

Salvage Study

2019 Report

Virginia Department of Motor Vehicles
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Executive Summary

During the 2019 General Assembly session, legislators considered Senate Bill (SB) 1364, patroned by Senator John Cosgrove, Jr., and House Bill (HB) 1780, patroned by Delegate Robert Bloxom, Jr. Both bills proposed removing the requirement that a vehicle be late model¹ in order to meet the definition of salvage vehicle or rebuilt vehicle due to having been either acquired by an insurance company as part of the claims process or damaged to the extent that the estimated cost of repair would exceed the vehicle's actual cash value. The bills also required that a salvage certificate be issued in the following three situations: when an insurance company acquires a non-late model vehicle as part of the claims process, when an insurance company pays a claim for damage to a non-late model vehicle if the estimated cost to repair that vehicle exceeds 75% of its actual cash value and the vehicle is retained by its owner, and when an uninsured or self-insured non-late model vehicle sustains damage such that the estimated cost of repairs exceeds 75% of the vehicle's actual cash value. Obtaining a salvage certificate is currently discretionary in each of these situations. The bills would have mandated the current salvage process for non-late model vehicles.

During committee, questions were raised about the fiscal impact of implementing the bills as written. Instead of moving those bills forward during the session, the patrons of both bills requested the Chairs of the Senate and House Transportation Committees to commission the Department of Motor Vehicles (DMV) to review the fiscal impact of implementing the bills and other issues. The Chairs charged DMV to conduct a stakeholder study, report to the House and Senate Transportation Committees by December 2019, and consider the following issues:

- How Virginia currently defines salvage vehicles;
- Whether any consumer has been adversely affected by obtaining and registering a motor vehicle previously declared a total loss and reported to the National Motor Vehicle Title Information System (NMVTIS) without the consumer's prior knowledge;
- How surrounding states define salvage vehicles;
- The potential harm caused by lack of vehicle history information on non-late model, total loss vehicles;
- The current process used to examine rebuilt vehicles and determine whether the examination for stolen parts is necessary;
- The fiscal impact of making any proposed changes to the salvage vehicle process; and
- Data on the number of clean title vehicles reported to NMVTIS in 2017 and 2018 and the number of registered clean title vehicles that were previously reported to NMVTIS.

DMV held stakeholder meetings on June 6, July 8, and August 6, and conducted a stakeholder phone conference on October 4, 2019. Stakeholders representing auto auctions, auto

¹ "Late model vehicle" means the current-year model of a vehicle and the five preceding model years, or any vehicle whose actual cash value is determined to have been at least \$10,000 prior to being damaged. Va. Code § 46.2-1600.

parts dealers, auto rebuilders and recyclers, salvage dealers, insurers and insurance trade groups, the National Insurance Crime Bureau (NICB), the Office of the Attorney General, the Virginia Association of Chiefs of Police, the Virginia Automobile Dealers Association, the Virginia Automotive Recyclers Association, the Virginia Coalition of Motorcyclists, the Virginia Independent Auto Dealers Association, and the Virginia State Police participated in the meetings.

In an effort to assist stakeholders with developing recommendations, DMV's internal working group performed research and worked through the American Association of Motor Vehicle Administrators (AAMVA) to conduct two surveys to determine how surrounding states define salvage vehicles. While some of the NMVTIS data regarding registered vehicles that was referenced in the charge letter is not available from NMVTIS, DMV consulted with stakeholders and at the direction of the stakeholder advocating for SB 1364 and HB 1780, DMV staff requested from AAMVA the NMVTIS Virginia title data that is available, as well as NMVTIS junk, salvage and insurance (JSI) information for Virginia titles. DMV also obtained stolen vehicle information from NICB. DMV presented the results of this research and all data received to the stakeholder group. After providing stakeholders with an overview of the current DMV salvage process, agency staff offered a series of options for changing the process for the stakeholders' consideration.

This report includes summaries of jurisdictional law research and data presented at the stakeholder meetings, a summary of current Virginia law and salvage process, two options for modifying Virginia's current practice, and the stakeholder discussions and recommendations.

Based on the research, survey responses, data gathered, and stakeholder discussions, the study group recommended no legislative change to Virginia's salvage law or to DMV's salvage process. The stakeholder group's conclusion was not unanimous. The minority opinion is reflected in the report. Stakeholders submitted written responses to this report that are included in the appendices.

Introduction

During the 2019 General Assembly session members considered Senate Bill (SB) 1364, patroned by Senator John Cosgrove, Jr., and House Bill (HB) 1780, patroned by Delegate Robert Bloxom, Jr. Both bills proposed removing the requirement that a vehicle be late model² in order to meet the definition of salvage vehicle or rebuilt vehicle due to having been either acquired by an insurance company as part of the claims process or damaged to the extent that the estimated cost of repair would exceed the vehicle's actual cash value. The bills also required that a salvage certificate be issued in the following three situations: when an insurance company acquires a non-late model vehicle as part of the claims process, when an insurance company pays a claim for damage to a non-late model vehicle if the estimated cost to repair that vehicle exceeds 75% of its actual cash value and the vehicle is retained by its owner, and when an uninsured or self-insured non-late model vehicle sustains damage such that the estimated cost of repairs exceeds 75% of the vehicle's actual cash value. Obtaining a salvage certificate is currently discretionary in each of these situations. The bills would have mandated the current salvage process for non-late model vehicles.

After discussion of the potential fiscal impact of implementing the proposed legislation, SB 1364 was passed by indefinitely in Senate Transportation with a request that the Chair ask DMV to study the legislation and its impact and make a report to the Committee. After a similar discussion, HB 1780 was passed by indefinitely in House Transportation Subcommittee # 3, also with a request that the Chair ask DMV to study the legislation and its impact and make a report to the Committee.

On April 10, 2019, DMV received a letter from Senator Charles Carrico, Sr., Chair of the Senate Transportation Committee, requesting DMV to conduct a study to determine what costs are associated with making the amendments to the *Code of Virginia* ("the Code") that were proposed in the bill and to determine what impact that bill would have if enacted by the General Assembly. DMV received a similar letter from Delegate David Yancey, Chair of the House Transportation Committee, on April 19, 2019. DMV received a second letter from Delegate Yancey on April 23, 2019. The second letter charged DMV, in conjunction with stakeholders, to examine and consider the following additional issues and report to the House and Senate Transportation Committees by December 2019:

- How Virginia currently defines salvage vehicles;
- Whether any consumer has been adversely affected by obtaining and registering a motor vehicle previously declared a total loss and reported to the National Motor Vehicle Title Information System (NMVTIS) without the consumer's prior knowledge;
- How surrounding states define salvage vehicles;
- The potential harm caused by lack of vehicle history information on non-late model, total loss vehicles;

² "Late model vehicle" means the current-year model of a vehicle and the five preceding model years, or any vehicle whose actual cash value is determined to have been at least \$10,000 prior to being damaged. Va. Code § 46.2-1600.

- The current process used to examine rebuilt vehicles and determine whether the examination for stolen parts is necessary;
- The fiscal impact of making any proposed changes to the salvage vehicle process; and
- Data on the number of clean title vehicles reported to NMVTIS in 2017 and 2018 and the number of registered clean title³ vehicles that were previously reported to NMVTIS.

After review of this letter, DMV determined that at least part of the data requested is not maintained by NMVTIS. The NMVTIS database contains records of vehicle titles and the state of recorded title, but does not track a vehicle's registration status. DMV staff decided to rely on stakeholders to help define what information should be requested from NMVTIS.

DMV held stakeholder meetings on June 6, July 8, and August 6, and conducted a stakeholder conference call on October 4, 2019. Stakeholders representing auto auctions, auto parts dealers, auto rebuilders and recyclers, salvage dealers, insurers and insurance trade groups, the National Insurance Crime Bureau (NICB), the Office of the Attorney General, the Virginia Association of Chiefs of Police, the Virginia Automobile Dealers Association, the Virginia Automotive Recyclers Association, the Virginia Coalition of Motorcyclists, the Virginia Independent Auto Dealers Association, and the Virginia State Police participated in the meetings.

In preparation for the meetings, DMV's internal working group performed research and worked through the American Association of Motor Vehicle Administrators (AAMVA) to conduct two surveys to determine how surrounding states define salvage vehicles.

DMV consulted with stakeholders to determine what data to request from NMVTIS and obtained Virginia title records with brand designations and junk, salvage and insurance (JSI) records of Virginia-titled vehicles from NMVTIS for fiscal years (FY) 2017 and 2018. NMVTIS is a national database containing title information. According to its website:

The National Motor Vehicle Title Information System (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 the title fraud and other crimes.

Consumers can use NMVTIS to access important vehicle history information.⁴

DMV also requested stolen vehicle information from NICB. After providing stakeholders with the research and data and an overview of the current DMV salvage process at the initial meeting, agency staff offered a series of options for changing the process for the consideration of the group in follow-up discussions.

³ A "clean title" is a term conveying that the vehicle's title does not have a brand or designation.

⁴ National Motor Vehicle Title Information System, available at <https://www.vehiclehistory.gov/>.

DMV has previously conducted several studies on the subject of salvage vehicles. Recommendations and results of the 2016 study were discussed to the extent that legislative changes, effective July 1, 2017, could inform discussions related to the current study.

Based on the research, survey responses, data gathered, and stakeholder discussions, the study group reached a consensus to recommend no legislative change to Virginia's salvage law. The stakeholder group's recommendation was not unanimous. The minority position is reflected in the report. All written stakeholder comments received in response to the report are attached in the appendices.

Overview of Current Virginia Salvage Law

Chapter 16 (§ 46.2-1600 et seq.) of Title 46.2 of the *Code* provides for the regulation of salvage, nonrepairable, and rebuilt vehicles in Virginia. These laws apply to citizens, insurance companies, and the various groups that comprise the salvage industry. DMV licenses salvage-related businesses and ensures compliance with legal requirements. The laws regulate the industry; assist law enforcement in combating vehicle, vehicle part, and vehicle identification number (VIN) theft and fraud; and inform customers of a vehicle's status through the branding of the vehicle's title and record. The following discussion applies to vehicles titled in the Commonwealth.

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

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

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

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

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

The *Code* dictates when a vehicle must and when it may be declared salvage. Salvage declarations are mandated for late model vehicles when: 1) they are acquired by an insurance company as part of the claims process; 2) they are damaged to such an extent that their estimated cost of repair exceeds their actual cash value less their salvage value;⁵ 3) they are retained by their owners, but a claim for damage has been paid and the estimated cost of repair exceeds 75%

⁵ Va. Code §§ 46.2-1600 and 46.2-1603.

of the actual cash values of the vehicles;⁶ or 4) their owners are uninsured or self-insured and the vehicles sustain damage to such an extent that the estimated cost of repairs exceeds 75% of the vehicle's actual cash values prior to being damaged.⁷

Salvage declarations are mandated for any vehicle, regardless of age, if the vehicles: 1) are recovered stolen vehicles acquired by insurance companies as part of the claims process and the estimated cost of repair exceeds 75% of the actual cash values of the vehicles; or 2) have otherwise been determined to be salvage by the owners or insurance companies.⁸ When a salvage declaration is mandated by statute, the insurance company or owner, as applicable, must apply to DMV for a salvage certificate for the vehicle.⁹ For owner-retained late model vehicles, the *Code* requires the insurance company to notify DMV, which in turn requires the owner to obtain the salvage certificate.¹⁰

Va. Code § 46.2-1603 gives all vehicle owners discretion to declare vehicles to be salvage, regardless of age, while the definition of "salvage vehicle" implies insurance companies have the same discretion as part of the claims process. Because of this discretion, insurance companies may choose to apply for clean titles for older vehicles, referred to in this report as "non-late model," acquired through the claims process or retained by owners. In 2017, for an initial period of four years, insurance companies and owners were also given full discretion over whether a vehicle should be declared to be nonrepairable.¹¹

Pursuant to Va. Code § 46.2-1603(G), DMV cancels the vehicle's title and registration and issues the salvage or nonrepairable certificate after receiving either an application for a salvage or nonrepairable certificate or the notice from an insurer that an owner has retained a late model salvage or nonrepairable vehicle. DMV follows the same protocols for processing the applications regardless of vehicle age.

