

Salvage Study

2014 Report

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Virginia Department of Motor Vehicles

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EXECUTIVE SUMMARY

On November 1, 2013, Chairman Stephen D. Newman, Senate Transportation Committee, requested DMV to establish a stakeholder group to “explore and study issues associated with salvage, nonrepairable, and rebuilt vehicles”, with a specific focus on issues surrounding cosmetically damaged vehicles versus operationally damaged vehicles when determining whether a vehicle is nonrepairable. He requested that the stakeholders include representatives from the salvage and insurance industries, law enforcement, the Virginia Automobile Dealers Association (VADA), the Virginia Independent Automobile Dealers Association (VIADA), the Commissioners of the Revenue Association of Virginia, and any other stakeholders identified by DMV that would be necessary to accomplish the work of the stakeholder group.

On February 11, 2014, Chairman Thomas D. Rust, House of Delegates Transportation Committee, requested that DMV include consideration of House Bill 441 in the scope of the stakeholder study. Delegate C. Fariss’ bill would have created a new policy of motor vehicle insurance and schedule of rates for salvage vehicles; Chairman Rust wished the study group to review and discuss the issues raised by the bill as part of the salvage study.

Both Chairman Newman and Chairman Rust requested that the results of the study and the work group’s recommendations be reported back to their respective committees in December, 2014.

In response to these requests, DMV assembled an internal team to organize and manage the study. Invitations to participate were extended to stakeholders: members of the insurance industry, automobile dealer associations, motor vehicle dealers, salvage dealers, rebuilders, salvage pool operators, salvage yard operators, scrap metal processors, Commissioners of the Revenue, and law enforcement. A series of meetings were held between April and September, 2014.

During the course of stakeholder meetings, in addition to what was outlined in the charge letters, the study expanded to include examination of the following concepts:

- The possibility of an enhanced inspection process to determine the roadworthiness of salvage vehicles.
- An examination of whether changes should be made to vehicle branding, the threshold for vehicles to be declared nonrepairable, and the definition of late-model vehicle.
- A review of the end of life reporting process and the definition of when a vehicle is no longer a vehicle.
- Whether out-of-state buyers at salvage pools should be licensed or registered in Virginia.

The first stakeholder meeting was held on April 1, 2014, at which the study was organized into subject-specific working groups. Because of the interrelated nature of the topics, individual stakeholders served on multiple working groups.

End of Life Working Group

The working group explored the various components that must be taken into consideration before a vehicle is deemed to be beyond repair and only useful as parts or scrap metal. These included existing standards and statutory requirements, business models, new technology, and the current formulas for determining percent of damage. Advancements in technology have broadened the ability of businesses to reduce a vehicle to a state in which it would no longer be considered a vehicle. To adjust to these changes in the industry and reduce the stratification of the process caused by the various types of business licenses, the group considered revising the definitions of the businesses involved in the vehicle end of life process. Therefore, the working group unanimously recommends:

- Creating a definition of “vehicle” to be placed in *Code of Virginia* § 46.2-1600 to clearly define when a vehicle is no longer considered a vehicle:

“Vehicle” has the meaning ascribed to it in § 46.2-100, except, for the purposes of this chapter, it shall no longer be considered a vehicle when the records of the Department show such vehicle has been demolished or declared to be nonrepairable.

- Creating a new umbrella category of “Auto Recycler” to encompass the definitions of demolisher, salvage dealer, and scrap metal processor; and combining the three, separate licenses into one new license.
- Requiring the use of DMV’s vehicle disposition reporting system (VDR) for all Auto Recycler licensees (currently optional).

HB 441/Insurance Working Group

The working group reviewed and discussed HB 441 as well as a summary of potential difficulties provided by stakeholders representing the insurance industry. The requirement to notify policy holders of the possible impact of purchasing a rebuilt vehicle would cause insurers to incur additional expenses. It would also require them to develop a completely different rating structure from that used nationwide. These burdens would likely make it more difficult for owners of salvage vehicles to obtain the necessary insurance coverage.

They also explored whether changes to the *Code of Virginia* were needed to provide an option for obtaining salvage certificates for vehicles other than late model vehicles¹. After further research, it was determined that *Virginia Code* § 46.2-1602.1 already provides this option. For this reason, the working group unanimously recommends that:

- No changes are needed to current law that HB 441 seeks to amend.
- No changes are needed to allow salvage certificate issuance for older vehicles.

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.

Nonrepairable Vehicles, Percent of Damage and Cosmetic Damage Working Group

The working group first examined the differences between vehicular cosmetic and operational damages, as well as the feasibility of excluding cosmetic damages from a damage assessment that would place a vehicle in nonrepairable status, as per Senator Newman’s charge letter. On this first issue, the working group recommends:

- Amending the *Code* to define cosmetic damage (to be defined as non-manufacturer-installed audio/visual accessories, non-factory sized tires and wheels, custom paint, or exterior hail damage) and allowing cosmetic damage to be deducted from a vehicle’s percent of damage estimate to prevent it from being declared nonrepairable – thus allowing it to be repaired and remain on the road.
- Cosmetic damage would only be applied to bring a vehicle’s cost-to-repair estimate under the nonrepairable threshold.

The second part of the working group’s focus concerned vehicle branding and the nonrepairable threshold. All agreed to eliminating the “repaired” brand, making all branded vehicles “Rebuilt”. However, consensus could not be reached on whether to change the percent of damage threshold for nonrepairable vehicles from 90% to 100%. The sticking point was whether the change would apply to all vehicles or only late model vehicles. Agreement could not be reached on expanding vehicle branding to all vehicles regardless of age or value. Therefore, the working group recommends:

- Amending the *Code* to eliminate the “repaired” brand.
- Eliminating the requirement that insurance companies submit repair estimates when declaring a vehicle nonrepairable.

Salvage Examinations Working Group

The working group evaluated and considered the feasibility of adopting an expanded and enhanced inspection program for salvage and rebuilt vehicles that would determine roadworthiness. The group did not find any other states that operate an inspection program that would both fit the parameters of this study and determine roadworthiness. It did find that three Canadian provinces require salvage vehicles to undergo and pass a body integrity exam as well as a mechanical inspection. Analysis revealed, however, that such programs are very time intensive and without any statistical evidence to support an expanded roadworthiness exam. Additionally, without further extensive research and analysis, no determination could be made as to the elements that should comprise such a program.

Ultimately the group determined that an expanded examination process for salvage vehicles is not feasible in Virginia for reasons of cost, timeliness, and liability concerns. Conducted by authorized third-party inspection stations, an examination that normally takes 30 minutes in Virginia would be lengthened to potentially half a day. This would require increased funding, and delays in processing times caused by a lengthier process could cost businesses money. Questions were also raised as to the willingness of currently licensed inspection stations to assume the

liability of a new salvage examination process. Therefore, the working group unanimously recommends:

- Requiring salvage vehicles to undergo and pass a new state safety inspection prior to undergoing a DMV anti-theft examination.²
- Issuing trip permits as needed to allow a salvage vehicle to be legally driven to a state safety inspection station.
- Providing DMV law enforcement with the authority to halt the examination process in place until any questionable aspects of the vehicle have been addressed. This would not require starting the process over from the beginning, but rather simply picking back up at the point the process was halted. This approach would also mean the vehicle owner would not incur a second or subsequent DMV anti-theft examination fee.
- Removing the provision providing for local law enforcement to conduct salvage examinations (this provision went into effect in 2011 but to date no such examinations have been conducted).

Licensing of Out-of-State Buyers Working Group

This issue was identified during the percent of damage working group discussions. The group discovered that there are differing understandings of who is authorized to purchase vehicles from salvage pools, as defined in current *Code* provisions. As a result of these discussions and concerns expressed by DMV's law enforcement agents regarding salvage pools, a small number of the Percent of Damage working group members met to discuss the feasibility of out-of-state licensing.

The meeting resulted in an agreed upon electronic process that would require all out-of-state licensees to self-certify that they are licensed to conduct similar business in their home state, provide a copy of their home state license, and pay a Virginia license fee (\$50 was the fee proposed). The group also felt the least expensive and easiest option would be to amend *Code of Virginia* provisions governing salvage records retention and maintenance requirements (§ 46.2-1608) to more closely align them with those of motor vehicle dealers (§ 46.2-1529). However, DMV staff members concluded that due to the state's economic situation, this process would probably prove to be too costly and burdensome to the agency. A new agreement was reached to amend the *Code of Virginia* to require salvage pools to maintain information on all buyers and make that information available to law enforcement upon request. This will bring salvage pool statutory provisions more in line with dealer provisions in Chapter 15 of Title 46.2 of the *Code*. The working group therefore recommends:

- Require salvage pools to collect and maintain information on their buyers and to provide this information to law enforcement as needed.
- This information will include proof of licensing in their home state for out-of- state buyers.
- This recommendation will require, at a minimum, that changes be made to *Code of Virginia* § 46.2-1608.

² An anti-theft examination includes a review of all documentation for the parts and labor used for the repair of the salvage vehicle and a verification of the vehicle's identification number, confidential number, and odometer reading.

In closing, DMV would like to thank all stakeholders for their participation in this study and for providing invaluable input towards addressing the legislative charge letters and improving the salvage process.

OVERVIEW AND ORGANIZATION

Overview

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

The following is a brief overview of the salvage process. It is important to note that this process has nothing to do with the automobile insurance claims process most people are familiar with: your vehicle is damaged and your insurance company pays for the repairs. The salvage process is what happens after your insurance company pays you for the value of your damaged vehicle and assumes ownership as part of the claims settlement. It is required for all late-model vehicles (vehicles that are no more than six years old) that insurance companies take possession of as part of the claims process. Insurance companies may also follow the salvage process if they take possession of vehicles older than six years, but it is not mandatory to do so.

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

- How old is the vehicle?
- What is its actual cash value?
- How much will it cost to repair the vehicle?
- What is its current salvage value?

The decision to repair a vehicle or scrap it hinges on the percent of damage. It determines whether the vehicle will be branded, not branded, or declared nonrepairable. The damage estimate takes into consideration the age of the vehicle, its current salvage value (basically, the value of its parts), the type and amount of damage, and the costs of parts and labor that would be required to repair the vehicle. The percent of damage is calculated by dividing the estimated cost to repair by the actual cash value of the vehicle. The actual cash value is what the vehicle could have been sold for prior to the damage sustained, and it is determined by consulting a recognized evaluation source such as the Kelley Blue Book.

The *Code of Virginia* sets out and defines the damage thresholds that determine whether the vehicle can be repaired or must be scrapped. An insurance company must apply to DMV for a salvage certificate when taking possession of any late model vehicle of as part of the claims process, regardless of the percentage of damage.

Damages under 75%: The vehicle is considered a salvage vehicle. The title is cancelled, a salvage certificate is issued, and the vehicle record is branded “Salvage.” Vehicles with a salvage certificate cannot be registered or operated on the highways. If the vehicle is repaired and passes the DMV anti-theft examination, a new title is issued and the title and vehicle record are permanently branded "Repaired."

Damages 75% to 90%: The vehicle is considered a salvage vehicle. The title is cancelled, a salvage certificate is issued, and the vehicle record is branded “Salvage.” Vehicles with a salvage certificate cannot be registered or operated on the highways. If the vehicle is repaired and passes the DMV anti-theft examination, a new title is issued and the title and vehicle record are permanently branded "Rebuilt." Anyone selling a rebuilt vehicle must provide the buyer with a Rebuilt Vehicle Disclosure Statement.

The insurance company is required to notify DMV when a vehicle owner elects to retain the vehicle after the claim has been settled if the damage estimate to the vehicle exceeds 75%. The record of such an owner-retained vehicle is updated by the DMV Vehicle Branding staff to reflect the vehicle is either “Salvage” or “Nonrepairable,” depending on the extent of damage.

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

Damages over 90 %: The vehicle is nonrepairable. It is not eligible to be repaired or rebuilt and it cannot be operated on the highways. The insurance company or vehicle owner must apply to DMV for a nonrepairable certificate. It is the death certificate for the vehicle.

Nonrepairable vehicles are usually consigned to salvage dealers, demolishers, auto auctions, or vehicle removal operators. The nonrepairable certificate is not a title and therefore a bill of sale must be used to transfer ownership. It is unlawful for any person to sell a nonrepairable vehicle to any person unless they are a scrap metal processor, licensed as a salvage dealer, demolisher, or a vehicle removal operator.

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

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

Organization of Study

DMV staff and stakeholder identified five areas to be studied and set up working groups to research each issue. Stakeholders participated in the working groups according to expertise and interest in the topic. The working groups were asked to examine and propose recommendations for the following areas:

End of Life Working Group

- Determining when a motor vehicle should no longer be considered a motor vehicle for purposes of end of life reporting

HB 441/Insurance Working Group

- House bill 441 (charge letter)
- Consignment issue when vehicles branded salvage go to auto auctions with no title or authorization document

Nonrepairable Vehicles, Percent of Damage, and Cosmetic Damage Working Group

- Cosmetically damaged vehicles versus operationally damaged vehicles when evaluating whether a vehicle is nonrepairable (charge letter)
- Elimination of 90% threshold
- Line-by-line process used by DMV (estimates and repairs)
- Independent appraisal process
- Insurance designation of “obvious total loss” without provision of needed documentation (line-by-line)

Salvage Examinations Working Group

- Development of inspection program to inspect for roadworthiness for salvage vehicles
- Use/placement of salvage decals

Licensing of Out-of-State Buyers Working Group

- Examine statutory provisions governing who is authorized to purchase vehicles from salvage pools
- Clarify licensing issues

WORKING GROUP: END OF LIFE

Objective

The End of Life Working Group was asked to determine when a vehicle should no longer be considered a vehicle and at what point that vehicle should be considered scrap metal for the purpose of end of life reporting. The working group was to identify and take into consideration the industries involved, business needs, concerns and issues in order to develop recommendations.

The working group consisted of representatives of insurance companies, automobile dealers, auto auctions, salvage yards, rebuilders, and DMV staff.

Background

Vehicles that have been damaged will normally be assessed by the owner's insurance company, mechanic, or an independent appraiser to determine the extent of the damage and estimated repair costs. Alternatively, an owner or insurance company may declare a vehicle to be a salvage vehicle (damages 75% or more of the estimated cost to repair), or a nonrepairable vehicle (damages exceed 90% of the estimated cost to repair) without reference to the extent of damage or costs to repair.

Damage is assessed using a formula that takes into account the percentage of damage, the vehicle year, the actual cash value of the vehicle prior to damage, the current salvage value, and diminished compensation value to determine whether the vehicle should be repaired with no brand needed, branded "salvage", or declared to be "nonrepairable." In general, salvage vehicles can be repaired and subsequently offered for sale.

To be declared salvage as currently defined in *Code of Virginia* § 46.2-1600, a vehicle must meet one of the following four criteria:

- It is a late model vehicle acquired by an insurance company as part of the claims process, or
- It is a late model vehicle damaged as a result of collision, fire, flood, accident or other occurrence so that its estimated cost of repair, excluding costs of towing, storage and temporary replacement vehicle, or payment for diminished value compensation, would exceed its actual cash value less its current salvage value, or
- It is any recovered stolen vehicle acquired by an insurance company as part of the claims process, whose estimated cost to repair is 75% or more of its actual cash value, or
- It is any vehicle determined to be salvage by its owner or an insurance company (provided it does not meet the criteria for a nonrepairable vehicle) and for which a salvage certificate has been applied for or issued.

To be determined nonrepairable as currently defined in *Code of Virginia* § 46.2-1600, a vehicle must meet one of following three criteria:

- It is a damaged late model vehicle whose estimated cost of repair exceeds 90% of its actual cash value prior to damage, or
- Any vehicle whose owner or insurance company has declared it nonrepairable and who has applied for or received a nonrepairable certificate, or
- Any other damaged vehicle which is inoperable and has no value except for use as parts and scrap metal.

It should be noted that a vehicle for which a nonrepairable certificate has been issued can never again be titled, registered, or legally driven in Virginia. The vehicle may only be used for parts. However, the *Code of Virginia* does not define or set out at what point a motor vehicle actually ceases to be a motor vehicle. Making this distinction has become more crucial as the relevant technology has advanced and improved, allowing businesses an expanded ability to reduce a vehicle to a state in which it would no longer be considered a vehicle. This provided the starting point for discussions on vehicular end of life.

Concerns and Issues

Once a vehicle has been issued a nonrepairable certificate, after any usable parts have been removed, the next step is to have the vehicle destroyed or crushed. The majority of such vehicles will be taken to, or acquired by, a vehicle demolisher, whose business is to crush, flatten, or otherwise reduce a vehicle to a state where it can no longer be considered a vehicle. In many cases, the resulting scrap will be sold to a scrap metal processor. Demolishers are required to report to DMV the demolition of every vehicle.

In *Code of Virginia* § 46.2-1600, a scrap metal processor is defined as any person engaged in the business of processing vehicles into scrap for re-melting purposes who, from a fixed location, utilizes machinery and equipment for processing and manufacturing ferrous and nonferrous metallic scrap into prepared grades, and whose principal product is metallic scrap.

Unlike demolishers, rebuilders, salvage dealers, salvage pool, or vehicle removal operators, scrap metal processors are not required to be licensed under the salvage provisions of *Code of Virginia* Title 46.2 (§§ 46.2-1600 through 46.2-1610). They are regulated under the provisions of *Code of Virginia* Title 59.1, Trade and Commerce, §§ 59.1-136.1 through 59.1-136.7. Scrap metal processors who purchase already demolished vehicles are not required to report this action to DMV. However, there are some scrap metal processors who purchase whole vehicles to shred into scrap. This could possibly be considered another form of demolishing.

Working group members posed the following questions:

1. Should scrap metal processors who purchase whole vehicles for processing be licensed under the salvage provisions of *Code of Virginia* § 46.2-1600 et seq.?
2. In such cases, how will the scrap metal processor know that an undemolished vehicle was at its end of life?

3. How do we best ensure that all persons involved accurately report to DMV on the final disposition and demolishing of vehicles for its records?

Recommendations

Over the course of several meetings, the working group members developed the following recommendations to address these issues:

- Add a definition of vehicle in *Code of Virginia* § 46.2-1600 to specify that a vehicle is no longer considered a motor vehicle when the DMV records show it has been demolished or declared nonrepairable. The result of this addition is that vehicles that have been reported as demolished or declared nonrepairable by a licensee may be transferred to another licensee as scrap metal, with no further notification required.
- Revise the *Code of Virginia* to add a new umbrella definition of business – “auto recycler.” It would encompass the three existing definitions of demolisher, salvage dealer, and a scrap metal processor who purchases whole vehicles. Including scrap metal processors in this definition would require those who purchase whole vehicles to become licensed under the provisions of *Code* § 46.2-1600 et seq. Further, this new classification takes into account the fact that many businesses already are dual-licensed, and that a scrap metal processor must also be a licensed demolisher unless he only gets vehicles that have already been reduced to scrap from another demolisher.

