimated repair costs. The percent of damage is used to determine whether a vehicle can be issued a salvage certificate, or whether it must be deemed nonrepairable; however, an owner or insurance company may choose to declare any vehicle to be salvage or nonrepairable if it falls under statutory thresholds for those designations. Insurance companies or vehicle owners in possession of a salvage vehicle go through the following process to obtain a salvage certificate:

- Submit an application (VSA 56) to DMV for a salvage certificate, along with an itemized insurance estimated cost of repair (ECR).
- DMV staff reviews application to determine percent of damage:
  - If an insurance estimate is not available, DMV staff will attempt to obtain it from the insurance company of record.
  - If DMV staff cannot obtain the original insurance estimate, the customer may submit an estimate from an independent appraisal firm.
  - DMV staff will confirm the validity of any independent estimate.
  - DMV staff will then remove cosmetic damage from the estimate, if not done so already.
- If the percent of damage is between 75% and 90% of the vehicle's actual cash value (ACV), DMV staff will issue the salvage certificate.
- If the percent of damage is greater than 90% of the vehicle's ACV, the *Code of Virginia* requires DMV to issue a nonrepairable certificate.

Of the concerns expressed by stakeholders, a common theme was a desire for the *Code of Virginia* to set a clear process for obtaining salvage and nonrepairable certificates that is easy to follow and does not require administrative actions by DMV to enforce. Current salvage statutes require administrative interpretations by DMV, with assistance from the Attorney General's Office, to craft a process that adheres to the *Code of Virginia*. Virginia's salvage process has evolved based on interpretations of law, leading to confusion among salvage industry participants. Stakeholders expressed concerns that, while the *Code of Virginia* defines salvage and nonrepairable vehicles by percentage of damage, the information needed and the procedures required to make

these determinations are not always identified in *Code*, which complicates the process.

A key issue of discussion was the requirement to submit to DMV the insurance estimate listing the ECR when applying for a salvage certificate. This figure, along with a vehicle's ACV, is used to determine the percent of damage, which in turn is used to determine whether a vehicle is considered a salvage vehicle or a nonrepairable vehicle. Vehicles with an ECR of 90% or less of the ACV can be issued salvage certificates, while those with an ECR of more than 90% of the ACV must be given nonrepairable certificates. Nonrepairable vehicles cannot be rebuilt and can never be used on Virginia roads.

The *Code of Virginia* requires insurance estimates to be submitted to DMV for recovered stolen vehicles; however, no explicit requirement exists for other salvage vehicles. The Department requires the estimates administratively for the other vehicles in order to ensure the proper credentials are issued. When no estimate is submitted, DMV must determine whether an estimate is available from the applicable insurance company, if any. Often, DMV does this by calling the insurance company. When an insurance repair estimate is not available, an estimate from an independent appraisal firm may be submitted; however, DMV must verify that estimate before accepting it. This process requires significant investment of resources for multiple stakeholders.

Several stakeholders expressed an interest in eliminating the requirement of submitting insurance estimates to DMV for vehicles, other than recovered stolen vehicles, when applying for a salvage certificate. Currently, the nonrepairable percentage indirectly requires DMV to calculate the percent of damage for each vehicle, which makes the estimates necessary.

### *Potential Solution*

DMV held internal discussions after the initial stakeholder meeting to review the issues in the charge letter, and the goals of the stakeholders. Based on these comments, DMV determined that the root of much of the confusion, and burden on both DMV and stakeholders, arises from the requirement that DMV determine whether a vehicle is nonrepairable in the absence of such a declaration by an insurance company or the vehicle owner.

The discussions led to a proposal to eliminate the nonrepairable percentage calculation. Under this proposal, the "nonrepairable" designation would no longer be statutorily mandated based on percentage of damage, which is the underlying reason why DMV is required to calculate that percentage for salvage vehicles. Instead, insurance companies and vehicle owners would be responsible for determining and declaring that a vehicle is nonrepairable.

### *Potential Benefits*

DMV makes this proposal as a way to simplify the salvage process, reduce the documentation required with applications, streamline DMV procedures for processing applications, and remove the need for administrative interpretations of Virginia law.

Eliminating the nonrepairable percentage calculation would simplify the salvage process for vehicles coming both from within Virginia and from other states. First, it would eliminate the need to provide any estimated cost of repairs with an application for a salvage certificate for most vehicles by making "nonrepairable" a declaratory condition only. If an insurance company or

owner chose to make a vehicle nonrepairable, DMV would issue a nonrepairable certificate. If the insurance company or owner preferred to obtain a salvage certificate, DMV would not have to independently evaluate the condition of the vehicle in order to determine whether a salvage certificate could be issued. This could represent a cost reduction for insurance companies, which would not have to produce and submit estimates for all vehicles, and other applicants, who may be able to avoid paying for an independent estimate, when necessary. It would also ease DMV's burden associated with contacting insurance companies to try to obtain estimates or verifying independent estimates prepared by independent appraisal firms.

Second, making this change would extend benefits to vehicles coming into Virginia on out-of-state salvage certificates or similar documents. It would bring Virginia's salvage laws closer to those in most states, which would allow more of the out-of-state documents to be accepted on face value and converted to salvage certificates without significant additional documentation. For vehicles from states that would not have substantially similar laws, DMV would apply the same process as it would for Virginia vehicles, which, as explained above, would also not require DMV to evaluate whether the vehicle should be nonrepairable.

DMV estimated the approximate number of staff hours required to contact insurance companies to obtain information necessary to determine if a vehicle is eligible for a salvage certificate, or if the vehicle is considered nonrepairable under Virginia law. It was estimated that the Vehicle Branding Work Center makes 20 calls per day to insurance companies to obtain needed information to process a request for a salvage certificate. Each call takes on average 30 minutes, or approximately 10 hours of work per day. Given that staff spends approximately 7.5 hours per day performing official duties and based on current staffing levels, this work alone requires the equivalent of 1.5 FTEs to complete.

As stated above, this work is required to determine whether a customer that has applied for a salvage certificate is entitled to one, or if the percent of damage requires a nonrepairable certificate to be issued. To provide additional context, DMV staff reviewed transaction data for the immediate past three years and determined that a total of 163 vehicles that applied for a salvage certificate in that time period were instead issued nonrepairable certificates after a repair estimate was obtained. The staff hours required to obtain this information is not in proportion to the number of applications affected.

If the *Code* were to be amended to no longer require DMV to make this determination, the time DMV staff spends making these calls can be utilized to increase the overall number of transactions processed by the Salvage/Branding work center. This will decrease processing time for all industry participants, and better use the resources of the Commonwealth.

This would also have the added benefit of removing uncertainty for Virginia salvage dealers that purchase vehicles from other states. Currently, salvage dealers who purchase vehicles from out of state are required to obtain a Virginia ownership document (either salvage or nonrepairable certificate). Many salvage dealers purchase vehicles that have been declared salvage by the state of title; however, when Virginia law is applied, the percent of damage exceeds the statutory nonrepairable vehicle threshold. This puts a burden on salvage dealers, who have purchased these vehicles without full knowledge that they will be able to rebuild and sell the vehicles in the Commonwealth.

### *Potential Concerns*

As stated at the stakeholder meetings, the goal is for any recommended legislation to be generally acceptable to all stakeholders. While majority agreement may be possible, proposed solutions to the vehicle branding issues cannot materially harm one salvage industry participant to the benefit of others. A potential harm raised by some stakeholders with the elimination of the nonrepairable percentage of damage calculation was that it could have the effect of either: (1) reducing the number of vehicles available for purchase by auto recyclers; or (2) increasing the cost at auction of vehicles they wish to purchase. These concerns were discussed by stakeholders at several meetings.

### *Discussion and Analysis*

Representatives from the insurance industry stated their support for this concept, as it would eliminate the need to submit a physical copy of the insurance estimate when applying for a salvage or nonrepairable certificate. In addition, this concept would continue to allow insurance companies to declare a vehicle nonrepairable if it so chooses. Some insurance representatives indicated that removing the percent of damage threshold would bring Virginia's laws in line with the salvage laws in many other states. As discussed below, initial research done by DMV staff shows that of the 13 states on the east coast reviewed, Florida was the only other state that declared vehicles nonrepairable based on the percentage of damage.

Representatives from the salvage rebuilders and dealers also stated their support for this proposal. These businesses often purchase salvage-branded vehicles from auctions in other states yet; in some cases when they apply for a Virginia salvage certificate, find that the vehicle sustained damage greater than 90 percent of ACV, making it nonrepairable under Virginia law. This takes vehicles which rebuilders have already purchased and for which they intended to rebuild and sell, prohibited from operating on Virginia roadways. Vehicles sold to auto recyclers often have a lower market value than rebuilt salvage vehicles, leading to financial losses to rebuilders. They stated that this proposal would prevent this particular situation from arising in the future, and thus greatly simplifying the salvage process.

Representatives from the auto recycling industry voiced concerns with this proposal. They indicated that the previous salvage study in 2014 addressed the prospect of increasing the threshold for a nonrepairable certificate from 90 percent to 100 percent, and the stakeholders did not agree on its inclusion in that report. These stakeholders also stated that the percent of damage statute only applies to late model vehicles, and indicated that as such, amending code to remove this requirement for all vehicles (both late model and non-late model) is not necessary.

Auto recyclers stated their support for the 90 percent threshold, noting that they believe it is preferable to the surrounding states that do not have any percentage threshold. They stated their belief that the 90 percent threshold prevents vehicles that may have received an incorrect brand from being issued a Virginia salvage certificate.

In addition, concerns were raised that this change would decrease the number of vehicles at auction on nonrepairable certificates. Auto recyclers indicated that this could increase the cost borne by parts suppliers, as vehicles previously attractive to this sector of the industry could now receive bids by rebuilders if they were eligible for salvage certificates.

## *Recommendation*

While stakeholders did not unanimously agree on including DMV's proposal in the consensus draft legislation, a majority of stakeholders did support the concept. Consequently, this report will include a separate legislative proposal eliminating the percent of damage threshold. DMV and a majority of stakeholders believe this proposal will significantly improve the salvage industry, and therefore it is included in legislative format for consideration by the General Assembly.

This legislative draft will contain changes to the following changes to the definition of "Nonrepairable Vehicle" and "Rebuilt Vehicle." It will also eliminate the definition of "Cosmetic Damage," as this figure is only used in calculating whether a vehicle's damage exceeds 90% of ACV:

~~"Nonrepairable vehicle" means (i) 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; (ii) any vehicle that has been determined to be nonrepairable by its insurer or owner, and for which a nonrepairable certificate has been issued or applied for; or (iii) any other vehicle that has been damaged, is inoperable, and has 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 and the estimated cost of repair did not exceed 90 percent of its actual cash value 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.~~

~~"Cosmetic damage," as applied to a vehicle, means damage to custom or performance aftermarket equipment, audio-visual accessories, nonfactory sized tires and wheels, custom paint, and external hail damage. "Cosmetic damage" does not include (i) damage to original equipment and parts installed by the manufacturer or (ii) damage that requires any repair to enable a vehicle to pass a safety inspection pursuant to § 46.2-1157. The cost for cosmetic damage repair shall not be included in the cost to repair the vehicle when determining the calculation for a nonrepairable vehicle.~~

## *Nonnegotiable Titles*

### *Objective*

The Vehicle Branding working group was also asked to examine the issue of obtaining a Virginia title for vehicles that have been given a nonrepairable or equivalent brand, such as "junk," by another state at some point in the vehicle's life. DMV has historically treated any such vehicle as if it has been issued a nonrepairable certificate, making it ineligible for title and

registration in the Commonwealth.

### *Background*

In some cases, a vehicle declared junk in a state other than Virginia gets rebuilt, titled, and registered in accordance with another state's laws. The Department has come across cases where a Virginia resident has purchased such a vehicle in good faith, only to find that it is not eligible for title and registration based on the vehicle's brand history. As a consequence, these individuals have been prevented from legally driving a vehicle that they have already purchased and, in many cases, have been operating safely. The stakeholders expressed an interest in amending Virginia law to allow such vehicles to be titled and registered, so long as they can operate safely on Virginia roads.

A representative from the general public was included in the study to draw attention to the desire of some Virginia residents to purchase low-cost vehicles. The instance brought to light by this stakeholder was that of a Virginia resident who purchased a vehicle from an individual in Kentucky through a private sale. The salvage laws of Kentucky allow a vehicle that has previously been declared junk/nonrepairable to be rebuilt and operated intrastate; however, the title is branded to indicate that it may not be eligible for registration in another state.