A vehicle for which a salvage certificate has been issued may be rebuilt, retitled, and driven on the highways.¹² Prior to being retitled, a rebuilt salvage vehicle must successfully pass a state vehicle safety inspection and then a DMV examination, which serves as an antitheft and antifraud measure not intended to certify the safety or roadworthiness of the vehicle.¹³ The fee for the DMV exam is \$125.¹⁴ If the vehicle passes both the state vehicle safety inspection and the DMV examination, referred to in this report as a rebuilt vehicle examination, DMV will issue a permanently branded title which indicates the vehicle is a rebuilt vehicle (a "rebuilt title"). That brand must be carried forward to any subsequent title.¹⁵ Generally, a vehicle for which a nonrepairable certificate has been issued cannot be titled or registered for use on the highways.¹⁶

⁶ Va. Code § 46.2-1603(D).

⁷ Va. Code § 46.2-1603(E).

⁸ Va. Code § 46.2-1600.

⁹ Va. Code § 46.2-1603.

¹⁰ Va. Code §§ 46.2-1603(D) and 46.2-1603(G).

¹¹ Acts 342 and 362, 2017 Acts of the General Assembly.

¹² Va. Code § 46.2-1603(H).

¹³ Va. Code § 46.2-1605(A).

¹⁴ Va. Code § 46.2-1605(B).

¹⁵ Va. Code § 46.2-1605(D).

¹⁶ Va. Code §§ 46.2-1603.2(D) and 46.2-1605(D).

For non-late model vehicles, insurance companies and owners have discretion to declare damaged vehicles to be salvage, so they may choose to obtain or keep clean titles with no brands for those vehicles following the claims process or if the vehicle is uninsured or self-insured. Vehicles with clean titles may be repaired and operated or sold without meeting the examination requirements for salvage vehicles. These clean-titled vehicles are the primary subject of the study charge.

In any discussion of clean and branded titles, it is important to note Virginia carries forward a title brand issued by another state.¹⁷ Upon receiving an application for a Virginia title, DMV queries the NMVTIS database. If the query returns information of the vehicle title being branded in another state, the Virginia title will be marked with the equivalent Virginia brand. If a branded title has been issued by another state but Virginia has no equivalent brand, such as a methamphetamine brand, Virginia will issue a title clearly indicating the vehicle carries another state's brand. If the NMVTIS query returns a clean title a Virginia title can be issued. Having each jurisdiction report issued titles to NMVTIS and query from the NMVTIS database before issuing any new titles prevents an owner from washing a vehicle's title by re-titling it from state to state.

¹⁷ Va. Code § 46.2-1606.

Overview of DMV Salvage Process

Current law grants an insurance company discretion on whether to apply for a salvage certificate or a nonrepairable certificate for late model vehicles, and discretion whether to apply for a clean title, a salvage certificate, or a nonrepairable certificate for non-late model vehicles. DMV must process an application for a salvage certificate or nonrepairable certificate when one is received.

DMV's Vehicle Branding Work Center (VBWC) processes all applications for salvage certificates, rebuilt vehicle examinations, and rebuilt titles. The VBWC verifies salvage licenses (e.g., salvage dealer, independent dealer, rebuilder); checks NMVTIS for brand history; reviews title history; and determines whether the customer is requesting a salvage certificate, a rebuilt vehicle examination, or a rebuilt title.

When an application for a rebuilt vehicle examination and rebuilt title and the appropriate fees are received (\$125 fee for the rebuilt vehicle examination and \$15 for the title), the VBWC reviews the vehicle brand and title information. Before issuing a title for the vehicle, the VBWC places a "Brand Held" and "Stop" on the vehicle record so a customer cannot obtain a title until the rebuilt vehicle examination has been completed.

The processing time for each salvage certificate application is about 7-1/2 minutes, which represents the time for the entire workflow, although that workflow is not always continuous. The processing time for a rebuilt vehicle examination application is approximately 20 minutes and includes processing the title, uploading the required information, and an internal review. The work center uploads the vehicle information and rebuilt vehicle examination application for DMV's Special Inspections Group (SIG) to begin the rebuilt vehicle examination process.

Once the SIG receives the application for a rebuilt vehicle examination, an agent reviews the application, schedules and completes the examination, and returns the application to the VBWC indicating a pass or fail. The average rebuilt vehicle examination takes between 45 and 60 minutes, excluding travel time, which can vary. The number of rebuilt vehicle examinations an agent can conduct per day will vary depending upon travel time and whether there is more than one examination to be conducted at a location. By statute, when scheduling rebuilt vehicle examinations, "single vehicles owned by private owner-operators are afforded no lower priority than examinations of vehicles owned by motor vehicle dealers, salvage pools, licensed auto recyclers, or vehicle removal operators."¹⁸

¹⁸ Va. Code § 46.2-1605(B).

Changes to Process Proposed by SB 1364 and HB 1780

Senate Bill 1364 and HB 1780 proposed removing the requirement that a vehicle be late model from the definition of a rebuilt vehicle to include any vehicle that has been repaired if the estimated cost of repair exceeds 75% of its actual value, excluding the cost to repair damage to the engine, transmission, or drive axle assembly. The bills proposed removing the requirement that a vehicle be late model from the definition of salvage vehicle to include any vehicle, other than a stolen vehicle, acquired by an insurance company as part of the claims process; or any vehicle which is damaged when its estimated cost of repair, excluding charges for towing, storage, and temporary replacement/rental vehicle or payment for diminished value compensation, exceeds its actual cash value less its salvage value.

The bills would have required an insurance company to apply for a salvage certificate for all vehicles acquired through the claims process when a vehicle's estimated cost of repair exceeds its actual cash value less its salvage value and to notify DMV if a claim is paid for any vehicle when its estimated cost of repair exceeds 75% of its actual cash value if the vehicle is retained by its owner. Every owner of an uninsured or self-insured vehicle would have also been required to obtain a salvage certificate for a vehicle, regardless of age, if its estimated cost of repairs exceeds 75% of the vehicle's actual cash value.

If these bills were to be enacted, the owner of each vehicle for which a salvage certificate is issued would be required to follow the current salvage process: ensure the vehicle passes a state vehicle safety inspection, pay the \$125 fee for and pass the DMV rebuilt vehicle examination, and apply and pay the \$15 title fee for a rebuilt title for the vehicle before it can be driven on the highways.

Research, Data, and Stakeholder Discussion

Processing Time and Volume

In recent years there has been a large increase in the volume of applications for salvage and nonrepairable certificates. Severe weather events damaging large numbers of vehicles, technological advances increasing repair costs, and legislative changes enacted in 2017, discussed later in this report, making it easier to obtain a salvage certificate have all led to the increased volume. Factors contributing to an increased volume of applications for rebuilt titles include more people entering the salvage and rebuilding business and out-of-state vehicles brought to Virginia and retitled here.

A primary concern expressed by stakeholders was the increased volume has led to longer wait times to obtain a salvage or nonrepairable certificate, a rebuilt vehicle examination, and a rebuilt title. For example, the current DMV processing time from the receipt of the application until a rebuilt title is issued is about six weeks.

From a business standpoint, the turnaround time is a concern both because a typical consumer is not prepared to wait six weeks for a rebuilt vehicle to be retitled before it can be driven and because the rebuilt vehicle waiting for an examination or title may be an idle asset taking up valuable space at a rebuilder's business. The group expressed concern with any legislative change increasing DMV turnaround time because the current delay already significantly impacts both the business community and consumers.

Stakeholders considered a proposal to follow North Carolina's salvage process in which both late model and non-late model vehicles are branded as salvage but non-late model vehicles are not subject to a rebuilt vehicle examination. The group noted North Carolina's turnaround time for the rebuilt vehicle titles is currently longer than Virginia's because North Carolina subjects late model rebuilt vehicles to both pre- and post-rebuilding examinations.

Following North Carolina in exempting non-late model vehicles from the rebuilt vehicle examination requirement would reduce turnaround time not only for those vehicles, but also late model vehicles, since DMV staff would be conducting fewer examinations overall. Virginia's rebuilt vehicle examination is a review of the parts used in the rebuilding process to determine whether any parts, or the vehicle itself, may have been stolen. The discussion on whether to exempt non-late model vehicles from the exam centered on whether the examination itself is necessary any longer. As part of that discussion, the group considered vehicle fraud and theft information provided by NICB. A report from calendar year 2016 shows only three of the top 10 vehicles reported as most stolen that year would have met Virginia's definition of late model; seven would be non-late model.¹⁹ Most stakeholders were comfortable this data supports continuing the practice of conducting the rebuilt vehicle examination on non-late model vehicles.

¹⁹ "NICB's *Hot Wheels*: America's 10 Most Stolen Vehicles," National Insurance Crime Bureau, July 12, 2017, www.nicb.org/new/news-releases/2016-hot-wheels-report.

As extending the requirements for applying for and obtaining a salvage certificate to non-late model vehicles will result in more rebuilt titles and increase DMV processing times, DMV presented information on current volumes and estimates on the number of additional full time employees DMV would need to maintain current processing times if the proposed legislation were enacted.

As shown in Table A, the total number of salvage and nonrepairable certificates issued in Virginia from FY 2015 through FY 2019 increased by 157.6%.

Table A: Salvage and Nonrepairable Certificate Volumes

Fiscal Year	Number of Salvage Certificates	Number of Nonrepairable Certificates	Total
FY 2015	14,449	13,681	28,130
FY 2016	24,407	22,810	47,217
FY 2017	31,053	29,469	60,522
FY 2018	61,890	6,457	68,347
FY 2019	67,201	5,266	72,467
Percentage Change	+365.1%	-61.5%	+157.6%

There are currently 14 full time employees in DMV’s VBWC. The manager and work leader have special work requirements and are not typically part of the workflow, which results in 12 full time employees processing the applications for salvage and nonrepairable certificates, rebuilt vehicle examinations, and rebuilt titles. Since FY 2015, there has been no increase in the number of full time employees to correspond with the increased volume of applications.

DMV is unable to project how many additional applications for salvage and nonrepairable certificates, rebuilt vehicle examinations, and rebuilt titles it will receive if the salvage process is mandated for non-late model vehicles. Although some insurance companies currently apply for a salvage or nonrepairable certificate for all non-late model vehicles they acquire as a result of the claims process, other insurance companies only request those certificates when it is mandated by law. Based on data from insurance companies and auto auctions, DMV estimates mandating the salvage process for non-late model vehicles could double, triple, or quadruple the volume of applications. If the volume of applications for salvage and nonrepairable certificates, rebuilt vehicle examinations, and rebuilt titles doubles, DMV estimates the need to hire 18 additional full time employees in the VBWC to manage the workflow to maintain current turnaround times.

As shown in Table B, the number of rebuilt vehicle examinations conducted from FY 2015 through FY 2019 increased by 42.5%. Broken down by late model and non-late model vehicles, the data shows roughly twice as many rebuilt vehicle examinations are conducted on non-late model vehicles.

Table B: Late Model and Non-Late Model Rebuilt Vehicle Examinations

Fiscal Year	Late Model	Non-Late model	Total
FY 2015	1,554	3,019	4,573
FY 2016	1,569	3,045	4,614
FY 2017	1,763	3,423	5,186
FY 2018	2,063	4,194	6,257
FY 2019 ²⁰	2,117	4,399	6,516
Percent Change	+36.2%	+45.7%	+42.5%

The SIG employs seven sworn law enforcement officers conducting rebuilt vehicle examinations and one non-sworn staff member providing support services to the unit. Mandating the salvage process for all vehicles will lead to an increase in the number of applications for rebuilt vehicle examinations. While the increased demand is difficult to estimate, the data shows in recent years roughly twice as many rebuilt vehicle examinations are conducted on non-late model vehicles as on late model vehicles. DMV estimates if the number of rebuilt vehicle examinations doubles, 11 additional full time employees will be needed in the SIG to maintain current processing times.