Each of the businesses included in the auto recycler definition will still be able to designate their type of business (demolisher, rebuilder, scrap metal processor) on their license, and the existing definitions for those businesses will remain in the *Code of Virginia* definitions contained in § 46.2-1600.

- Revise the definition of scrap metal processor to specify that the provisions in *Code* §§ 46.2-1600 through 46.2-1610 apply when the scrap metal processor purchases whole vehicles.
- Revise the *Code of Virginia* to require all auto recyclers to use DMV’s automated Vehicle Disposition Reporting (VDR)³ system to record and report to DMV on the status of vehicles. Use of VDR is currently optional. Requiring all licensees to use VDR will ensure that every business will be required to report demolished vehicles using the same method.

However, upon further analysis by DMV staff, it was determined that this recommendation could be accomplished administratively, rather than seeking a *Code* revision. Under the provisions of *Code of Virginia* § 46.2-216.1, the Commissioner may, after providing a 12 month written notification, require licensees engaged in business with the Department and filing documents or payments in written form, to make such filings or submissions electronically in a format prescribed by the Commissioner.

³ VDR: Vehicle Disposition Reporting Program. DMV’s online vehicle transaction process used by licensed salvage yards, demolishers, and other related businesses to report to DMV the disposition of vehicles; requires completion of a Memorandum of Understanding with DMV, including associated fees.

WORKING GROUP: HB 441/INSURANCE

Objective

The HB 441/Insurance Working Group was assigned to assess the provisions of House Bill 441, which was considered by the General Assembly in 2014. The working group was charged to identify and take into consideration the issues posed by the bill and the possible impacts on the industries involved in order to develop recommendations.

The group also identified a related issue pertaining to consignment, when vehicles that have been branded salvage go to auto auctions without a title or authorization document. The group agreed to examine whether relevant *Code* sections needed to be revised to require an affidavit in lieu of title in cases where no title is available.

The working group consisted of representatives of insurance companies, automobile dealers, auto auctions, and DMV staff.

HB 441 Background

HB 441 would require an insurance company writing a policy with collision or comprehensive coverage on a vehicle known to be a salvage vehicle that has been rebuilt to include a notice that

- the vehicle is a salvage vehicle, and
- if the vehicle is declared a total loss as the result of a crash, the insured will be paid less money than he would have received if the vehicle was not a salvage vehicle.

The bill would also require implementation of a premium reduction rating plan to be filed with the State Corporation Commission. This provision would effectively lower the premium for collision coverage for policies written on salvage rebuilt vehicles. The premium reduction would apply to policies which base the rates on the actual cash value of the insured vehicle.

The group identified three main concerns with the bill:

- Requiring insurance companies to notify customers that a salvage title is worth less than a clean title;
- Creating a new insurance rating plan for the value of the vehicle, effectively lowering the premium for collision coverage on salvage vehicle policies; and
- The cost of repairing a salvage vehicle is no different than the cost of repairing a new vehicle.

HB 441 Issues Identified

- Notification Requirement:

This requirement would mandate that insurance companies notify a customer that a salvage title is worth less than a clean title.

It would impose new costs on insurance companies who do not currently verify vehicle title status through DMV before issuing a policy. They would be obligated to verify title status for every Virginia policy and include the statutory notice or risk being fined on market conduct exams.⁴

It is unclear how compliance with this requirement could be attained in instances when the salvage status of the vehicle cannot be known beforehand.

- Premium Reduction Rating Plan:

HB 441 would require rating plans to project and appropriately discount for that portion of a vehicle's actual cash value attributed to its salvage status in the event of a total loss. Insurers cannot know when the loss will occur or what the condition of the salvage vehicle will be on the date of the loss, or what the market for salvage vehicles will be on that date.

This requirement would necessitate a fundamentally different rating structure than is currently used by the insurance industry nationwide. Virginia would therefore become the first state in the country to attempt to employ a salvage rating designation, which would be applied to the Collision portion of a policy.

This provision will require insurance companies to anticipate the possible replacement value for a vehicle when it is damaged sometime in the future, as a vehicle's value is assessed only at the time of loss.

Participants voiced concerns about writing a policy based in part on a vehicle's future valuation. Insurance policies are priced more on risk exposure rather than on the value of a vehicle. This is problematic as insurers calculate the actual cash value for a vehicle only at the time of loss, based on market conditions at that time, as well as the vehicle's mileage and overall condition, and not at the time a policy is written.

Many rebuilt salvage vehicles are often considered higher risk vehicles than vehicles that have never been damaged, making them more expensive to insure. It is worth noting that insurance companies do not fix the value of vehicles – the market does. Determination of premiums include factors such as the operator's driving record, location, what the vehicle is used for, and the types of limits they carry. The value of the vehicle plays a minor role in the determination of premium costs.

Imposing an actuarially-challenging rating plan requirement or additional costs on insurance carriers could result in fewer companies willing to write policies on salvage vehicles. Salvage vehicle collision coverage is not a universal offering among insurance providers now; some

⁴ *Market Conduct Exams*. Investigation by insurance regulators to determine whether an insurer has followed laws relating to the distribution of products to consumers and settlement of claims. International Risk Management Institute (IRMI): <http://www.irmi.com/online/insurance-glossary/terms/m/market-conduct-exam.aspx>

insurers offer only liability coverage on salvage vehicles. If the availability of insurance becomes an issue, lenders may not be willing to make loans for the purchase of rebuilt salvage vehicles, and the market for rebuilt salvage vehicles could be threatened.

When a vehicle is purchased, lenders require motor vehicle dealers to confirm insurance coverage. Adding a disclosure requirement to the insurance company that the vehicle has salvage history, and the different insurance treatment required for a rebuilt salvage vehicle, could complicate the sales process.

Participants noted that in many cases, the costs to repair a salvage rebuilt vehicle compares favorably to the cost to repair a new vehicle.

HB 441 Findings

- Implementation of the bill's provisions may have the effect of reducing the number of lower priced rebuilt vehicles offered for sale, and may make such vehicles difficult to insure.
- The premium reduction rating plan would necessitate a fundamentally different rating structure than is currently used by the insurance industry nationwide.
- The notification requirement would impose a new expense on insurance carriers that do not currently review DMV records.
- Participants suggested that the problems HB 441 is meant to resolve can be effectively addressed by overhauling the branding process to brand fewer vehicles, eliminating cosmetic damage as a consideration, and using a new inspection process. (It should be noted here that the Salvage Examinations working group concluded that a new inspection process was not feasible.)
- In the matter of whether revisions are needed to *Code of Virginia* § 46.2-1603 to allow issuance of salvage certificates on older vehicles, the group determined that § 46.2-1602.1 currently provides this option.
- Insurers would need to develop a completely different rating structure than is used nationwide, and these burdens would likely make it more difficult for owners of salvage vehicles to obtain the necessary insurance coverage.

Consignment Issue Identified

Code of Virginia § 46.2-1603 requires any vehicle owner declaring his vehicle to be a salvage vehicle to apply to DMV for a salvage certificate. It does not differentiate between model years.

It further requires any insurance company or an authorized agent of an insurance company to apply to DMV for a salvage certificate for a vehicle acquired through the claims process, but only when the vehicle is a late model vehicle. In this instance, the *Code of Virginia* provides that if the

insurance company or its agent is unable to present the certificate of title, DMV can accept an affidavit in lieu of the title, describing the efforts made to obtain the title from the previous owner.

In such instances, salvage auctions use the affidavit in lieu of title instead of an actual certificate of title. The group agreed that this process itself functions well; however, there is some question as to how long the purchaser must wait before filing an affidavit in lieu of title in order to establish lawful possession of the vehicle. The group discussed whether § 46.2-1603 needed to be changed to provide an option for obtaining a salvage certificate on vehicles other than late model vehicles.

Consignment Findings

After a review of the relevant sections, the group decided that *Code of Virginia* § 46.2-1602.1 adequately addressed obtaining a salvage certificate for older vehicles, and that no revision to § 46.2-1603 would be needed.

Recommendations

Group members developed the following recommendations to address these issues:

- No changes are needed to the current insurance requirements. Members do not recommend moving forward with the provisions contained in HB 441; discussion and study of the issue by the group did not support the goals of this legislation.
- The group recommends no changes to *Code of Virginia* § 46.2-1603.

WORKING GROUP: NONREPAIRABLE VEHICLES, PERCENT OF DAMAGE, AND COSMETIC DAMAGE

Objective

The Nonrepairable Vehicles, Percent of Damage, and Cosmetic Working Group was asked to consider whether changes are needed to the current damage assessment process, and whether cosmetic damage should be included in the evaluation used to determine whether a vehicle is nonrepairable.

The working group consisted of representatives of insurance companies, automobile dealers, scrap metal processors, rebuilders, auto auctions, law enforcement, and DMV staff.

Background

Damage assessments begin when an insurance company takes possession of a damaged vehicle. All such vehicles are automatically considered salvage vehicles and receive a salvage certificate. This is the point when it will be decided if the vehicle will be repaired or scrapped, branded or not branded. The insurance company or independent appraiser will consider the age of the vehicle (model year), the estimated cash value of the vehicle, and the estimated cost to repair. Under current salvage law the basic parameters for assessing the extent of the damages are:

- *Damages Under 75%:* The vehicle is considered a salvage vehicle. If the vehicle is repaired and passes the DMV anti-theft examination, a new title is issued and the title and vehicle record are permanently branded "Repaired."
- *Damages 75% to 90%:* The vehicle is considered a salvage vehicle. If the vehicle is repaired and passes the DMV anti-theft examination, a new title is issued and the title and vehicle record are permanently branded "Rebuilt." Anyone selling a rebuilt vehicle must provide the buyer with a Rebuilt Vehicle Discloser Statement.
- *Damages Over 90%:* The vehicle is nonrepairable. It is not eligible to be repaired or rebuilt and it cannot be operated on the highways. The insurance company or vehicle owner must apply to DMV for a nonrepairable certificate. It is the death certificate for the vehicle.

The damage percentages for salvage and nonrepairable status were established in 1992 and 1993 by legislation in response to the pervasive problem of stolen vehicle parts coming on the market. So-called chop shop operations sold parts from disassembled vehicles, which in turn helped fuel a market for stolen vehicles. This widespread activity was made possible in part by the lack of a vehicle tracking mechanism, which allowed unscrupulous individuals to offer stolen or damaged vehicles for sale without having to disclose the damaged status.

- The 1992 Acts of Assembly, Chapter 148 (HB 838), among other provisions, defined a nonrepairable vehicle as one that had sustained damages over 90% of actual cash value. It

also amended the definition of a motor vehicle for the purposes of Title 46.2, Chapter 15 (Motor Vehicle Dealers) to exclude salvage and nonrepairable vehicles.

- The 1993 Acts of Assembly, Chapter 376 (HB 1753), among other provisions, set the definition of a rebuilt vehicle as one that was repaired after sustaining damages over 75% of its actual cash value.

The assessment of the percentage of damage is reached by dividing the estimated cost to repair by the actual cash value of the vehicle before damage. The greater the cost to repair, the higher the percentage of damage will be, making it more likely that the repaired vehicle will have to be branded or declared nonrepairable. When the damaged vehicle is an older model (more than 6 model years), it is even more likely to fall within the nonrepairable category due to its intrinsically lower value.

However, if requested, DMV's Vehicle Services Branding staff can apply a line-by-line damage estimate provided by the requestor to determine if the damages actually comprise more than 90% of the vehicle's actual cash value. It should be noted that even if the insurance company or appraiser agrees with the DMV estimate, the vehicle will still be branded "rebuilt."

The process was initiated as an administrative stopgap to respond to the concerns of the industry, which felt that many times vehicles declared nonrepairable could actually be repaired or rebuilt, and that the nonrepairable status reached was due to elements (such as paint and after-market accessories) that did not affect safety and roadworthiness.

Options Considered

DMV staff posed several questions to begin the discussion:

- Should the current 90% threshold for nonrepairable vehicles be eliminated entirely? Is a standard based on 90% of the vehicle's value an accurate assessment for determining nonrepairable status? If not, then how is nonrepairable status to be determined?
- Would the line-by-line evaluation therefore become unnecessary?
- Should a new type of inspection program be designed to focus on determining a rebuilt vehicle's safety and roadworthiness as a measure of nonrepairable status?

Discussions and Analysis

It should be noted that this topic occasioned the most debate, occurring over numerous meetings of separate, smaller groups. Since the working group represented different types of businesses with often conflicting points of view, it proved a challenge to reach consensus on recommended solutions.

Rebuilders believe that a method of identifying nonrepairable vehicles needs to be redefined in a way that isn't based on a dollar amount for repairs.

Salvage operation representatives stated that more vehicles deemed nonrepairable should be made available for parts rather than rebuilt via the line-by-line process.

Insurance industry representatives noted that insurance decisions on the disposition of salvage vehicles are driven by market conditions: Specifically, on the availability of replacement parts for particular vehicles. If the market is saturated with replacement parts for a particular vehicle, that vehicle is more likely to be rebuilt rather than stripped for parts.

Representatives from the auto auction and recyclers industries expressed concern that eliminating the 90% threshold for nonrepairable vehicles could have the unintended side effect of causing a lack of replacement parts for late-model vehicles. They stated that it's important for any revision of the laws to maintain a level playing field for all businesses involved in the auto salvage process. One also stated that money is not the only driver of decisions on rebuilding vehicles: risk and liability also play a key role. Another noted that the key to thriving in the rebuilding business is finding enough vehicles that are worth restoring, and care must be taken to avoid eliminating worthwhile vehicles.

Insurance industry representatives noted that one of the benefits to the 90% standard is that it provides open damage disclosure. DMV staff agreed that, without provisions for disclosure, any revision to the salvage *Code* will not succeed.

Representatives from the recyclers industry emphasized that such determinations must be made before the vehicle goes to auction for the sake of full and honest disclosure and that the burden for restoring a damaged vehicle to like-new condition falls on the insurance company.

Development of Proposal

DMV staff met with a smaller group of salvage industry stakeholders to discuss proposed options for revisions to current percent of damage policy for salvage vehicles. The proposed option contained the following elements:

- *An Extension to Late Model Definition*

Under the proposal, the definition of "late model vehicle" would be extended from the current model year plus five years to current model year plus ten years. This change would reflect the lengthening lifespan of cars, which is at eleven years right now. It would cause more cars to receive a branded title.

- *Change 90% "Non-Repairable" threshold to 100%*

This would mean that insurers would not need to submit an estimate for vehicles they deem "Non-Repairable," regardless of percent of damage or age of vehicle. The cost of repairing "Cosmetic Damage" would be deducted from the damage assessment calculation to save the vehicle from crossing the 100% "Non-Repairable" threshold. However, it would not be deducted from the 75% "salvage" calculation. "Cosmetic Damage" will be very narrowly defined as either: non-manufacturer parts; or all pieces not integral to the roadworthiness of the vehicle.

- *Any insurance acquired vehicle, whether “Late Model” or not, will receive a “Salvage” brand*

Insurers need not submit an estimate for vehicles they deem “Non-Repairable,” regardless of percent of damage. Owner retained vehicles that do not fit the late model definition will not receive a brand.

Comments and Decisions on Proposal Elements

An Extension to Late Model Definition

- *Insurance Industry Representative Comments*

This change could be perceived as anti-consumer, as the value of these cars might be diminished by the branded title. Any legislation coming out of this study could face resistance in the General Assembly for this reason. Vehicles are declared total losses for a variety of reasons, not all of them related to the vehicle’s roadworthiness. The group should be cautious and allow for a population of older vehicles with minor damages that can provide inexpensive transportation for less affluent drivers. Older vehicles that receive a brand could have a difficult time getting insured. Also, the definition of late model vehicle had recently been revised from current year plus six years down to current year plus five years, and did we want to suggest a change in the opposite direction?⁵

- *Auto Auction Representative Comments*

An older vehicle has a lower value to begin with and thus is more likely to see minor damage cause the vehicle to be declared nonrepairable.

- *DMV Staff Comments*

If older vehicles were included in an expanded definition of “late model vehicles”, they could simply be reported as salvage without providing estimates, precluding the risk of being declared nonrepairable. This would still alert consumers to the possible risk in a vehicle that had previously been damaged while still keeping these vehicles on the road. While many consumers today use reporting services such as Carfax to learn of a vehicle’s history, such services are reliant on repair shops reporting the information, which does not always happen. There is also a time lag between when repair work is done and when that work is recorded on a vehicle history report.

The group consensus was to drop this element from the proposal.

⁵ In 2000, the definition of late model vehicle was changed from "current year and five preceding years" to "current year and six preceding years" (Acts of Assembly Chapters 235 and 257). In 2009, the definition was returned to "current year and five preceding years" (Acts of Assembly Chapter 664).

Change 90% Nonrepairable Threshold to 100%

This element was debated over several meetings. All parties agreed in favor of eliminating the “repaired” brand, thus making all salvage vehicles that are repaired be branded as “salvage rebuilt”. (A repaired vehicle is defined as salvage vehicle that has had repairs equal to 75 percent or less of its actual cash value.) Regarding making a change to the percent of damage threshold for nonrepairable vehicles, consensus could not be reached on moving it from 90% to 100%. The major issue of contention was whether this model would apply only to late-model vehicles, or to any vehicle irrespective of age.

- *Insurance Industry Representative Comments*

Insurance companies can still report an owner-retained vehicle that exceeds the 75% limit as salvage. The higher nonrepairable standard would give rebuilders more room to operate. It was noted that part of what the 90% threshold does is ensure a damaged vehicle is branded. It provides disclosure.

On the idea of applying the model to all vehicles, regardless of age, it was pointed out that this would likely have a greater impact on owners of older (not late model) vehicles. Since these vehicles will be branded, the value will be reduced and that would make it less likely that the vehicle would be repaired. Frequently, the person who owns an older vehicle would experience financial difficulties in trying to replace it.

- *Auto Auction Industry Representative Comments*

Keep the 75% threshold for salvage vehicles but maybe consider eliminating the threshold for nonrepairable vehicles.

- *Recyclers Industry Representative Comments*

Support for the elimination of the 90% threshold was conditioned on applying it across the board to all vehicles, regardless of age. They would oppose this change if it was applied only to late-model vehicles.

The group consensus was to drop this element from the proposal.

Any insurance acquired vehicle, whether “Late Model” or not, will receive a “Salvage” brand

The group could not reach consensus on this element. Any insurance company-acquired vehicle may receive a salvage brand regardless of age if the insurance company so chooses. After discussion, the group consensus was to drop this element from the proposal.

The group did agree, however, that insurers should not be required to submit an estimate for vehicles they have deemed “Non-Repairable.”

Cosmetic Damage Definition

The working group examined the development of a definition of cosmetic damage and determining how that definition could apply to the percentage of damage for salvage vehicles. The concept would be to allow the estimated cosmetic repair costs to be excluded from the total cost to repair when assessing the percentage of damage in certain situations.