When the Virginia resident attempted to title and register it in the Commonwealth, he was informed that the previous nonrepairable designation meant that the vehicle was not eligible for titling and could not be driven on Virginia roads. He noted that the vehicle had been driven safely in Kentucky and Virginia prior to the owner attempting to receive a Virginia title. The stakeholder stated his view that a vehicle that can pass a Virginia safety inspection should be eligible for title and registration regardless of whether the vehicle's history has a junk/nonrepairable brand. He noted that many lower-income Virginians see these vehicles as cost-effective ways of finding transportation, especially in rural areas where public transportation is not readily available.

Stakeholders discussed this problem and agreed that salvage vehicles are an effective means of transportation for lower-income Virginia residents and that reasonable effort should be made to ensure these citizens have access to safe transportation. The group did, however, state its belief that any vehicle titled and registered in Virginia should demonstrate the ability to operate safely. This can be accomplished by ensuring that all such vehicles pass a Virginia state safety inspection.

### *Potential Solution*

DMV staff proposed making these vehicles eligible for a nonnegotiable title. Similar to the process for foreign-market vehicles, this title would allow the owner to register the vehicle and drive it in the Commonwealth; however, it would not allow the title to be transferred except in certain circumstances, such as on the death of the owner or through repossession.

### *Potential Benefits*

This solution would permit individuals, who purchase vehicles rebuilt in other states on good faith, to legally title and register their vehicles in Virginia. Making the titles nonnegotiable ensures that any liens can be recorded, which protects the rights of those with financial interest in the vehicles. In addition, the vehicles could not be sold, gifted, or traded to other parties, who may not be aware of the vehicles' histories.

### *Potential Concerns*

While this solution would permit owners to keep and use their vehicles, it would create a disparity between these vehicles and vehicles declared nonrepairable in Virginia, which can never again be titled or registered. DMV and stakeholders have not expressed any interest in expanding this option beyond the circumstances described or raised specific concerns that might arise out of that disparity.

Finally, it should also be noted that the *Code of Virginia* is silent on whether insurance companies can take possession of a vehicle on a nonnegotiable title. As stated above, vehicles with nonnegotiable titles cannot be sold, gifted, or traded to other parties. These prohibitions include the transfer of such a vehicle to an insurance company as part of the claims process. In cases where a vehicle with a nonnegotiable title is involved in an accident, the vehicle must be retained by the owner and either rebuilt or declared nonrepairable.

### *Discussion and Analysis*

Stakeholders agreed that allowing nonnegotiable titles for these vehicles would address the concerns expressed by the stakeholder representing the general public. During discussion of this proposal, other stakeholders expressed two issues that they considered important to address. The first was ensuring that these vehicles are able to operate safely on Virginia roadways. The second was ensuring that the interests of lien holders would be listed on the nonnegotiable title.

The requirement in *Code* for any vehicle titled and registered in Virginia to pass a state safety inspection addresses the safety concerns expressed by stakeholders. This requirement will ensure that these vehicles pass the same inspection as vehicles on clean or branded titles. In addition, by issuing titles that cannot be transferred save for limited exceptions, the vehicle will not be sold to another individual that may not know the complete history of that vehicle.

The interests of lien holders will be addressed by listing all security interests on the title. DMV does this currently for nonnegotiable titles issued for foreign-market vehicles. This solution would be available both for vehicles being transferred into Virginia without a change of ownership and for vehicles purchased by Virginia residents from owners in other states.

DMV staff drew attention to the exceptions in law for the transfer of a nonnegotiable title. These narrow exceptions are necessary for two reasons. First, if a vehicle with a nonnegotiable title cannot be transferred upon the death of the owner, there would be no way for the vehicle to be disposed of or driven, as no entity would have a legal right to it. Vehicles with these titles would be in limbo, as they could neither be driven by relatives, or declared nonrepairable and sold to an auto recycler.

Second, if a vehicle with a nonnegotiable title were not subject to repossession in the case of default, the lien holder would have no recourse to recoup their losses. This would likely lead to lenders declining to offer financing on these vehicles, making them more difficult for Virginia citizens to purchase them.

Finally, the study group discussed the importance of allowing a nonnegotiable title to be



transferred to an insurance company. It is possible that vehicles receiving nonnegotiable titles will be covered by a personal auto insurance policy. If the vehicle is subsequently involved in a crash and the owner does not wish to retain the vehicle, the *Code* must allow for the nonnegotiable title to be transferred to the insurance company. Absent such permission, the insurance company could not properly dispose of the vehicle.

### *Recommendation*

The study group recommended legislation that would allow nonnegotiable titles to be issued to vehicles that have been purchased in good faith in another state but are determined to have been declared nonrepairable at any point in the vehicle's history. The nonnegotiable title will list all lien holders, but will not be allowed to be sold, gifted, or traded. This change is included in the report's legislation supported by all stakeholders. The recommended changes begin in § 46.2-1603.2(D):

There shall be no fee for the issuance of a nonrepairable certificate. All provisions of this Code applicable to a motor vehicle certificate of title shall apply, mutatis mutandis, to a nonrepairable certificate, except that no registration or license plates shall be issued for the vehicle described in a nonrepairable certificate. Except as otherwise provided in this chapter, No no vehicle for which a nonrepairable certificate has been issued shall ever be titled or registered for use on the highways in the Commonwealth. For purposes of this chapter, any vehicle for which a brand or indicator has been issued by another state, as reported to the National Motor Vehicle Title Information System or printed or stamped on the vehicle's non-Virginia title or other applicable document issued by that state, identifying such vehicle as "junk," "for destruction," "for parts only," "not to be repaired," or other similar designation, shall be deemed to have been issued a nonrepairable certificate by that state.

There is also a minor change to § 46.2-1605(D):

If the Department's examination of a rebuilt salvage vehicle indicates no irregularities, a title and registration may be issued for the vehicle upon application therefor to the Department by the owner of the salvage vehicle. The title issued by the Department and any subsequent title thereafter issued for the rebuilt vehicle shall be permanently branded to indicate that it is a rebuilt vehicle. All rebuilt vehicles shall be subject to all safety equipment requirements provided by law. Except as otherwise provided in this chapter, No no title or registration shall be issued by the Department for any rebuilt vehicle that has not first passed a safety inspection or for any vehicle for which a nonrepairable certificate has ever been issued.

However, the primary proposed language would create a new subsection B in § 46.2-1606:

B. If the Department receives an application for a title for a vehicle for which the National Motor Vehicle Title Information System, the vehicle's current non-Virginia title, or other applicable document issued by another state indicates that a brand or indicator has been issued by another state identifying such vehicle as "junk," "for destruction," "for parts only," "not to be repaired,"

or other similar designation, the application is accompanied by documentation to show such repairs, and such vehicle has been rebuilt, titled, and registered in a state other than Virginia, the Department shall issue a nonnegotiable title for the vehicle. Any negotiable security interests in the vehicle as provided in §§ 46.2-636 through 46.2-643 shall be shown on the face of the nonnegotiable title; however, no negotiable title shall ever be issued for the vehicle. At any time, the vehicle owner may declare a vehicle titled under this provision to be nonrepairable, in accordance with § 46.2-1603.2.

A nonnegotiable title issued under this section shall not be transferred except as provided in §§ 46.2-633, 46.2-633.2, or 46.2-634 or when the vehicle is acquired by an insurance company as the result of the claims process. The transferee may not add as co-owner an individual not entitled to possession of the vehicle under §§ 46.2-633, 46.2-633.2, or 46.2-634. If the vehicle will not be registered for use by the transferee, the transferee must declare the vehicle to be nonrepairable by applying for a nonrepairable certificate under § 46.2-1603.2.

Any vehicle for which a nonnegotiable title has been issued pursuant to this section may be registered for use on the highways in the Commonwealth.

While it will allow for a vehicle owner to obtain title and registration, this new option is designed to ensure that the vehicle will not remain on the road any longer than needed. For reference, the permitted statutory transfers under the proposal are, respectively: transfer by operation of law, transfer on death, and transfer when there is no qualification on the owner's estate.

## VEHICLE REPORTING

### *Objective*

The objective when discussing vehicle reporting was to look at the data that DMV and salvage industry participants are required to collect and report to various entities. This includes the data businesses and DMV report to NMVTIS, as well as data that some auto recyclers voluntarily report to DMV when a vehicle is demolished. Each industry participant has data that it is required to report, which in some cases leads to reporting to multiple sources. In addition, industry participants voiced concerns that individuals who are not legally entitled to purchase a vehicle at a salvage auction are nevertheless doing so in contravention of Virginia law.

### *Background*

During the 2016 Session of the General Assembly, representatives from auto recyclers voiced their concerns that unlicensed individuals were purchasing vehicles at salvage auctions. Under current law, salvage auctions are permitted to sell vehicles to the following:

- An individual licensed in Virginia as an auto recycler, motor vehicle dealer, or vehicle removal operator or regulated as a similar business under the laws of another state; or
- An individual purchasing a vehicle on behalf of and with the permission of a person so licensed or regulated.

Salvage auctions are required to keep several pieces of information to determine who is authorized to purchase a vehicle. This includes the following information on purchasers<sup>3</sup>:

- The name and address of the buyer;
- A photocopy of the buyer's driver's license, state identification card, official United States military identification card, or any other form of personal identification with photograph; and
- A photocopy of the buyer's business license or, if the buyer represents a third party authorized to purchase a vehicle under § 46.2-1602, then a photocopy of the third party's business license and documentation that the buyer is authorized to act on behalf of that third party;

Representatives from auto recyclers proposed legislation that would require data to be reported through NMVTIS on purchasers of vehicles at salvage auctions. Auto recyclers believed that such a system would collect data on individual purchasers, and identify any individuals purchasing without proper documentation or licensure. After initial discussions, Chairman Villanueva requested that this issue be further discussed through a salvage study.

### *Discussion and Analysis*

Discussion of this issue began by representatives from auto recyclers stating their concern

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<sup>3</sup> Salvage auctions are required to keep additional records for vehicles, listed in § 46.2-1608(D)

that while Virginia law does place limits on how many vehicles an unlicensed person may rebuild or sell for a profit, there are loopholes that allow these limits to be evaded. They stated that allowing unlicensed individuals to purchase vehicles at auction can lead to several problems, such as title and registration fraud, curb-stoning, and tax avoidance.

The auto recyclers stated that adding vehicle purchaser information to NMVTIS reporting will make it easier for law enforcement to identify unlicensed people purchasing vehicles at auction. They continued that they believe collecting this type of data will ensure that salvage vehicles intended for either rebuilding or parts recycling are available to legal purchasers and not illegal operators.

Other members of the working group voiced concerns about additional reporting requirements. A representative from a salvage auction stated that the company did not support adding additional reporting requirements, but that they would be open to discussing increased penalties for violations of the salvage laws. Representatives from the insurance industry also stated that additional reporting requirements would create new burdens on their industry, as well as on the salvage auction and salvage rebuilder communities. In addition, stakeholders stated their view that if stakeholders witness violations of law, they should report those violations to DMV law enforcement, which has the authority to enforce the requirements of the *Code of Virginia*.

Several stakeholders asked if there were data supporting claims that the current laws regarding the purchase of salvage vehicles are being violated. Auto recyclers did not have statistical data. They indicated that they hear reports from industry participants indicating that violations occur, and that they believe there additional reporting requirements are the best way to document potential violations.

Stakeholders also raised concerns about privacy as it related to reporting vehicle purchaser information. While auto auctions are required to keep records of who purchases vehicles, they are not required to submit that personal data to any database. Reporting in this area could carry potential concerns about the safety of individuals' personal data, which is protected by Virginia law.

DMV staff provided comments on the subject of additional reporting requirements. First, staff noted that the NMVTIS reporting system is managed by the U.S. Department of Justice, and that DMV has no way to change the information reported or the manner in which it is reported. In order to fulfil industry's request for additional reporting, DMV would have to either develop an entirely new electronic reporting system or partner with a third party vendor to fulfil this goal. Stakeholders and DMV staff determined that the resources required for an additional reporting system were not warranted. Absent data documenting abuses of current salvage laws, the expenditure of such resources is difficult to support. However, the Department will give stakeholders using a third-party vendor access to all reporting systems, including DMV, NMVTIS, and Vehicle Disposition Reporting (VDR). This should address the issue of multiple reporting requirements.

However, DMV reviewed the auto recyclers concerns about current salvage laws providing avenues for unlicensed individuals to purchase vehicles at a salvage auction. While data on violations is not available, DMV staff determined that it would be beneficial to the Department and the industry as a whole to dedicate more resources to the salvage process.

Consequently, DMV has transferred a currently-authorized staff position to Law Enforcement Services. The new officer filling this position will be dedicated to working closely with all participants of the salvage industry. In addition, a current DMV Law Enforcement Agent will be designated as the Salvage Program Manager. This individual will oversee the work of all DMV agents working with the salvage industry, and act as a primary point of contact for industry participants with questions about Virginia salvage processes.