Vehicle History Information and NMVTIS

Vehicle history information can show if a vehicle title has been branded, whether it has been reported by an insurance company as a total loss vehicle, or whether it has suffered other significant damage. Providers of vehicle history reports use data obtained from various sources. Much of this information is also collected and retained in the NMVTIS database. A list of sources of vehicle history information available to any consumer, in addition to NMVTIS, includes: NICB, CARFAX, and AutoCheck.

Jurisdictions also use NMVTIS to access vehicle history information. NMVTIS is a federal database containing vehicle information reported by state motor vehicle agencies, insurance companies, and the salvage industry. According to its website,

²⁰ FY 2019 data is preliminary.

NMVTIS serves as a repository for information related to vehicles that have been in the possession of auto recyclers, junk yards and salvage yards. This repository is then used by states and consumers to ensure that junk or salvage vehicles are not later re-sold and ensures that the VINs from destroyed vehicles can never be used for a stolen auto.²¹

DMV reports vehicle title and brand information to NMVTIS. Insurers also report monthly to NMVTIS on vehicles they designate as total loss, regardless of whether they acquire the vehicle or the owner retains it.²² Auto recyclers, junk yards and salvage yards are required to provide NMVTIS with the following information on salvage vehicles received into inventory on a monthly basis: the VIN of the vehicle, when and from whom the vehicle was obtained, and whether the vehicle was crushed or disposed of, offered for sale or other purposes, or whether the vehicle is intended for export out of the United States.²³

The data reported to the NMVTIS JSI repository will appear on the vehicle history report; however, the information will not carry over to a Virginia title. To demonstrate, a stakeholder representing an auto auction business offered the following anecdotal data on vehicle history information. The stakeholder selected a random non-late model vehicle with a clean title from each of the auto auction's branch locations within the state and obtained reports from CARFAX, InstaVIN, and AutoCheck to see if junk, salvage, or total loss information appeared for each vehicle. The vehicle history reports correctly reflected the vehicle had been reported as a total loss for insurance purposes although the vehicle had a clean title.

In Virginia, a brand, such as "rebuilt," will be placed on a title following the salvage process or be carried forward onto a Virginia title, if it was issued by another jurisdiction. The information that an insurance company has designated a vehicle a total loss will not appear on the title. The conception of a total loss vehicle as severely damaged is not always accurate. In fact, the term "total loss" is not defined in the *Code* as it relates to motor vehicles.

Many people incorrectly believe the terms "total loss" and "salvage" are interchangeable. However, "total loss" is an insurance term describing a decision by an insurer that the lost value or repair cost of the damaged vehicle exceeds the value of its policy. In other words, the term reflects the value of the vehicle to the insurance company, not its condition or value to an owner or in the automobile market. Total loss can be calculated differently by different insurers and may not be equivalent to Virginia's (or another jurisdiction's) definition of salvage vehicle or nonrepairable vehicle. The insurer may use proprietary software to determine the point at which damage to a vehicle makes it a total loss.

²¹ "The Role of NMVTIS and How it Works for Auto Recyclers, Salvage Yards, and Junk Yards," available at https://www.vehiclehistory.gov/nmvtis_auto.html.

²² "NMVTIS Reporting Requirements for Insurance Carriers and Self Insurers," available at https://www.vehiclehistory.gov/nmvtis_insurance.html.

²³ "For Auto Recyclers, Salvage Yards, and Junk Yards," available at https://www.vehiclehistory.gov/nmvtis_auto.html#statelaws.

The factors affecting a total loss decision are fluid. In some cases, a vehicle declared a total loss by an insurer can still be safely driven. For example, difficulty in obtaining parts or hail damage can drive the decision to declare a vehicle a total loss. The declaration of total loss will vary by insurance company, by the type of damage sustained and availability of parts, by the type vehicle, and by vehicle age. Older, low-value vehicles can easily sustain enough non-structural damage to be declared a total loss, whereas higher-value late model cars with the same damage would be repaired.²⁴ Conversely, the technology on a newer vehicle can also result in a repair that is not economical even given the vehicle's higher value. This technology and other innovations manufacturers have made for consumer safety, in large part, have driven the steady increase in the cost of new cars and the value of used cars.

Consumer Consequences

Either a branded title or an insurance declaration of total loss impacts consumers by affecting vehicle value. Stakeholders concluded the diminished value of the vehicle is the primary harm consumers suffer when they purchase a vehicle without knowing its history. Stakeholders, including DMV's Highway Safety Office, are unaware of specific safety issues caused by lack of vehicle history information.

Va. Code § 46.2-602(A)(4) requires a person selling a rebuilt vehicle to disclose that fact to the buyer, but no similar provision in the *Code* requires disclosure of an insurer's total loss declaration. Additional duties to disclose information to buyers may be imposed by Virginia's Consumer Protection Act.²⁵ Stakeholders briefly discussed mandating dealers disclose all available total loss information before deciding the discussion exceeded the scope of the study charge which is limited to the study of issues surrounding the salvage process and availability of vehicle history information.

Even with the wide availability of vehicle history reports, a consumer might not learn of a vehicle's history. Some consumers do not obtain a vehicle history report. A consumer who relies on the title for information will not see total loss information. In addition, because the NMVTIS JSI database requires monthly reporting, a vehicle history report can be run before the JSI information is available if a vehicle's ownership changes rapidly.

Stakeholders representing motor vehicle dealers indicated lack of adequate vehicle history information can also harm dealers. Dealer associations explained dealers are sometimes unaware of vehicles' histories and sell those vehicles for full value. On multiple occasions, buyers of those vehicles have subsequently discovered the undisclosed total loss histories and sued the dealers for the vehicles' diminished values.

Other impacts include the potential the financial industry might be less willing to finance the purchase of a rebuilt vehicle with a branded title. In addition, there is consumer

²⁴ One stakeholder quipped that an insurer may declare a total loss on a 2002 Cavalier if it runs out of gas.

²⁵ Va. Code § 59.1-196 et seq.

demand for inexpensive used vehicles, and the proposed legislation could make inexpensive vehicles less available. Making these inexpensive used vehicles less available would have a negative impact on low-income consumers. With regard to owner-retained non-late model vehicles, mandating the salvage process will also prevent the owner of a damaged non-late model vehicle from driving it until the salvage process is complete, even if the repair does not involve a safety issue.

Stakeholders reiterated the concern that mandating the salvage process for non-late model vehicles essentially makes an insurance company's declaration of a vehicle as an economic total loss the same as determining a vehicle is a salvage vehicle under the *Code* and impacts consumers by branding vehicle titles. In 2018, the Ohio Bureau of Motor Vehicles was sued by the Ohio Independent Automobile Dealers Association and three dealers for its practice of using JSI data from NMVTIS reports to brand motor vehicle titles as salvage without owner knowledge. Enacted in response to the case, Ohio SB 263 stopped the practice until January 1, 2021, and ordered a study to investigate the effect and accuracy of using the reports to brand titles.²⁶ No results from the Ohio study are available; however, the Ohio situation, in general, was informative for Virginia's study group.

Also informative was DMV's 2016 salvage study, which has had a direct effect on how and how many salvage and nonrepairable certificates have been issued. The changes recommended by that study are related to the current issues in that the stakeholders in 2016 supported relying primarily on the judgment of insurance companies and owners to determine whether a vehicle could be rebuilt as a salvage vehicle or had reached the end of its life as nonrepairable. That reliance has changed how DMV issues salvage and nonrepairable certificates. DMV data shows the combined numbers of salvage and nonrepairable certificates have risen dramatically since FY 2015; however, the number of nonrepairable certificates issued has fallen sharply since the 2017 legislative changes.

The 2016 study examined issues with how vehicles were determined to be salvage or nonrepairable. One of the concerns addressed during the 2016 study was the *Code*'s definition of "nonrepairable vehicle" was based, in part, on vehicle damage percentage, which, in turn, required salvage applicants to submit a repair estimate for each vehicle so DMV could determine whether a salvage certificate could be issued or a nonrepairable certificate was needed. At the time, if the repair estimate exceeded the statutory damage threshold or indicated "total loss," DMV would issue a nonrepairable certificate.

Making this determination imposed a time consuming administrative burden on both the applicant and on DMV. For an applicant, it was easier to obtain a clean title than a salvage or nonrepairable certificate for a damaged non-late model vehicle because of the requirement for a repair estimate. For DMV, some applications could take days to process, if staff needed to contact insurance companies. In addition, it was imprecise because estimates marked "total loss" often had no calculated damage percentages. As a result, vehicles that would have otherwise been safe to operate were deemed to be nonrepairable and removed from the road.

²⁶ Harrison, A. and Rinehart, W., *Ohio's Salvage Problem*, retrieved September 19, 2019, available at https://www.ohiada.org/ohio_salvage_problem_news.php.

Since 2017, relying on the judgment of insurance companies and owners has likely contributed to the increased volume of applications for salvage and nonrepairable certificates. At the same time, stakeholders report observing a decrease in the number of clean titles issued to non-late model vehicles. Stakeholders hypothesized that insurers are already applying for and obtaining salvage certificates for non-late model vehicles even though the *Code* allows an application for a clean title.

Additional anecdotal data supporting this hypothesis was presented by a stakeholder representing auto auctions. He shared information that in 2016, 12% of the auction's vehicles had clean titles and 88% had salvage certificates; in 2017, 11% of the vehicles had clean titles and 89% had salvage certificates; and in 2018, 10% of the vehicles had clean titles and 90% had salvage certificates. He indicated the preliminary data for 2019 shows the percentage of clean title vehicles purchased by the auto auction continues to fall.

Insurers shared that some companies apply for a salvage certificate for all late model and non-late model vehicles they acquire and others decide on an individual basis how to proceed with non-late model vehicles. During this discussion of insurance industry practices, an insurance industry stakeholder noted the lack of data linking branding non-late model vehicles to improved consumer safety and emphasized the insurance industry is also in the consumer protection business and acts to apply for a salvage certificate for vehicles that should be branded.

Finally, motorcycle owners would also be negatively impacted. A stakeholder representing the motorcycle industry explained the damage sustained by a non-late model motorcycle is often significant enough to result in a total loss declaration, but the motorcycle owner is often able to repair and continue to drive the vehicle. The proposed legislation would require the owner to incur the time and expense of a rebuilt vehicle exam and rebuilt title before driving the vehicle.

After discussing the wide availability of vehicle history information, that total loss declarations are not necessarily evaluations of a vehicle's safety or whether a repair is essential, and that insurers appear to be evaluating each vehicle when they apply for a salvage certificate or title; the stakeholder group questioned whether the proposed legislation creates more consumer protection issues than it solves. The group also questioned whether the legislation was proposed because of known consumer protection issues that were not shared or because of a nationwide effort by the proponent of this legislation to legislate an advantage for itself to purchase vehicles for a lower price.

Clean Title Data

One of the charge letters directed DMV to obtain data from NMVTIS on the number of Virginia clean title vehicles reported to NMVTIS in 2017 and 2018 and the number of registered Virginia clean title vehicles previously reported to NMVTIS. However, NMVTIS does not collect data on registration information. The title information DMV reports to NMVTIS is for the Virginia titles it issues and will stay in the database unless another state

becomes the title state of record, even if the registration becomes inactive. After discussion with stakeholders on what information was being sought, in addition to the general clean title data, DMV requested data from NMVTIS on the number of vehicles with a clean title also reported in the JSI database as total loss vehicles in FY 2017 and FY 2018. DMV conducted multiple conversations and face-to-face meetings with AAMVA personnel to clarify the information requested. AAMVA did not have a method to readily compare the JSI data to titles. As the process of attempting to obtain the information unfolded, stakeholders also conducted several discussions about what data was needed and what the data could show as it pertains to the study questions. Stakeholders representing LKQ Corporation, advocates for the proposed legislation, would not share with the stakeholder group what it expected to learn from the data or how the data should be analyzed once it was obtained.