It began by reviewing definitions of cosmetic damage from Alaska, Louisiana, Washington, and Maryland. The definition contained in Maryland *Code of Regulations* § 11.15.34.02⁶ was discussed by the group, which agreed it was too broad. Some parts included in the list of cosmetic items, such as grilles and bumpers, can be considered necessary for safety in today's newer vehicles. Alaska and Washington defined cosmetic "parts" that could be re-attached by screws or bolts. Louisiana's definition was restricted to hail damage.

The group developed the following definition of cosmetic damages for consideration:

"Cosmetic damage," as applied to a vehicle, means damage to non-original manufacturer equipment, audio-visual accessories, non-factory-sized tires and wheels, custom paint, and exterior hail damage. Cosmetic damage shall not include (i) damage to original equipment and parts installed by the manufacturer, or (ii) any repair required to enable a vehicle to pass a state safety inspection pursuant to § 46.2-1157. The cost for cosmetic damage repair shall not be included in the cost to repair the vehicle when determining the calculation for a salvage vehicle as defined in this section.

- *DMV Staff Comments*

Cosmetic damage should be limited only to items that are either not original manufacturer's equipment or not integral to the vehicle's structural integrity. The cosmetic damage exemption would only apply to nonrepairable vehicles. It could not be applied in order to prevent a damaged vehicle from getting a salvage brand.

Using cosmetic damages as part of the damage assessment would result in more vehicles being repaired and rebuilt; frequently an assessment of damage exceeding the 90% nonrepairable standard is largely based on cosmetic damages. Business models have changed in the years since the standards were enacted, and a revamped process could help businesses by increasing the value of salvage vehicles as well as helping consumers.

- *Insurance Industry Representative Comments*

Removing cosmetic damage from the process should weed out a lot of problems and prevent roadworthy vehicles from being deemed nonrepairable. The possibility exists that removing cosmetic damages from the assessment will lower the number of vehicles deemed nonrepairable.

The group agreed to exclude cosmetic damages from a damage assessment placing a vehicle in nonrepairable status, but could not reach consensus on whether to include all paint, or only a

⁶ <http://www.dsd.state.md.us/comar/getfile.aspx?file=11.15.34.02.htm>

custom paint job. It was agreed that DMV staff would research the issue further and make a recommendation on this point.

Recommendations

- *Eliminate “Repaired” Brand*

All parties agreed in favor of eliminating the “repaired” brand, making all branded vehicles “rebuilt”.

- *Eliminate 90% Threshold for Nonrepairable Brand*

Regarding making a change to the percent of damage threshold for nonrepairable vehicles, consensus could not be reached on moving it from 90% to 100%. The group considered and ultimately rejected raising the 90% threshold for nonrepairable brands to 100%, which would have set a standard for determining nonrepairable status on roadworthiness rather than a percentage of damage. The sticking point was whether the change would apply to all vehicles or only to late model vehicles.

The insurance industry held that this action would ultimately harm consumers by limiting disclosure of damages. They pointed out that it would also harm less affluent vehicle owners whose older model vehicles would most likely be declared nonrepairable and junked, rather than repaired.

The recycling industry stated that they would oppose elimination of the 90% threshold if it did not apply to all vehicles, regardless of age. The basic rationale seemed to be that, by restricting the 100% damage threshold to only late-model vehicles, only late model parts would become available. The result would be that fewer parts would be available to be used to repair older vehicles.

The working group ultimately agreed on the following recommendations:

- Eliminating the “repaired” brand. All branded titles would be “rebuilt”.
- Clarifying the existing policy that repair estimates are not required when a vehicle is being declared nonrepairable.
- *Cosmetic Damage Definition*

The group agreed to exclude cosmetic damages from a damage assessment placing a vehicle in nonrepairable status, as per Senator Newman’s charge letter. The two recommendations were:

- To allow cosmetic damage to be deducted from a vehicle’s percent of damage estimate to prevent it from being declared nonrepairable and thus remain on the road, and

- That cosmetic damage would only be applied to bring a vehicle under the nonrepairable threshold (under 90%).

The group consented unanimously to the second point. On the first point, there was a question as to whether only custom paint should be considered cosmetic damage, or whether all paint should be included. The majority of stakeholders felt it should be restricted to custom paint only. However, the insurance industry believed it should include all paint in order to be consistent with policies in other states. DMV staff agreed to research the issue and make a decision on whether the definition should be written to include "custom paint" or "paint."

After initial consideration and research, DMV recommended that "paint" be included in the definition. However, in response to stakeholder feedback and subsequent outreach to stakeholders, DMV recommends that only "custom paint" should be included in the definition of cosmetic damage.

"Cosmetic damage," as applied to a vehicle, means damage to non-original manufacturer equipment, audio-visual accessories, non-factory-sized tires and wheels, custom paint, and exterior hail damage. Cosmetic damage shall not include (i) damage to original equipment and parts installed by the manufacturer, or (ii) any repair required to enable a vehicle to pass a state safety inspection pursuant to § 46.2-1157. The cost for cosmetic damage repair shall not be included in the cost to repair the vehicle when determining the calculation for a salvage vehicle as defined in this section.

WORKING GROUP: SALVAGE EXAMINATIONS

Objective

The Salvage Examination Working Group was asked to determine the feasibility of an enhanced inspection program that would assess the roadworthiness of salvage vehicles. The concept to be examined was that this be completed at the current state safety inspection stations that receive oversight from the State Police.

Background

The working group consisted of representatives of insurance companies, automobile dealers, rebuilders, auto auctions, law enforcement, and DMV staff.

Survey of Other States

DMV staff conducted a four-question survey through the American Association of Motor Vehicle Administrators (AAMVA).

1. Does your jurisdiction have an enhanced inspection program that inspects for roadworthiness for vehicles such as specially constructed, reconstructed, replica and salvage?
2. If so, what are the components of this program?
3. Who conducts this inspection?
4. What is the cost to the consumer?

Twenty-six states and three Canadian provinces responded; twelve (3 provinces and 9 states) said they had an enhanced inspection program. Six jurisdictions of the 12 (California, the District of Columbia, Louisiana, New Jersey, Vermont, and Wisconsin) described inspection programs that did not fit the parameters of our survey. Those jurisdictions described inspections such as emissions tests, VIN checks or standard annual safety inspections, rather than an enhanced roadworthiness inspection. South Carolina's program does not apply to salvage vehicles, only to specially constructed or replica vehicles.

The three Canadian provinces require salvage vehicles to pass a body integrity exam and a mechanical inspection. These inspections are conducted by authorized third-party inspection stations. Ontario stated that their inspection fees range from \$200-\$500. Saskatchewan's is based on the station's usual labor rate, with the mechanical inspection being capped at 1.5 hours while the body integrity inspection has no set limit due to the sometimes very involved nature of the inspection. The British Columbia inspection program is described in more detail below.

Pennsylvania stated that salvage vehicles are inspected to ensure that the vehicle has been repaired to the original manufacturer's specification, but does not mandate a body integrity inspection. The state authorizes private locations to conduct these enhanced inspections and those authorized inspectors are free to set their own fees.

New Hampshire salvage inspections check the repaired vehicle against an insurer's itemized report or an independent appraisal. The inspections are conducted by state employees at designated DMV or state police offices, and the fee is \$50.

In Hawaii, the city and county of Honolulu require an in-depth inspection of salvage vehicles. The inspections are carried out by county employees and cost \$15.

Review of British Columbia's Enhanced Inspection Program

The group reviewed British Columbia's inspection program, which applies to salvage and specially constructed vehicles. It is a process in which the structural integrity of the rebuilt salvage vehicle is ascertained first, followed by a mechanical inspection. The inspection program meets I-CAR standards, which are set by the Inter-Industry Conference on Auto Collision Repair. The inspection consists of two parts:

- The Structural Integrity Declaration Report: This includes an inspection prior to any repairs; photographs are taken and documentation reviewed. The Structural Integrity Declaration Report is printed for completion by an authorized inspector (AI) who is a trade-qualified auto body technician. The body integrity inspection may require multiple inspections to complete, depending on the amount of vehicle damage. The AI must be satisfied and must verify that the rebuilt vehicle exceeds or meets all applicable industry standards and can be safely operated on the highways.
- The Body Integrity Inspection Report: Once the body integrity inspection is completed, the mechanical inspection can be scheduled. Both signed forms must be presented along with all other required documentation before the new title can be issued.

The vehicle parts and elements to be inspected are quite extensive and the inspection process lengthy. The group agreed that, due to its intensive and technical nature, such an inspection program in Virginia could have to be conducted by certified body shops.

Concerns and Issues

The group broached separating cosmetic damage from functional damage as has been done in Maryland. Insurance industry representatives supported the concept for Virginia and noted that the current *Code of Virginia* § 46.1-1571 already applies the same concept to damages sustained by new vehicles while in transit. Group members then discussed issues that could arise with an enhanced inspection program.

Liability Issues

Virginia State Police had concerns about liability issues: would the inspection station assume liability as a result of conducting an inspection to determine the roadworthiness of a vehicle? Would the state assume liability by requiring such inspections, and overseeing the program? It is questionable if many inspection station owners would want to conduct these enhanced inspections. There would likely be funding issues to be resolved before starting such a program.

Costs, Resources, and Time Required for Inspection

The recycling industry had a number of concerns about the possible costs and time that would be required to conduct an enhanced safety inspection. They indicated that the current state safety inspection to check for vehicle safety should suffice, and had concerns that an inspection to determine roadworthiness could be too involved and costly.

They also expressed concerns that an expansion of the DMV anti-theft examination process could have a negative effect on processing times, causing costly delays for businesses. They noted that the current DMV anti-theft examination fee is \$125, and questioned whether an enhanced inspection would necessarily increase that amount and whether or not it would be more effective to make the process of getting a license as a recycler more rigorous.

The salvage rebuilder industry felt that the British Columbia program encompassed too many things, requiring too much of the inspector. They suggested reducing the scope of a proposed inspection to five or six checks, making it more likely that a wide range of inspectors could be trained to perform an accurate high-quality inspection. The more wide-ranging inspection performed in British Columbia seems to be more applicable to specially constructed and replica cars than to salvage vehicles.

Establishing a Program and Sites for Inspections

Virginia State Police noted that there are currently about 4,500 state safety inspection stations in Virginia, overseen by 70 troopers. To increase what is usually a 30-minute safety inspection to possibly half a day would be costly for all involved. They also note that funding would likely be required to provide adequate program oversight.

The recycling industry felt that for such an inspection program to be effective there would have to be inspections both before and after repair work is done.

Questions were raised as to how uninspected vehicles that do not yet have a branded title would be transported to the inspection site. The use of trip permits was mentioned.

It was suggested that a provision allowing the operation of uninspected vehicles for the purpose of taking it to a state safety inspection station could be enacted, however, there was discussion that such a provision may be difficult to obtain.

The insurance industry approved of the general idea of an enhanced inspection concept but noted concerns about its feasibility. They pointed out that certain parts of the vehicle, such as crush panels, would require the vehicle to be partially disassembled before such an inspection could be conducted.

Full Disclosure Would Be Necessary

The insurance industry representatives noted that any inspection process should include a full and honest disclosure of damages and repairs, and that documentation should be a key part of the process. Pictures and receipts should be required.

Group members noted that the insurance company's report will probably always be more detailed than a body shop's, and should possibly be the standard in an enhanced inspection process.

Possibility of Requiring Pre-Inspections

The group discussed the possibility of requiring a kind of pre-inspection. DMV staff noted that some sort of pre-inspection would likely be required, but that trying to achieve the perfect inspection program was less important than getting a process that improves vehicle safety beyond what is currently done in Virginia.

The auto auction industry noted that a pre-inspection would potentially have other benefits, such as determining whether a vehicle should even be rebuilt in the first place. North Carolina requires inspections both before and after repair work is done. If there is an enhanced inspection process, how will pre-existing damage be accounted for?

Findings

The group then examined the possibility that a regular Virginia safety inspection as mandated by *Code of Virginia* §§ 46.2-1157 and 1158 could be performed in lieu of a pre-inspection. Under this concept, a salvage vehicle that has been rebuilt would have to undergo a state safety inspection before DMV is requested to conduct the required anti-theft examination on a salvage rebuilt vehicle. DMV would not conduct the anti-theft examination until the salvage vehicle has passed the state safety inspection.

The concept has the added advantage of insuring that any valid inspection sticker affixed to the salvage vehicle would be removed at the time of the state safety inspection. DMV has received reports of salvage rebuilt vehicles that are not re-inspected before being sold; and which are being operated on a state safety inspection sticker issued to a vehicle declared salvage and subsequently rebuilt. Such vehicle may be in violation of *Code of Virginia* § 46.2-1605, which in part mandates that "All repaired and rebuilt vehicles shall be subject to all safety equipment requirements provided by law."

The group discussed how an unlicensed rebuilt salvage vehicle could legally be operated on the highway in order to get to the inspection station. The group agreed that a possible fix would be to amend the *Code* to allow the vehicle owner to apply for and obtain a trip permit specifically for driving to and from the inspection station.

To facilitate the process and eliminate delays where possible, the group agreed that if DMV found irregularities during the anti-theft examination, it would alert the vehicle owner to make the necessary repairs or produce the necessary paperwork, and would suspend the anti-theft examination at that point. Once the repairs are made, or the paperwork is provided, the anti-theft examination would continue from the point at which it had been suspended.

The group identified the following revisions to the *Code* that would be needed to support this concept:

- Issuance of a trip permit that will allow the owner of a salvage vehicle that has been rebuilt to drive the vehicle to a state inspection station.

- Provision that a state safety inspection must precede the DMV anti-theft examination.
- Provision that will allow DMV to suspend the anti-theft examination until any irregularities have been resolved.

The group questioned the provision in *Code of Virginia* § 46.2-1605 allowing local sheriff's departments to conduct anti-theft examinations. This provision was implemented 2011 as a result of the enactment of HB 2457 (Act of Assembly 824). DMV staff stated a belief that the provision was included to allow salvage vehicle owners an alternative option for inspections when DMV law enforcement were unavailable. The group unanimously recommended this provision to be stricken from § 46.2-1605 as it had never been needed.

Finally, the group considered whether specific elements should be highlighted in the current Virginia State Police vehicle inspection manual, pertaining to alignment, suspension, and steering, or added as necessary. These would be identified as elements to be examined more carefully when conducting an inspection on a rebuilt salvage vehicle. After discussion, however, the group agreed it was not feasible to single out specific elements, and the consensus was to reject the idea.

Recommendations

The group examined the feasibility of creating an expanded, enhanced inspection process to determine roadworthiness. Ultimately, consensus was reached that an expanded examination process for salvage vehicles is not feasible for reasons of cost, timeliness and liability. The group found that few states around the country operate such an inspection program, and could find no crash data to support a need for such a program. The expansion of a process that normally takes 30 minutes to potentially half a day would require increased funding, and delays in processing times caused by a lengthier process could cost businesses money. Questions were also raised as to the willingness of inspection stations to assume the liability of a new salvage examination process.

The group unanimously agreed to the following recommendations:

- Requiring salvage vehicles to undergo and pass a new state inspection prior to undergoing a salvage exam.
- Issuing trip permits as needed in order to drive a salvage vehicle legally to a state inspection station.
- Providing DMV law enforcement will have the authority to halt the examination process in place until any questionable aspects of that vehicle have been addressed. This would not require starting the process over from the beginning, but, rather, simply picking back up at the point the process was halted.
- Removing the provision providing for local law enforcement to conduct salvage examinations.

WORKING GROUP: LICENSING OUT-OF-STATE BUYERS

Objective

The Licensing of Out-of-State Buyers Working Group was formed as a result of discussions during the Nonrepairable, Percent of Damage, and Cosmetic Damage working group meetings. A small ad hoc group was formed to address the issues of who is authorized to purchase vehicles from salvage pools, and the differing understandings among the participants.

Background

Questions arose concerning who can purchase vehicles at a salvage auction, and whether the *Code of Virginia* clearly specified whether only buyers licensed in the Commonwealth were eligible. A proposal was made to require all out-of-state salvage buyers to either secure a Virginia license or purchase vehicles through a Virginia licensee. It was felt that this change would provide for a level playing field for Virginia salvage dealers and rebuilders, who have to meet requirements that may be more stringent than other states.

The idea would be to clarify the licensing situation without being too restrictive, as well as crack down on any possible licensing fraud. Once a vehicle crosses state lines, without a paper trail Virginia authorities have no legal recourse to follow up on that purchase if it becomes necessary. The *Code* is not clear and some licensees may not realize they are in violation of statutory provisions. It may be possible that this process could be de-criminalized and simplified to make compliance easier.

However, the licensing requirement could be viewed as not being business friendly and also as a way to reduce competition for Virginia businesses. The auto auction industry requested enough time to allow them to review their current policies with their legal advisors to see how the *Code* currently affects their business model. The group agreed to provide time for necessary research and DMV staff agreed to review applicable *Code* sections.

Findings

The goal of the discussion was to clarify existing law in a way that has minimal impact on existing business models for both the sellers and buyers of salvage vehicles. The meeting resulted in an agreed upon electronic process that would require all out-of-state licensees to self-certify that they were licensed as dealers in their home state, provide a copy of their home state license, and to pay a proposed license fee of \$50.

The group felt the least expensive and easiest option would be to amend *Code* § 46.2-1608, to bring it more in line with § 46.2-1529, both dealing with records maintenance for salvage licensees and motor vehicle dealers respectively. However, working with the small work group, a new agreement was reached to amend the *Code* to require salvage pools to maintain information on all buyers and make that information available to law enforcement upon request. This would bring salvage pool statutory provisions more in line with dealer provisions in Chapter 15 of the *Code*.

DMV staff reported that the purpose of these proposals is to make the salvage dealer requirements in Chapter 16 of the *Code* (§ 46.2-1600 et seq.) more consistent with the automobile dealer requirements in Chapter 15 (§ 46.2-1500 et seq.). The working group agreed to this proposal with the following caveats:

- Some stakeholders believed the proposal unnecessary as these practices are already company policy. Information is sometimes protected by a court order in the case of vehicles having a hold on them due to pending litigation, but pertains to very few cars.
- In response to concerns about equivalency in the licenses, the proposed revision to the *Code* will provide that the license must be commensurate for the type of business being conducted.

Recommendations

- Require salvage pools to collect and maintain information on their buyers and to provide this information to law enforcement as needed. All agreed but one stakeholder, who felt the existing *Code* language already provides for this requirement. However, DMV believes this statute should be strengthened.
- This information will include proof of licensing in their home state for out-of- state buyers.
- This recommendation will require changes be made to § 46.2-1608.

SUMMARY

The starting point for the salvage study team was the charge letter from Senator Newman and from Delegate Rust. They tasked the team with

1. Examining issues associated with salvage, nonrepairable, and rebuilt vehicles, with a specific focus on cosmetically damaged versus operationally damaged vehicles; and
2. Considering the issues raised by HB 441 in the course of the study.