The new resources dedicated to the salvage industry will be able to more frequently interact with licensees. Agents will be able to conduct additional compliance reviews, compile and examine documentation, and conduct any investigations that may result from this work. These actions will begin to collect data that auto recyclers believe is important to monitor, which will help determine if violations of law are occurring such that additional changes to the salvage process are necessary.

### *Recommendation*

The study group did not recommend legislative changes to address the reporting issues addressed by the charge letter. However, DMV determined that, based on the concerns of auto recyclers, additional staff resources dedicated to working with the salvage industry would be appropriate. Those resources will be established through the normal hiring process, and begin work as soon as possible.

## OTHER ISSUES ADDRESSED BY GROUP

### *Use of Dealer License Plates*

Representative from independent automobile dealers asked the study group to discuss the use of dealer license plates as they relate to salvage vehicles. Salvage vehicles as defined under § 46.2-1600, are not considered motor vehicles because they are not able to be titled and registered. Dealer license plates are issued pursuant to Chapter 15 (§ 46.2-1500 et seq.). The use of these plates is restricted to motor vehicles as defined in that chapter. As such, independent dealers that are also licensed as salvage rebuilders are not permitted to use dealer plates on salvage vehicles. However, the *Code* (§ 46.2-1605) does allow trip permits to be issued in order to transport salvage vehicles to and from an inspection location.

Independent automobile dealers asked the study group to consider allowing dealer plates to be used on salvage vehicles for the purpose of transporting these vehicles to a state safety inspection location. They argued that, once a salvage vehicle has been rebuilt, but before it is eligible for title and registration, it is safe to operate on Virginia roads between a rebuilding location and a state safety inspection station. Furthermore, the independent dealers also stated that salvage vehicles are covered under their inventory insurance, and thus do not pose a risk to the public. As such, they stated that purchasing trip permits represents an unnecessary expense to independent dealers who could use dealer plates without endangering the traveling public.

DMV staff discussed this proposal internally and determined that allowing dealer plates to be used for this purpose would require a change to the *Code of Virginia*.

### *Recommendation*

This change would allow dealer tags to be used on salvage vehicles, but expressly limit them for the purpose of transporting such vehicles to and from a safety inspection location. This change would not affect the ability of salvage rebuilders that are not licensed independent dealers to apply for and receive trip permits. The group consented unanimously to this proposal. After internal discussion among DMV staff and discussion with stakeholders, the following amendment will be proposed to § 46.2-1605(F):

Notwithstanding any provision of this title to the contrary, a licensed salvage dealer or rebuilder who is also licensed as a motor vehicle dealer pursuant to Chapter 15 (§ 46.2-1500 et seq.) may use dealer's license plates for the sole purpose of transporting the rebuilt salvage vehicle to and from an official Virginia safety inspection station. Such dealer's license plates may not be used on any vehicle not owned by the licensed salvage dealer or rebuilder. For all other rebuilt salvage vehicles, when when necessary and upon application, the Department shall issue temporary trip permits in accordance with § 46.2-651 for the this purpose of transporting the rebuilt salvage vehicle to and from an official Virginia safety inspection station.

### *Self-Inspection of Salvage Vehicles*

Another topic stakeholders were asked to discuss was the possibility of allowing businesses

that are licensed as both a salvage rebuilder and as a state safety inspection location to use the on-site inspection station to inspect their own rebuilt salvage vehicles.

*Virginia Code* § 46.2-1605 requires rebuilt salvage vehicles to pass a state safety inspection and then a DMV salvage exam before the vehicle can be titled and registered in the Commonwealth. This same section also states that the state safety inspection must be conducted by an inspector, “wholly unaffiliated” with the person requesting the inspection. It is this requirement that some stakeholders wanted to discuss amending.

This proposal was discussed by stakeholders. During this discussion, concerns were expressed by the Virginia State Police, which licenses and regulate safety inspection stations, that allowing self-inspection of salvage vehicles could be abused, leading to unsafe vehicles operating on Virginia roads.

Ultimately, stakeholders decided not to include this proposal in the study’s recommendations.

### *Disposal of Vehicles from Storage Units*

The study stakeholders included owners of self-storage units. Representatives from these businesses asked the study group to examine the current process for disposing of motor vehicles with no value that are left in storage units.

The *Virginia Code* §§ 55-418 and 55-419 establish in law a lien on personal property in a self-storage unit if the fee for the unit is not paid. While these sections refer to personal property generally, both state that a motor vehicle left in a self-storage unit is subject to a lien under § 46.2-644.01, which is enforced through provisions in § 46.2-644.03.

Under §§ 46.2-644.01 and 46.2-644.03, storage unit owners wishing to enforce the lien on a motor vehicle are required to contact DMV and determine if the Department has a record for that vehicle. If there is a record for the vehicle, the storage unit owner must auction the vehicle and pay sales and use tax on the proceeds. If the vehicle in question has no DMV record, is more than six model years old, and is worth no more than \$3,000, the storage unit owner can obtain a title or nonrepairable certificate for the vehicle without having to sell it at auction. The owner is then permitted to dispose of the vehicle according to law.

Self-storage owners who brought this issue to the attention of the study group asked for clarification on the proper process to dispose of a motor vehicle in a storage unit for which the fee has not been paid. DMV staff worked with the self-storage representatives to provide additional information on the process in § 46.2-644.03 that provides a way to dispose of a vehicle with little or no value. The Department will review and update agency procedures, provide updated training to DMV staff handling this transaction, and provide customers with materials clearly explaining the steps they need to take.

The study group also discussed this issue, and determined that no legislative changes were necessary.

### *Technical Changes to Salvage Laws*

During the course of the study, stakeholders and DMV staff noted several sections of *Code*

that would benefit from technical corrections to help clarify salvage rules. DMV staff proposed making the following changes and has included them in either the consensus or supplemental draft legislation.

*Clarification in definition of “Salvage Dealer”*

DMV recommends this technical change to codify current practice. *Virginia Code* § 46.2-1603.1 establishes the duties of a purchaser of a salvage vehicle that “is sold as a unit” by a salvage dealer; however, the definition of “salvage dealer” recognizes only that such a dealer sells parts. The proposed change makes the definition of salvage dealer consistent with the implied authority to sell whole vehicles in § 46.2-1603.1 by expanding the definition to include anyone who acquires and sells a salvage vehicle as a whole unit. The change also excludes permitted sales/dispositions of salvage vehicles by individuals who acquired or retained them in good faith for their own use.

*Change § 46.2-1603(B) to say “salvage certificate” instead of “certificate of title”*

DMV staff identified this issue as a result of discussions about the distinctions between a “salvage certificate” and a “certificate of title” in the *Code*. *Virginia Code* § 46.2-1603(B) appears to contain a drafting error referencing the issuance of a “certificate of title” by DMV when the application required by that subsection is expressly for a “salvage certificate.” The current language appears to have been carried over from § 46.2-632, which sets out a similar process to obtain a title.

*Change to § 46.2-1603.2(A) regarding surrender of title or salvage certificate*

This issue was brought to DMV’s attention by a stakeholder, who noted that vehicle owners are not required to surrender a vehicle’s title or salvage certificate when they apply for a nonrepairable certificate. While the *Code* does require such a surrender by insurance companies, the requirement for a vehicle owner to do the same is not explicit. DMV believes the intent of Virginia law is for all titles or salvage certificates to be surrendered when nonrepairable certificates are requested. This technical change clarifies the *Code* by stating that any owner of a vehicle titled in Virginia must surrender the vehicle’s title or salvage certificate when applying for a nonrepairable certificate.

*Change to § 46.2-1604 regarding salvage certificates for vehicles to be sold by rebuilders*

DMV staff identified this issue as a potential loophole that could permit a rebuilder to sell a salvage vehicle that has not been rebuilt as a unit without first obtaining a salvage certificate for the vehicle. The current language is based on the supposition that a rebuilder will only be selling rebuilt vehicles; however, many rebuilders are also licensed salvage dealers. The proposed change to § 46.2-1604 requires rebuilders to have in their possession either certificates of title or salvage certificates for each vehicle in their inventories.

*Change to § 46.2-1605(F) regarding the use of dealer license plates on other vehicles*

This issue was brought to the attention of stakeholders by DMV Law Enforcement during



discussions about permitting the use of dealer license plates to transport rebuilt salvage vehicles to inspection stations. In the course of routine work, DMV agents encountered a situation in which a salvage dealer allowed his dealer license plates to be used on a vehicle owned by another individual. Even without an existing allowance for the plates to be used on salvage vehicles, this use was a violation of dealer license plate laws. To further protect against such a violation in light of the proposed language to allow dealer plates to be used on rebuilt salvage vehicles, DMV recommends this technical change in § 46.2-1605(F) to clarify that dealer plates cannot be used on a vehicle not owned by a salvage dealer or salvage rebuilder.

## Conclusion

The starting point for the salvage study team was the charge letter from Delegate Villanueva. It tasked the team with

1. Examining issues associated with reporting vehicle information to NMVTIS; and
2. Issuing a Virginia title to a vehicle that has had a junk or equivalent brand yet rebuilt in another state.

Over the past seven months, the study team has gathered information, discussed and considered options, drawn conclusions, and made recommendations. In the course of the study, the team also identified and investigated other areas pertinent to the issues under consideration. These included:

- Removing the definition of Nonrepairable Vehicle based on the percentage of damage;
- Issuing a nonnegotiable title to vehicles that had received a nonrepairable or equivalent brand in another state;
- Allowing dealer license plates to be used to transport salvage vehicles from a salvage rebuilder or dealer's business location to a state safety inspection location and back; and
- The process by which storage unit operators can dispose of a vehicle with no value.

In the conclusion of the study, the team made the following recommendations:

### *Nonrepairable Brand*

A majority of stakeholders recommended removing the percent of damage threshold for determining whether a vehicle is nonrepairable under Virginia law. However, this proposal did not receive unanimous support. Consequently, language removing the percent of damage threshold is included in a second draft legislative proposal for consideration by the General Assembly, found in Appendix C.

### *Vehicle Reporting*

The proposal for creating additional reporting requirements through NMVTIS to track the sale of vehicles from salvage auctions did not receive widespread support from stakeholders because of a lack of data. Consequently, the study recommends no legislative changes. However, DMV will dedicate additional staff resources to working with licensees and monitoring the salvage process.

### *Nonnegotiable Titles*

DMV's proposal for issuing nonnegotiable titles for vehicles declared nonrepairable in another state and subsequently rebuilt, titled, and registered in another state was accepted unanimously by all stakeholders. The recommended change is included in the consensus draft

legislation found in Appendix D.

#### *Use of Dealer License Plates*

DMV's proposal for allowing dealer plates to be used on salvage vehicles for the purpose of transporting these vehicles to a state safety inspection location was unanimously accepted by stakeholders. The recommended change is included in the consensus draft legislation found in Appendix D.

#### *Self-Inspection of Salvage Vehicles*

The stakeholders did not support the proposal to allow salvage dealers that are also licensed inspection stations to inspect their own salvage vehicles. Consequently, this proposal is not recommended.

#### *Disposal of Motor Vehicles in Self-Storage Units*

DMV determined that self-storage owners may not have been utilizing the correct process for disposing of a motor vehicle left in a self-storage unit. DMV staff revised agency procedures and provided additional process information to self-storage owners on how to use the process established in *Code* for disposal of these vehicles.

In closing, DMV would like to again acknowledge and thank the stakeholders for the time and dedication they brought to this endeavor. Their willingness to actively participate and explore ways to make the salvage vehicle process more coherent and transparent enabled the team to meet and exceed the challenges posed by this study.

# Appendix A: Charge Letter



COMMONWEALTH OF VIRGINIA  
HOUSE OF DELEGATES  
RICHMOND

RONALD JOHN A. "RON" VILLANUEVA  
POST OFFICE BOX 61005  
VIRGINIA BEACH, VIRGINIA 23466

TWENTY-FIRST DISTRICT

COMMITTEE ASSIGNMENTS:  
TRANSPORTATION (CHAIRMAN)  
COMMERCE AND LABOR  
SCIENCE AND TECHNOLOGY

February 2, 2016

Mr. Richard D. Holcomb  
Commissioner  
Department of Motor Vehicles  
P.O. Box 27412  
2300 West Broad Street  
Richmond, VA 23269

Dear Commissioner Holcomb,

In 2014, the Department of Motor Vehicles (DMV) conducted a stakeholder study to examine several issues regarding salvage vehicles. I believe that this same approach should be used to examine further issues regarding how vehicle status is reported to the National Motor Vehicle Titling Information System (NMVTIS), as well obtaining a Virginia title for a vehicle that has been branded as non-repairable by another state.