After several unsuccessful attempts to obtain the correct data, stakeholders discussed whether the requested information would be helpful to the group in reaching an informed decision on whether changes are needed to Virginia's salvage law. The majority of the group, with the proponent of the legislation dissenting, concluded data on how many clean title vehicles also had been declared as total loss by an insurer would not inform the discussion of whether consumers knew about the vehicle's history or had been harmed by a lack of such knowledge. Moreover, they said the data was unlikely to change their position on whether legislative changes are needed.

On September 24, 2019, DMV received three data files from AAMVA. The information in the files was shared with stakeholders by email and in a conference call. The first file contained a list of 17 million VINs for which Virginia was the record state of title for FY 2018. This number is more than two times the number of actively registered vehicles in Virginia. However, the discrepancy is understandable. The provided data contained all Virginia titles with a title record during FY 2018, not only the titles transferred during that year. Title records with Virginia as the record state of title during FY 2018 include the historical data of any title for which there is no record of the vehicle having ever been re-titled in another state.

The second file contained a list of VINs with JSI information including fields for record submit date, record type label, vehicle disposition code and vehicle disposition label. The final file contained a list of VINs with the following fields: brand date, brand code and brand label.

As noted earlier in this report, insurers, auto recyclers, salvage yards and junk yards are all required to report to NMVTIS any vehicle that is deemed to be junk, salvage or an insurance total loss under NMVTIS regulations. As a result, it is expected that a single VIN may have multiple report entries. For example, a vehicle may be reported to NMVTIS by an auto auction because it deemed the vehicle salvage and sold the vehicle, reporting a final disposition of sold. The entity that purchased the salvage vehicle from the auto auction is also obligated to report the salvage vehicle to NMVTIS. That entity may then decide to scrap or crush the vehicle, and would report the final disposition of the vehicle as scrapped or crushed. Because multiple entities are required to report information about the same VIN, the DMV data analyst noted that some VIN records were associated with multiple final

disposition entries or unknown final dispositions. For example, one VIN record contains separate crushed disposition reports on December 9, 2015, and August 26, 2017. A large percent of the JSI report entries contain a final disposition of unknown. These multiple entries for a VIN can be attributed to different entities fulfilling the obligation to report on vehicles that they deemed junk, salvage or insurance total loss vehicles. Additionally, a reporting entity may not always know a vehicle's final disposition at the time of reporting.

At the conference call conducted with stakeholders to discuss the data, stakeholders did not provide any additional information or direction about how the data is intended to be used or what specific question is to be assessed in relation to the data. After giving stakeholders an opportunity to ask questions or provide additional information, the call ended with no changes in position.

Options Considered

DMV presented three options to the stakeholder group: implement changes to the current process as proposed by SB 1364 and HB 1780; add a new process to electronically brand non-late model insurance-acquired and owner-retained salvage vehicles; or make no changes to the current salvage process.

The preceding sections described the group's discussion about implementing the changes proposed by SB 1364 and HB 1780. As explained, implementing the changes as set forth would create significant burdens not only on DMV, which estimates needing 18 new staff members in the VBWC to maintain current processing times, but also vehicle owners and insurance companies that will bear the additional time and expense the salvage process would impose on non-late model vehicles that can still be safely operated. In particular, owners of low-value, owner-retained, non-late model vehicles would be disproportionately impacted by the DMV examination and title fees they do not have to pay today, as well as the temporary loss of use of the vehicle, which is also not a factor currently.

After considering concerns raised at the first stakeholder meeting about the salvage process turnaround time, as well as the additional cost, DMV offered a proposal to effectively achieve the result intended by SB 1364 and HB 1780, but without increasing turnaround times and without significant additional costs to vehicle owners. DMV could create a unique salvage brand to be used on titles for non-late model vehicles that, today, can receive clean titles. This brand could be placed on a title through an electronic process initiated by an insurance company or an authorized agent of the company, such as an auto auction, based on the insurance acquisition code already in use in DMV's system. The vehicle itself would not be subject to a rebuilt vehicle examination, which would eliminate the \$125 rebuilt vehicle examination fee but not the \$15 title fee. This proposal would keep intact the insurance company's discretion to determine whether a vehicle should be subject to the full salvage process or issued a nonrepairable certificate; the new salvage-branded titles would only replace the clean title option available today.

For owner-retained vehicles, insurance companies would be required to report all vehicles, regardless of age; however, this proposal would give the companies the option to

directly request the salvage-branded title, rather than subject all vehicles to the full salvage process. As a result, the owners of vehicles that are either ready to drive or require only minor repair will not have to lose title and registration for any period of time. If the vehicles are unsafe or otherwise require significant repair, the option to require the full salvage process would remain in place. Nothing in this proposal would change the existing salvage process for late model vehicles. In contrast to the proposed legislation, DMV estimated the proposal could be implemented with three new full time employees in the VBWC.

Discussion of the DMV proposal was brief. Stakeholders believed having two different types of salvage brand would impose additional work on the insurance industry, would be confusing, and would raise significant questions about how vehicle values would be impacted. Furthermore, because the titles for owner-retained vehicles could be branded and replaced without the owner's involvement, stakeholders compared this process to the controversy occurring in Ohio when the Ohio Bureau of Motor Vehicles automatically branded vehicles based on JSI information.²⁷ In general, stakeholders were concerned that, like the proposed legislation, this approach may create more consumer protection issues than it solves. However, whether this proposal moved forward or not, DMV plans to re-design the salvage certificate to make it clearly distinguishable from a salvage branded title, which should help mitigate confusion consumers might have today.

If either option for changes to the *Code* is legislated, DMV would request an increase in its statutory maximum employment level to hire the additional staff outlined for the option. In addition, a budget amendment would be necessary to fund the staffing of additional positions.

The third option, making no changes at this time, was the preference of the majority of stakeholders. Discussion of this option centered primarily on three aspects. First, both the legislation and the DMV proposal appeared to amount to solutions in search of a problem. DMV has conducted multiple salvage studies over the past twenty years: this was the third salvage study since 2014. The problem the legislation was apparently intended to address has never been raised as a significant issue to study until now, nor has DMV ever been approached by vehicle purchasers or owners with the same concerns.

Second, if the primary concern of the backers of the legislation is that vehicle purchasers need more information about a vehicle's history before buying, there are many tools available already to provide that information. Those tools are not always perfect; however, they often include more information than DMV can provide on its own. Finally, because widespread problems have never surfaced and there are tools available already to help consumers get the information they may need, the potential burden and confusion either of those two approaches would create for the salvage process are not justified.

²⁷ See footnote 26.

Recommendations

As stated above, the majority of the stakeholder group support recommending no change to Virginia's salvage law. Those stakeholders included representatives from an auto auction, different auto parts dealers, auto rebuilders and recyclers, law enforcement, three different insurers, the Virginia Automobile Dealers Association, the Virginia Coalition of Motorcyclists, and the Virginia Automotive Recyclers Association. Objections to changing the current salvage process included the following:

- Vehicle history information is widely available to consumers without branding;
- Branding all non-late model vehicles acquired by an insurance company or retained by the owner after a claim has been paid relies on the insurance company's economic valuation of the claim and not an individual assessment of the vehicle;
- Mandating the salvage process for non-late model vehicles will increase the time and expense of rebuilding those vehicles by adding a rebuilt vehicle exam fee for each vehicle and by imposing the processing time for a rebuilt vehicle examination and rebuilt title application on all non-late model vehicles; and
- Owners who elect to retain damaged non-late model vehicles will be impacted by the change.

A minority of the stakeholders supports recommending a change to Virginia's salvage law by implementing the DMV proposal to electronically brand all non-late model insurance acquired or owner-retained total loss vehicles with a salvage brand. The two stakeholders advocating the minority position represent the Virginia Independent Auto Dealers Association and an auto parts dealer. They argued that broadening the definition of salvage vehicle and branding all applicable vehicles would better ensure consumers and dealers will be aware of a vehicle's prior damage history. As previously noted, any legislative change would require an increase in DMV's maximum employment level to facilitate hiring additional staff to support those changes as well as a budget amendment to fund additional staff positions.

In connection with the majority recommendation, DMV must note that its trade association, AAMVA, is in the process of finalizing a set of salvage vehicle best practices for states to follow. The agency is aware that the recommendation of this report, as well as current Virginia law, may be in direct contrast to the final provisions recommended by AAMVA and has shared relevant findings and discussions with the Association in advance of both the best practices document and this report. DMV traditionally advocates for the Commonwealth to adopt AAMVA best practices as fully as possible. However, on this issue, DMV supports the recommendation of the stakeholders and current Virginia law.

Conclusion

During the course of the stakeholder meetings the stakeholder group examined issues related to how Virginia and surrounding states define salvage vehicles. Stakeholders discussed whether consumers have been harmed by lack of vehicle history information on non-late model total loss vehicles, reviewed the current rebuilt vehicle examination and considered whether the examination is necessary, and explored the fiscal impact to DMV, the salvage industry, and consumers of making the proposed changes to the salvage vehicle process. There was robust discussion of these issues and the effects of enacting the proposed changes to the salvage process. In the end, the majority of stakeholders reached a consensus to recommend no change to Virginia's current salvage law.

DMV thanks the stakeholders for their time and the expertise and experience each stakeholder brought to the discussions. Their willingness to actively participate and engage in the study process made this report possible.

Appendices

Appendix A: Charge Letter from Chairman Carrico

SENATE OF VIRGINIA



C.W. "BILL" CARRICO, SR.
40TH SENATORIAL DISTRICT
ALL OF GRAYSON, LEE, SCOTT, AND WASHINGTON
COUNTIES; ALL OF THE CITY OF BRISTOL; AND PART OF
SMYTH, WISE, AND WYTHE COUNTIES
P.O. BOX 396
RICHMOND, VIRGINIA 23218
(804) 698-7540

COMMITTEE ASSIGNMENTS:
TRANSPORTATION, CHAIR
EDUCATION AND HEALTH
FINANCE
LOCAL GOVERNMENT
RULES

April 10, 2019

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

Dear Commissioner Holcomb:

During the 2019 General Assembly Session, Senate Bill 1364, patroned by Senator Cosgrove, and House Bill 1780, patroned by Delegate Bloxom, were introduced removing the requirement in the *Code of Virginia* that a vehicle be late model in order to meet the definition of salvage vehicle after having been acquired by an insurance company as part of the claims process or damaged to the extent that the vehicle's estimated cost of repair would exceed its value before the damage minus the salvage value. The bills proposed expanding corresponding reporting requirements to require application for a salvage certificate for certain early model vehicles and removing the requirement that a vehicle be late model in order to meet the definition of rebuilt vehicle.

In conversations with the patrons and those advocating for the bill, DMV indicated that these changes would result in a significant fiscal impact to the agency, including hiring and equipping new full time work center and law enforcement staff in order to continue to issue salvage titles and conduct necessary salvage exams in the current 30 day time frame. SB 1364 was passed by indefinitely in Senate Transportation with a request that the Chair ask the Department of Motor Vehicles to study the legislation and its impact and make a report to the Committee.

Therefore, I request that the Department of Motor Vehicles convene a workgroup of interested parties to study SB 1364 and determine what costs are associated with making the amendments to the *Code of Virginia* that are proposed in the bill and to determine what impact that bill would have if passed by the General Assembly.

I request that you report back to the Senate Committee on Transportation in December of 2019 with the results of the study and the working group's recommendations.