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

- The possibility of an enhanced inspection process to determine the roadworthiness of salvage vehicles;
- An examination of whether changes should be made to vehicle branding, the threshold for vehicles to be declared nonrepairable, and the definition of late-model vehicle;
- A review of the end of life reporting process and the definition of when a vehicle is no longer a vehicle; and
- Whether out-of-state buyers at salvage pools should be licensed or registered in Virginia.

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

End of Life

- Amending relevant existing *Code of Virginia* statutes to more clearly define when a vehicle is no longer considered a vehicle.
- Creating a new umbrella category of “Auto Recycler” to encompass the definitions of demolisher, salvage dealer, rebuilder, and scrap metal processor; and combining the four separate licenses into one new license.

HB 441/Insurance

- No changes be made to current law that HB 441 seeks to amend.
- No changes are needed to allow salvage certificate issuance for older vehicles.

Nonrepairable Vehicles, Percent of Damage and Cosmetic Damage Working Group

- Amending the *Code* to define cosmetic damage (to be defined as non-manufacturer-installed audio/visual accessories, non-factory sized tires and wheels, custom paint, or exterior hail damage) and allowing cosmetic damage to be deducted from a vehicle’s percent of damage estimate to prevent it from being declared nonrepairable – thus allowing it to be repaired and remain on the road.

- Cosmetic damage would only be applied to bring a vehicle's cost-to-repair estimate under the nonrepairable threshold.
- Amending the *Code* to eliminate the "repaired" brand.
- Eliminating the requirement that insurance companies submit repair estimates when declaring a vehicle nonrepairable.

Salvage Examinations Working Group

- Requiring salvage vehicles to undergo and pass a new state safety inspection prior to undergoing a salvage exam.
- Issuing trip permits as needed in order to drive a salvage vehicle legally to a state safety inspection station.
- Providing DMV law enforcement the authority to halt the examination process in place until any questionable aspects of that vehicle have been addressed. This would not require starting the process over from the beginning, but, rather, simply picking back up at the point the process was halted. This approach would also mean the vehicle owner would not incur a second or subsequent DMV anti-theft examination fee.
- Removing the provision providing for local law enforcement to conduct salvage examinations (this provision went into effect in 2011 but to date no such examinations have been conducted).

Licensing of Out-of-State Buyers Working Group

- Requiring salvage pools to collect and maintain information on their buyers and to provide this information to law enforcement as needed (salvage pool representatives indicate they voluntarily collect this information; therefore, codify what is already being done).
- This information will include proof of licensing in their home state for out-of- state buyers.
- This recommendation will require changes be made to *Code of Virginia* § 46.2-1608.

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

Appendix A: Charge Letter from Senator Stephen D. Newman

SENATE OF VIRGINIA

STEPHEN D. NEWMAN

23RD SENATORIAL DISTRICT
ALL OF BOTETOURT AND CRAIG COUNTIES;
ALL OF THE CITY OF BEDFORD; PART OF BEDFORD,
CAMPBELL, AND ROANOKE COUNTIES;
AND PART OF THE CITY OF LYNCHBURG
POST OFFICE BOX 480
FOREST, VIRGINIA 24551
EMAIL: SNEWMAN@SENATORNEWMAN.COM
(434) 385-1065
(434) 485-8111 FAX



COMMITTEE ASSIGNMENTS:

TRANSPORTATION, CHAIR
COMMERCE AND LABOR
EDUCATION AND HEALTH
FINANCE
RULES

November 1, 2013

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

Dear Commissioner Holcomb:

The *Code of Virginia* in § 46.2-1600 defines a “nonrepairable vehicle” as

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

On occasion members of the General Assembly have received inquiries from constituents relative to issues surrounding cosmetically damaged vehicles versus operationally damaged vehicles when evaluating whether a vehicle is nonrepairable. I am aware that the Department of Motor Vehicles (DMV) has received such inquiries as well. I also know that in the past DMV has convened study groups of interested stakeholders from applicable industries and organizations such as representatives from the salvage and insurance industries to review issues associated with salvage, nonrepairable, and rebuilt vehicles. Because of DMV’s willingness to work with stakeholders to identify and resolve industry related issues, I am requesting that DMV once again convene a group of interested parties to explore and study issues associated with salvage, nonrepairable, and rebuilt vehicles. Specifically, I request that the work group study issues surrounding cosmetically damaged vehicles versus operationally damaged vehicles when evaluating whether a vehicle is nonrepairable and any other related issues that may be applicable. I ask that the group of stakeholders include representatives from the salvage industry, insurance industry, law enforcement, Virginia Automobile Dealers Association, Virginia Independent Automobile Dealers Association, Commissioners of the Revenue Association of Virginia and any other stakeholders identified by the Department that are necessary to accomplish the work of the stakeholder group.

I request that you report back to the Senate Committee on Transportation in December of 2014 with the results of the study and the working group’s recommendations. As part of the report,

•• Mr. Richard D. Holcomb
November 1, 2013

the working group should provide for each item it proposes an analysis of the costs to the Commonwealth, and include any proposed legislation that would be necessary in order to pursue the recommendations.

Sincerely,



Stephen D. Newman

c: The Honorable Joe T. May, Virginia House of Delegates
The Honorable Thomas Davis Rust, Virginia House of Delegates
The Honorable Thomas A. Garrett, Senate of Virginia
The Honorable Sean T. Connaughton, Secretary of Transportation
The Honorable Bryan Rhode, Secretary of Public Safety
Col. W. Steven Flaherty, Superintendent, Virginia State Police

Appendix B: Charge Letter from Delegate Thomas Davis Rust



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

THOMAS DAVIS RUST
HERNDON TOWN HALL
730 ELDEN STREET
HERNDON, VIRGINIA 20170

EIGHTY-SIXTH DISTRICT

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

February 11, 2014

Mr. Richard D. Holcomb
Commissioner
Virginia Department of Motor Vehicles
2300 West Broad Street
Richmond, Virginia 23220

Dear Commissioner Holcomb:

I understand that Senator Newman has requested that the Department of Motor Vehicles (DMV) convene a group of interested parties to explore and study issues associated with salvage, nonrepairable, and rebuilt vehicles. The group of stakeholders is to include representatives from the salvage industry, insurance industry, law enforcement, Virginia Automobile Dealers Association, Virginia Independent Automobile Dealers Association, and any other stakeholders identified as necessary to accomplish the work of the group.

Delegate Fariss' House Bill 441 creates a new policy of motor vehicle insurance and schedule of rates for salvage vehicles. As DMV has already been tasked with convening a group of stakeholders to study issues relating to salvage vehicles and it is to include representatives from the salvage and insurance industries, I request that the work group also consider the salvage vehicle insurance issues raised in House Bill 441 for further review and discussion. I further request that the results of the study and the work group's recommendations be reported back to the House Committee on Transportation in December of 2014.

I look forward to hearing from you on the results of the study. Thank you.

Sincerely,

Thomas Davis Rust

cc: The Honorable Stephen D. Newman, Senate of Virginia
The Honorable Ronald A. Villanueva, House of Delegates
The Honorable Matt C. Fariss, House of Delegates

Appendix C: Project Participants

Salvage Study Participants

DMV Team

Janet Smoot, Project Manager	Barbara Klotz, Legislative Services
Karen Grim, Senior Assistant Commissioner	Michie Longley, Legislative Services
Joseph Hill, Assistant Commissioner	Matthew Martin, Legal Affairs
William Childress, Vehicle Services	Meleta Leonard, Law Enforcement and Compliance Services
Greg Cavalli, Business Analyst	Tom Penny, Law Enforcement and Compliance Services
Sheila Stephens, Vehicle Services	Marc Fogleman, Law Enforcement and Compliance Services
Salome Davis, Vehicle Services	Kevin Bogner, Law Enforcement and Compliance Services

Stakeholders

Insurance	
Kori Brown	Farmers Insurance
Bill Tibbens	Farmers Insurance
George Dodson	State Farm Insurance
Vicki Harris	State Farm Insurance
Steve Meyenberg	Geico Insurance
Pat Liles	Nationwide
Micaela Isler	Property Casualty Insurers Association, Inc.
Chris LaGow	Nationwide, Liberty Mutual, ACE, PCI Insurers
Harold Singh	Erie Insurance
Robert Bradshaw	Independent Insurance Agents of Virginia
Joe Hudgins	Independent Insurance Agents of Virginia

Salvage/Rebuilders	
Matthew Caddy	LKQ Corporation
Jorge L. Conforme	LKQ Corporation
Joshua Myers	LKQ Corporation
Ray Colas	LKQ Corporation
Phillip H. Boykin	Hunton & Williams
Whittington W. Clement	Hunton & Williams

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

Recycling/Scrap Metal	
Matt Lacy	Lacy Auto Parts, Inc.

Recycling/Scrap Metal	
Bobby Glenn	SIMS Metal Management
Fred Cornell	Sims Metal Management
James LoBianco	Davis Industries
Charles "Cricket" Williams	Davis Industries
Jonathan Morrow	Virginia Automotive Recyclers Association (VARA)
Rick Morrow	Virginia Automotive Recyclers Association (VARA) and M & M Auto
Jessica Thomas	Virginia Automotive Recyclers Association (VARA)
Troy Webber	Virginia Automotive Recyclers Association (VARA)
Brandon Robinson	Virginia Automotive Recyclers Association (VARA)
Peter Easter	Easter & Associates
Rob Shinn	Capital Results for Institute of Scrap Recycling Industries

Motor Vehicle Dealers	
Sammy Wright	Church Street Auto, Inc.
Anne Gambardella	Virginia Automobile Dealers Association (VADA)
Pete Iaricci	Virginia Independent Automobile Dealers Association (VIADA)
Elizabeth Childress	Virginia Independent Automobile Dealers Association (VIADA)
Bill Parrish	Virginia Independent Automobile Dealers Association (VIADA)
Benny Cunningham	Cunningham Used Autos

Government	
Lt. Wallace Bouldin	Virginia State Police
Capt. Frank Glick	Virginia State Police
Sgt. Shawn Gobble	Virginia State Police
Sheriff Steve Draper	Virginia Sheriffs' Association
Dana Schrad	Virginia Association of Chiefs of Police
Mitch Nuckles	Commissioner of the Revenue, City of Lynchburg

Appendix D: HB 441 – Motor Vehicle Insurance and Salvage Vehicles

14102928D

HOUSE BILL NO. 441

Offered January 8, 2014

Prefiled January 5, 2014

A *BILL to amend the Code of Virginia by adding sections numbered 38.2-2201.1 and 38.2-2216.1, relating to motor vehicle insurance policies; repaired or rebuilt salvage vehicles; premiums for policies insuring salvage vehicles.*

Patron—Fariss

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding sections numbered 38.2-2201.1 and 38.2-2216.1 as follows:

§ 38.2-2201.1. Required notice when policy insures a salvage vehicle.

No new policy of insurance providing collision or comprehensive coverage on any motor vehicle known to the insurer to be a salvage vehicle as defined in § 46.2-1600 shall be issued or delivered unless it contains the following statement printed in boldface type, or unless the statement is attached to the front of or is enclosed with the policy:

IMPORTANT NOTICE

THE MOTOR VEHICLE YOU ARE INSURING IS A SALVAGE VEHICLE. IN THE EVENT OF AN ACCIDENT IN WHICH THE MOTOR VEHICLE IS DECLARED A TOTAL LOSS, YOU WILL BE PAID LESS MONEY THAN YOU WOULD IF A SALVAGE CERTIFICATE HAD NOT BEEN ISSUED FOR THE VEHICLE, BECAUSE THE ACTUAL CASH VALUE OF A SALVAGED VEHICLE IS GENERALLY LESS THAN IT IS FOR MOTOR VEHICLES THAT HAVE NOT BEEN CERTIFICATED TO BE A SALVAGE VEHICLE.

§ 38.2-2216.1. Reduction in rates for salvage vehicles.

A. Any schedule of rates, rate classifications, or rating plans for a policy of motor vehicle insurance as defined in § 38.2-2212 providing comprehensive or collision coverage that is filed with the Commission shall provide for an appropriate reduction in premium charges for those motor vehicles for which a salvage certificate has been issued pursuant to Chapter 16 (§ 46.2-1600 et seq.) of Title 46.2. The reduction in premium shall reflect that the actual cash value of a motor vehicle of a specific make, model, age, mileage, and condition for which a salvage certificate has been issued is less than the actual cash value of a motor vehicle of the same make, model, age, mileage, and condition that is not a salvage vehicle.

B. The provisions of this section shall apply only to those policies of motor vehicle insurance for which the rates, rate classifications, or rating plans are based in whole or in part on the actual cash value of the insured motor vehicle.

C. The Commission and the Department of Motor Vehicles may promulgate rules and regulations to assist them in carrying out the provisions of this section.

INTRODUCED

HB441

Appendix E: Comments from Salvage Study Stakeholders

From: Anne Gambardella [<mailto:AGambardella@VADA.com>]
Sent: Friday, April 11, 2014 3:20 PM
To: Smoot, Janet (DMV)
Subject: RE: Salvage Act Task Force Report

I added a simple explanation. Please let me know if you think this is enough. Thank you.

Anne Gambardella
Virginia Automobile Dealers Assn
804-545-3006
804-658-7444 CELL
866-706-1809 FAX

From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]
Sent: Thursday, April 10, 2014 11:45 AM
To: Anne Gambardella
Subject: FW: Salvage Act Task Force Report
Importance: High

Anne,

In follow-up to our Salvage meeting last week Chris sent this in regards to HB 441. This is great but I don't believe it captures your comments on the impact on the lending process at time of sale. Can you send me a summary of your concerns/thoughts to incorporate into our response?

Thanks,
Janet

From: Chris Lagow [<mailto:chris@lagowlobby.com>]
Sent: Monday, April 07, 2014 1:50 PM
To: Smoot, Janet (DMV)
Subject: FW: Salvage Act Task Force Report
Importance: High

Pat Liles and Anne Gambardella have signed off on this, expect Vicki will too. Chris

From: Chris Lagow
Sent: Thursday, April 03, 2014 5:09 PM
To: pat liles (lilesp@nationwide.com); vicki.harris.qr6v@statefarm.com; 'Anne Gambardella'
Subject: FW: Salvage Act Task Force Report
Importance: High

Please take a look at the attached and provide me with any edits you feel should be made to the HB 441 narrative. Janet wants it by Monday afternoon. Thanks

From: Emily Avesian
Sent: Thursday, April 03, 2014 5:00 PM
To: Chris Lagow
Subject: Salvage Act Task Force Report

Emily Avesian

Legislative Assistant

Law Office of J. Christopher LaGow

707 E. Main Street, Suite 1630

Richmond, VA 23219

(804) 225-8570

Salvage Act Task Force Narrative HB 441

At the first stakeholder meeting held on April 1, 2014, the Task Force took up HB 441 from the 2014 session. HB 441 would require auto insurers to notify a vehicle owner that his or her salvage-branded vehicle was worth less than a vehicle without a salvage brand. It would also implement a premium reduction rating plan, effectively lowering the premium for collision coverage on salvage vehicle policies. The Task Force recommends against further action at this time, for reasons of economy, implementation challenges and potential negative externalities.

The Task Force identified financial implications associated with notification. The notification requirement would entail a new expense for insurance carriers who do not currently verify DMV records when issuing a policy. Insurance companies would be obligated to verify title status for every Virginia policy and include the statutory notice or risk being fined on Market Conduct Exams.

A second challenge is related to implementing the premium reduction rating plan. This change would necessitate a fundamentally different rating structure than is currently used by the insurance industry, anywhere in the US. Virginia would become the first state in the country to attempt to employ a Salvage Rating Designator, which would be applied to the Collision portion of a policy.

Task Force participants voiced concerns about calculating a discount based on actual cash value since no mechanism exists to accurately project a vehicle's future valuation. Insurance policies are priced more on risk exposure, rather than on the value of a vehicle. Insurers calculate the actual cash value for a vehicle at and only at a time of loss, based on the market then in effect, and by assessing vehicle mileage and condition. By contrast, HB 441 would require rating plans to project and appropriately discount for the portion of a vehicle's actual cash value attributed to salvage status, in the event of a total loss. Insurers cannot know when the loss will occur, or what the condition of the vehicle with a salvage brand will be on the date of the loss, or what the market for salvage vehicles will be on that uncertain date in the future when the loss occurs.

Imposing additional costs or actuarially challenging rating plan requirements on insurance carriers could result in fewer companies willing to write policies on salvage vehicles. Salvage vehicle collision coverage is not a universal offering among insurance providers now. Some insurers offer only liability coverage on salvage vehicles. New collision requirements on insurers writing policies on salvage vehicles will very likely result in fewer carriers providing coverage. If availability of insurance becomes an issue, lenders will not make loans on these vehicles, and the market for rebuilt salvage could be threatened.

Automobile dealers voiced concerns over this proposal as well. When a vehicle is purchased, lenders require dealers to confirm insurance coverage. Adding a disclosure to the insurance company that a vehicle has salvage history, and a different insurance treatment of such vehicle, could complicate the sale process.

From: Singh, Harold [<mailto:Harold.Singh@ERieInsurance.com>]
Sent: Monday, August 04, 2014 1:43 PM
To: Smoot, Janet (DMV)
Subject: RE: Salvage Study - Documentation from meeting of 7/8/14

Good Afternoon Janet,

I was reading the notes to refresh my memory and I see an area that did not fit my own notes. I believe this was misconstrued during the discussion where I pointed out the room had two diverging points of view. On one hand folks wanted to simplify, such as Danny with IAA, and on the other hand we had the folks that wanted to address the arbitrary branding impacting customers that had perfectly drivable vehicles.

Here is the line from the notes:

“Mr. Singh believes that the higher non-repairable standard would give rebuilders more room to operate. He also believes that the non-repairable threshold could be eliminated, **and that all vehicles exceeding 75% damage should be branded regardless of model year.** “

If I can clarify for the record, It is not my position that all vehicles should be branded if the 75% threshold is exceeded.

Thanks,

Harold Singh, I-CAR certified

Senior Material Damage Supervisor
Richmond Branch Claims Department
Phone 804.662.6552
Cell 804.356.6181
Fax 804.662.6555
Toll Free 800.322.3743 x6552
Email Harold.Singh@erieinsurance.com



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From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]
Sent: Tuesday, July 22, 2014 4:56 PM

To: george.dodson.afxd@statefarm.com; dchurch@iaai.com; gerlad.faries@copart.com; James Hines; chris@lagowlobby.com; jhudgins@iiav.com; aron.rosenfield@copart.com; Singh, Harold; bill.tibbens@farmersinsurance.com

Cc: Cavalli, Gregory (DMV); Childress, William (DMV); Davis, Salome (DMV); joe.hill@dmv.virginia.gov; Grim, Karen (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); tom.penny@dmv.virginia.gov; Stephens, Sheila (DMV); John Butner; Bishop, Dylan (DMV); Bogner, Kevin (DMV)

Subject: Salvage Study - Documentation from meeting of 7/8/14

Enclosed is documentation from the small group meeting of July 8th. Let me know if you have any concerns or see any edits that need to be made.