I, along with other members of the General Assembly, have met with constituents who have indicated an interest in discussing the concept of DMV entering into a contract with a vendor for the purpose overseeing the reporting of vehicle status to (NMVTIS). In addition, some Virginia residents have expressed a desire to obtain a Virginia title for a vehicle that has been branded as non-repairable in another state. Under current law, DMV is prohibited from issuing a title to these vehicles.

To that end, I request that you once again convene a group of interested parties to study the issues mentioned above. I ask that you include as part of this group representatives from the salvage industry, insurance industry, law enforcement, the Virginia Automobile Dealers Association, the Virginia Independent Automobile Dealers Association, Commissioners of the Revenue of Virginia, and any other stakeholders identified by the Department that are necessary to accomplish this work.

I request that you report back to the House Committee on Transportation by December 1, 2016 with the results of the stakeholder study and its recommendations. As part of the report, please include any proposed legislation that would be necessary to pursue the recommendations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ron Villanueva".

Chairman, Ron Villanueva  
State Delegate, 21<sup>ST</sup> House District

DISTRICT: (757) 216-3883 • RICHMOND: (804) 698-1021 • FAX: (804) 698-6721  
E-MAIL: DELRVILLANUEVA@HOUSE.VIRGINIA.GOV

## **Appendix B: Comments from Salvage Stakeholders**

**From:** [Stone, Jacquelyn E.](#)  
**To:** [Whitham, Craig \(DMV\)](#)  
**Cc:** [George H. Dodson Jr. \(george.dodson.afxd@statefarm.com\)](mailto:george.dodson.afxd@statefarm.com)  
**Subject:** RE: Salvage Report  
**Date:** Tuesday, September 27, 2016 1:43:57 PM

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State Farm has no proposed revisions or comments. Excellent job in addressing State Farm's concerns regarding repair estimates as well as the various issues raised by the stakeholders. Thank you for the opportunity to work with you and the DMV team on this considerable undertaking. Well done!

**Jacquelyn E. Stone**

T: +1 804 775 1046 | M: +1 804 399 7779

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# **BROOKS AUTO SALES, INC.**

*Used Auto Parts Foreign and Domestic*

*Serving the Richmond Area Since 1952*



September 30, 2016

Craig Whitham  
Virginia Department of Motor Vehicles  
P.O. Box 27412  
Richmond, VA 23269

Dear Mr. Whitham:

On behalf of my company Brooks Auto Sales, Inc. with operations in Goochland County, Virginia, I am writing you to express my opposition to the proposed DMV legislation on nonrepairable vehicles.

The elimination of the 90% damage threshold for declaring a vehicle nonrepairable will have an adverse effect on my business and my industry. I believe that there will be less vehicles available and the cost of available vehicles will increase. This will result in a financial burden on my business and threaten my ability to retain my employees.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Raymond W. Brooks". The signature is written in a cursive, flowing style.

Raymond W. Brooks, Secretary/Treasurer

**Duval Auto Parts, Inc.**  
**1101 Burnbridge Road**  
**Forest, VA 24551**

September 28, 2016

Craig Whitham  
Virginia Department of Motor Vehicles  
P.O. Box 27412  
Richmond, VA 23269

Dear Mr. Whitham:

On behalf of my company **Duval Auto Parts, Inc.**, with operations in **Forest**, Virginia, I am writing you to express my opposition to the proposed DMV legislation on nonrepairable vehicles.

The elimination of the 90% damage threshold for declaring a vehicle nonrepairable will have an adverse effect on my business and my industry. I believe that there will be fewer vehicles available and the cost of available vehicles will increase. This will result in a financial burden on my business and threaten my ability to retain my **seven** employees.

Thank you for your consideration.

Sincerely,

Kenneth S. (Steve) Abbott  
President, Duval Auto Parts, Inc.





"Home of the Happy Part"  


**540-582-5475**  
**800-874-0620**  
6516 South Roxbury Mill Road  
Spotsylvania, VA 22551-2430  
Hours: Mon-Fri 8:00 - 5:00



September 28, 2016

Craig Whitham  
Virginia Department of Motor Vehicles  
P.O. Box 27412  
Richmond, VA 23269

Dear Mr. Whitham:

I am writing you to express my opposition to the proposed DMV legislation on nonrepairable vehicles.

The elimination of the 90% damage threshold for declaring a vehicle nonrepairable will have an adverse effect on my business and my industry. I believe that there will be less vehicles available and the cost of available vehicles will increase. This will result in a financial burden on my business and threaten my ability to retain my employees.

Thank you for your consideration.

Sincerely,

*Lisa E Street*

Lisa E Street  
Manager



**AUTO PARTS, INC.**  
**Stafford, Va**

September 30, 2016

Craig Whitham  
Virginia Department of Motor Vehicles  
P.O. Box 27412  
Richmond, VA 23269

Dear Mr. Whitham:

On behalf of my company, M & M Auto Parts, with operations in Fredericksburg and Stafford, Virginia, I am writing you to express my opposition to the proposed DMV legislation on non-repairable vehicles.

The elimination of the 90% damage threshold for declaring a vehicle non-repairable will have an adverse effect on my business and my industry. I believe that there will be fewer vehicles available and the cost of available vehicles will increase. This will result in a financial burden on my business and threaten my ability to retain my employees.

I also believe this legislation will expose consumers to potentially purchase vehicles that have been severely damaged.

Even though I oppose this legislation I would consider as an alternative that a title brand of Salvage Rebuilt be prominently displayed on the title of every vehicle that an insurance company decides is not worthy of repair. This would alert potential consumers to the fact that a vehicle was damaged to an extent that warrants further investigation on their part. This would enable businesses to repair any vehicle they may choose and at the same time protect consumers.

Thank you for your consideration.

Sincerely,

Charles R. Morrow  
C.E.O.

**U. S. TOLL FREE**  
**(800) 545-6855**  
**LOCAL**  
**(540) 659-2211**

***The Reliable Recycler!***

**EMAIL**  
**[PARTS@MMAUTO.COM](mailto:PARTS@MMAUTO.COM)**  
**FAX**  
**(540) 659-5691**

**From:** [Matt Caddy](#)  
**To:** [Whitham, Craig \(DMV\)](#)  
**Subject:** Salvage Stakeholder Study--90% Threshold for Non-Repairable.  
**Date:** Friday, September 30, 2016 4:20:04 PM

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Good Afternoon Craig,

I wanted to reach out to you one more time to ask DMV to reconsider its stance on removing the 90% repair estimate threshold for Non-repairable status vehicles.

Removing the mandate on insurance companies to remove these severely damaged vehicles from the Commonwealth's roadways is dangerous. Many times these are vehicles that have such severe damage that they will no longer be able to have the manufacturers intended structural integrity.

This will degrade their ability to operate safely on our roads and protect occupants as intended if the vehicle is involved in an accident.

This also has consequences for the 150 employees of LKQ Corporation in the Commonwealth. Non Repairable status vehicles are mandated to be sold to a licensed dismantler. By allowing Dealers or Exporters in the Commonwealth to purchase these vehicles they drive up the prices of the salvage vehicles that should not be back on the road. These dealers also in many cases take the vehicles apart and are not mandated to follow the same strict environmental guidelines that a licensed dismantler must follow. This causes an unfair disadvantage to those that follow the rules in our industry.

We rely on these vehicles to process and sell parts to our Virginia customers. This change will cause hardship to our businesses in Virginia and to the businesses of other licensed dismantlers in the Commonwealth.

Thank you for your time and consideration,

**Matt Caddy**

District Manager

Northeast Region NE5 District

Plant Manager LKQ of Northern VA 1385

17445 Old Stage Coach Rd Dumfries VA 22026  
W:703-441-4823 F:877-712-9305 C:503-849-3283  
E:mcaddy@lkqcorp.com





October 5, 2016

The Honorable Richard D. Holcomb  
Commissioner  
Virginia Department of Motor Vehicles  
2300 West Broad Street  
Richmond, VA 23269

Dear Commissioner Holcomb:

On behalf of LKQ Corporation (LKQ), I write to share our thoughts regarding the Department of Motor Vehicles (DMV) Salvage Study 2016 Report. LKQ is a leading domestic and international provider of alternative and specialty parts to repair and accessorize automobiles and other vehicles. In the Commonwealth, we employ 150 people at facilities in Chesapeake, Dumfries, Sterling, and Williamsburg. We appreciate the opportunity to participate in this study, and offer the following feedback.

While we believe that additional reporting and data consolidation would greatly benefit DMV and would best address concerns related to unlicensed individuals purchasing vehicles at auction in violation of Virginia law, we nevertheless are pleased that the agency has committed to providing additional resources in enforcement, with the hiring of an additional Law Enforcement Officer, and the reassignment of another Law Enforcement Officer to oversee the Salvage Program. These additional assets are a recognition of the questions that exist and will help address some of the issues we raised during the stakeholder meetings.

We work with motor vehicle agencies across the country, and can say with confidence that Virginia's DMV is a leader with how you engage salvage industry stakeholders to ensure that policy best aligns with industry practices. While we support the increased enforcement mechanisms outlined in the report, we remain concerned about several additional recommendations.

On page three, the executive summary states that in addition to the issues outlined in the charge letter, the study expanded to address the specific requests of stakeholders, one of which was removing the definition of Nonrepairable Vehicle based on the percentage of damage. This issue was not raised during a stakeholder or workgroup meeting, but was discussed by DMV staff as it related to issues with out-of-state salvage certificates or similar documents.

The charge letter from House Transportation Committee Chairman Ron Villanueva was very specific, and as such, we do not believe it is appropriate to make additional recommendations, particularly when there is significant disagreement among stakeholders. On page 13 of the report, DMV states that the goal is for any recommended legislation to be generally acceptable to all stakeholders. This recommended legislative change, while agreed to by some, is not acceptable to our company.

The proposed legislative change is to eliminate the 90% threshold that requires branding of a vehicle with a nonrepairable designation if damage to the vehicle exceeds 90% of the actual cash value. Eliminating this threshold could allow badly damaged vehicles to be placed back on Virginia roads, as assessing the damage becomes discretionary and highly subjective. The decision whether to repair, recycle for parts, or scrap a vehicle hinges on the percentage of damage, and the 90% threshold serves as an important delineation as to whether it can be rebuilt or should be destroyed. Without this safeguard, unsafe vehicles could be considered repairable when such vehicles should not be put back on the roads since they cannot be adequately repaired to operate safely. During the 2014 Salvage Study this issue was examined by the same stakeholders, and no changes were made on the issue due to the lack of consensus among the entire group.

It is unclear why there is a push to undo the work of the stakeholder group from just a few years ago. DMV staff indicated support for this change, as they expend significant manpower hours to contact insurance companies to obtain information to determine if a vehicle is eligible for a salvage certificate or if it should be considered nonrepairable. DMV estimated that in the past three years, a total of 163 vehicles that applied for salvage certificates were instead issued nonrepairable certificates after a repair estimate.

It appears that this change is being pushed to save DMV time and resources, for what amounts to a very small number of vehicles. We feel strongly that whatever resources are saved by this change would not outweigh the potential detrimental impact to consumer safety. The extra work conducted by DMV in computing the 90% threshold is what makes the process in Virginia superior to surrounding states. By relying on other states that do not have checks and balances for determining if a vehicle should be rebuilt or not, Virginia would be moving backwards leaving this important determination up to a completely subjective process.

As the report indicates, there is not consensus among the stakeholders for eliminating the 90% threshold, and as such, we strongly urge DMV not to move forward with this legislative recommendation.

Please do not hesitate to contact me at (305) 720-1877 if you have any questions.

Respectfully,



Andreas Heiss  
Government Affairs Representative  
LKQ Corporation

## East Coast Auto Source, Inc.

PO Box 88, Moneta, VA 24121

(540) 586-5713

October 3, 2016

Dear Craig Whitham,

I wanted to take a minute to convey my support for the proposed legislation of, once and for all, doing away with the 90% non-repairable threshold. After attending all of the stakeholder meetings, it was crystal clear as to who has been negatively affected by this section of the Code of Virginia for several years. Not only is the *rebuilder community* adversely affected, but also every one of the *insurance companies* that were involved in the study, and most importantly, the *DMV*.

The toll it has taken on DMV to try to administer this code section - which is contrary to all the salvage laws of the 13 immediate states in this region of the country that were studied - has been a huge expense of man hours that it takes to research percentages of damage that have proven to not be consistent with what should justify a vehicle being rebuildable or not. The insurance companies will still have the ability to deem non-repairable vehicles as such. The overwhelming expense the insurance companies shoulder, for providing Estimates of Repair, will be eliminated, as well as the consequential cost that has been passed on to the constituents of Virginia as a real expense as a result of this.