SENATE OF VIRGINIA



C.W. "BILL" CARRICO, SR.
40TH SENATORIAL DISTRICT
ALL OF GRAYSON, LEE, SCOTT, AND WASHINGTON
COUNTIES; ALL OF THE CITY OF BRISTOL; AND PART OF
SMYTH, WISE, AND WYTHE COUNTIES
P.O. BOX 396
RICHMOND, VIRGINIA 23218
(804) 698-7540

COMMITTEE ASSIGNMENTS:
TRANSPORTATION, CHAIR
EDUCATION AND HEALTH
FINANCE
LOCAL GOVERNMENT
RULES

Sincerely,

Bill

Charles W. Carrico, Sr.
Chair, Senate Transportation Committee

cc: The Honorable John A. Cosgrove, Jr.
The Honorable Robert S. Bloxom, Jr.
The Honorable Shannon R. Valentine
The Honorable David E. Yancey

Appendix B: Charge Letters from Chairman Yancey



DAVID E. YANCEY

POST OFFICE BOX 1163
NEWPORT NEWS, VIRGINIA 23601

NINETY-FOURTH DISTRICT

COMMONWEALTH OF VIRGINIA

HOUSE OF DELEGATES
RICHMOND

COMMITTEE ASSIGNMENTS:
TRANSPORTATION (CHAIRMAN)
EDUCATION
COMMERCE AND LABOR

April 17, 2019

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

Dear Commissioner Holcomb:

During the 2019 General Assembly Session, House Bill 1780, patroned by Delegate Bloxom, and Senate Bill 1364, patroned by Senator Cosgrove, were introduced removing the requirement in the *Code of Virginia* that a vehicle be late model in order to meet the definition of salvage vehicle after having been acquired by an insurance company as part of the claims process or damaged to the extent that the vehicle's estimated cost of repair would exceed its value before the damage minus the salvage value. The bills proposed expanding corresponding reporting requirements to require application for a salvage certificate for certain early model vehicles and removing the requirement that a vehicle be late model in order to meet the definition of rebuilt vehicle.

In conversations with the patrons and those advocating for the bill, DMV indicated that these changes would result in a significant fiscal impact to the agency, including hiring and equipping new full time work center and law enforcement staff in order to continue to issue salvage titles and conduct necessary salvage exams in the current 30 day time frame. HB 1780 was passed by indefinitely in House Transportation Subcommittee # 3 with a request that the Chair ask the Department of Motor Vehicles to study the legislation and its impact and make a report to the Committee.

Therefore, I request that the Department of Motor Vehicles convene a workgroup of interested parties to study HB 1780 and determine what costs are associated with making the amendments to the *Code of Virginia* that are proposed in the bill and to determine what impact that bill would have if passed by the General Assembly.

I request that you report back to the House Committee on Transportation in December of 2019 with the results of the study and the working group's recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Yancey', with a long horizontal flourish extending to the right.

David Yancey,
Chairman House Transportation Committee

cc: The Honorable Robert S. Bloxom, Jr.
The Honorable John A. Cosgrove, Jr.
The Honorable Shannon R. Valentine
The Honorable Charles W. Carrico, Sr.



COMMONWEALTH OF VIRGINIA

HOUSE OF DELEGATES
RICHMOND

DAVID E. YANCEY

POST OFFICE BOX 1163
NEWPORT NEWS, VIRGINIA 23601

NINETY-FOURTH DISTRICT

COMMITTEE ASSIGNMENTS:
TRANSPORTATION (CHAIRMAN)
EDUCATION
COMMERCE AND LABOR

April 18, 2019

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

Dear Commissioner Holcomb,

In lieu of moving House Bill 1780 forward, I am requesting the Department of Motor Vehicles (DMV) to conduct a stakeholder study to examine any issue related to how Virginia currently defines salvage vehicles. Specifically, whether any consumer has been adversely affected by obtaining and subsequently registering a motor vehicle that was previously declared a total loss and reported to the National Motor Vehicle Title Information System (NMVTIS) without their prior knowledge, and examining how surrounding states define salvage vehicles, compared to Virginia.

NMVTIS has been an effective tool in protecting consumers from fraud and potentially unsafe vehicles from being resold. Furthermore, we know it has also been useful in assisting the DMV and law enforcement in deterring and preventing title fraud and other crimes.

To that end, I request that you convene a group of interested parties to study the potential harm that is posed by the lack of vehicle history information on non-late model, total loss vehicles. The study must analyze data on:

- a) The number of "clean" title vehicles reported to NMVTIS in 2017 and 2018; and
- b) The number of registered "clean" title vehicles that were previously reported to NMVTIS.

I ask that you include as part of this group representatives from:

- a) the salvage industry;
- b) insurance industry;
- c) NMVTIS data consolidator;
- d) consumer interest groups; and
- e) any other stakeholders identified by the Department that are necessary to accomplish this work.

Furthermore, the study shall examine the current process DMV utilizes to examine rebuilt vehicles, and make any recommendations for improving the process, including whether the examination for stolen parts remains necessary.

The Commissioner shall report the findings and direct the House and Senate Transportation Committee to implement legislation should reasonable harm to consumers be found.

I request that you report back to the House and Senate Transportation Committee in December 2019 with the results of the stakeholder study. As part of the report, please include any proposed legislation that would be necessary to address the potential harm that is posed by the lack of vehicle history information.

Sincerely,

A handwritten signature in black ink, appearing to be 'D. J. A.', written over a horizontal line.

Delegate 94th House District

Appendix C: List of Stakeholders

Stakeholder List

DMV Study Team	
Karen Grim	Deputy Commissioner for Operations
Linda Ford	Assistant Commissioner of Governmental Affairs
Millicent Ford	Assistant Commissioner for Driver, Vehicle and Data Management Services
Joseph Hill	Assistant Commissioner for Enforcement and Compliance
Carla Jackson	Assistant Commissioner for Legal Affairs
Tonya Blaine	Department of Motor Vehicles
Kevin Bogner	Department of Motor Vehicles
Mary Brett Campbell	Department of Motor Vehicles
Greg Cavalli	Department of Motor Vehicles
Samuel Davenport	Department of Motor Vehicles
Salome Davis	Department of Motor Vehicles
Rose Lawhorne	Department of Motor Vehicles
Melita Leonard	Department of Motor Vehicles
Matthew Martin	Department of Motor Vehicles
Angela Schneider	Department of Motor Vehicles
Melissa Velazquez	Department of Motor Vehicles
Poppi Venable	Department of Motor Vehicles
Government Stakeholders	
Emma Buck	Division of Legislative Services
Frank Cannavan	Division of Legislative Services
Christian Parrish	Office of the Attorney General
Lieutenant Matt Patterson	Virginia State Police
Dana Schrad	Virginia Association of Chiefs of Police
Abigail Stephens	Division of Legislative Services
Stakeholders	
Jason Almarode	Virginia Automotive Recyclers Association
George Aznavorian	East Coast Auto Source, Inc.
Mark Binder	Copart
Robert Bohannon	Hunton Andrews Kurth/LKQ Corporation
Matthew Caddy	LKQ Corporation
Danny Church	Insurance Auto Auctions, Inc.
Ray Colas	LKQ Corporation
Benny Cunningham	Cunningham Brother's Auto Part Network
Matt Danielson	Virginia Coalition of Motorcyclists
George Dodson	State Farm Insurance
Gerald Faries	Copart
Susan Gaston	Virginia Coalition of Motorcyclists
Anne Gambardella	Virginia Automobile Dealers Association
Vicki Harris	USAA
Andreas Heiss	LKQ Corporation
Peter Iaricci	Virginia Independent Auto Dealers Association

Anne Leigh Kerr	Kerr Government Strategies/USAA
Chris LaGow	Property Casualty Insurers Association of America
Pat Liles	Nationwide Insurance
Thomas Lukish	Virginia Automobile Dealers Association
Lynn Martin	L & B Auto, Inc.
Kevin Park	Insurance Auto Auctions, Inc.
Harold Singh	Erie Insurance
Ken Smith	National Insurance Crime Bureau
Jacquelyn Stone	McGuire Woods/State Farm Insurance
Lisa Street	Lew's Auto Service & Salvage
Jon Street	Lew's Auto Service & Salvage
Sammy Wright	Church Street Auto Inc.

Appendix D: Senate Bill 1364

19100588D

SENATE BILL NO. 1364

Offered January 9, 2019

Prefiled January 8, 2019

A BILL to amend and reenact §§ 46.2-1600, as it is currently effective and as it shall become effective, 46.2-1602.1, 46.2-1603, and 46.2-1603.1 of the Code of Virginia, relating to salvage vehicles.

Patron—Cosgrove

Referred to Committee on Transportation

Be it enacted by the General Assembly of Virginia:

1. That §§ 46.2-1600, as it is currently effective and as it shall become effective, 46.2-1602.1, 46.2-1603, and 46.2-1603.1 of the Code of Virginia are amended and reenacted as follows:

§ 46.2-1600. (Effective until July 1, 2021) Definitions.

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

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

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

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

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

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

"Independent appraisal firm" means any business providing cost estimates for the repair of damaged motor vehicles for insurance purposes and having all required business licenses and zoning approvals. This term shall not include insurance companies that provide the same service, nor shall any such entity be a rebuilder or affiliated with a rebuilder.

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

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

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

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

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

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

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

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

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

59 "Salvage dealer" means any person who acquires any vehicle for the purpose of reselling any parts
60 thereof or who acquires and sells any salvage vehicle as a unit except as permitted by subdivision B 2
61 of § 46.2-1602.

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

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

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

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

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

86 **§ 46.2-1600. (Effective July 1, 2021) Definitions.**

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

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

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

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

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

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

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

109 "Independent appraisal firm" means any business providing cost estimates for the repair of damaged
110 motor vehicles for insurance purposes and having all required business licenses and zoning approvals.
111 This term shall not include insurance companies that provide the same service, nor shall any such entity
112 be a rebuilder or affiliated with a rebuilder.

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

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

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

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

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

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

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

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

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

140 "Salvage dealer" means any person who acquires any vehicle for the purpose of reselling any parts
 141 thereof or who acquires and sells any salvage vehicle as a unit except as permitted by subdivision B 2
 142 of § 46.2-1602.

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

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

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

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

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

167 **§ 46.2-1602.1. Duties of insurance companies upon acquiring certain vehicles.**

168 Every insurance company ~~which that~~ acquires, as a result of the claims process, any ~~late model~~
 169 vehicle titled in the Commonwealth or any recovered stolen vehicle whose estimated cost of repair
 170 exceeds ~~seventy-five~~ 75 percent of its actual cash value shall apply to and obtain from the Department
 171 either (i) a salvage certificate or certificate of title as provided in § 46.2-1603 or (ii) a nonrepairable
 172 certificate as provided in § 46.2-1603.2 for each such vehicle. An insurance company may apply to and
 173 obtain from the Department either a salvage certificate as provided in § 46.2-1603 or a nonrepairable
 174 certificate as provided in § 46.2-1603.2 for any other vehicle ~~which that~~ is determined to be either a
 175 salvage vehicle or a nonrepairable vehicle.

176 **§ 46.2-1603. Obtaining salvage certificate or certificate of title for an unrecovered stolen vehicle.**

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

179 B. Every insurance company or its authorized agent shall apply to the Department and obtain a
 180 salvage certificate for each ~~late model~~ vehicle acquired by the insurance company as the result of the
 181 claims process if such vehicle is titled in the Commonwealth and is a salvage vehicle. Whenever the

182 insurance company or its agent makes application for a salvage certificate and is unable to present a
183 certificate of title, the Department may receive the application along with an affidavit indicating that the
184 vehicle was acquired as the result of the claims process and describing the efforts made by the insurance
185 company or its agent to obtain the certificate of title from the previous owner. When the Department is
186 satisfied that the applicant is entitled to the salvage certificate, it may issue a salvage certificate to the
187 person entitled to it. The Commissioner may charge a fee of \$25 for the expense of processing an
188 application under this subsection that is accompanied by an affidavit. Such fee shall be in addition to
189 any other fees required. All fees collected under the provisions of this subsection shall be paid into the
190 state treasury and set aside as a special fund to be used to meet the expenses of the Department.

191 C. Every insurance company or its authorized agent shall apply to the Department and obtain a
192 certificate of title for each stolen vehicle acquired by the insurance company as the result of the claims
193 process if such vehicle is titled in the Commonwealth and has not been recovered at the time of
194 application to the Department. For each recovered stolen vehicle, acquired as a result of the claims
195 process, whose estimated cost of repair exceeds 75 percent of its actual cash value, the insurance
196 company or its authorized agent shall apply to the Department and obtain a salvage certificate. The
197 application shall be accompanied by the vehicle's title certificate and shall contain a description of the
198 damage to the salvage vehicle and an itemized estimate of the cost of repairs up to the point where a
199 nonrepairable certificate would be issued. Application for the certificate of title shall be made within 15
200 days after payment has been made to the owner, lienholder, or both. Application for the salvage
201 certificate shall be made within 15 days after the stolen vehicle is recovered.