We will have our larger stakeholder meeting on August 5th from 10:00 – noon in room 702.

Let me know if you have any questions.

Janet Smoot

Virginia DMV | Governmental Affairs | (804) 367-2479 | janet.smoot@dmv.virginia.gov | www.dmvNOW.com

[Confidentiality Statement](#)

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From: Dana Schrad [<mailto:Dana@vachiefs.org>]
Sent: Wednesday, October 29, 2014 2:33 PM
To: Grim, Karen (DMV); John Jones
Subject: RE: Salvage Exams

Well that's easy.
YES!

Ms. Dana G. Schrad
Executive Director
Virginia Association of Chiefs of Police
Virginia Police Chiefs Foundation
Virginia Association of Campus Law Enforcement Administrators
1606 Santa Rosa Road, Suite 134
Henrico, Virginia 23229
Phone: 804-285-8227
Fax: 804-285-3363
Mobile: 804-338-9512
Visit us on the web at www.vachiefs.org
Like us on Facebook at www.facebook.com/vachiefs
Follow us on Twitter at www.twitter.com/vachiefs

The VACP has a new Weekly Update! Subscribe to receive VACP News by email -- <http://multibriefs.com/optin.php?vacp>

From: Grim, Karen (DMV) [<mailto:karen.grim@dmv.virginia.gov>]
Sent: Wednesday, October 29, 2014 2:31 PM
To: Dana Schrad; John Jones
Subject: Salvage Exams

As you may recall, a few years back, the salvage law (§ 46.2-1605 B) was amended to allow local law enforcement to conduct a salvage exam, in lieu of a DMV conducted exam, for \$75. The purpose was to help alleviate the DMV backlog and to provide more options for persons seeking a salvage exam. Since that time, no exams have been conducted by local law enforcement and the process has been streamlined so that there is no longer a backlog.

We are in the process of drafting proposed legislation to submit in conjunction with the salvage study DMV recently lead. As a part of that, we would like to eliminate that enabling legislation. Even though this will not have an impact on your members, since they haven't been conducting the exams, we still would like your approval before pursuing this change.

I look forward to hearing from you.

Karen

Karen Grim

Virginia DMV | Senior Assistant Commissioner | Driver, Vehicle & Data Management Services |
(804) 367-6659 | Karen.Grim@dmv.virginia.gov | www.dmvNOW.com

[Confidentiality Statement](#)

From: John Jones [<mailto:jjones@virginiasheriffs.org>]
Sent: Sunday, November 02, 2014 6:05 AM
To: Grim, Karen (DMV)
Cc: Laura Morris
Subject: Re: Salvage Exams

Hi Karen,

No problem that I can see.

I'll send it out anyway for comments.

John W. Jones
Executive Director
Virginia Sheriffs' Association

On Oct 29, 2014, at 2:31 PM, Grim, Karen (DMV) <karen.grim@dmv.virginia.gov> wrote:

As you may recall, a few years back, the salvage law (§ 46.2-1605 B) was amended to allow local law enforcement to conduct a salvage exam, in lieu of a DMV conducted exam, for \$75. The purpose was to help alleviate the DMV backlog and to provide more options for persons seeking a salvage exam. Since that time, no exams have been conducted by local law enforcement and the process has been streamlined so that there is no longer a backlog.

We are in the process of drafting proposed legislation to submit in conjunction with the salvage study DMV recently lead. As a part of that, we would like to eliminate that enabling legislation. Even though this will not have an impact on your members, since they haven't been conducting the exams, we still would like your approval before pursuing this change.

I look forward to hearing from you.

Karen

Karen Grim

Virginia DMV | Senior Assistant Commissioner | Driver, Vehicle & Data Management Services |
(804) 367-6659 | Karen.Grim@dmv.virginia.gov | www.dmvNOW.com

[Confidentiality Statement](#)

From: Chris Lagow [<mailto:chris@lagowlobby.com>]
Sent: Monday, November 03, 2014 4:37 PM
To: Smoot, Janet (DMV)
Subject: RE: Salvage Study - Report and Legislation
Importance: High

Janet, I may have other Comments, but these deserve the most attention.

On page 13, there is a typo on HB 441; strike 411 and insert HB 441.

On page 21, under Insurance Industry Comments near the top of the page, I believe that Harold Singh from Erie previously made it clear that he had been misquoted in the Minutes of some meeting. The misquoted portion made it into the Report while his Correction did not. This error is repeated at the bottom of page 21 as well. I thought that insurers had argued quite forcefully that all vehicles outside of the late model definition with 75% or more of damage, should NOT have their titles branded automatically, because of the fact that only slight damage to an older car not worth much in the first place would result in a title brand. Older people on a fixed income would be adversely affected. The number of salvage vehicle inspections would skyrocket too. The Group certainly did NOT agree to this, as is stated in error near the bottom of page 21. You will recall that the recyclers said they would oppose the effort to make the Nonrepairable threshold 100% of acv unless this branding occurred on all vehicles regardless of age. That issue is covered elsewhere in the report, and the threshold is still at 90% of acv. The group clearly did not agree to branding all insurance company acquired vehicles. Please correct those misstatements. Thanks! Chris

From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]

Sent: Monday, November 03, 2014 2:14 PM

To: mcaddy@lkqcorp.com; fileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; Chris Lagow; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com; jhudgins@iiav.com; agambardella@vada.com; lois@viada.org; pete@viada.org; bilparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginia sheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiav.com; P Boykin; pete.easter@easterassociates.com
Cc: Grim, Karen (DMV); jbutner@verizon.net; Childress, William (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Bogner, Kevin (DMV); Cavalli, Gregory (DMV); Davis, Salome (DMV); Leonard, Meleta (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); Holcomb, Richard (DMV)
Subject: Salvage Study - Report and Legislation

Dear Stakeholders,

Enclosed is the Salvage report and legislation. Thank you for the time you devoted to this study. This study would not have been possible without all of our interested stakeholders and your valuable input.

After reading the report and legislation please send to me any comments you or your organization have in regards to the study and these documents. As with all of our legislative studies, you may submit your comments, or the position of your company/organization, in the form of a letter which will be placed in the appendices of the report.

We have a tight turnaround and will need to receive your comments by noon on Wednesday, November 12th. We will not be able to accept them after this date.

If you have any questions feel free to contact me.

Janet Smoot

Virginia DMV | Governmental Affairs | (804) 367-2479 | janet.smoot@dmv.virginia.gov | www.dmvNOW.com

[Confidentiality Statement](#)

From: Singh, Harold [Harold.Singh@ERieInsurance.com]
Sent: Monday, November 03, 2014 3:57 PM
To: Smoot, Janet (DMV); mcaddy@lkqcorp.com; fhileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; jhudgins@iiav.com; agambardella@vada.com; lois@viada.org; pete@viada.org; bilparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiav.com; P Boykin; pete.easter@easterassociates.com
Cc: Grim, Karen (DMV); jlbutner@verizon.net; Childress, William (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Bogner, Kevin (DMV); Cavalli, Gregory (DMV); Davis, Salome (DMV); Leonard, Meleta (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); Holcomb, Richard (DMV)
Subject: RE: Salvage Study - Report and Legislation

Good Afternoon Janet,

Please review page 21 of the report. You may recall, I requested the minutes be corrected to reflect my position, which is: vehicles older than "current plus 5 years" should NOT have their titles branded if they should be acquired by an insurer. My position and later correction is not reflected in the final report.

I respectfully request that my position be corrected for the record.

Thank you,

Harold Singh, I-CAR certified

Senior Material Damage Supervisor
Richmond Branch Claims Department
Phone 804.662.6552
Cell 804.356.6181
Fax 804.662.6555
Toll Free 800.322.3743 x6552
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From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]
Sent: Monday, November 03, 2014 2:14 PM
To: mcaddy@lkqcorp.com; fhileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; Singh, Harold; jhudgins@iiav.com; agambardella@vada.com; lois@viada.org; pete@viada.org; bilparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiav.com; P Boykin; pete.easter@easterassociates.com
Cc: Grim, Karen (DMV); jbutner@verizon.net; Childress, William (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Bogner, Kevin (DMV); Cavalli, Gregory (DMV); Davis, Salome (DMV); Leonard, Meleta (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); Holcomb, Richard (DMV)
Subject: Salvage Study - Report and Legislation

Dear Stakeholders,

Enclosed is the Salvage report and legislation. Thank you for the time you devoted to this study. This study would not have been possible without all of our interested stakeholders and your valuable input.

After reading the report and legislation please send to me any comments you or your organization have in regards to the study and these documents. As with all of our legislative studies, you may submit your comments, or the position of your company/organization, in the form of a letter which will be placed in the appendices of the report.

We have a tight turnaround and will need to receive your comments by noon on Wednesday, November 12th. We will not be able to accept them after this date.

If you have any questions feel free to contact me.

Janet Smoot

Virginia DMV | Governmental Affairs | (804) 367-2479 | janet.smoot@dmv.virginia.gov | www.dmvNOW.com

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From: Matthew Lacy [<mailto:Mattlacy@lacyauto.com>]
Sent: Tuesday, November 04, 2014 2:20 PM
To: Smoot, Janet (DMV); Childress, William (DMV)
Subject: RE: Salvage Study - Report and Legislation

Janet and William,

Thank you both for working hard to develop these proposed changes to the salvage law. I know it was a long and tedious process. However, after reading both documents, I found a small change that creates a very large issue for me and my company, along with the Virginia Recyclers Association.

As a result:

The following is the position of Lacy Auto Parts, Inc. regarding the report and draft salvage legislation.

I am prepared to enthusiastically support the draft as long as line 10 states "custom paint". I am particularly concerned about the elimination of the word "custom", when on page 23 of the report states "the majority of the stockholders felt it should be restricted to custom paint only".

As indicated above, I would be pleased to actively support the legislation as drafted as long as the word "custom" is included in the draft that is sent forward.

However, I will need to adamantly oppose the entire bill if it goes forward as presently drafted.

Thanks,
Matt

Matthew D. Lacy
President

Lacy Auto Parts, Inc.

6600 Chambers Road
Charles City, VA 23030
804-829-2747 Ext. 121

<http://www.lacyauto.com>



From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]
Sent: Monday, November 03, 2014 2:14 PM
To: mcaddy@lkqcorp.com; fhileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com;

jhudgins@iiv.com; agambardella@vada.com; lois@viada.org; pete@viada.org; billparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiv.com; P Boykin; pete.easter@easterassociates.com

Cc: Grim, Karen (DMV); jbutner@verizon.net; Childress, William (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Bogner, Kevin (DMV); Cavalli, Gregory (DMV); Davis, Salome (DMV); Leonard, Meleta (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); Holcomb, Richard (DMV)

Subject: Salvage Study - Report and Legislation

Dear Stakeholders,

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After reading the report and legislation please send to me any comments you or your organization have in regards to the study and these documents. As with all of our legislative studies, you may submit your comments, or the position of your company/organization, in the form of a letter which will be placed in the appendices of the report.

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If you have any questions feel free to contact me.

Janet Smoot

Virginia DMV | Governmental Affairs | (804) 367-2479 | janet.smoot@dmv.virginia.gov | www.dmvNOW.com

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From: Singh, Harold [<mailto:Harold.Singh@ErieInsurance.com>]
Sent: Tuesday, November 04, 2014 11:41 AM
To: Smoot, Janet (DMV)
Subject: RE: Salvage Study - Report and Legislation

Janet,

I certainly understand that there was a lot of conversation to keep up with during the larger meetings. On Page 21, it seems the wording may have originated from a misquote when I was trying to make the *opposite* point. It would be simplest to just strike that portion as noted in the snap shot below.

The later comment that the "group agreed on branding of all salvage" is the opposite of our position and the general insurance industry position and likely part of the same misquote from the notes. Within the current state process, I would not see any reason to brand the older vehicles as a blanket requirement. We will still brand any vehicle that we feel should not be repaired and will follow the law on the late model branding. I see no benefit to consumers by taking safely drivable vehicles off of the road only because they have a lower value and sustained minor damage, regardless if they are retained or sold.

- *Insurance Industry Representative Comments*

Insurance companies will still report an owner-retained vehicle that exceeds the 75% limit as salvage. The higher nonrepairable standard would give rebuilders more room to operate. ~~The nonrepairable threshold could be eliminated, and all vehicles exceeding 75% damage should be branded regardless of model year.~~ It was noted that part of what the 90% threshold does is ensure a damaged vehicle is branded. It provides disclosure.

~~Any insurance acquired vehicle, whether "Late Model" or not, will receive a "Salvage" brand~~ ←

No Consensus

~~The group agreed to this element and that insurers need not submit an estimate for vehicles they deem "Non-Repairable."~~

Thank you,

Harold Singh, I-CAR certified

Senior Material Damage Supervisor
Richmond Branch Claims Department
Phone 804.662.6552
Cell 804.356.6181
Fax 804.662.6555
Toll Free 800.322.3743 x6552
Email Harold.Singh@erieinsurance.com



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From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]
Sent: Tuesday, November 04, 2014 9:12 AM
To: Singh, Harold
Subject: RE: Salvage Study - Report and Legislation

Harold,

We'll follow-up on this and make the necessary corrections. These meetings were a challenge and there may be other areas where we need to make adjustments. That's why we like to get the reports out for stakeholder input before sending to the Transportation Chairs.

From: Singh, Harold [<mailto:Harold.Singh@ERIEInsurance.com>]
Sent: Monday, November 03, 2014 3:57 PM
To: Smoot, Janet (DMV); mcaddy@lkqcorp.com; fileman@LKOCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; jhudgins@iiav.com; agambardella@vada.com; lois@viada.org; pete@viada.org; bilparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginia sheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiav.com; P Boykin; pete.easter@easterassociates.com
Cc: Grim, Karen (DMV); jilbutner@verizon.net; Childress, William (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Bogner, Kevin (DMV); Cavalli, Gregory (DMV); Davis, Salome (DMV); Leonard, Meleta (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); Holcomb, Richard (DMV)
Subject: RE: Salvage Study - Report and Legislation

Good Afternoon Janet,

Please review page 21 of the report. You may recall, I requested the minutes be corrected to reflect my position, which is: vehicles older than "current plus 5 years" should NOT have their titles branded if they should be acquired by an insurer. My position and later correction is not reflected in the final report.

I respectfully request that my position be corrected for the record.

Thank you,

Harold Singh, I-CAR certified

Senior Material Damage Supervisor
Richmond Branch Claims Department
Phone 804.662.6552
Cell 804.356.6181
Fax 804.662.6555
Toll Free 800.322.3743 x6552
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Cc: Grim, Karen (DMV); jbutner@verizon.net; Childress, William (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Bogner, Kevin (DMV); Cavalli, Gregory (DMV); Davis, Salome (DMV); Leonard, Meleta (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); Holcomb, Richard (DMV)
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If you have any questions feel free to contact me.

Janet Smoot

Virginia DMV | Governmental Affairs | (804) 367-2479 | janet.smoot@dmv.virginia.gov | www.dmvNOW.com

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From: Peter Easter [<mailto:Peter.Easter@easterassociates.com>]

Sent: Tuesday, November 04, 2014 1:53 PM

To: Smoot, Janet (DMV)

Cc: Jonathan Morrow; Matt Lacy; Clement, Whittington

Subject: VARA's Position with Draft Salvage Legislation

Janet,

The following is the position of the Virginia Automotive Recyclers Association regarding the report and draft salvage legislation.

The association is prepared to enthusiastically support the draft as long as line 10 states "custom paint". We are particularly concerned about the elimination of the word "custom", when on page 23 of the report states "the majority of the stockholders felt it should be restricted to custom paint only".

As indicated above, the association would be pleased to actively support the legislation as drafted as long as the word "custom" is included in the draft that is sent forward.

However, the association will need to adamantly oppose the entire bill if it goes forward as presently drafted.

Sincerely,

Peter Easter & Jonathan Morrow, VARA President

Virginia Automotive Recyclers Association

250 West Main Street

Suite 100

Charlottesville, VA 22902

(434) 906-1776- Peter's Cell

(434) 977-3716- Main Office

(434) 979-2439- Fax

www.varecyclers.com



November 5, 2014

Janet Smoot
Virginia DMV
Governmental Affairs

Dear Ms. Smoot:

LKQ Corporation is opposed to the non-agreed upon definition of “Cosmetic Damage” in the proposed salvage statutory language. Specifically, we are disappointed that the definition of “cosmetic damage” now encompasses all paint whereas the previous definition developed by the work group only included “custom paint.” We were led to believe throughout the collaborative process that began early this summer that issues not unanimously consented to by all parties would not be included in the proposed language. Page 23 of the Salvage Study Report even makes reference to the fact the “The majority of stakeholders felt it (cosmetic damage) should be restricted to custom paint only.”

The inclusion of **all** paint in the definition of cosmetic damage creates serious consumer protection problems for the citizens of Virginia. When an estimate is written to bring a vehicle back to its pre-loss condition, the paint, materials, and labor as part of the refinishing of the vehicle would be part of the estimate. The exclusion of paint from the cost of repair when determining the calculation for nonrepairable vehicles means that more badly damaged vehicles would fall under the 90% nonrepairable threshold. This loophole would allow these damaged vehicles to be rebuilt and returned to the road when they could pose a serious threat to Virginia drivers. In addition, this broad definition would allow unscrupulous salvage vehicle buyers to buy vehicles which previously would have been sold only as a source of scrap or parts. If this legislation were to be enacted as currently worded, these badly damaged vehicles could then be repaired cosmetically and sold to unsuspecting motorists who would have no knowledge of the true extent of the vehicle’s damage. These concerns were fully aired during the deliberative process in producing the salvage study.

We look forward to working all parties to resolve this issue. However, if the proposed language goes forward as written we will oppose the bill in its entirety.

Respectfully,

A handwritten signature in black ink, appearing to read 'Bob Klein', is written in a cursive style.

Andreas Heiss
Government Affairs Manager – Northeast Region
LKQ Corporation

Cc: Whittington Clement
Myles Louria

From: Rick Morrow [<mailto:rick@mmauto.com>]
Sent: Wednesday, November 05, 2014 7:15 PM
To: Smoot, Janet (DMV)
Cc: Jonathan Morrow; Matt Lacy - Lacy Auto
Subject: Paint Expense and Definition of Non-Repairable Vehicle

Janet Smoot
Virginia DMV
Governmental Affairs

Dear Janet,

As an owner of M & M Auto Parts and as a past president of the Virginia Automotive Recyclers Association I have been involved in several task forces or committees working on code changes since 1986. In this latest effort to make changes to the Virginia law it had been agreed to by the group of stakeholders that when determining the repair estimates of damaged vehicles that "custom paint" would not be included in cases where it would cause the estimate to exceed the 90% threshold and thereby be defined as a non-repairable vehicle. Now in the eleventh hour someone from the insurance industry, I presume, has persuaded someone else without the group's consent, that all paint related expenses will not be counted in the repair estimate. I find this troubling and reminiscent of some things that happened in previous DMV groups where I was a member.