In closing, not only am I licensed rebuilder, but 70% of my company's income comes from the sale of salvage parts. My company is also a member of VARA. Unfortunately, there is a small group of VARA members who are trying to legislate themselves an advantage at the expense of all the other stakeholders involved. By opposing this new proposed legislation they feel there will be more non-repairable cars that will come to them at a lower cost, while everyone else bears the burden of their savings. At our last meeting, there was an overwhelming majority in favor of supporting the proposed legislation change that will once and for all eliminate the 90% non-repairable threshold.

Sincerely,

George Aznavorian

East Coast Auto Source, Inc.  
President

**From:** [rwmooon@jandrautoparts.com](mailto:rwmooon@jandrautoparts.com)  
**To:** [Whitham, Craig \(DMV\)](#)  
**Subject:** Removal of percentages on salvage vehicles  
**Date:** Monday, October 03, 2016 10:03:16 PM

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Craig,

My name is Rodney Moon and I operate a business here in Southside Virginia called J and R Auto Parts and Salvage Inc. We are a dealer, demolisher and rebuilder that has been in business for 29 years. I am contacting you to voice my opinion on the recent proposal to remove the percentage of damage on salvage vehicles. This is a real problem for us rebuilders because when we buy cars out of state with salvage titles we have no way of knowing on some of these cars if we will be able to get a Virginia title or if will be a non-repairable. We have been stuck with many vehicles that we purchased to rebuild with salvage titles and Virginia deemed them non-repairable. This is unfair to Virginia rebuilders that that the same cars that North Carolina or other states can rebuild Virginia rebuilders cannot. I am in favor of removing the percentages .

Thank you,

Rodney Moon

**From:** [mike legg](#)  
**To:** [Whitham, Craig \(DMV\)](#)  
**Subject:** Fwd: non repairable threshold repeal  
**Date:** Monday, October 03, 2016 10:50:01 PM

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Dear Mr. Whitham,

I Michael Legg, owner/operator of Automotive Solutions a licensed rebuilder (7923) am in support of the proposed legislation that will remove the "90% non-repairable threshold". For better than a year since July 2015, I have suffered great losses by having the percentages re-evaluated to my detriment. This interpretation of the estimates has cost my company numerous sales due to the inability to rebuild cars from out of state that all other states consider rebuildable.

I am in complete support of the proposed legislation that will finally do away with the "90% non-repairable threshold".

Thank you for your consideration,

Michael Legg  
Owner/Operator  
Automotive Solutions  
115 17<sup>th</sup> Street NW  
Roanoke, VA 24017



**From:** [L B b auto inc](#)  
**To:** [Whitham, Craig \(DMV\)](#)  
**Subject:** Study  
**Date:** Monday, October 03, 2016 11:30:11 PM

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Craig Whitham,

I am submitting this to state I am in favor of and support the recommended Legislative changes proposed for Dealer tag use to get salvage vehicles to and from the inspection station and the technical changes recommended for non negotiable titles.

Thank You

Lynn Martin

**From:** [L.B.b auto inc](#)  
**To:** [Whitham, Craig \(DMV\)](#)  
**Subject:** Salvage study comments  
**Date:** Tuesday, October 04, 2016 4:17:55 AM

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Craig Whitham,

I would like to express my support in favor of the recommended changes to eliminate the requirement that late model vehicles with an estimate of 90% or greater of their ACV are required to be non-repairable. I have been repairing salvage vehicles over 20 years and have had to deal with a number of interpretive changes during this time.

As was stated in our last stakeholders meeting the original use and intent of the 90% ACV = non repairable was for situations existing decades ago. It has long since achieved its purpose and is no longer of any value.

(quote from minutes)

After Pat's comments, Benny Cunningham noted that the original intent of Virginia's salvage laws when first instituted was to combat auto theft. He also stated that if consumers are being harmed by not having a 90 percent threshold, then there should be data from states without a percentage demonstrating this. Pat agreed, noting that the 90 percent threshold was the solution at the time to eliminate chop shops. He continued that this is no longer a problem, as the salvage industry and the DMV salvage exam has evolved to the point where the 90 percent threshold no longer serves a purpose.

It has however, over time been reinterpreted multiple times to be used for a different purpose. Also, is now applied to salvage vehicles with valid negotiable salvage certificates from other states. Now the laws that were intended to apply to claims in VA, are also being applied to out of state salvage certificates.

Most of the time these interpretive changes have been given to us verbally, and are not in print with an effective date.

I have even received a call on paperwork that was in the workroom and a interpretive change had just been made, that I needed to provide more info, but it may change again in 2 weeks, which it did. I never received anything about it in print.

It is just as frustrating for the salvage workroom employees as it is for us, to deal with the reinterpretations. I feel the Salvage repair industry serves an important part of being responsible stewards of our planet and its natural resources.

By repairing a damaged vehicle, using a fraction of the labor and natural resources required to build a new replacement, we are providing affordable transportation for our citizens who can't afford a new vehicle. Every salvage vehicle that is repaired and kept in service meets legitimate needs of our citizens and in turn generates sales tax and personal property taxes.

I recently was informed that statistics show that vehicles that are parted out in a salvage yard only on average have 15 or 16 parts, components or assemblies sold off of them, before being crushed. I feel being able to repair the repairable ones is the most efficient method to recycle them. I have never understood why an original estimate is to determine whether a vehicle should be repaired or deemed non repairable.

There is no standard for estimates. They can be written on new OE parts, aftermarket parts, used LKQ parts, they are frequently overwritten, multiple thousands of dollars to achieve total loss status. They cannot be challenged even though they do not accurately reflect the actual damage to the vehicle.

I have illustrated this with a \$15,000 ACV recovered theft vehicle that had an almost \$23,000 estimate written on it. The only damage, was 5 bolt in seats were stolen out of it. The adjuster that handled the claim itemized every part in the 5 missing seats to come up with the almost 23k estimate. most folks know that a nice set of seats can be obtained for \$600 to \$1,100 from a salvage yard. The vehicle could have been repaired for less than \$3,000 or over \$20,000 less than was estimated. Why should an unwrecked \$15,000 dollar vehicle be required to be chopped up for parts solely because of how an adjuster chose to write the estimate? This also begs the question of what all the parts on this vehicle, if purchased new would cost? If the parts in 5 seats cost over \$20,000 and this vehicle when new was around \$50,000. It would probably exceed \$250,000. So the dollar amount of an estimate doesn't necessarily reflect the damage on a vehicle.

It is situations like this and others that make it difficult for the salvage workroom,

They are being used unnecessarily to determine whether vehicles are to be deemed non repairable. Their function should be to simply process paperwork and not have to deal with the 90%ACV = nonrepairable dilemma.

I know some feel that removing this 90%ACV = nonrepairable may reduce the number of vehicles available to them, however this industry like all others is constantly changing and we have to adapt to market changes to survive. We are competing with buyers from around the world. The prices I see some of the nonrepairables vehicles bring, there is no way they are being parted out. They are going somewhere to be retitled and put back in service.

I am all for it to be an open/free marketplace. There is room for all of us. We should not be trying to use our government, in this case the DMV to try to gain a unnecessary advantage, while disregarding the unnecessary hassle it creates for others.

Most of us in the first meeting wanted clarity and simplification of the salvage processing.

The one item that has been creating the problems, hassle and conflict for many years, for us as rebuilders and the salvage workroom is the 90% ACV = mandatory nonrepairable status.

Lets stay on track to do away with this obsolete, unnecessary requirement.

I feel if DMV continues to keep this 90% rule in place, there needs to be a standard for estimates established, also maybe hire someone from the Autobody repair industry to help evaluate estimates and help resolve the problems this has been creating.

Lynn Martin

**From:** [Sammy Wright](#)  
**To:** [Whitham, Craig \(DMV\)](#)  
**Subject:** Re: Salvage Report  
**Date:** Tuesday, October 04, 2016 7:57:45 AM

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Craig C. Whitham, Virginia DMV Senior Policy Analyst,

Starting, I would like to say that as a Very Concerned Stakeholder in the past meetings and Discussions I am convinced without a doubt that the 90 Percent Threshold or any Percentage Threshold that has been determining, when a Vehicle should be considered Non Repairable should be totally abandoned. As I and many others have said in most cases the mere cost of repairing a Vehicle will quickly determine if the Vehicle is a proper Candidate for Repair or Rebuilding or should simply be used for parts. Also as we know any owner of any vehicle still has the option to declare a vehicle as Non Repairable by asking DMV to do so at no cost to owner. This may be due to Obvious condition of Vehicle or just because the owner's wishes are that the Vehicle may not be driven any more for whatever reason. Therefore again I say it should not be due to Dollars and Cents that would make it an Automatic thing.

I have been Engaged in the Rebuilding and Recycling Industry for over 20 Years and I have seen a lot of changes in these Industries trying to Streamline the process as well as looking out for the Consumer. I am in support of Full Disclosure of Vehicle Branding without a Doubt. Disclosure should be done even when not Required by Law because people need to know. With this being said, again Percentages should not determine if a Vehicle should be Repaired or not.

I am aware that some would say that Eliminating Non Repairable Status May Adversely Affect their Livelihood I would have to Disagree. I can say from Experience that what we now have in Effect has rendered mine.

I hope I have made good valid points and I would be more than willing to Express my reasoning and concerns when called upon to do so. There are a large number of Rebuilders in Virginia who make their livings this way and need to continue doing so.

Very Truly,  
Sammy Wright, Church Street Auto i



**Sammy G. Wright**  
Owner/Operator  
926 East Church Street  
Martinsville, VA 24112  
276-656-1955

**From:** [Chris Lagow](#)  
**To:** [Whitham, Craig \(DMV\)](#)  
**Cc:** [Grim, Karen \(DMV\)](#)  
**Subject:** RE: Salvage Report  
**Date:** Tuesday, October 04, 2016 2:08:13 PM

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On behalf of PCI, Nationwide Insurance, and Chubb, please accept these Comments to the draft report on the 2016 Salvage Study.

I appreciate the opportunity to have participated in these meetings, and again would like to applaud DMV for bringing the various stakeholders together to discuss the issues affecting the salvage industries and the administration of the salvage laws by DMV. I am not sure how many of these stakeholder studies I have been involved in on behalf of my insurer clients, but I do know that I have been involved in the Salvage Act discussions for almost twenty five years. That is worth mentioning in the context of one particular aspect of the 2016 Report, that which deals with the recommendation to eliminate the damage percentage threshold for declaring a late model vehicle to be “Nonrepairable”. In the late 80’s and early 90’s, chop shops were prevalent in many states. Certain late model vehicles that were very badly damaged in accidents were being bought by the criminals running the chop shops just for their VIN; similar models were stolen and the VIN’s were swapped out; the criminals paid top dollar for the wrecks, again just for the VIN. The earlier Salvage Act efforts zeroed in on this problem by requiring that every late model vehicle with damage in excess of 90% of its actual cash value had to be declared Nonrepairable; with the titles cancelled, they were stripped for parts and crushed . We have not heard of any chop shop activity at any of the subsequent Salvage Act Task Force meetings, so the threshold served its purpose apparently. When the 1992 salvage Act laws were passed, we had expectations that the Virginia Act would likely serve as Model legislation for many other states. That has not been the case however, and only one state, Florida, has anything substantially similar to the Virginia threshold for “Nonrepairable” vehicle titles. This last point is a big part of the reason for the 2016 Recommendation to eliminate the requirement to calculate the percentage threshold.

Insurers do support this recommendation. Furthermore, the stakeholders heard no hard evidence that the elimination of the threshold would reduce

the number of wrecked vehicles available for purchase by Recyclers. In fact, it might well increase the bidding competition on the vehicles at auctions. Rebuilders testified that they want to buy cars at auction with no more than 75% damage, so they can rebuild them and turn a profit upon resale. Recyclers typically buy wrecks with damage in excess of 75% to strip for parts, for the opposite reason- they are not profitable to the Rebuilder to rebuild. The salvage marketplace works without the need for the threshold currently imposed in the statute.

Salvage vehicles coming into Virginia from other states pose a particular administrative burden on DMV, that would be eliminated by the Recommendation. Our law does not sync up with but one other state; if a car from PA for example is given a salvage title by PA, that title cannot carry forward in VA unless and until DMV can ascertain that its damage did not exceed 90% of its actual cash value; this can be a very time consuming process for DMV, and one that wastes money for the rebuilder who bought the car in PA and brought it back to VA to rebuild and sell. If DMV finds out the damage exceeded 90% of ACV, they will not issue the Salvage Rebuilt title on it. Removing the requirement to provide the estimated cost to repair , stated as a percentage of the ACV of the vehicle, solves the problem. It is not necessary any more to block the criminal elements from getting the VIN, and there is no evidence that the marketplace will be adversely affected by doing so. Bringing Virginia law into line with other states will be a benefit to multiple industries involved with auto salvage.