202 D. Every insurance company or its authorized agent shall notify the Department of each ~~late model~~
203 vehicle titled in the Commonwealth on which a claim for damage to the vehicle has been paid by the
204 insurance company if (i) the estimated cost of repair exceeds 75 percent of actual cash value of the
205 vehicle and (ii) the vehicle is to be retained by its owner. No such notification shall be required for a
206 vehicle when a supplemental claim has been paid for the cost of repairs to the engine, transmission, or
207 drive axle assembly if such components are replaced by components of like kind and quality.

208 E. Every owner of an uninsured or self-insured ~~late model~~ vehicle titled in the Commonwealth that
209 sustains damage to such an extent that the estimated cost of repairs exceeds 75 percent of the actual
210 cash value of the vehicle prior to being damaged shall similarly apply for and obtain a salvage
211 certificate. If no estimated cost of repairs is available from an insurance company, the owner of the
212 vehicle may provide an estimate from an independent appraisal firm. Any such estimate from an
213 independent appraisal firm shall be verified by the Department in such a manner as may be provided for
214 by Department regulations.

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

218 G. The Department, upon receipt of an application for a salvage certificate for a vehicle titled in the
219 Commonwealth, or upon receipt of notification from an insurance company or its authorized agent as
220 provided in subsection D of this section, shall cause the title of such vehicle to be cancelled and the
221 appropriate certificate issued to the vehicle's owner.

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

226 **§ 46.2-1603.1. Duties of licensees.**

227 A. If a salvage vehicle is purchased by a salvage dealer and the vehicle is sold as a unit to anyone
228 other than a demolisher, rebuilder, vehicle removal operator, or scrap metal processor, the purchaser
229 shall obtain from the Department a salvage certificate. If the sale is to a demolisher or vehicle removal
230 operator, the salvage vehicle shall be assigned in the space provided for such assignments on the
231 existing salvage certificate. If a vehicle is purchased by a salvage dealer and disassembled for parts only
232 or demolished by a demolisher, the salvage dealer shall immediately and conspicuously indicate on the
233 salvage certificate or title that the vehicle was disassembled for parts only or demolished and
234 immediately forward the salvage certificate or title to the Department for cancellation. The Department
235 shall cancel the title or salvage certificate and issue a nonrepairable certificate for the vehicle to the
236 salvage dealer.

237 1. If a vehicle for which a title or salvage certificate or other ownership document has been issued
238 by a foreign jurisdiction and is purchased by a salvage dealer or demolisher and disassembled for parts
239 only or demolished by a demolisher, the salvage dealer or demolisher shall immediately and
240 conspicuously indicate on the salvage certificate, title, or other ownership document that the vehicle was
241 disassembled for parts only or demolished and immediately forward the salvage certificate, title or other
242 ownership document to the Department for cancellation. The Department shall cancel the title, salvage
243 certificate, or other ownership document and issue a nonrepairable certificate for the vehicle to the

244 salvage dealer.

245 2. There shall be no fee for the issuance of a nonrepairable certificate.

246 B. If a licensee acquires any late model vehicle *or salvage vehicle*, he shall immediately compare the
247 vehicle identification number assigned by the manufacturer or the Department or the identification
248 number issued or assigned by another state with the title or salvage certificate of the vehicle and shall
249 notify the Department as provided in subsection C. Such comparison and notification shall not be
250 required of a demolisher if the vehicle was acquired from a licensed salvage dealer, rebuilder, salvage
251 pool, or vehicle removal operator and such licensee delivers to the demolisher a title or salvage
252 certificate for the vehicle.

253 C. If the vehicle identification number has been altered, is missing, or appears to have been
254 otherwise tampered with, the licensee shall take no further action with regard to the vehicle except to
255 safeguard it in its then-existing condition and shall promptly notify the Department. The Department
256 shall, after an investigation has been made, notify the licensee whether the vehicle can be freed from
257 this limitation. In no event shall the vehicle be disassembled, demolished, processed, or otherwise
258 modified or removed prior to authorization by the Department. If the vehicle is a motorcycle, the
259 licensee shall cause to be noted on the title or salvage certificate, certifying on the face of the document,
260 in addition to the above requirements, the frame number of the motorcycle and motor number, if
261 available.

262 D. Except as provided in § 46.2-1203, after a vehicle has been demolished, the demolisher shall,
263 within five working days, deliver to the Department the salvage certificate or title, certifying on the face
264 of the document that the vehicle has been destroyed.

265 E. Except as provided in § 46.2-1203, it shall be unlawful for any licensee to purchase, receive, take
266 into inventory, or otherwise accept from any person any late model vehicle, *salvage vehicle, or rebuilt*
267 *vehicle* unless, as a part of any such transaction, the licensee also receives a title, salvage certificate,
268 nonrepairable certificate, or other ownership documents, issued by an appropriate regulatory agency
269 within or without the Commonwealth, relating to such vehicle. Every licensee shall maintain as a part of
270 his business records a title, salvage certificate, nonrepairable certificate, or other ownership documents,
271 issued by an appropriate regulatory agency within or without the Commonwealth, pertaining to every
272 late model vehicle, *salvage vehicle, or rebuilt vehicle* in his inventory or possession.

273 F. If a licensee intends to utilize machinery to crush, flatten, or otherwise reduce one or more
274 vehicles to a state where it can no longer be considered a vehicle at a location other than the location
275 specified on the license filed with the Department, the licensee shall apply to the Department for a
276 permit of operation in a manner prescribed by the Commissioner. Each permit shall be valid for a period
277 not to exceed 15 days and shall specify the location of intended operation. The cost of each permit shall
278 be \$15.

279 G. The licensee shall comply with all applicable federal title reporting requirements, including the
280 reporting requirements of the National Motor Vehicle Title Information System pursuant to 28 C.F.R.
281 § 25.56.

Appendix E: House Bill 1780

19102017D

HOUSE BILL NO. 1780

Offered January 9, 2019

Prefiled December 26, 2018

A *BILL to amend and reenact §§ 46.2-1600, as it is currently effective and as it shall become effective, 46.2-1602.1, 46.2-1603, and 46.2-1603.1 of the Code of Virginia, relating to salvage vehicles.*

Patron—Bloxom

Referred to Committee on Transportation

Be it enacted by the General Assembly of Virginia:

1. That §§ 46.2-1600, as it is currently effective and as it shall become effective, 46.2-1602.1, 46.2-1603, and 46.2-1603.1 of the Code of Virginia are amended and reenacted as follows:

§ 46.2-1600. (Effective until July 1, 2021) Definitions.

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

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

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

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

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

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

"Independent appraisal firm" means any business providing cost estimates for the repair of damaged motor vehicles for insurance purposes and having all required business licenses and zoning approvals. This term shall not include insurance companies that provide the same service, nor shall any such entity be a rebuilder or affiliated with a rebuilder.

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

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

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

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

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

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

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

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

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

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59 "Salvage dealer" means any person who acquires any vehicle for the purpose of reselling any parts
60 thereof or who acquires and sells any salvage vehicle as a unit except as permitted by subdivision B 2
61 of § 46.2-1602.

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

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

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

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

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

86 **§ 46.2-1600. (Effective July 1, 2021) Definitions.**

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

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

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94 dealer, rebuilder, demolisher, or scrap metal processor.

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

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102 determined by the insurer responsible for paying the claim, or (ii) if no insurance company is
103 responsible therefor, 25 percent of the actual cash value.

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105 reduce a vehicle to a state where it can no longer be considered a vehicle.

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

109 "Independent appraisal firm" means any business providing cost estimates for the repair of damaged
110 motor vehicles for insurance purposes and having all required business licenses and zoning approvals.
111 This term shall not include insurance companies that provide the same service, nor shall any such entity
112 be a rebuilder or affiliated with a rebuilder.

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114 or any vehicle whose actual cash value is determined to have been at least \$ 10,000 prior to being
115 damaged.

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

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

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 122 nonrepairable vehicle upon surrender or cancellation of the vehicle's title and registration or salvage
 123 certificate.

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

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 130 more salvage vehicles within a 12-month period.

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 132 and the estimated cost of repair did not exceed 90 percent of its actual cash value or (ii) any ~~late model~~
 133 vehicle that has been repaired and the estimated cost of repair exceeded 75 percent of its actual cash
 134 value, excluding the cost to repair damage to the engine, transmission, or drive axle assembly.

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 136 pre-loss condition by an insurance company and is not accepted by the owner of said vehicle
 137 immediately prior to its acquisition by said insurance company as part of the claims process.

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 139 vehicle upon surrender or cancellation of the vehicle's title and registration.

140 "Salvage dealer" means any person who acquires any vehicle for the purpose of reselling any parts
 141 thereof or who acquires and sells any salvage vehicle as a unit except as permitted by subdivision B 2
 142 of § 46.2-1602.

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 144 vehicles who either displays the vehicles for resale or solicits bids for the sale of salvage vehicles or
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 146 displays fewer than 100 salvage vehicles and nonrepairable vehicles in one location; however, any two
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 148 facilities, shall be considered a salvage pool.

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

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 163 declared to be nonrepairable pursuant to this chapter shall no longer be considered a vehicle. For the
 164 purposes of this chapter, a major component shall not be considered a vehicle.

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

167 **§ 46.2-1602.1. Duties of insurance companies upon acquiring certain vehicles.**

168 Every insurance company ~~which that~~ acquires, as a result of the claims process, any ~~late model~~
 169 vehicle titled in the Commonwealth or any recovered stolen vehicle whose estimated cost of repair
 170 exceeds ~~seventy-five~~ 75 percent of its actual cash value shall apply to and obtain from the Department
 171 either (i) a salvage certificate or certificate of title as provided in § 46.2-1603 or (ii) a nonrepairable
 172 certificate as provided in § 46.2-1603.2 for each such vehicle. An insurance company may apply to and
 173 obtain from the Department either a salvage certificate as provided in § 46.2-1603 or a nonrepairable
 174 certificate as provided in § 46.2-1603.2 for any other vehicle ~~which that~~ is determined to be either a
 175 salvage vehicle or a nonrepairable vehicle.

176 **§ 46.2-1603. Obtaining salvage certificate or certificate of title for an unrecovered stolen vehicle.**

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

179 B. Every insurance company or its authorized agent shall apply to the Department and obtain a
 180 salvage certificate for each ~~late model~~ vehicle acquired by the insurance company as the result of the
 181 claims process if such vehicle is titled in the Commonwealth and is a salvage vehicle. Whenever the

182 insurance company or its agent makes application for a salvage certificate and is unable to present a
183 certificate of title, the Department may receive the application along with an affidavit indicating that the
184 vehicle was acquired as the result of the claims process and describing the efforts made by the insurance
185 company or its agent to obtain the certificate of title from the previous owner. When the Department is
186 satisfied that the applicant is entitled to the salvage certificate, it may issue a salvage certificate to the
187 person entitled to it. The Commissioner may charge a fee of \$25 for the expense of processing an
188 application under this subsection that is accompanied by an affidavit. Such fee shall be in addition to
189 any other fees required. All fees collected under the provisions of this subsection shall be paid into the
190 state treasury and set aside as a special fund to be used to meet the expenses of the Department.

191 C. Every insurance company or its authorized agent shall apply to the Department and obtain a
192 certificate of title for each stolen vehicle acquired by the insurance company as the result of the claims
193 process if such vehicle is titled in the Commonwealth and has not been recovered at the time of
194 application to the Department. For each recovered stolen vehicle, acquired as a result of the claims
195 process, whose estimated cost of repair exceeds 75 percent of its actual cash value, the insurance
196 company or its authorized agent shall apply to the Department and obtain a salvage certificate. The
197 application shall be accompanied by the vehicle's title certificate and shall contain a description of the
198 damage to the salvage vehicle and an itemized estimate of the cost of repairs up to the point where a
199 nonrepairable certificate would be issued. Application for the certificate of title shall be made within 15
200 days after payment has been made to the owner, lienholder, or both. Application for the salvage
201 certificate shall be made within 15 days after the stolen vehicle is recovered.