If this change is allowed to go forward I will oppose the bill in its entirety.

Thanks for letting me give my position.

Sincerely,
Rick Morrow
CEO, M & M Auto Parts
Fredericksburg, VA

From: Chris Lagow [chris@lagowlobby.com]
Sent: Friday, November 07, 2014 9:34 AM
To: Smoot, Janet (DMV)
Subject: Salvage Act amendment

See page 17, third bullet incorrectly states the percentage of damage for a late model vehicle to get a Nonrepairable brand. It should be Damage "in excess of 90%"... The very next bullet down the page correctly states the definition.

Chris



November 10, 2014

Karen Grim
Virginia DMV
Senior Assistant Commissioner
Driver, Vehicle & Data Management Services
P.O. Box 27412
Richmond, VA 23269

Karen:

The National Salvage Vehicle Reporting Program (NSVRP) is a leading not-for-profit law enforcement support organization dedicated to reducing auto theft, title fraud and abuse, and to helping control criminal activities related to the exportation of stolen and fraudulently obtained vehicles. NSVRP works closely with the U.S. Department of Justice (DOJ), the FBI, Customs and Border Protection and other federal, state and local agencies to help further these objectives. In addition, NSVRP is recognized by DOJ as an independent third party voluntary standards body for the National Motor Vehicle Title Information System (NMVTIS), which was created as a result of the Anti-Car Theft Acts of 1992 and 1996. NSVRP's board is comprised of representatives of local and national law enforcement organizations.

NSVRP has recently become aware of draft legislative language impacting the current Virginia salvage automobile statutory language that is currently under consideration by the Virginia DMV. This draft language is based upon several months of discussion between interested parties. Unfortunately, however, while the November 2014 Salvage Study affirms that the salvage vehicle program "applies to citizens, insurance companies and the various groups that comprise the salvage industry" (page 6) and that the "program is designed to provide a prospective car buyer – whether a vehicle dealer, rebuilder, salvage dealer, or a member of the general public – a full accounting of prior damage," (page 7), it appears that no consumer advocates were represented in the working group membership.

In reviewing the draft language we were provided, NSVRP identified a number of policy issues that we believe will have detrimental unintended consequences for consumers. We believe that inclusion of parties beyond those with a pure commercial interest would have provided opportunities to fix issues with current statutes, such as Virginia's exemption on branding of vehicles more than six model years of age or worth less than \$10,000, rather than providing a platform for commercial entities to further enhance their returns while making unsubstantiated and invalid claims about what is best for consumers. We had hoped that the current review cycle would have had a greater focus of the interests of consumers, and would have provided a platform for strengthening consumer protections and closing deficiencies in the current Virginia statutes.

NSVRP believes that much more work needs to be done to ensure that any changes to Virginia's salvage vehicle program protect the interests of the public and recommend that the process be reopened to include non-commercial interests, including consumer advocates, in the discussion process. The document as it is currently drafted appears to reflect the interests of the commercial groups represented in the working group and as a result is fundamentally flawed.

NSVRP's primary concern with the Nov. 3 draft of proposed Salvage Statutory Language applies to the exclusion of costs to repair "cosmetic damages" from the calculations to determine when a vehicle is considered nonrepairable. If a vehicle is damaged in such a way that it makes sense to be repaired for an insured or uninsured owner, and the repair is actually made, then such a vehicle does not have its ownership transferred and it need not get a salvage or nonrepairable brand. When a wrecked or flooded vehicle is deemed a total loss by an insurance company, that insurance company has determined that the vehicle is not worth the cost that it would take to repair that vehicle and it must receive a branded

The National Salvage Vehicle Reporting Program (NSVRP) is a not-for-profit 501 (C) (3). The organization was founded to support law enforcement and to promote and support efforts to advance the National Motor Vehicle Title Information System (NMVTIS). NSVRP's mission is to support initiatives to control auto-theft and title abuse. NSVRP's Board of Directors consists of representatives of major law enforcement groups, and is recognized by the Department of Justice as an independent third party voluntary standards body for NMVTIS. NSVRP has been recognized both by the Department of Justice and the FBI for 'Exceptional Service in the Public Interest' for its public policy efforts.

80 Urban Street, Stamford, Connecticut 06905-3965
Phone: (203) 975-9889 Fax: (203) 975-9864 administrator@nsvrp.org

Page 1 of 11



title. Cars that are not safe to drive, are likely to be unreasonably uneconomical for the consumer to repair, or that are likely to do little but cause problems for consumers down the road, should be removed from future commerce by receiving a nonrepairable brand. The lack of an economical repair must not be hidden from the consumer by excluding those calculations from a branding or nonrepairable decision and thereby shifting the disclosure and the hidden costs from the insurer, who has already been compensated through insurance premiums, or offset by a return on the acquired salvage in making that determination. Any repair – be it for paint, dings, replacement of audio components and other such ‘cosmetic’ repairs are still repairs – and will be borne by the private purchaser. It is not justified to carve any of these out as exempted from the cost of repair calculations when a subsequent buyer will be faced with such repairs.

According to testimony in the Florida Senate Transportation Committee by Copart, one of the two largest salvage pool auction operations in the United States, cars that are sold with nonrepairable titles sell for an average of \$1,200, while vehicles sold at auction as repairable typically sell for \$1,500 to \$2,000 more per vehicle. Virginia’s proposed language excluding cosmetic damages would doubly play in the favor of insurers who want to avoid nonrepairable branding at any cost by first excluding the cost of repairs that need to be made in order to get the vehicle to roadworthy, pre-accident condition, and second by not requiring that the costs for standard replacements be considered in the estimate.

When accurate prior damage history is not available, consumers’ health, safety and finances are put at significant risk. Clean-title or under-branded vehicles with undisclosed damage history are worth much less than the fair market value consumers typically would have paid. When the effects of the prior damage begin revealing themselves through mechanical failures, consumers find themselves on the line for extensive, unplanned repairs and are essentially paying for repairs that the insurers profited from by either not making or not including in their calculations.

Furthermore, Virginia’s current statutes contain elements that are diametrically opposed to NSVRP’s recommended best practices in titling and branding developed in its role as an independent third party voluntary standards body for NMVTIS. These include exemptions on branding based on vehicle age and value, incorporating the amount an insurer can expect to receive from the sale of a vehicle in the determination of the vehicle’s brand status, applying a clear-cut salvage threshold requirement (75 percent of ACV) only in the case of “any recovered stolen vehicle acquired by an insurance company as part of the claims process,” and essentially leaving salvage branding to the determination of the owner, who in most cases is the insurer.

These policies, and particularly Virginia’s requirement for branding of only late model vehicles, are extremely problematic. Since the average age of a car on the road today is more than 11 years old, 75 percent or more of all total loss vehicles might be exempted from branding. Generating countless exempt clean title total loss vehicles simply creates an environment that supports additional consumer harm when these total loss vehicles are later resold under clean titles, or are purchased for the paperwork which is then used to cover theft and/or VIN clones.

Some states are beginning to understand and address the consumer impact of these dangerous loopholes and exemptions. In the 2014 legislative session, Colorado’s governor signed into law a bill to repeal that state’s exemption on branding of vehicles six years and older after seeing severely flood-damaged yet clean-titled vehicles reentering the salvage vehicle marketplace in the wake of Colorado’s late summer floods. This was a powerful acknowledgement of the fallacy of creating artificial exemptions on vehicle branding. NSVRP is aware of 13 other states that still have branding exemptions for older or lower value vehicles, which endangers the safety and finances not only of their own citizens, but also citizens of other states – even states with strong branding and titling protections – where badly damaged but clean-titled vehicles might be transported for sale.

As NICB states, “the presence of total loss or salvage vehicles masquerading as perfectly reliable used vehicles presents tremendous opportunity for fraud within the used car resale environment...[and] could be a potential safety hazard to the purchaser and other motorists.” NICB goes on to warn that, “if a used vehicle’s history is not disclosed, then consumers are at risk of buying a potential death trap.” Branding of titles when vehicles have been subject to



accident or loss – regardless of the age of the vehicle – represents a key form of consumer protection. If a vehicle has a brand, total loss, or salvage history, then the consumer is warned that the vehicle may no longer be safe or roadworthy.

Title washing is typically framed as a scam committed by criminal groups and smaller secondary resellers of vehicles who physically alter branded titles or register branded vehicles in multiple states until the salvage brand is removed from the title. Ironically, however, some of the states themselves, through laws such as Virginia’s that strip the public of a significant portion of the protections that would result from proper branding and titling, are substantially responsible for the greatest deficiencies in the protections for their own citizens due to loopholes in automotive salvage policies that are responsible for a large fraction of significantly damaged vehicles never receiving a salvage brand in the first place or avoiding a nonrepairable brand even if the vehicle was massively damaged.

Consumers expect their title and branding laws to protect their safety and welfare, and their pocketbooks, by properly documenting prior damage and especially by requiring nonrepairable wrecks to be taken off the road. The public fundamentally expects of their state government that virtually all total-loss vehicles are branded as salvage, and that when they are severely damaged they are tagged as nonrepairable. They expect that when a vehicle is nonrepairable it cannot be legally repaired, and that if a salvage vehicle is repaired the title will retain some indication as a rebuilt salvage vehicle.

NSVRP has identified in the following vehicle examples a number of severely damaged cars that are not required to be branded due to Virginia’s exemption from branding of vehicles older than six model years of age or worth less than \$10,000. You will also find an example of a 2013 Nissan Altima with repair costs that appear to be greatly understated, an all-too-frequent abuse of state titling and branding laws. Under the guidelines of the current draft, the determination of damage and the determination of branding would seem to be constructed such that the DMV would have only the most limited basis for regulating the determination of repairable branding of newer total-loss vehicles and of non-branded older total-loss vehicles by the insurer – essentially neutering the ability of the agency to enforce branding standards to protect the public from a watered down branding standard or to effectively regulate abusive branding decisions by the industry.

NSVRP would be pleased to discuss this with you further and to provide recommendations for revised draft legislative language. Alternatively, you may find model state language and best practice recommendations in NSVRP’s Comprehensive Vehicle Branding and Total Loss Best Practice Guide, available at http://nsvrp.org/uploads/NSVRP_Best_Practices_FINAL_STANDARD_September_8_2014_compressed_.pdf. More information may be found at www.NSVRP.org and I may be reached directly at administrator@nsvrp.org if you have any questions or require additional information.

Sincerely,

Howard Nusbaum
Administrator
National Salvage Vehicle Reporting Program (NSVRP)

2005 CHRYSLER TOWN & COUNTRY



Stock# : 12363731

Sale Document : CLEAR(Virginia)



000-12363731 12/12/2013 COPYRIGHT 2013 - INSURANCE AUTO AUCTIONS

Auction [Culpeper](#) | Monday [Mar-17](#)

12:00 PM CDT

Status : READY FOR SALE

Location : Culpeper Branch

Lane A Item#: 3044

Who Can Bid : Dealer, Dismantler, Exporter, Rebuilder, Scrapper

Seller : ALFA Vision Insurance Companies

ACV : \$3,131

Data Last updated : Mar-14 1:25 AM CDT

Loss: COLLISION
Primary: ROLLOVER
Secondary: ALL OVER
Key: Present
Start Code: WONT START
Odometer: 158592
Odometer Status: ACTUAL

Fuel Type: Gasoline
Cylinders: 6 Cyl
Engine: 3.3L V6 SFI OHV NS4
Transmission: Automatic
Drive Line Type: Front Wheel Drive

Vehicle: Automobile
VIN: [1C4GP45R25B343476](#)
VIN Status: OK
Body Style: SPORT VAN
Vehicle Class: Non Luxury Mid Size Van
Series:
Manufactured in: UNITED STATES
Exterior Color: GREEN
Interior Color: GRAY

Restraint System: Dual Front Air Bags/active Belts
Air Bags: 4
Driver/Passenger: INTACT / INTACT
Left/Right Side: INTACT / INTACT

Features

CD Player: PRESENT
Radio: PRESENT
Tape Deck: N/A

Pre-Bidding Closes **3d 2h** [Pre-bidding history](#)

NSVRP Note: This vehicle appears to have been offered for sale with a clear Virginia title despite significant damage due to Virginia's exemption from branding of vehicles older than six model years of age or worth less than \$10,000.

2002 FORD MUSTANG

Auction [Tidewater](#) | Thursday [Mar-27](#)

8:30 AM CDT 

Status : READY FOR SALE

Location : Tidewater Branch

Lane A Item#: 3013

Who Can Bid : Dealer, Dismantler, Exporter, Rebuilder, Scrapper

Seller : GEICO Insurance - ZVIC (FCC06)
Virginia Beach

ACV : \$5,077

Data Last updated : Mar-26 1:31 AM CDT

Pre-Bidding Closes **20h 55m** [Pre-bidding history](#)

Stock# : 12622797

Sale Document : CLEAR(Virginia)

Loss: THEFT
Primary: THEFT
Secondary: TOTAL BURN
Key: Present
Start Code: CAN'T TEST
Odometer: 104000
Odometer Status: BURNT

Fuel Type: Gasoline
Cylinders: 6 Cyl
Engine: 3.8L V6 SFI OHV NS2
Transmission: Unknown
Drive Line Type: Rear Wheel Drive

Vehicle: Automobile
VIN: [1FAPF40402F191828](#)
VIN Status: MISSING
Body Style: COUPE
Vehicle Class: Non Luxury Sport Mid Size
Series:
Manufactured in: UNITED STATES
Exterior Color: RED
Interior Color: BLACK

Features

CD Player: N/A
Radio: MISSING
Tape Deck: N/A

NSVRP Note: This vehicle appears to have been offered for sale with a clear Virginia title despite significant damage due to Virginia's exemption from branding of vehicles older than six model years of age or worth less than \$10,000.

2008 HONDA CIVIC

000-12869995 03/20/2014 COPYRIGHT 2013 - INSURANCE AUTO AUCTIONS

Auction [Northern Virginia](#) | Monday**May-12 8:00 AM CDT** **Status :** READY FOR SALE**Location :** Northern Virginia Branch**Lane A** **Item#:** [3093](#)**Who Can Bid :** Dealer, Dismantler, Exporter, Rebuilder, Scrapper**Seller :** Erie Insurance Group**ACV :** \$8,274**Data Last updated :** May-9 1:55 AM CDT**Stock# :** 12869995**Sale Document :** CLEAR(Virginia)

Loss: COLLISION
Primary: ROLLOVER
Secondary: ALL OVER
Key: Present
Start Code: WONT START
Odometer: 106628
Odometer Status: ACTUAL

Fuel Type: Gasoline
Cylinders: 4 Cyl
Engine: 1.8L L4 MPI SOHC 16V NM4
Transmission: Unknown
Drive Line Type: Front Wheel Drive

Vehicle: Automobile
VIN: [1HGFA15848L026947](#)
VIN Status: OK
Body Style: SEDAN 4 DOOR
Vehicle Class: Non Luxury Traditional Compact
Series: EX
Manufactured in: UNITED STATES
Exterior Color: BLACK
Interior Color: GRAY

Restraint System: Dual Front, Side & Head Airbags, Rear Head Airbags; Active Belts
Air Bags: 4
Driver/Passenger: DEPLOYED / DEPLOYED
Left/Right Side: INTACT / INTACT

Features

CD Player: PRESENT
Radio: PRESENT
Tape Deck: N/A

Pre-Bidding Closes **2d 21h 27m** [Pre-bidding history](#)

NSVRP Note: This 2008 Honda Civic that appears to have been acquired by the auction company on 3/20/2014 appears to be exempt from branding due to Virginia's model year and vehicle value cut-off. A November 2014 NMVTIS report shows a clear Virginia title acquired 5/1/14 and no brand information or information on final dispensation of the vehicle.

2002 JEEP GRAND CHEROKEE



000-12442431 03/05/2014 COPYRIGHT 2013 - INSURANCE AUTO AUCTIONS

Auction [Richmond](#) | Friday **Mar-7 8:30**

AM CST 

Status : READY FOR SALE

Location : Richmond Branch

Lane A Item#: 3043

Who Can Bid : Dealer, Dismantler, Exporter, Rebuilder, Scrapper

Seller : State Farm Insurance - Virginia

ACV : \$5,100

Data Last updated : Mar-6 1:28 AM CST

Stock# : 12442431
Sale Document : CLEAR(Virginia)

Loss: COLLISION
Primary: FRONT END
Secondary: LEFT & RIGHT
Key: Present
Start Code: WONT START
Odometer: 187277
Odometer Status: ACTUAL

Fuel Type: Gasoline
Cylinders: 6 Cyl
Engine: 4.0L I6 FI F
Transmission: Unknown
Drive Line Type: Four Wheel Drive

Vehicle: Automobile
VIN: 1J4GW48S82C295595
VIN Status: OK
Body Style: WAGON 4 DOOR
Vehicle Class: Non Luxury Mid Size Suv
Series: LAREDO
Manufactured in: UNITED STATES
Exterior Color: MAROON
Interior Color: BLACK

Restraint System: Dual Front Air Bags/active Belts
Air Bags: 2
Driver/Passenger: INTACT / INTACT

Features

CD Player: N/A
Estimated Repair Cost: \$4,550
Radio: PRESENT
Tape Deck: PRESENT

Pre-Bidding Closes **21h 32m** [Pre-bidding history](#)

NSVRP Note: This vehicle appears to have been offered for sale with a clear Virginia title despite significant damage due to Virginia's exemption from branding of vehicles older than six model years of age or worth less than \$10,000.

2004 JEEP GRAND CHEROKEE



000-12320340 12/05/2013 COPYRIGHT 2013 - INSURANCE AUTO AUCTIONS

Auction [Richmond](#) | Friday [Apr-18](#)

8:30 AM CDT 

Status : READY FOR SALE

Location : Richmond Branch

Lane A Item#: 3184

Who Can Bid : Dealer, Dismantler, Exporter, Rebuilder, Scrapper

Seller : Geico Insurance

ACV : \$8,018

Data Last updated : Apr-17 10:20 AM CDT

Stock# : 12320340

Sale Document : CLEAR(Virginia)

Loss: COLLISION
 Primary: ALL OVER
 Secondary:
 Key: Present
 Start Code: CAN'T TEST
 Odometer: 1
 Odometer Status: INOPERABLE DIGITAL DASH

Fuel Type: Gasoline
 Cylinders: 6 Cyl
 Engine: 4.0L I6 FI F
 Transmission: Unknown
 Drive Line Type: Four Wheel Drive

Vehicle: Automobile
 VIN: [1J4GW48S94C201405](#)
 VIN Status: OK
 Body Style: WAGON 4 DOOR
 Vehicle Class: Non Luxury Mid Size Suv
 Series: LAR/COL/FR
 Manufactured in: UNITED STATES
 Exterior Color: WHITE
 Interior Color: TAN

Restraint System: Dual Front Air Bags/active Belts
 Air Bags: 4
 Driver/Passenger: DEPLOYED / DEPLOYED
 Left/Right Side: INTACT / INTACT

Features

CD Player: PRESENT
 Radio: PRESENT
 Tape Deck: PRESENT

Pre-Bidding Closes **20h 42m** [Pre-bidding history](#)

NSVRP Note: This vehicle appears to have been offered for sale with a clear Virginia title despite significant damage due to Virginia's exemption from branding of vehicles older than six model years of age or worth less than \$10,000.