Thank you again for allowing me the opportunity to participate in these proceedings.

Best Regards,  
Chris LaGow

---

Cunningham Brothers Auto Parts, LLC  
10980 Wards Road, Rustburg, VA 24588  
(434) 821-3310

October 4, 2016

Dear Craig Whitham,

This letter is in regards to my support of the proposed legislation of doing away with the 90% non-repairable threshold. Over the past 30 years, I have seen many changes in our automotive industry. The global economy has affected our consumers beyond measure and the negative impact of the current legislation is being felt by the DMV, insurance companies, and the automotive rebuilders.

The man power it takes to obtain an out of state insurance estimate on each every salvage title is very time consuming and expensive for all parties involved. The inability to enforce the current code from state to state has proven to be very costly to the DMV and to the automotive rebuilders.

Doing away with the proposed 90% non-repairable threshold will benefit everyone involved. The elimination of man hours and all the expenses that is used to administer the current code will prove to be very beneficial for all.

Sincerely,

Benny K. Cunningham



Nationwide Insurance  
7501 Boulders View Drive  
Richmond, VA 23225

October 7, 2016

Mr. Craig C. Whitham  
Virginia DMV, Senior Policy Analyst

Dear Craig,

I am writing on behalf of Nationwide Mutual Insurance Company (Nationwide) to voice support for the elimination of the 90% threshold associated with the title status of Non-Repairable. The removal of the statutory mandate removes the burdensome percentage calculation and places the authority to obtain a non-repairable certificate with the owner or insurer under this proposal.

Our Salvage Task Force group, of which I have been a member since 1999, came to a majority opinion to eliminate the non-repairable mandate. The history of the non-repairable certificate (NR) stretches back to legislation I worked on many years ago to combat 'chop shops' wherein salvage buyers were essentially buying totally destroyed, valuable vehicles just for the VIN. Over the years we were informed by the law enforcement stakeholders that the NR was a great success and that little to no activity was found with 'chop shops' and the like.

The majority of stakeholders agreed that the NR had served its purpose and was now creating more problems than it was solving. It should be noted that the opposition presented no sound reasoning to keep the NR mandate. The majority proponents agreed that removing the mandate still left the use of the NR titling instrument as an option. I can tell you from the insurance industry side of the equation, the NR will still be used to a large extent. Our industry places public safety at the forefront of what we do, therefore we do not want severely damaged vehicles back on the road, and we will be declaring vehicles non-repairable at the same pace we do today.

The opposition faction of our stakeholder group has been citing 'potential concerns' without sound reasoning. Their two concerns are that by eliminating the NR mandate, there will be fewer vehicles available to buy at auction. This argument is intellectually dishonest in that the same amount of vehicles will be available, the only difference will be the title type under which they are sold.

The second concern is that it will raise the cost of buying cars or parts. This argument speaks to one stakeholder group not wanting competition for salvage vehicles and would restrict who can



purchase a vehicle. This is a self-serving argument and did not sway the majority of the stakeholders.

The insurance industry supports open market competition. Restricting the marketplace artificially drives up prices and negatively impacts consumers leading to higher premiums.

The majority support for the draft report spoke to the marketplace balance issue and decided the playing field should remain level. Because of the points made in our letter, we are in strong support of the draft report.

Should you have any questions about support, please contact me for further details.

Sincerely,

Patrick Liles  
Associate Dir., Claims

October 10, 2016

Chadds Ford Business Campus  
Corporate Law  
6 Hillman Drive, Suite 200  
Chadds Ford, PA 19317

Catherine A. Rankin, Counsel  
Phone: 610-361-4145  
Fax: 610-361-4152  
[catherine.a.rankin.bk31@statefarm.com](mailto:catherine.a.rankin.bk31@statefarm.com)

Craig C. Whitham, Senior Policy Analyst  
Virginia Department of Motor Vehicles  
P.O. Box 27412  
2300 West Broad Street  
Richmond, Virginia 23269

**Sent via e-mail and United States Postal Service, First Class**

RE: Salvage Task Force

Dear Mr. Whitham,

State Farm thanks you for the opportunity to participate in the Salvage Task Force. Currently insurers are required to provide a copy of the insurance estimate to document that the 90% non-repairable threshold has been satisfied. The majority of the Task Force stakeholder supported the elimination of the 90% threshold, thereby allowing insurers to obtain a non-repairable title without submitting an estimate. We agree with that decision.

State Farm supports the elimination of the 90% threshold associated with the title branding for non-repairables. The removal of this aspect of the statute eliminates the percentage calculation and places the determination of when to obtain a non-repairable certificate with insurers. It also removes the burden of providing a copy of the insurance estimate when applying for a salvage certificate.

The Salvage Task Force group, which we have been involved in since 2004, came to a majority opinion to eliminate the 90% non-repairable threshold. The non-repairable certificate was put in place many years ago to fight 'chop shops', where disreputable salvage buyers were buying totally destroyed vehicles to acquire a clean VIN. During the Task Force, law enforcement advised there was very little, if any, VIN shopping activity.

The majority of the Task Force agreed that the 90% threshold had served its purpose and was now creating more work and problems than it is solving. The majority also noted that removing the threshold would have no real impact on non-repairable titling. As expressed in the meetings, the insurance industry will still brand vehicles as non-repairable as our goal is to do what is in the best interest of the public and their safety.

The opposition had two concerns with eliminating the threshold. First, they alleged that there would be fewer vehicles available for them to buy at auction. This is not the case. There will still be the same amount of vehicles available, the only difference will be the title type. Secondly, they asserted it would raise their cost for buying cars or parts.

Mr. Craig C. Whitham, Senior Policy Analyst  
Virginia Department of Motor Vehicles  
October 10, 2016  
Page Two

This may be true in some cases as there will be more buyers able to bid on these vehicles. However, the focus should be on fostering a competitive market for all customers, not what is best for one segment of salvage buyers.

The majority of the stakeholders clearly supported the draft report recommendation for the elimination of the 90% threshold and we believe this recommendation is in the best interest of all stakeholders as well as the general public.

Sincerely,



Catherine A. Rankin, Counsel  
State Farm Insurance Companies

CAR/daw/17668365

cc: Karen Grim, Assistant Commissioner, VA Department of Motor Vehicles  
George H. Dodson, Jr., Team Manager-Salvage, Claims Business Services  
Jacquelyn E. Stone



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October 12, 2016

Mr. Craig Whitham  
Senior Policy Analyst, Virginia DMV

Dear Craig:

As a representative of Erie Insurance Group, I am writing to reiterate our support for the proposed legislation of the DMV's Salvage Industry Stakeholder group, including the elimination of the 90% threshold associated with the non-repairable title status in Virginia. We agree with the overwhelming majority of the other members in the stakeholder group who support the proposed legislation and who reflect a broad variety of market perspectives.

I would like to add that the non-repair threshold was originally supported by the industry and law enforcement in order to curb auto theft. Since that time, modern developments have allowed more effective means of theft prevention, and both of the groups that originated the threshold legislation no longer feel it is needed. The 90% arbitrary threshold also adds numerous processing complications for DMV and the industry. This became obvious during the task force panel discussion.

Furthermore, it is important to note that the newly proposed legislation does not eliminate the salvage branding that already exists beyond the 75% which does brand the vehicle as salvage. The industry and the vehicle owner retain the option to brand the vehicle as a non-repair as needed without being tied to the threshold, which will continue to be done. The only current objection to the elimination of the threshold comes from a global parts supplier. All of their arguments have been vetted and dismissed in discussion, and we have had no issues in our neighboring states that do not have this type of threshold.

If you have any questions or would like to discuss this further, please do not hesitate to contact me.

Sincerely,

Harold Singh  
Section Supervisor, Material Damage Claims Quality Control



October 19, 2016

Mr. Craig C. Whitham  
Virginia DMV, Senior Policy Analyst  
2300 W Broad St  
Richmond, VA 23269

Re: Elimination of the 90% Non-Repairable Threshold

Dear Mr. Whitham,

I am writing on behalf of Virginia Farm Bureau Insurance Company to express support of the proposed elimination, by the 2016 Salvage Task Force, of the 90% non-repairable threshold requirement in Virginia.

Virginia Farm Bureau understands, and values, the importance of protecting consumers from vehicles that are not safe for travel on our nation's highways. The elimination of this requirement is not meant to diminish this importance in any way. It is, however, meant to reduce the administrative burden of this requirement on the insurance industry, as well as open salvage up to a wider, more competitive market. Currently, vehicles that meet the 90% threshold typically fall into the scrap or parts-only industry as a result of the titling classification of "parts car." Eliminating this requirement will open the market to rebuilders, thus providing the vehicle a second life which would offer a cost-effective solution for consumers.

Safety of the consumer and motorist is a major concern to the insurance industry. If this legislation is passed, there will be an option by the consumer and the insurance company to classify the damaged vehicle as non-repairable. This will ensure that all vehicles unsafe for public roadways would be removed from the rebuilt pool.

Based on the points in this letter, Virginia Farm Bureau is in strong support of the draft report.

Should you have any questions about our position, please contact me for further details.

Sincerely,

A handwritten signature in black ink, appearing to read "Richie Webb", written in a cursive style.

Richie Webb  
Physical Damage Manager  
Virginia Farm Bureau



**Appendix C**  
Nonrepairable Vehicle Definition and Associated Technical Changes  
Draft Legislation

45 "Late model vehicle" means the current-year model of a vehicle and the five preceding  
46 model years, or any vehicle whose actual cash value is determined to have been at least  
47 \$10,000 prior to being damaged.

48  
49 "Licensee" means any person who is licensed or is required to be licensed under this chapter.

50  
51 "Major component" means any one of the following subassemblies of a motor vehicle: (i)  
52 front clip assembly, consisting of the fenders, grille, hood, bumper, and related parts; (ii)  
53 engine; (iii) transmission; (iv) rear clip assembly, consisting of the quarter panels, floor panels,  
54 trunk lid, bumper, and related parts; (v) frame; (vi) air bags; and (vii) any door that displays a  
55 vehicle identification number.

56  
57 "Nonrepairable certificate" means a document of ownership issued by the Department for  
58 any nonrepairable vehicle upon surrender or cancellation of the vehicle's title and registration  
59 or salvage certificate.

60  
61 "Nonrepairable vehicle" means ~~(i) any late model vehicle that has been damaged and whose~~  
62 ~~estimated cost of repair, excluding the cost to repair cosmetic damages, exceeds 90 percent of~~  
63 ~~its actual cash value prior to damage;~~ (ii) any vehicle that has been determined to be  
64 nonrepairable by its insurer or owner, and for which a nonrepairable certificate has been issued  
65 or applied for; or (iii) ~~any other vehicle that has been damaged, is inoperable, and has to have~~  
66 no value except for use as parts and scrap metal, or for which a nonrepairable certificate has  
67 been issued or applied for.

68  
69 "Rebuilder" means any person who acquires and repairs, for use on the public highways, two  
70 or more salvage vehicles within a 12-month period.

71  
72 "Rebuilt vehicle" means (i) any salvage vehicle that has been repaired for use on the public  
73 highways ~~and the estimated cost of repair did not exceed 90 percent of its actual cash value or~~  
74 (ii) any late model vehicle that has been repaired and the estimated cost of repair exceeded 75  
75 percent of its actual cash value, excluding the cost to repair damage to the engine, transmission,  
76 or drive axle assembly.

77  
78 "Repairable vehicle" means a late model vehicle that is not a rebuilt vehicle, but is repaired  
79 to its pre-loss condition by an insurance company and is not accepted by the owner of said  
80 vehicle immediately prior to its acquisition by said insurance company as part of the claims  
81 process.

82  
83 "Salvage certificate" means a document of ownership issued by the Department for any  
84 salvage vehicle upon surrender or cancellation of the vehicle's title and registration.

85  
86 "Salvage dealer" means any person who acquires any vehicle for the purpose of reselling  
87 any parts thereof.