202 D. Every insurance company or its authorized agent shall notify the Department of each ~~late model~~
203 vehicle titled in the Commonwealth on which a claim for damage to the vehicle has been paid by the
204 insurance company if (i) the estimated cost of repair exceeds 75 percent of actual cash value of the
205 vehicle and (ii) the vehicle is to be retained by its owner. No such notification shall be required for a
206 vehicle when a supplemental claim has been paid for the cost of repairs to the engine, transmission, or
207 drive axle assembly if such components are replaced by components of like kind and quality.

208 E. Every owner of an uninsured or self-insured ~~late model~~ vehicle titled in the Commonwealth that
209 sustains damage to such an extent that the estimated cost of repairs exceeds 75 percent of the actual
210 cash value of the vehicle prior to being damaged shall similarly apply for and obtain a salvage
211 certificate. If no estimated cost of repairs is available from an insurance company, the owner of the
212 vehicle may provide an estimate from an independent appraisal firm. Any such estimate from an
213 independent appraisal firm shall be verified by the Department in such a manner as may be provided for
214 by Department regulations.

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

218 G. The Department, upon receipt of an application for a salvage certificate for a vehicle titled in the
219 Commonwealth, or upon receipt of notification from an insurance company or its authorized agent as
220 provided in subsection D of this section, shall cause the title of such vehicle to be cancelled and the
221 appropriate certificate issued to the vehicle's owner.

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

226 **§ 46.2-1603.1. Duties of licensees.**

227 A. If a salvage vehicle is purchased by a salvage dealer and the vehicle is sold as a unit to anyone
228 other than a demolisher, rebuilder, vehicle removal operator, or scrap metal processor, the purchaser
229 shall obtain from the Department a salvage certificate. If the sale is to a demolisher or vehicle removal
230 operator, the salvage vehicle shall be assigned in the space provided for such assignments on the
231 existing salvage certificate. If a vehicle is purchased by a salvage dealer and disassembled for parts only
232 or demolished by a demolisher, the salvage dealer shall immediately and conspicuously indicate on the
233 salvage certificate or title that the vehicle was disassembled for parts only or demolished and
234 immediately forward the salvage certificate or title to the Department for cancellation. The Department
235 shall cancel the title or salvage certificate and issue a nonrepairable certificate for the vehicle to the
236 salvage dealer.

237 1. If a vehicle for which a title or salvage certificate or other ownership document has been issued
238 by a foreign jurisdiction and is purchased by a salvage dealer or demolisher and disassembled for parts
239 only or demolished by a demolisher, the salvage dealer or demolisher shall immediately and
240 conspicuously indicate on the salvage certificate, title, or other ownership document that the vehicle was
241 disassembled for parts only or demolished and immediately forward the salvage certificate, title or other
242 ownership document to the Department for cancellation. The Department shall cancel the title, salvage
243 certificate, or other ownership document and issue a nonrepairable certificate for the vehicle to the

244 salvage dealer.

245 2. There shall be no fee for the issuance of a nonrepairable certificate.

246 B. If a licensee acquires any late model vehicle *or salvage vehicle*, he shall immediately compare the
247 vehicle identification number assigned by the manufacturer or the Department or the identification
248 number issued or assigned by another state with the title or salvage certificate of the vehicle and shall
249 notify the Department as provided in subsection C. Such comparison and notification shall not be
250 required of a demolisher if the vehicle was acquired from a licensed salvage dealer, rebuilder, salvage
251 pool, or vehicle removal operator and such licensee delivers to the demolisher a title or salvage
252 certificate for the vehicle.

253 C. If the vehicle identification number has been altered, is missing, or appears to have been
254 otherwise tampered with, the licensee shall take no further action with regard to the vehicle except to
255 safeguard it in its then-existing condition and shall promptly notify the Department. The Department
256 shall, after an investigation has been made, notify the licensee whether the vehicle can be freed from
257 this limitation. In no event shall the vehicle be disassembled, demolished, processed, or otherwise
258 modified or removed prior to authorization by the Department. If the vehicle is a motorcycle, the
259 licensee shall cause to be noted on the title or salvage certificate, certifying on the face of the document,
260 in addition to the above requirements, the frame number of the motorcycle and motor number, if
261 available.

262 D. Except as provided in § 46.2-1203, after a vehicle has been demolished, the demolisher shall,
263 within five working days, deliver to the Department the salvage certificate or title, certifying on the face
264 of the document that the vehicle has been destroyed.

265 E. Except as provided in § 46.2-1203, it shall be unlawful for any licensee to purchase, receive, take
266 into inventory, or otherwise accept from any person any late model vehicle, *salvage vehicle, or rebuilt*
267 *vehicle* unless, as a part of any such transaction, the licensee also receives a title, salvage certificate,
268 nonrepairable certificate, or other ownership documents, issued by an appropriate regulatory agency
269 within or without the Commonwealth, relating to such vehicle. Every licensee shall maintain as a part of
270 his business records a title, salvage certificate, nonrepairable certificate, or other ownership documents,
271 issued by an appropriate regulatory agency within or without the Commonwealth, pertaining to every
272 late model vehicle, *salvage vehicle, or rebuilt vehicle* in his inventory or possession.

273 F. If a licensee intends to utilize machinery to crush, flatten, or otherwise reduce one or more
274 vehicles to a state where it can no longer be considered a vehicle at a location other than the location
275 specified on the license filed with the Department, the licensee shall apply to the Department for a
276 permit of operation in a manner prescribed by the Commissioner. Each permit shall be valid for a period
277 not to exceed 15 days and shall specify the location of intended operation. The cost of each permit shall
278 be \$15.

279 G. The licensee shall comply with all applicable federal title reporting requirements, including the
280 reporting requirements of the National Motor Vehicle Title Information System pursuant to 28 C.F.R.
281 § 25.56.

Appendix F: Other States' Salvage Processes

Other States Salvage Processes

- Kentucky makes no distinction between late model and non-late model vehicles in the salvage process. No anti-theft exam is conducted (rebuilt vehicle examination) during the salvage process, however, a VIN check is performed when a rebuilt title is issued. Kentucky does not require a safety inspection.
- Maryland also makes no distinction between late model and non-late model vehicles in the salvage process. A rebuilt vehicle examination is conducted for those vehicles, although some owner-retained vehicles may be exempt from the rebuilt vehicle examination. Maryland requires a safety inspection.
- North Carolina mandates a salvage process for all vehicles that meet the damage threshold. A rebuilt vehicle examination is only conducted on vehicles with model years within the last 6 years. North Carolina requires a safety inspection.
- Tennessee mandates a salvage process for vehicles within the last ten model years and worth at least \$1500. A rebuilt vehicle examination is conducted on those vehicles. Tennessee does not require a safety inspection.
- West Virginia makes no distinction between late model and non-late model vehicles in the salvage process. A rebuilt vehicle examination is conducted for those vehicles. West Virginia requires a safety inspection.
- DMV conducted two surveys in conjunction with AAMVA, performed additional research, and discovered that the remaining AAMVA jurisdictions are divided between those that place an age or value threshold on the salvage process and those that do not.

Appendix G: Summary of NMVTIS Data

AAMVA BRAND AND JSI DATA

DATA RECEIVED

Three .csv files were received from AAMVA on September 24, 2019:

- VAVins_June2017toJuly2018 – list of VINs for which Virginia is the title state of record in FY 2018.
- VAVins_June2017toJuly2018_JsiInformation – contains the following fields:
 - VIN
 - JSI Record Submit Date
 - JSI Record Type Label
 - JSI Vehicle Disposition Code
 - JSI Vehicle Disposition Label
- VAVins_June2017toJuly2018_BrandInformation – contains the following fields
 - VIN
 - Brand Date
 - Brand Code
 - Brand Label

ANALYSIS

- Virginia is providing the requested information; however, no obvious conclusions can be drawn from the data provided.
- It is not clear how the data is intended to be used or what specific question is to be assessed.
- There are notable inconsistencies in the data that would render any analysis performed by Virginia or any other entity unreliable.
 - There are multiple JSI report entries of what is considered a final disposition (eg. "crushed") for a single VIN.
 - A large percent of JSI report entries are categorized as "Unknown" and not able to be analyzed.

FINDINGS

Overall

VINS with VA as Current State of Title in FY18	17,132,502
VINS with JSI Information (multiple years included)	1,677,095
VINS with Brand Label	643,827

The JSI Information file contains suspicious data. Example: VIN 4S2CM58VXT4336948

JSI Record Submit Date	JSI Record Type Label	JSI Vehicle Disposition Label
12/9/2015	Junk/Salvage	Crush
8/26/2017	Junk/Salvage	Crush

It is unclear to the DMV analyst how a vehicle can be crushed in 2015 and then crushed again in 2017.

The following table shows the number of JSI VINS associated with each Disposition Label type.

JSI Vehicle Disposition Data						
	Crush	Salvage	Scrap	Sold	UNKNOWN	Grand Total
2009	31,651	9,403	25,254	37,260	50,488	154,056
2010	83,039	12,034	41,702	54,564	76,811	268,150
2011	94,934	9,426	31,772	60,280	77,306	273,718
2012	87,410	13,051	34,027	62,241	74,443	271,172
2013	91,845	13,959	32,786	64,007	77,637	280,234
2014	75,399	14,047	35,715	72,057	89,216	286,434
2015	60,231	16,422	32,883	85,415	105,112	300,063
2016	67,985	20,872	47,197	99,092	123,885	359,031
2017	135,783	27,720	65,764	121,255	139,030	489,552
2018	60,317	14,767	49,167	84,086	96,042	304,379
Total	788,594	151,701	396,267	740,257	909,970	2,986,789

Note the high percentage of VINs with an unknown disposition. The total number of records is higher than the total number of VINs because one VIN can have multiple JSI entries with different dispositions over time. The example below indicates five entries for one VIN.

1B3AL46R46N137559 10/21/2010 UNKNOWN
 11/16/2010 Salvage
 11/30/2010 Sold
 12/21/2015 Scrap
 10/5/2017 Crush

The following table shows the JSI Disposition Label compared to the Brand Label. It is important to note that Brands are carried over from other states. The JSI Disposition is on the left, in rows. The Brand Label is across the top. Null means there is no Brand Label.

JSI Disposition and Brand Label									
	Null	DISMANTLED	OWNER RETAINED	SALVAGE RETENTION	SALVAGE- STOLEN	SALVAGE-- DAMAGE OR NOT SPECIFIED	SALVAGE-- REASONS OTHER THAN DAMAGE OR STOLEN	TOTALED	Total
Crush	703,336	16,814	839	6	112	29,432	170	224	750,933
Salvage	43,153	12,317	2,587	3	198	79,090	40	157	137,545
Scrap	314,047	12,769	647	3	67	32,097	66	402	360,098
Sold	433,135	60,311	9,137	5	493	220,706	245	583	724,615
UNKNOWN	578,004	52,956	8,995	6	505	192,886	278	613	834,243
Total	2,071,675	155,167	22,205	23	1,375	554,211	799	1,979	2,807,434

The Brand data can also have multiple entries per VIN numbers entered over time. The example below indicates four separate entries for branding the same VIN.

JS1GN7CA952114923	October 2, 2006	SALVAGE--DAMAGE OR NOT SPECIFIED
	October 20, 2006	SALVAGE--DAMAGE OR NOT SPECIFIED
	March 21, 2007	SALVAGE--DAMAGE OR NOT SPECIFIED
	August 5, 2008	SALVAGE--DAMAGE OR NOT SPECIFIED

Appendix H: Written Stakeholder Responses to this Report

From: **Liles, Patrick C** <LILESP@nationwide.com>
Date: Tue, Oct 22, 2019 at 2:46 PM
Subject: RE: Salvage report
To: Cavalli, Gregory <gregory.cavalli@dmv.virginia.gov>

Greg, I would like to go on record that I have looked over the salvage study draft and the only thing we could say is that we appreciate the time and effort of the DMV staff involved on this matter and that we wholeheartedly agree with the conclusions reached. There was no evidence presented that would lead us to a conclusion that required the Salvage Act to be amended as was proposed.