Lot # 19760584 - 2006 TOYOTA TUNDRA DOU

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Lot Details	Highlights	Bid Information
Est. Retail Value: \$0 USD Est. Repair Cost: \$0 USD Title State/Type: VA CERTIFICATE OF TITLE (P) Odometer: 101,930 ACTUAL Primary Damage: ROLLOVER Secondary Damage: VIN: 5TBDT44196S522921 Body Style: CREW PICKUP Color: CHARCOAL Engine: 4.7L 8 Drive: FOUR BY FOUR Cylinders: 8 Fuel: GAS Keys: YES Special Note:	 	Facility: OH - COLUMBUS Sale Date: 06/13/14 Sale Time: 10:00 AM EDT Item # / Grid/Row: 2633 / P060 Sales Status: Minimum Bid Bid Status: Never Bid Current Bid: \$0 USD Starting Bid: \$ <input type="text"/> USD (\$275 USD min) Your Maximum Bid: \$ <input type="text"/> USD
Services Inspectors Add to Watchlist THIS VEHICLE IS BEING SOLD AS "AS-IS, WHERE-IS" ALL BIDS ARE BINDING AND ALL SALES ARE FINAL. (What this means) Share / Save	Copart Member Protection Pledge	Want It Today? \$2,500 USD Learn More Notice: As the first bidder, your starting bid will become the current bid and your maximum bid will be utilized by BID4U to incrementally bid on your behalf. Estimated Delivery Cost: Change Zip Code 44306 \$430.10 USD

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NSVRP Note: NSVRP Note: This vehicle appears to have been offered for sale with a clear Virginia title despite significant damage due to Virginia's exemption from branding of vehicles older than six model years of age or worth less than \$10,000.



Lot # 16843024 - 2013 NISSAN ALTIMA 2.5

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Lot Details	Highlights	Bid Information
Est. Retail Value: \$17,600 USD	 	Facility: MD - BALTIMORE
Est. Repair Cost: \$10,181 USD		Sale Date: 04/28/14
Title State/Type: VA CERTIFICATE OF TITLE		Sale Time: 10:00 AM EDT
Odometer: 0 NOT ACTUAL		Item # / Grid/Row: 501 / P040
Primary Damage: BURN		Sales Status: On Approval
Secondary Damage: MINOR DENTS/SCRATCHES		Bid Status: Never Bid
VIN: 1N4AL3APXDN568084		Current Bid: \$0 USD
Body Style: SEDAN 4D		Starting Bid:
Color: BLACK		\$ <input type="text"/> USD
Engine:		(\$300 USD min)
Drive:	Your Maximum Bid:	
Cylinders:	\$ <input type="text"/> USD	
Fuel:		
Keys: EXM		
Special Note:		
Services Inspectors Add to Watchlist		Notice: As the first bidder, your starting bid will become the current bid and your maximum bid will be utilized by BID4U to incrementally bid on your behalf.
THIS VEHICLE IS BEING SOLD AS "AS-IS, WHERE-IS" ALL BIDS ARE BINDING AND ALL SALES ARE FINAL. (What this means)		Estimated Delivery Cost: \$642.85 USD
Copart Member Protection Pledge		Change Zip Code 44306
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NSVRP Note: This vehicle was offered for sale in Maryland with a clean Virginia title in April of 2014. The estimate appears to be incomplete as visual review of this vehicle's auction listing shows that the metal has lost its temper and is no longer viable, in addition to the fact that the vehicle would require a new engine and wiring, etc. Given the visible damage, it is likely to exceed the 90% threshold for a nonrepairable brand. If the vehicle was acquired by an insurance company as part of a claims process, it would be required to carry at least a salvage (repairable) brand and the insurer would be required to report the vehicle to NMVTIS. A November 10, 2014 NMVTIS report shows a clear VA title issued 8/7/14 and no brand information or information on final dispensation of the vehicle, and no insurance report.

2014 RAM TRUCK

000-13264679 06/04/2014 COPYRIGHT 2013 - INSURANCE AUTO AUCTIONS

Auction [Tidewater](#) | Thursday **Jun-12****9:30 AM EDT** **Status :** READY FOR SALE**Location :** Tidewater Branch**Lane A** **Item#:** **3201****Who Can Bid :** Dealer, Dismantler, Exporter, Rebuilder, Scrapper**Seller :** Enterprise Vehicle Exchange - 21 New port New s - ACH**ACV :** \$25,050**Data Last updated :** Jun-11 2:46 AM EDT**Pre-Bidding** Closes **20h 55m** [Pre-bidding history](#)**Stock# :** **13264679****Sale Document :** CLEAR(North Carolina)**Notes :** VA RASGN 12792182 [IAA Condition Report](#)

Loss: COLLISION
Primary: ALL OVER
Secondary: BIO HAZARD
Key: Present
Start Code: WON'T START
Odometer: 605
Odometer Status: BROKEN

Fuel Type: Gasoline
Cylinders: 8 Cyl
Engine: 5.7L V8 SFI OHV 16V NS2
Transmission: Automatic
Drive Line Type: Rear Wheel Drive

Vehicle: Automobile
VIN: [3C6TR4DT7EG230482](#)
VIN Status: OK
Body Style: CREW PICKUP
Vehicle Class: Non Luxury Full Size 3 Qtr To 1 Ton Pickup
Series: RAM TRUCK 2500 SLT
Manufactured in: MEXICO
Exterior Color: RED
Interior Color: GRAY

Restraint System: Dual Air Bags Front And Sides/active Belts
Air Bags: 4
Driver/Passenger: DEPLOYED / DEPLOYED
Left/Right Side: INTACT / DEPLOYED

Features

CD Player: PRESENT
Radio: PRESENT
Tape Deck: N/A

NSVRP Note: This 2014 Dodge Ram appears to have been offered for sale at a VA auction with a clear NC title, despite the fact that it seems to meet NC's salvage definition, namely that the cost to repair exceeds 75% of fair market value. NSVRP best practice recommends that states require in-state title paperwork before allowing the sale of vehicles by salvage auctions to avoid scenarios in which mandatory assignments of title brands are bypassed in one state by selling the vehicle in another state.

Smoot, Janet (DMV)

From: Anne Gambardella [AGambardella@VADA.com]
Sent: Monday, November 10, 2014 2:30 PM
To: Smoot, Janet (DMV)
Cc: Grim, Karen (DMV); Childress, William (DMV); Lynwood Butner (jlbutner@verizon.net)
Subject: RE: Salvage Study - Report and Legislation

Good afternoon. We have reviewed the study materials and bill language you sent. We have one concern to point out in the drafting of the Code changes.

On pages 21-23 there are several references to eliminating the "repaired" brand. Those references make clear that this was not meant to change what vehicles get branded. That is what we understood that change would do.

Any insurance acquired vehicle, whether "Late Model" or not, will receive a "Salvage" brand

The group agreed to this element and that insurers need not submit an estimate for vehicles they deem "Non-Repairable."

Recommendations

Eliminate "Repaired" Brand

All parties agreed in favor of eliminating the "repaired" brand, making all branded vehicles "rebuilt".

The working group ultimately agreed on the following recommendations:

- Eliminating the "repaired" brand. All branded titles would be "rebuilt".
- Clarifying the existing policy that repair estimates are not required when a vehicle is being declared nonrepairable.

However, in reviewing the proposed Code changes, simply eliminating the repaired brand from the definitions, and more importantly from § 46.2-1605, leaves unclear what branding is required for insurance company acquired vehicles that do not meet the rebuilt threshold of damage of 75%.

We would suggest an amendment to make clear that insurance acquired vehicles that are defined as salvage, but are damaged less than 75%, remain permanently branded. We believe that is in keeping with the discussions of the group and will clarify any confusion going forward.

Thank you.

Anne Gambardella
Virginia Automobile Dealers Assn
804-545-3006
804-658-7444 CELL
866-706-1809 FAX

From: Smoot, Janet (DMV) [mailto:janet.smoot@dmv.virginia.gov]
Sent: Monday, November 03, 2014 2:14 PM
To: mcaddy@lkqcorp.com; fhileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com;



November 11, 2014

Via email: janet.smoot@dmv.virginia.gov

Ms. Janet Smoot
Virginia DMV

RE: Insurance Auto Auctions (IAA) comments regarding the Salvage Study Report and Proposed Salvage Statutory Language

Dear Ms. Smoot:

Below are IAA's comments related to the above referenced documents.

Regarding the proposed salvage statutory language, IAA has the following comments:

- 1) Page 1, lines 7-8 define "auto recycler" to include a rebuilder or scrap metal processor. This is at odds with the common meaning of the term "auto recycler", which typically refers to a dismantler or salvage dealer. The proposed use of the term "auto recycler" will cause confusion.
- 2) Page 1, lines 18-19 define "demolisher". We suggest that "bail" (sic) and "shred" be removed from the definition as they are terms more associated with scrap metal processing.
- 3) If the "repaired vehicle" definition is to be deleted, lines 55-56, then the "rebuilt vehicle" definition, lines 46-50 needs to be revised to accommodate these lesser-damaged vehicles.
- 4) Page 2, line 51 needs to be corrected in some way. One suggestion is to delete the words "neither" and "nor a repaired".
- 5) Page 3, lines 80-82: deeming a nonrepairable vehicle to no longer be a "vehicle" creates inconsistencies in the statute. See for example lines 151-152 on page 4 of the proposed bill, which refers to a vehicle for which a nonrepairable certificate has been issued.
- 6) Page 3, lines 113-116 pertaining to sales of salvage vehicles at salvage pools. We suggest the proposed language be amended to read as follows:

"2. For any salvage pool to sell either in person or through any Internet auction a salvage vehicle stored in the Commonwealth to any person who is not an auto recycler, motor vehicle dealer, or

vehicle removal operator licensed by the Commonwealth, or regulated as a similar business under the laws of another state or jurisdiction; or”

- 7) Page 4, lines 117-119 pertaining to the sale of nonrepairable vehicles. We suggest the proposed language be amended to read as follows:

“3. For any person to sell a nonrepairable vehicle to any person who is not (a) an insurance company or (b) licensed as an auto recycler, salvage pool or vehicle removal operator by the Commonwealth, or regulated as a similar business under the laws of another state or jurisdiction; or”

- 8) Page 5, lines 161-162 pertaining to safety inspection of a salvage vehicle. The bill provides that a salvage certificate issued by the Department must be produced at the time of the inspection. We expect out-of-state salvage vehicles to be brought to Virginia and be rebuilt. The above may create a problem with the inspection of these vehicles. We suggest the proposed language be amended to read as follows:

“The ownership document issued by the Department or by another state must be produced at the time of the inspection.”

- 9) Page 5, lines 172-173, the words “motor vehicle dealers” should be put back in the statute.

- 10) Page 6, lines 227-229 require certain records to be maintained by salvage pools. Many buyers of salvage vehicles are corporate buyers, not individuals. A corporate buyer does not have a driver’s license or personal identification with photograph. The section needs to clarify whose identification document needs to be maintained in the case of a corporate buyer.

- 11) Additionally, the following statutory sections need revision regarding “licensee or a scrap metal processor” language: 46.2-1202, 46.2-1202.1 and 46.2-1206. Also section 46.2-1608.1(d) could be reviewed.

Comments on the Salvage Study not dealt with above:

Page 17 – it seems that there is typographical error in the description of the nonrepairable vehicle.

Page 21 contains the following statement:

“Any insurance acquired vehicle, whether “Late Model” or not, will receive a “Salvage” brand. The group agreed to this element and that insurers need not submit an estimate for vehicles they deem “Non-Repairable”.”

We do not agree with the statement about the "salvage" brand. The statement should be amended to reflect that any insurance acquired vehicle may receive a "salvage" brand regardless of the age if the insurance company chooses to obtain a salvage title.

Page 32, End of Life recommendation discusses the creation of the umbrella category of "auto recycler" to encompass the definitions of demolisher, salvage dealer, and scrap metal processor. "Rebuilders" were not mentioned in this recommendation; however, the bill draft added a "rebuilder" to this category.

Thank you for the opportunity to comment. If you have any questions regarding the above, please do not hesitate to contact me at (708) 492-7357 or via email: kdotzeva@iaai.com.

Sincerely,



Katerina Dotzeva

Director Government Affairs

From: Bobby Glenn [<mailto:Bobby.Glenn@simsmm.com>]
Sent: Wednesday, November 12, 2014 10:14 AM
To: Smoot, Janet (DMV)
Cc: Bogner, Kevin (DMV); James LoBianco (jim@davisindustries.com)
Subject: FW: Salvage Study - Report and Legislation: Comments to review
Importance: High

Janet,

Thank you again for including members of the VMRA (Virginia Metal Recyclers Association) and VA businesses in your task force. It was a pleasure working in conjunction with VA DMV and we welcome future opportunities.

We reviewed the Salvage report and legislation, and I am listing below a summary of our comments, as well as a few questions. Both Jim and I are available to discuss any of them further, and we look forward to seeing this move forward.

COMMENTS:

Line 18 – delete “bail, shred” and replace with “log”.

Line 77 – Replace “whole vehicles” with “whole or partial vehicles or former vehicles, including major components,”

Line 272 – Add “§46.1608.3. Scrap metal processors are *not subject to the requirements of* Section §46.2-1608.1 and §46.2-1608.2, if the scrap metal processor purchases the whole or partial vehicle or major component from a licensed Auto Recycler or a licensed vehicle removal operator.”

QUESTIONS:

Lines 212 to 225 – Why has buyer been added. The buyer is the licensed Auto Recycler, so it is confusing. Why save it with each transaction.

Please confirm that if a scrap processor accepts a load of scrap that includes a major component, such as a car door or motor, the material is considered scrap, not a vehicle. Therefore, §46.2-1608.1 and §46.2-1608.2 would not apply.

Clarification: Please confirm that the dashboard VIN is the one that is used for detitling purposes under §46.2-1608.1 and §46.2-1608.2 (as opposed to one on another part of the vehicle).

Thanks in advance... both Jim and I are available to discuss any of these items further, appreciate some clarity on the questions and look forward to seeing this move forward.

Please let me know that you received our comments.

Bobby Glenn & Jim LoBianco
VA Metal Recyclers Association

From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]
Sent: Monday, November 03, 2014 2:14 PM
To: mcaddy@lkqcorp.com; fhileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com;

Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; Rob Shinn; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com; jhudgins@iiav.com; agambardella@vada.com; lois@viada.org; pete@viada.org; billparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiav.com; P Boykin; pete.easter@easterassociates.com
Cc: Grim, Karen (DMV); jbutner@verizon.net; Childress, William (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Bogner, Kevin (DMV); Cavalli, Gregory (DMV); Davis, Salome (DMV); Leonard, Meleta (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); Holcomb, Richard (DMV)

Subject: Salvage Study - Report and Legislation

Dear Stakeholders,

Enclosed is the Salvage report and legislation. Thank you for the time you devoted to this study. This study would not have been possible without all of our interested stakeholders and your valuable input.

After reading the report and legislation please send to me any comments you or your organization have in regards to the study and these documents. As with all of our legislative studies, you may submit your comments, or the position of your company/organization, in the form of a letter which will be placed in the appendices of the report.

We have a tight turnaround and will need to receive your comments by noon on Wednesday, November 12th. We will not be able to accept them after this date.

If you have any questions feel free to contact me.

Janet Smoot

Virginia DMV | Governmental Affairs | (804) 367-2479 | janet.smoot@dmv.virginia.gov | www.dmvNOW.com

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From: Bobby Glenn [<mailto:Bobby.Glenn@simsmm.com>]
Sent: Wednesday, November 12, 2014 10:14 AM
To: Smoot, Janet (DMV)
Cc: Bogner, Kevin (DMV); James LoBianco (jim@davisindustries.com)
Subject: FW: Salvage Study - Report and Legislation: Comments to review
Importance: High

Janet,

Thank you again for including members of the VMRA (Virginia Metal Recyclers Association) and VA businesses in your task force. It was a pleasure working in conjunction with VA DMV and we welcome future opportunities.

We reviewed the Salvage report and legislation, and I am listing below a summary of our comments, as well as a few questions. Both Jim and I are available to discuss any of them further, and we look forward to seeing this move forward.

COMMENTS:

Line 18 – delete “bail, shred” and replace with “log”.

Line 77 – Replace “whole vehicles” with “whole or partial vehicles or former vehicles, including major components,”

Line 272 – Add “§46.1608.3. Scrap metal processors are *not subject to the requirements of* Section §46.2-1608.1 and §46.2-1608.2, if the scrap metal processor purchases the whole or partial vehicle or major component from a licensed Auto Recycler or a licensed vehicle removal operator.”

QUESTIONS:

Lines 212 to 225 – Why has buyer been added. The buyer is the licensed Auto Recycler, so it is confusing. Why save it with each transaction.

Please confirm that if a scrap processor accepts a load of scrap that includes a major component, such as a car door or motor, the material is considered scrap, not a vehicle. Therefore, §46.2-1608.1 and §46.2-1608.2 would not apply.

Clarification: Please confirm that the dashboard VIN is the one that is used for detitling purposes under §46.2-1608.1 and §46.2-1608.2 (as opposed to one on another part of the vehicle).

Thanks in advance... both Jim and I are available to discuss any of these items further, appreciate some clarity on the questions and look forward to seeing this move forward.

Please let me know that you received our comments.

Bobby Glenn & Jim LoBianco
VA Metal Recyclers Association

From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]
Sent: Monday, November 03, 2014 2:14 PM
To: mcaddy@lkqcorp.com; fhileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com;

Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; Rob Shinn; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com; jhudgins@iiav.com; agambardella@vada.com; lois@viada.org; pete@viada.org; billparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiav.com; P Boykin; pete.easter@easterassociates.com
Cc: Grim, Karen (DMV); jbutner@verizon.net; Childress, William (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Bogner, Kevin (DMV); Cavalli, Gregory (DMV); Davis, Salome (DMV); Leonard, Meleta (DMV); Klotz, Barbara (DMV); Longley, Michie (DMV); Holcomb, Richard (DMV)
Subject: Salvage Study - Report and Legislation

Dear Stakeholders,

Enclosed is the Salvage report and legislation. Thank you for the time you devoted to this study. This study would not have been possible without all of our interested stakeholders and your valuable input.

After reading the report and legislation please send to me any comments you or your organization have in regards to the study and these documents. As with all of our legislative studies, you may submit your comments, or the position of your company/organization, in the form of a letter which will be placed in the appendices of the report.