88

**Appendix C**  
Nonrepairable Vehicle Definition and Associated Technical Changes  
Draft Legislation

89 "Salvage pool" means any person providing a storage service for salvage vehicles or  
90 nonrepairable vehicles who either displays the vehicles for resale or solicits bids for the sale of  
91 salvage vehicles or nonrepairable vehicles, but this definition shall not apply to an insurance  
92 company that stores and displays fewer than 100 salvage vehicles and nonrepairable vehicles in  
93 one location; however, any two or more insurance companies who display salvage and  
94 nonrepairable vehicles for resale, using the same facilities, shall be considered a salvage pool.  
95

96 "Salvage vehicle" means (i) any late model vehicle that has been (a) acquired by an  
97 insurance company as a part of the claims process other than a stolen vehicle or (b) damaged as  
98 a result of collision, fire, flood, accident, trespass, or any other occurrence to such an extent  
99 that its estimated cost of repair, excluding charges for towing, storage, and temporary  
100 replacement/rental vehicle or payment for diminished value compensation, would exceed its  
101 actual cash value less its current salvage value; (ii) any recovered stolen vehicle acquired by an  
102 insurance company as a part of the claims process, whose estimated cost of repair exceeds 75  
103 percent of its actual cash value; or (iii) any other vehicle that is determined to be a salvage  
104 vehicle by its owner or an insurance company by applying for a salvage certificate for the  
105 vehicle, provided that such vehicle is not a nonrepairable vehicle.  
106

107 "Scrap metal processor" means any person who acquires one or more whole vehicles to  
108 process into scrap for remelting purposes who, from a fixed location, utilizes machinery and  
109 equipment for processing and manufacturing ferrous and nonferrous metallic scrap into  
110 prepared grades, and whose principal product is metallic scrap.  
111

112 "Vehicle" shall have the meaning ascribed to it in § 46.2-100. A vehicle that has been  
113 demolished or declared to be nonrepairable pursuant to this chapter shall no longer be  
114 considered a vehicle. For the purposes of this chapter, a major component shall not be  
115 considered a vehicle.  
116

117 "Vehicle removal operator" means any person who acquires a vehicle for the purpose of  
118 reselling it to a demolisher, scrap metal processor, or salvage dealer.  
119





**Appendix D**  
**Use of Dealer Plates, Nonnegotiable Titles, and Technical Changes**  
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1  
2                   **SENATE BILL NO. \_\_\_\_\_ /HOUSE BILL NO. \_\_\_\_\_**  
3

4 *A BILL to amend and reenact §§ 46.2-1600, 46.2-4603, 46.2-1603.2, 46.2-1604, 46.2-1605,*  
5 *and 46.2-1606 of the Code of Virginia.*  
6

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

8 **1. That §§ 46.2-1600, 46.2-4603, 46.2-1603.2, 46.2-1604, 46.2-1605, and 46.2-1606 of the**  
9 **Code of Virginia are amended and reenacted as follows:**  
10

11       **§ 46.2-1600. Definitions.**  
12

13       The following words, terms, and phrases when used in this chapter shall have the meaning  
14 ascribed to them in this section, except where the context indicates otherwise:  
15

16       "Actual cash value," as applied to a vehicle, means the retail cash value of the vehicle prior  
17 to damage as determined, using recognized evaluation sources, either (i) by an insurance  
18 company responsible for paying a claim or (ii) if no insurance company is responsible therefor,  
19 by the Department.  
20

21       "Auto recycler" means any person licensed by the Commonwealth to engage in business as a  
22 salvage dealer, rebuilder, demolisher, or scrap metal processor.  
23

24       "Cosmetic damage," as applied to a vehicle, means damage to custom or performance  
25 aftermarket equipment, audio-visual accessories, nonfactory-sized tires and wheels, custom  
26 paint, and external hail damage. "Cosmetic damage" does not include (i) damage to original  
27 equipment and parts installed by the manufacturer or (ii) damage that requires any repair to  
28 enable a vehicle to pass a safety inspection pursuant to § 46.2-1157. The cost for cosmetic  
29 damage repair shall not be included in the cost to repair the vehicle when determining the  
30 calculation for a nonrepairable vehicle.  
31

32       "Current salvage value," as applied to a vehicle, means (i) the salvage value of the vehicle,  
33 as determined by the insurer responsible for paying the claim, or (ii) if no insurance company is  
34 responsible therefor, 25 percent of the actual cash value.  
35

36       "Demolisher" means any person whose business is to crush, flatten, bale, shred, log, or  
37 otherwise reduce a vehicle to a state where it can no longer be considered a vehicle.  
38

39       "Diminished value compensation" means the amount of compensation that an insurance  
40 company pays to a third party vehicle owner, in addition to the cost of repairs, for the reduced  
41 value of a vehicle due to damage.  
42

43       "Independent appraisal firm" means any business providing cost estimates for the repair of  
44 damaged motor vehicles for insurance purposes and having all required business licenses and  
45 zoning approvals. This term shall not include insurance companies that provide the same

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46 service, nor shall any such entity be a rebuilder or affiliated with a rebuilder.

47

48 "Late model vehicle" means the current-year model of a vehicle and the five preceding  
49 model years, or any vehicle whose actual cash value is determined to have been at least  
50 \$10,000 prior to being damaged.

51

52 "Licensee" means any person who is licensed or is required to be licensed under this chapter.

53

54 "Major component" means any one of the following subassemblies of a motor vehicle: (i)  
55 front clip assembly, consisting of the fenders, grille, hood, bumper, and related parts; (ii)  
56 engine; (iii) transmission; (iv) rear clip assembly, consisting of the quarter panels, floor panels,  
57 trunk lid, bumper, and related parts; (v) frame; (vi) air bags; and (vii) any door that displays a  
58 vehicle identification number.

59

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

63

64 "Nonrepairable vehicle" means (i) any late model vehicle that has been damaged and whose  
65 estimated cost of repair, excluding the cost to repair cosmetic damages, exceeds 90 percent of  
66 its actual cash value prior to damage; (ii) any vehicle that has been determined to be  
67 nonrepairable by its insurer or owner, and for which a nonrepairable certificate has been issued  
68 or applied for; or (iii) any other vehicle that has been damaged, is inoperable, and has no value  
69 except for use as parts and scrap metal.

70

71 "Rebuilder" means any person who acquires and repairs, for use on the public highways, two  
72 or more salvage vehicles within a 12-month period.

73

74 "Rebuilt vehicle" means (i) any salvage vehicle that has been repaired for use on the public  
75 highways and the estimated cost of repair did not exceed 90 percent of its actual cash value-or  
76 (ii) any late model vehicle that has been repaired and the estimated cost of repair exceeded 75  
77 percent of its actual cash value, excluding the cost to repair damage to the engine, transmission,  
78 or drive axle assembly.

79

80 "Repairable vehicle" means a late model vehicle that is not a rebuilt vehicle, but is repaired  
81 to its pre-loss condition by an insurance company and is not accepted by the owner of said  
82 vehicle immediately prior to its acquisition by said insurance company as part of the claims  
83 process.

84

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

87

88 "Salvage dealer" means any person who acquires any vehicle for the purpose of reselling  
89 any parts thereof or who acquires and sells any salvage vehicle as a unit, except as permitted  
90 under subdivision B 2 of § 46.2-1602.

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91  
92 "Salvage pool" means any person providing a storage service for salvage vehicles or  
93 nonrepairable vehicles who either displays the vehicles for resale or solicits bids for the sale of  
94 salvage vehicles or nonrepairable vehicles, but this definition shall not apply to an insurance  
95 company that stores and displays fewer than 100 salvage vehicles and nonrepairable vehicles in  
96 one location; however, any two or more insurance companies who display salvage and  
97 nonrepairable vehicles for resale, using the same facilities, shall be considered a salvage pool.  
98

99 "Salvage vehicle" means (i) any late model vehicle that has been (a) acquired by an  
100 insurance company as a part of the claims process other than a stolen vehicle or (b) damaged as  
101 a result of collision, fire, flood, accident, trespass, or any other occurrence to such an extent  
102 that its estimated cost of repair, excluding charges for towing, storage, and temporary  
103 replacement/rental vehicle or payment for diminished value compensation, would exceed its  
104 actual cash value less its current salvage value; (ii) any recovered stolen vehicle acquired by an  
105 insurance company as a part of the claims process, whose estimated cost of repair exceeds 75  
106 percent of its actual cash value; or (iii) any other vehicle that is determined to be a salvage  
107 vehicle by its owner or an insurance company by applying for a salvage certificate for the  
108 vehicle, provided that such vehicle is not a nonrepairable vehicle.  
109

110 "Scrap metal processor" means any person who acquires one or more whole vehicles to  
111 process into scrap for remelting purposes who, from a fixed location, utilizes machinery and  
112 equipment for processing and manufacturing ferrous and nonferrous metallic scrap into  
113 prepared grades, and whose principal product is metallic scrap.  
114

115 "Vehicle" shall have the meaning ascribed to it in § 46.2-100. A vehicle that has been  
116 demolished or declared to be nonrepairable pursuant to this chapter shall no longer be  
117 considered a vehicle. For the purposes of this chapter, a major component shall not be  
118 considered a vehicle.  
119

120 "Vehicle removal operator" means any person who acquires a vehicle for the purpose of  
121 reselling it to a demolisher, scrap metal processor, or salvage dealer.  
122

123 **§ 46.2-1603. Obtaining salvage certificate or certificate of title for an unrecovered**  
124 **stolen vehicle.**  
125

126 A. The owner of any vehicle titled in the Commonwealth may declare such vehicle to be a  
127 salvage vehicle and apply to the Department and obtain a salvage certificate for that vehicle.  
128

129 B. Every insurance company or its authorized agent shall apply to the Department and  
130 obtain a salvage certificate for each late model vehicle acquired by the insurance company as  
131 the result of the claims process if such vehicle is titled in the Commonwealth and is a salvage  
132 vehicle. Whenever the insurance company or its agent makes application for a salvage  
133 certificate and is unable to present a certificate of title, the Department may receive the  
134 application along with an affidavit indicating that the vehicle was acquired as the result of the  
135 claims process and describing the efforts made by the insurance company or its agent to obtain

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136 the certificate of title from the previous owner. When the Department is satisfied that the  
137 applicant is entitled to the ~~title~~ salvage certificate, it may issue a salvage certificate ~~of title~~ to  
138 the person entitled to it. The Commissioner may charge a fee of \$25 for the expense of  
139 processing an application under this subsection that is accompanied by an affidavit. Such fee  
140 shall be in addition to any other fees required. All fees collected under the provisions of this  
141 subsection shall be paid into the state treasury and set aside as a special fund to be used to meet  
142 the expenses of the Department.

143  
144 C. Every insurance company or its authorized agent shall apply to the Department and  
145 obtain a certificate of title for each stolen vehicle acquired by the insurance company as the  
146 result of the claims process if such vehicle is titled in the Commonwealth and has not been  
147 recovered at the time of application to the Department. For each recovered stolen vehicle,  
148 acquired as a result of the claims process, whose estimated cost of repair exceeds seventy-five  
149 percent of its actual cash value, the insurance company or its authorized agent shall apply to the  
150 Department and obtain a salvage certificate. The application shall be accompanied by the  
151 vehicle's title certificate and shall contain a description of the damage to the salvage vehicle  
152 and an itemized estimate of the cost of repairs up to the point where a nonrepairable certificate  
153 would be issued. Application for the certificate of title shall be made within fifteen days after  
154 payment has been made to the owner, lienholder, or both. Application for the salvage  
155 certificate shall be made within fifteen days after the stolen vehicle is recovered.

156  
157 D. Every insurance company or its authorized agent shall notify the Department of each late  
158 model vehicle titled in the Commonwealth on which a claim for damage to the vehicle has been  
159 paid by the insurance company if (i) the estimated cost of repair exceeds seventy-five percent  
160 of actual cash value of the vehicle and (ii) the vehicle is to be retained by its owner. No such  
161 notification shall be required for a vehicle when a supplemental claim has been paid for the  
162 cost of repairs to the engine, transmission, or drive axle assembly if such components are  
163 replaced by components of like kind and quality.

164  
165 E. Every owner of an uninsured or self-insured late model vehicle titled in the  
166 Commonwealth which sustains damage to such an extent that the estimated cost of repairs  
167 exceeds seventy-five percent of the actual cash value of the vehicle prior to being damaged  
168 shall similarly apply for and obtain a salvage certificate. If no estimated cost of repairs is  
169 available from an insurance company, the owner of the vehicle may provide an estimate from  
170 an independent appraisal firm. Any such estimate from an independent appraisal firm shall be  
171 verified by the Department in such a manner as may be provided for by Department  
172 regulations.

173  
174 F. The fee for issuance of the salvage certificate shall be \$10. If a salvage vehicle is sold  
175 after a salvage certificate has been issued, the owner of the salvage vehicle shall make proper  
176 assignment to the purchaser.

177  
178 G. The Department, upon receipt of an application for a salvage certificate for a vehicle  
179 titled in the Commonwealth, or upon receipt of notification from an insurance company or its  
180 authorized agent as provided in subsection D of this section, shall cause the title of such vehicle

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181 to be cancelled and the appropriate certificate issued to the vehicle's owner.