Pat Liles

Associate Director
MD, Claims
Central Atlantic Regional Operation
804-334-1990
Lilesp@nationwide.com

Proud Nationwide Member

From: **Park, Kevin** <KPark@iaai.com>

Date: Fri, Oct 25, 2019 at 2:18 PM

Subject: VA Salvage Report

To: gregory.cavalli@dmv.virginia.gov <gregory.cavalli@dmv.virginia.gov>

Cc: Blaine, Tonya

<tonya.blaine@dmv.virginia.gov>, karen.grim@dmv.virginia.gov <karen.grim@dmv.virginia.gov>

Mr. Cavalli, I want to thank you for the opportunity to work with the Salvage Committee and also to review the draft report. I and the IAA Legal Team have reviewed the draft report and commend the Agency for its comprehensiveness in addressing the question presented to the State. IAA agrees with the findings and recommendation of the report.

If you have any questions please reach out to me.

Kevin Park
Government Affairs/Industry Relations Manager
Legal Department
Insurance Auto Auctions, Inc.
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October 29, 2019

Mr. Greg Cavalli
Virginia Department of Motor Vehicles
PO Box 27412
Richmond, VA 23269

RE: 2019 Salvage Study

Dear Mr. Cavalli:

On behalf of LKQ Corporation, thank you for the opportunity to submit comments regarding the 2019 Salvage Study. We appreciate the Department of Motor Vehicles (DMV) taking the time to convene the stakeholders throughout the year. We understand that the salvage process is complicated and that the Commonwealth needs procedures that are easily understood that ensure the right information and history applies to all vehicles.

LKQ Corporation

LKQ Corporation, which has operations in Chesapeake, Colonial Heights, Dumfries, Goode, Richmond, Roanoke, and Sterling, is the largest provider of alternative vehicle collision replacement products and a leading provider of alternative vehicle mechanical replacement products, with our sales, processing, and distribution facilities reaching most major markets in the United States. Our North American segment is composed of wholesale operations, which consists of aftermarket and recycled parts, self-service retail operations, heavy truck operations, and aviation operations.

Our company purchases hundreds of thousands of salvage vehicles every year to complement our auto parts supply chain. Through this process, we realize issues at auto auctions and in the salvage determination process that we believe could be more efficient and would better serve all stakeholders. This is why we pursued House Bill 1780 (Bloxom) and Senate Bill 1364 (Cosgrove) in 2019.

The Problem

We have seen numerous examples at Virginia auctions where heavily damaged vehicles were sold with clean titles, where if not for their age, they would be declared salvage. Those clean titled vehicles could then be repaired and put back on the road, without a consumer ever knowing. We have attached examples of such vehicles, alongside vehicles that are the same model with similar damage that have been declared salvage. In short, we believe that any vehicle that meets the damage threshold for a salvage vehicle should be declared salvage, regardless of age. The average age of a vehicle on the road today is eleven years old, and with the increase in popularity of used cars, consumers deserve to know what they are purchasing.

Executive Summary

The assessment that during committee questions were raised about the fiscal impact of implementing the bills as written is inaccurate. Both bills simply struck two words (“late model”) from the definition of salvage vehicle (and several other subsequent definitions) in the *Code of Virginia*, which would bring Virginia’s statute in line with many other surrounding states’ statutes, including Kentucky, Maryland, North Carolina, and West Virginia.

DMV’s fiscal impact statement indicated that 18 full time program support technicians and 11 full time law enforcement agents would be needed to implement this change, at a cost of over \$2 million annually. One of the sponsors of the legislation even admonished DMV during the Senate Transportation Committee hearing for attaching such a hefty fiscal impact statement to the bill, which he viewed as a desire to prevent the bill from moving forward.

Research, Data, and Stakeholder Discussion

Processing Time and Volume

DMV presented a chart that is published on page 13 of this year’s salvage study highlighting the substantial increase in salvage certificates between FY 2015 and FY 2019, and the subsequent decrease in nonrepairable certificates over this same timeframe. DMV has indicated that this uptick in salvage certificates has led to longer wait times, which is understandable.

It is important to note that this increase is directly related to a policy change DMV insisted upon during the 2016 salvage study. Representatives from the insurance industry and DMV were concerned about the administrative burden in utilizing a damage threshold to determine if a vehicle was nonrepairable. We opposed this policy change, as we believe there should be a clear delineation between vehicles that are salvage, which could be rebuilt and put back on the road, and those that are nonrepairable, that cannot ever be repaired and placed back on the road. During the 2016 salvage study, LKQ argued that this change would essentially do away with the nonrepairable category of vehicles. Since FY 2015, there has been a 62% drop in nonrepairable vehicles. This is exactly what we expected would occur. We are acutely aware of this drop as we purchase many nonrepairable vehicles for their parts.

This is an important point because without a damage threshold to determine which cars are nonrepairable, it is now up to the discretion of the insurer. Given this drastic drop in nonrepairable vehicles and large increase in salvage certificates, it is safe to say that cars that would have once been deemed nonrepairable are now being issued salvage certificates, and are potentially being rebuilt. Judgment as to which vehicles are deemed salvage and which are nonrepairable now resides primarily with insurance companies without a clear damage threshold.

DMV estimates that the removal of “late model” from the definition of salvage vehicle in the *Code of Virginia* would double, triple or quadruple the volume of applications they would need to process, hence the large fiscal impact statement that was assigned to the bill. This is an incredibly broad range of an estimate, and one that we have seen no data to support. DMV also states that this will lead to an increase in the number of applications for rebuilt vehicle

examinations, which would require 11 new full time employees. We are equally unclear on how this would be the case. Vehicle rebuilding is a specialized industry – assuming that there would be more vehicles deemed salvage if the 2019 legislation were enacted, we believe DMV makes a big assumption that there will a significant increase in rebuilt vehicles requiring inspection. We are unclear as to who the new rebuilders would be that would be rebuilding these vehicles.

Consumer Consequences

The salvage study report states that the diminished value of a vehicle is the primary harm consumers suffer when they purchase a vehicle without knowing its history. We strongly disagree with this statement. While diminished value is certainly a problem, we believe a lack of knowledge about the vehicle's history is a larger concern. If a used vehicle had been in a severe accident where the airbags have been deployed, that is a much larger harm, which is at the crux of this entire issue – vehicles with clean titles that have been damaged to a point where the cost to repair them exceeds 75% of their cash value should be declared salvage, regardless of their age.

Stakeholders representing some motor vehicle dealers validated this concern. As the report indicates, sometimes dealers are unaware of vehicles' histories and sell those vehicles at full value, and there are instances where dealers have been sued by consumers. DMV indicated several times that they had never received any complaints about this issue. It is important to note that if a consumer buys a vehicle that has more damage than was originally disclosed, it is highly unlikely they would pursue a remedy with DMV. The consumer would be more likely to seek resolution with the dealer that sold the vehicle. This is why removing the requirement that a vehicle be late model in order to be declared salvage would be helpful. There would be no gray area and less potential for undisclosed damage if all vehicles that meet the damage threshold were categorized the same.

On page 18, DMV states that the group questioned whether the legislation was proposed because of a known consumer protection issue or because of a nationwide effort by the proponent of this legislation to legislate an advantage to itself to purchase vehicles for a lower price. We believe this is an inappropriate assertion. It could equally be stated that stakeholders in the auction and insurance industry have a motivation to keep the law as it is related to salvage vehicles, as vehicles with a clean title fetch higher prices. Every stakeholder works to promote their own interests, however, the 2019 legislation was filed due to issues we had experienced while purchasing vehicles through the operation of our business. We have shared an example of this concern from Indiana (which is attached). We believe this issue warrants further examination.

Recommendations

DMV's first recommendation states that vehicle industry information is widely available to consumers without branding. This topic was discussed during the stakeholder meetings, as services like Carfax are available and often provided to consumers before the purchase of a vehicle. While these services are valuable, they cannot be relied upon fully to provide the necessary information needed to consumers. A stakeholder from the motor vehicle dealer industry indicated that too often, vehicle history reports do not have all of the information when

a vehicle is purchased and those reports can change in the future. Mandating the same process for all vehicles would be the only way to ensure that consumers are aware of a vehicle's history.

Final Thoughts

As is noted in Appendix F, the legislative change proposed in 2019 would more closely align Virginia's salvage definition with a number of surrounding states. Kentucky, Maryland, North Carolina, and West Virginia all make no distinction between late model and non-late model vehicles in their salvage processes. During the 2016 salvage study, one of the reasons stated for removing the damage threshold for nonrepairable vehicles was to bring Virginia in line with salvage laws in many other states.

It was clear from the outset of this study that consensus would not be reached. We knew that stakeholders from the insurance and auto auction industry would not be supportive of this legislative change. However, based on the issues with the lack of clarity regarding vehicle damage that have been seen in other states, we believe having a clear definition of which vehicles have clean titles and which are salvage, regardless of age, provides the most clarity for all parties. Additionally, this is already the process in many other states, so most insurers and auctions would already have procedures in place to comply.

Thank you for your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read 'Andreas Heiss', written in a cursive style.

Andreas Heiss
Government Affairs Representative
LKQ Corporation

2011 HONDA ACCORD EXL

A- #72 Stock#: 25127336 VIN: 1HGCP3F83BA024024

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Pre-Bid: Closed Auction Completed
Watch Bid Live

View More Bidding Information

Culpeper (VA)

Tue Jun 4, 8:30am (CDT)

State Farm Group Insurance

CLEAR (Virginia)

ACV: \$5,430 USD

ERC \$5,936 USD

View More Sale Information

VIN Details

VEHICLE

PARTS

VIN (Status) 1HGCP3F83BA024024 (OK)

2013 HONDA ACCORD SPORT

Stock# 24379457 VIN: 1HGCR2F58DA199415

Back to results 9 / 29



Current Bid: \$0
Watch Pre Bid

View More Bidding Information

Fredericksburg-South (VA)

Mon Jun 10, 12pm (CDT)

USAA - ACH

SALVAGE (Virginia)

BRANDED IF REBUILT

ACV: \$10,531 USD

ERC: \$9,483 USD

View More Sale Information

VIN Details

VIN (Status) 1HGCR2F58DA199415 (OK)

Vehicle: Automobile

2012 HYUNDAI TUCSON GLS/LIMITED

A - #3002 Stock#: 24983284 VIN: KM8JU3AC5CU349523

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Note: Vehicle is Shrink Wrapped for protection against the elements



Collision Front & Rear Left & Right Side

Pre-Bid Closed Auction Completed
Watch Bid Live

View More Bidding Information

Pulaski (VA)

Tue Jun 4, 8:30am (CDT) Geico Insurance

CLEAR (Virginia) ACV \$9,642 USD ERC: \$12,380 USD

View More Sale Information

VIN Details

VEHICLE

PARTS

VIN (Status) KM8JU3AC5CU349523 (OK)

Vehicle Automobile

Manufactured in US

2015 HYUNDAI TUCSON LIMITED/SE

Stock#: 24932039 VIN: KMSJUCAG1FU102085

← Back to results 2 / 3 < >



Collision Front End

Current Bid: \$1,800
Watch Pre-Bid

View More Bidding Information

Northern Virginia (VA)

Mon Jun 10, 8:30am (CDT) State Farm Group Insurance

SALVAGE (Virginia) BRANDED IF REBUILT ACV \$18,281 USD

ERC: \$11,228 USD

View More Sale Information

VIN Details

VIN (Status) KMSJUCAG1FU102085 (OK)

Vehicle Automobile

On page 3 of its letter in response to the Salvage Report, LKQ corporation indicates, “We have shared an example of this concern from Indiana (which is attached).”

The link to the article referenced in the letter is found below:

<https://cbs4indy.com/2018/06/12/frustrated-used-car-buyers-offer-lessons-to-avoid-an-expensive-mistake/>