182

183 H. All provisions of this Code applicable to a motor vehicle certificate of title shall apply,  
184 mutatis mutandis, to a salvage certificate, except that no registration or license plates shall be  
185 issued for the vehicle described in the salvage certificate. A vehicle for which a salvage  
186 certificate has been issued may be retitled for use on the highways in accordance with the  
187 provisions of § 46.2-1605.

188

189 **§ 46.2-1603.2. Owner may declare vehicle nonrepairable; insurance company required**  
190 **to obtain a nonrepairable certificate; applicability of certain other laws to nonrepairable**  
191 **certificates; titling and registration of nonrepairable vehicle prohibited.**

192

193 A. The owner of any vehicle titled in the Commonwealth may declare such vehicle to be a  
194 nonrepairable vehicle by applying to the Department for a nonrepairable certificate. The  
195 application shall be accompanied by the vehicle's title certificate or salvage certificate.

196

197 B. Every insurance company or its authorized agent shall apply to the Department and  
198 obtain a nonrepairable certificate for each vehicle acquired by the insurance company as a  
199 result of the claims process if such vehicle is titled in the Commonwealth and is (i) a late model  
200 nonrepairable vehicle or (ii) a stolen vehicle that has been recovered and determined to be a  
201 nonrepairable vehicle. The application shall be accompanied by the vehicle's title certificate or  
202 salvage certificate. Application for the nonrepairable certificate shall be made within 15 days  
203 after payment has been made to the owner, lienholder, or both.

204

205 C. Every insurance company or its authorized agent shall notify the Department of each late  
206 model vehicle titled in the Commonwealth upon which a claim has been paid if such vehicle is  
207 a nonrepairable vehicle that is retained by its owner.

208

209 D. The Department, upon receipt of an application for a nonrepairable certificate for a  
210 vehicle titled in the Commonwealth, or upon receipt of notification from an insurance company  
211 or its authorized agent as provided in subsection C of this section that a vehicle registered in  
212 the Commonwealth has become a nonrepairable vehicle, shall cause the title of such vehicle to  
213 be cancelled and a nonrepairable certificate issued to the vehicle's owner.

214

215 There shall be no fee for the issuance of a nonrepairable certificate. All provisions of this  
216 Code applicable to a motor vehicle certificate of title shall apply, mutatis mutandis, to a  
217 nonrepairable certificate, except that no registration or license plates shall be issued for the  
218 vehicle described in a nonrepairable certificate. Except as otherwise provided in this chapter,  
219 no vehicle for which a nonrepairable certificate has been issued shall ever be titled or  
220 registered for use on the highways in the Commonwealth. For purposes of this chapter, any  
221 vehicle for which a brand or indicator has been issued by another state, as reported to the  
222 National Motor Vehicle Title Information System or printed or stamped on the vehicle's non-  
223 Virginia title or other applicable document issued by that state, identifying such vehicle as  
224 "junk," "for destruction," "for parts only," "not to be repaired," or other similar designation,  
225 shall be deemed to have been issued a nonrepairable certificate by that state.

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226  
227 E. The Department, upon receipt of a title, salvage certificate, or other ownership document  
228 from a licensed salvage dealer or demolisher pursuant to subdivision A 1 of § 46.2-1603.1,  
229 shall cause the title, salvage certificate, or other ownership document to such vehicle to be  
230 cancelled and a nonrepairable certificate issued to the vehicle's owner.

231  
232 **§ 46.2-1604. Rebuilders required to possess certificate of title.**

233  
234 Each rebuilder shall have in his possession a certificate of title or salvage certificate assigned  
235 to him for each vehicle in his inventory for resale. If a rebuilder purchases a salvage vehicle to  
236 be used or sold for parts only, he shall conspicuously indicate on the salvage certificate that the  
237 vehicle will be sold or used as parts only and immediately forward the salvage certificate to the  
238 Department for cancellation. The Department shall issue a nonrepairable certificate for that  
239 vehicle.

240  
241 **§ 46.2-1605. Vehicles rebuilt for highway use; examinations; branding of titles.**

242  
243 A. Each salvage vehicle that has been rebuilt for use on the highways shall be submitted for  
244 a state safety inspection in accordance with § 46.2-1157. The inspection shall be conducted by  
245 an inspector wholly unaffiliated with the person requesting the inspection of the vehicle.

246  
247 B. Upon passage of a state safety inspection, each rebuilt vehicle shall be examined by the  
248 Department prior to the issuance of a title for the vehicle. The examination by the Department  
249 shall include a review of video or photographic images of the vehicle prior to being rebuilt, if  
250 available; all documentation for the parts and labor used for the repair of the salvage vehicle;  
251 and verification of the vehicle's identification number, confidential number, odometer reading,  
252 and engine, transmission, or electronic modules, if applicable. This inspection shall serve as an  
253 antitheft and antifraud measure and shall not certify the safety or roadworthiness of the vehicle.  
254 The Commissioner shall ensure that, in scheduling and performing examinations of salvage  
255 vehicles under this section, single vehicles owned by private owner-operators are afforded no  
256 lower priority than examinations of vehicles owned by motor vehicle dealers, salvage pools,  
257 licensed auto recyclers, or vehicle removal operators. The Commissioner may charge a fee of  
258 \$125 per vehicle, for the examination of rebuilt vehicles.

259  
260 C. Any salvage vehicle whose vehicle identification number or confidential number has  
261 been altered, is missing, or appears to have been tampered with may be impounded by the  
262 Department until completion of an investigation by the Department. The vehicle may not be  
263 moved, sold, or tampered with until the completion of this investigation. Upon completion of  
264 an investigation by the Department, if the vehicle identification number is found to be missing  
265 or altered, a new vehicle identification number may be issued by the Department. If the vehicle  
266 is found to be a stolen vehicle and its owner can be determined, the vehicle shall be returned to  
267 him. If the owner cannot be determined or located and the person seeking to title the vehicle  
268 has been convicted of a violation of § 46.2-1074 or 46.2-1075, the vehicle shall be deemed  
269 forfeited to the Commonwealth and said forfeiture shall proceed in accordance with Chapter  
270 22.1 (§ 19.2-386.1 et seq.) of Title 19.2.

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271  
272 D. If the Department's examination of a rebuilt salvage vehicle indicates no irregularities, a  
273 title and registration may be issued for the vehicle upon application therefor to the Department  
274 by the owner of the salvage vehicle. The title issued by the Department and any subsequent  
275 title thereafter issued for the rebuilt vehicle shall be permanently branded to indicate that it is a  
276 rebuilt vehicle. All rebuilt vehicles shall be subject to all safety equipment requirements  
277 provided by law. Except as otherwise provided in this chapter, No no title or registration shall  
278 be issued by the Department for any rebuilt vehicle that has not first passed a safety inspection  
279 or for any vehicle for which a nonrepairable certificate has ever been issued.  
280

281 E. If the Department's examination of a rebuilt salvage vehicle reveals irregularities in the  
282 required documentation or obvious defects, the Department shall identify to the owner the  
283 irregularities and defects that must be corrected before the Department's examination can be  
284 completed.  
285

286 F. Notwithstanding Va. Code § 46.2-1550, a licensed salvage dealer or rebuilder who is also  
287 licensed as a motor vehicle dealer pursuant to Chapter 15 (§ 46.2-1500 et seq.) may use  
288 dealer's license plates for the sole purpose of transporting the rebuilt salvage vehicle to and  
289 from an official Virginia safety inspection station. Such dealer's license plates may not be used  
290 on any vehicle not owned by the licensed salvage dealer or rebuilder. For all other rebuilt  
291 salvage vehicles, When when necessary and upon application, the Department shall issue  
292 temporary trip permits in accordance with § 46.2-651 for the this purpose of transporting the  
293 rebuilt salvage vehicle to and from an official Virginia safety inspection station.  
294

295 **§ 46.2-1606. Certificates of title issued by other states.**  
296

297 A. The Commissioner may accept certificates of titles for salvage vehicles or other  
298 documents deemed appropriate by the Department issued by other states indicating a vehicle  
299 has been declared salvage, and shall carry forward all appropriate brands or indicators. If the  
300 vehicle has not been rebuilt and the requirements of § 46.2-1605 have not been met, the  
301 Department shall issue a salvage certificate for the vehicle.  
302

303 B. If the Department receives an application for a title for a vehicle for which the National  
304 Motor Vehicle Title Information System, the vehicle's current non-Virginia title, or other  
305 applicable document issued by another state indicates that a brand or indicator has been issued  
306 by another state identifying such vehicle as "junk," "for destruction," "for parts only," "not to  
307 be repaired," or other similar designation, the application is accompanied by documentation to  
308 show such repairs, and such vehicle has been rebuilt, titled, and registered in a state other than  
309 Virginia, the Department shall issue a nonnegotiable title for the vehicle. Any negotiable  
310 security interests in the vehicle as provided in §§ 46.2-636 through 46.2-643 shall be shown on  
311 the face of the nonnegotiable title; however, no negotiable title shall ever be issued for the  
312 vehicle. At any time, the vehicle owner may declare a vehicle titled under this provision to be  
313 nonrepairable, in accordance with § 46.2-1603.2.  
314

315 A nonnegotiable title issued under this section shall not be transferred except as provided in



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316 §§ 46.2-633, 46.2-633.2, or 46.2-634 or when the vehicle is acquired by an insurance company  
317 as the result of the claims process. The transferee may not add as a co-owner an individual not  
318 entitled to possession of the vehicle under §§ 46.2-633, 46.2-633.2, or 46.2-634. If the vehicle  
319 will not be registered for use by the transferee, the transferee must declare the vehicle to be  
320 nonrepairable by applying for a nonrepairable certificate under § 46.2-1603.2.

321  
322 Any vehicle for which a nonnegotiable title has been issued pursuant to this section may be  
323 registered for use on the highways in the Commonwealth.

## Appendix E: Salvage Study Participants

### DMV Team

Matt Leary, Project Manager	Barbara Klotz, Legislative Services
Karen Grim, Deputy Commissioner	Craig Whitham, Legislative Services
Joseph Hill, Assistant Commissioner	Matthew Martin, Legal Affairs
Tonya Blaine, Vehicle Services	Kevin Bogner, Law Enforcement and Compliance Services
Sheila Stephens, Vehicle Services	Tom Penny, Law Enforcement and Compliance Services
Salome Davis, Vehicle Services	Lynwood Butner, Project Manager

### Stakeholders

Insurance	
George Dodson	State Farm Insurance
Vicki Harris	USAA
Anne Leigh Kerr	Kerr Government Strategies
Pat Liles	Nationwide
Chris LaGow	Nationwide, Liberty Mutual, ACE, PCI Insurers
Harold Singh	Erie Insurance
Richie Webb	VA Farm Bureau

Salvage Rebuilders/Auto Recyclers	
Andres Heiss	LKQ Corporation
Ray Colas	LKQ Corporation
Matt Caddy	LKQ Corporation
Robb Bohannon	Hunton & Williams
Myles Louria	Hunton & Williams
Jonathan Morrow	VARA
Jonathan Williams	VARA
Benny Cunningham	Cunningham Brothers Used Auto
George Aznavorian	East Coast Auto
Sammy Wright	Church Street Auto
Lynn Martin	L & B Auto
Lisa Street	Lew's Auto
Fay Elliott	Lew's Auto

Auto Auctions	
Gerald Faries	Copart Online Auto Auction
Alan Hoskins	Copart Online Auto Auction
James Hines	Copart Online Auto Auction
Danny Church	Insurance Auto Auctions (IAAI)

<b>Scrap Metal</b>	
Bobby Glenn	Sim's Metals
Cricket Williams	Scrap Metal Processors
Jim LoBianco	Davis Industries

<b>Motor Vehicle Dealers</b>	
Anne Gambardella	Virginia Automobile Dealers Association (VADA)
Pete Iaricci	Virginia Independent Automobile Dealers Association (VIADA)
Lois Keenan	Virginia Independent Automobile Dealers Association (VIADA)

<b>Government</b>	
Lt. Matt Patterson	Virginia State Police
Capt. Frank Glick	Virginia State Police
John Jones	Virginia Sheriffs Association
Sheriff Jim McLaughlin	Virginia Sheriffs' Association
Franklin Edmondson	Commissioner of the Revenue, City of Portsmouth
Janet Baugh	Office of the Attorney General
Dana Schrad	Association of Chiefs of Police

<b>Self-Storage Industry</b>	
Bruce Jennings	Virginia Self Storage Association

<b>General Public</b>	
Stephen Adkins	Citizen Representative