We have a tight turnaround and will need to receive your comments by noon on Wednesday, November 12th. We will not be able to accept them after this date.

If you have any questions feel free to contact me.

Janet Smoot

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From: Andreas Heiss [<mailto:arheiss@LKQCORP.com>]
Sent: Friday, November 14, 2014 4:40 PM
To: Childress, William (DMV)
Cc: Ray Colas; Clement, Whittington; M Louria
Subject: Salvage Vehicle Cosmetic Damage Clarification

Good afternoon William, per our conversation this afternoon please see the language below that may clarify which non-original manufacturer parts should not be included in the definition for "cosmetic damage":

"Cosmetic damage," as applied to a vehicle, means damage to non-original manufacturer equipment, audio-visual accessories, non-factory-sized tires and wheels, paint, and exterior hail damage. Cosmetic damage shall not include (i) damage to original equipment and parts installed by the manufacturer, or (ii) any repair required to enable a vehicle to pass a safety inspection pursuant to § 46.2-1157, or (iii) non-original manufacturer non-custom major component parts, as defined in this section, which have been replaced in a previous repair. The cost for cosmetic damage repair shall not be included in the cost to repair the vehicle when determining the calculation for a nonrepairable vehicle as defined in this section.

The definition for "major component" (below) is in the same section and would not need to be changed.

§ 46.2-1600

"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.

Another fix that would work would be the following:

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

Please keep us informed as to the changes and feel free to reach out to us if you have any questions. Have a great weekend.

-Andreas

Andreas Heiss
Government Affairs Manager - Northeast Region
LKQ Corporation
5975 North Federal Highway, Suite 130

Fort Lauderdale, FL 33308
W: (954) 492-9092 | M: (305) 720-1877 | F: (954) 492-9602
NASDAQ: LKQ

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Please consider the environment when printing.

From: Anne Gambardella [<mailto:AGambardella@VADA.com>]
Sent: Friday, November 21, 2014 11:49 AM
To: Smoot, Janet (DMV)
Cc: Grim, Karen (DMV); Childress, William (DMV)
Subject: RE: Salvage Study Report - feedback

Thank you. This addresses our concerns.

Anne Gambardella
Virginia Automobile Dealers Assn
804-545-3006
804-658-7444 CELL
866-706-1809 FAX

From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]
Sent: Thursday, November 20, 2014 4:23 PM
To: mcaddy@lkqcorp.com; fileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; rick@mmauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com; jhudgins@iav.com; Anne Gambardella; lois@viada.org; pete@viada.org; bilparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiaSheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iav.com; P Boykin; peter.easter@easterassociates.com
Cc: Grim, Karen (DMV); Longley, Michie (DMV); Childress, William (DMV); Cavalli, Gregory (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Klotz, Barbara (DMV); Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV)
Subject: Salvage Study Report - feedback

Dear Stakeholders,

Thanks to all of you for the comments offered in response to the draft report and legislation which was distributed on November 3rd. The DMV Study Team is in the process of reviewing these submissions and finalizing our recommendations. Although we have not completed our work, based on stakeholder feedback and subsequent outreach to stakeholders we have decided upon a couple of substantive changes as follows:

1. Cosmetic Damage – we have changed that definition to specify “custom” paint as opposed to all paint
2. Rebuilt vehicle – we have changed the definition of a rebuilt vehicle as follows to address concerns that we were creating a gap:

“Rebuilt vehicle” means (i) any salvage vehicle that has been damaged as a result of collision, fire, flood, accident, trespass, or any other occurrence and has been repaired and the estimated cost of repair exceeded 75 percent of its actual cash value, for use on the public highways or (ii) any late model vehicle which has been repaired and the estimated cost of repair exceeded 75 does not exceed 90 percent of its

actual cash value, excluding the cost to repair damage to the engine, transmission, or drive axle assembly.

There were other, smaller, but fairly substantial changes recommended that were topics that had not been presented to the full stakeholder group for discussion and consensus. Since we are now on a tight timeframe and we did not have discussion and general consensus on these items during our stakeholder meetings, they were not included in the report.

Please review the above two changes that were made. If you have any comments on these you must provide those comments by **close of business Monday, November 24**. Also, at this time I will need to know what comments you want from your company/organization included in the appendices. We will place in the appendices all emails or letters that we received in response to our November 3rd draft unless you advise me that you do not want these in the appendices, or you provide me with a different document (email, letter) to be placed in the appendices.

If you have any questions feel free to contact me. Once again, thank you for your participation in this study.

Janet Smoot

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From: PETER IARICCI SR [<mailto:vipmotors@verizon.net>]
Sent: Monday, November 24, 2014 1:43 PM
To: Smoot, Janet (DMV)
Cc: lois@viada.org
Subject: Re: Salvage Study Report - feedback

Hi Janet,

Thank you for reviewing our concerns. I believe the new wording will make it clear that the vehicle's will be branded correctly.

Thank you,
Pete Iaricci
Director of Education
Virginia Independent Automobile Dealers Associations

On Thursday, November 20, 2014 4:24 PM, "Smoot, Janet (DMV)" <janet.smoot@dmv.virginia.gov> wrote:

Dear Stakeholders,

Thanks to all of you for the comments offered in response to the draft report and legislation which was distributed on November 3rd. The DMV Study Team is in the process of reviewing these submissions and finalizing our recommendations. Although we have not completed our work, based on stakeholder feedback and subsequent outreach to stakeholders we have decided upon a couple of substantive changes as follows:

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unless you advise me that you do not want these in the appendices, or you provide me with a different document (email, letter) to be placed in the appendices.

If you have any questions feel free to contact me. Once again, thank you for your participation in this study.

Janet Smoot

Virginia DMV | Governmental Affairs | (804) 367-2479 | janet.smoot@dmv.virginia.gov |
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From: Dotzeva, Katerina [<mailto:kdotzeva@IAAI.com>]

Sent: Friday, November 21, 2014 10:11 AM

To: Smoot, Janet (DMV)

Cc: Church, Danny

Subject: RE: Salvage Study Report - feedback

Dear Janet,

Thank you for the email. Here are our comments on the proposed changes below, which supplement the comments we submitted on Nov. 11, 2014.

The proposed change to part (ii) of the definition of "rebuilt vehicle" would cause a late model vehicle with a very minor damage (e.g., a broken side mirror) to be a "rebuilt vehicle" when repaired. We suggest this part to be amended as follows:

(ii) any late model vehicle, other than a nonrepairable vehicle, which 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.

Please place our comments of Nov. 11, 2014 and this email in the appendices.

Thank you,

Katerina Dotzeva
Director Government Affairs
Insurance Auto Auctions
2 Westbrook Corporate Center, Suite 500
Westchester, IL 60154
(708) 492-7357 | fax (708) 492-7575

From: Smoot, Janet (DMV) [<mailto:janet.smoot@dmv.virginia.gov>]

Sent: Thursday, November 20, 2014 3:23 PM

To: mcaddy@lkqcorp.com; fhileman@LKOCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; rick@mmauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; Church, Danny; Dotzeva, Katerina; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiv.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com; jhudgins@iiv.com; agambardella@vada.com; lois@viada.org; pete@viada.org; billparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginia-sheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiv.com; P Boykin; peter.easter@easterassociates.com

Cc: Grim, Karen (DMV); Longley, Michie (DMV); Childress, William (DMV); Cavalli, Gregory (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Klotz, Barbara (DMV); Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV)

Subject: Salvage Study Report - feedback

Dear Stakeholders,

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Janet Smoot

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From: Sammy Wright [<mailto:churchstreetauto@gmail.com>]
Sent: Monday, November 24, 2014 8:40 AM
To: Smoot, Janet (DMV)
Subject: Re: Salvage Study Report - feedback

Hello and Good Morning Janet,

I am agreement with the way things stand for the most part. I do feel that the Section addressing driving Vehicle to State Inspection Station should include that Dealers Would be allowed to drive on Dealer Plates in Lieu of having to obtain a Trip Permit. As we have discussed in our meetings all "Branded" vehicles should require Disclosure as currently noted in 46.2-1602 with Language being fitted to our new Branding. I feel very Strongly that is for the Protection of Consumer as well as the Dealer or any other Parties selling a "Branded" vehicle. All sellers should be required to abide to this. I do regret that we could not agree entirely as a group to go from 90% to 100% before reaching "non-repairable" status. I hope my input will of use in some way. I do appreciate being invited to participate in these meetings and if I can be of Further Assistance feel free to contact me.

Sincerely,
Sammy Wright

On Thu, Nov 20, 2014 at 4:23 PM, Smoot, Janet (DMV) <janet.smoot@dmv.virginia.gov> wrote:

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If you have any questions feel free to contact me. Once again, thank you for your participation in this study.

Janet Smoot

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From: Chris Lagow [chris@lagowlobby.com]
Sent: Tuesday, November 25, 2014 4:28 PM
To: Longley, Michie (DMV); mcaddy@lkqcorp.com;
ffileman@LKQCORP.com; jlconforme@lkqcorp.com;
rjcolas@lkqcorp.com; mattlacy@lacyauto.com; rick@mmauto.com;
jonathan.williams@easterassociates.com; jonathan@mmauto.com;
dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com;
aron.rosenfield@copart.com; Alan.hoskins@copart.com;
james.hines@copart.com; Bobby.Glenn@simsmm.com;
rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com;
bennyc@cunningham-brothers.net; churchstreetauto@gmail.com;
rbradshaw@iiav.com; vicki.harris.QR6V@statefarm.com;
george.dodson.afxd@statefarm.com; micaela.isler@pciaa.net;
LilesP@nationwide.com; bill.tibbens@farmersinsurance.com;
harold.singh@erieinsurance.com; jhudgins@iiav.com;
agambardella@vada.com; lois@viada.org; pete@viada.org;
bilparrish@gmail.com; echildress@spottsfainconsulting.com;
LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP);
jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us;
dana@vachiefs.org; Clement, Whittington; jhudgins@iiav.com;
peter.easter@easterassociates.com
Cc: Grim, Karen (DMV); Childress, William (DMV); Cavalli, Gregory (DMV);
Hill, Joseph (DMV); Penny, Thomas (DMV); Klotz, Barbara (DMV);
Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV);
Smoot, Janet (DMV)
Subject: RE: Salvage study Report - Feedback
Importance: High

Michie, there are several problems with the proposed change.

On the first line of this revised definition, strike the phrase “has been” so it does not read “has been has been”.

I think it is fairly late in the process for deleting the word “estimated” from the definition in favor of the word “actual” without a full debate and understanding of the consequences by all concerned. No one I have talked to or heard from who attended the meetings has any recollection of this being discussed and agreed to .

You are trying to get to a single title brand, Rebuilt, by deleting the definition of Repaired Vehicle, and combining lesser damaged late model vehicles that are acquired by the insurance company as part of the claims process with other late model vehicles acquired by the insurer as part of the claims process with damage that does not rise to the level of a Nonrepairable vehicle. The common threads then are late model/acquired by the insurer/and the damage does not exceed 90%.

A better definition for you: "Rebuilt Vehicle" means any salvage vehicle that has been repaired for use on the public highways and the estimated cost of repair did not exceed 90% of its actual cash value, excluding the cost to repair damage to the engine, transmission, or drive axle assembly.

This would capture late model vehicles that are acquired by the insurer with damages that might range from , for example, 50% of acv to 90% of acv. Their titles would be branded Rebuilt if they get repaired, pass the inspections, etc. Regardless of how much variance there may be between the estimated repair costs and the actual repair costs, you still wind up in the same place- with a title branded Rebuilt.

I hope this is helpful. Chris

From: Longley, Michie (DMV) [<mailto:michie.longley@dmv.virginia.gov>]

Sent: Tuesday, November 25, 2014 12:20 PM

To: mcaddy@lkqcorp.com; fhileman@LKQCORP.com; jlconforme@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; rick@mmauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; Chris Lagow; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com; jhudgins@iiav.com; agambardella@vada.com; lois@viada.org; pete@viada.org; billparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiav.com; peter.easter@easterassociates.com

Cc: Grim, Karen (DMV); Childress, William (DMV); Cavalli, Gregory (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Klotz, Barbara (DMV); Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV); Smoot, Janet (DMV)

Subject: Salvage study Report - Feedback

Dear Stakeholders:

It has been brought to our attention by more than one reviewer that the proposed definition of a rebuilt vehicle would unintentionally exempt certain vehicles from the statutory requirement to obtain a salvage designation for damaged vehicles as currently required, and conversely, require any damaged vehicle, no matter the amount of the damage, to be declared salvage.

To correct this oversight, we are amending the definition:

"Rebuilt vehicle" means (i) any salvage vehicle that has been ~~damaged as a result of collision, fire, flood, accident, trespass, or any other occurrence~~ and has been repaired and the estimated cost of repair exceeded 75 percent of its actual cash value, for use on the public highways or (ii) any late model vehicle which has been repaired and the ~~estimated~~ actual 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.

As revised, any salvage vehicle that has been repaired and any late model vehicle with cost of repairs exceeding 75% of the ACV will be branded rebuilt.

Please let us know today if you absolutely cannot live with this definition. I apologize for the very short notice. The study report and the enabling legislative language is due to the Secretary on Monday, December 1st. We have run out of time for further revisions. Your quick attention will be much appreciated.

Michie Longley

Carol M. Longley

VirginiaDMV | Legislative Analyst | (804) 367-0910 | Michie.Longley@dmv.virginia.gov | www.dmvNOW.com

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From: LILESP@nationwide.com
Sent: Tuesday, November 25, 2014 4:24 PM
To: Longley, Michie (DMV)
Cc: agambardella@vada.com; Alan.hoskins@copart.com; aron.rosenfield@copart.com; Klotz, Barbara (DMV); bennyc@cunningham-brothers.net; bill.tibbens@farmersinsurance.com; bilparrish@gmail.com; Bobby.Glenn@simsmm.com; chris@lagowlobby.com; churchstreetauto@gmail.com; dana@vachiefs.org; Glick, Frank (VSP); dchurch@iaai.com; echildress@spottsfainconsulting.com; fhileman@LKQCORP.com; george.dodson.afxd@statefarm.com; gerald.faries@copart.com; Cavalli, Gregory (DMV); harold.singh@erieinsurance.com; james.hines@copart.com; Smoot, Janet (DMV); jhudgins@iiav.com; jim@davisindustries.com; jjones@virginiasheriffs.org; jlconforme@lkqcorp.com; jonathan@mmauto.com; jonathan.williams@easterassociates.com; Hill, Joseph (DMV); Grim, Karen (DMV); kdotzeva@iaai.com; Bogner, Kevin (DMV); lois@viada.org; Martin, Matthew (DMV); mattlacy@lacyauto.com; Wells, Matt (DMV); mcaddy@lkqcorp.com; micaela.isler@pciaa.net; LYNCHBURG LA-SECONDARY (DMV); pete@viada.org; peter.easter@easterassociates.com; rbradshaw@iiav.com; rick@mmauto.com; rjcolas@lkqcorp.com; rob@capresults.net; smdraper@ci.martinsville.va.us; Penny, Thomas (DMV); vicki.harris.QR6V@statefarm.com; Clement, Whittington; Wcricjr2@aol.com; Childress, William (DMV)
Subject: Re: Salvage study Report - Feedback

Michie, I have read through the proposed definition change for Rebuilt Vehicle and offer the following simple fix to accomplish our goal of combining the two salvage brands of Salvage Rebuilt and Salvage Repaired. It should be noted when combining these two salvage brands, their biggest difference is the percentage of damage. Salvage Repaired covers damage up to 75%. Salvage Rebuilt covers damage from 76%-90%. Given the fact we are proposing one salvage brand under Salvage Rebuilt, the only damage percentage needed within the parameter is up to 90%.

Our proposed change highlighted below should fix the definition of Rebuilt Salvage going forward:

"Rebuilt vehicle" means any salvage vehicle that has been repaired for use on the public highways and the estimated cost of repair does not exceed 90 percent of its actual cash value, excluding the cost to repair damage to the engine, transmission, or drive axle assembly.

The issues I see with the proposed definition change you sent was that it on the one hand under (i) struck the language of exceeded 75%, but did not strike it under (ii). The other issue is under (ii) for Late-model vehicles where the word (actual) was put in place of (estimated).

Let me know if you have any questions, thanks!

Patrick Liles
Associate Director, MD
Mid-Atlantic Regional Operation

(Work) (804) 675-3416
(Fax) (804) 675-3487

From: "Longley, Michie (DMV)" <michie.longley@dmv.virginia.gov>
To: "mcaddy@lkqcorp.com" <mcaddy@lkqcorp.com>, "fhileman@LKQCORP.com" <fhileman@LKQCORP.com>, "jiconforme@lkqcorp.com" <jiconforme@lkqcorp.com>, "ricolas@lkqcorp.com" <ricolas@lkqcorp.com>, "mattlacy@lacyauto.com" <mattlacy@lacyauto.com>, "rick@mmauto.com" <rick@mmauto.com>, "jonathan.williams@easterassociates.com" <jonathan.williams@easterassociates.com>, "jonathan@mmauto.com" <jonathan@mmauto.com>, "dchurch@iaai.com" <dchurch@iaai.com>, "kdotzeva@iaai.com" <kdotzeva@iaai.com>, "gerald.faries@copart.com" <gerald.faries@copart.com>, "aron.rosenfield@copart.com" <aron.rosenfield@copart.com>, "Alan.hoskins@copart.com" <Alan.hoskins@copart.com>, "james.hines@copart.com" <james.hines@copart.com>, "Bobby.Glenn@simsmm.com" <Bobby.Glenn@simsmm.com>, "rob@capresults.net" <rob@capresults.net>, "Wcricir2@aol.com" <Wcricir2@aol.com>, "jim@davisindustries.com" <jim@davisindustries.com>, "bennyc@cunningham-brothers.net" <bennyc@cunningham-brothers.net>, "churchstreetauto@gmail.com" <churchstreetauto@gmail.com>, "rbradshaw@iiav.com" <rbradshaw@iiav.com>, "vicki.harris.QR6V@statefarm.com" <vicki.harris.QR6V@statefarm.com>, "george.dodson.afxd@statefarm.com" <george.dodson.afxd@statefarm.com>, "chris@lagowlobby.com" <chris@lagowlobby.com>, "micaela.isler@pciaa.net" <micaela.isler@pciaa.net>, "LilesP@nationwide.com" <LilesP@nationwide.com>, "bill.tibbens@farmersinsurance.com" <bill.tibbens@farmersinsurance.com>, "harold.singh@erieinsurance.com" <harold.singh@erieinsurance.com>, "jhudgins@iiav.com" <jhudgins@iiav.com>, "agambardella@vada.com" <agambardella@vada.com>, "lois@viada.org" <lois@viada.org>, "pete@viada.org" <pete@viada.org>, "billparrish@gmail.com" <billparrish@gmail.com>, "echildress@spottsfainconsulting.com" <echildress@spottsfainconsulting.com>, "LYNCHBURG LA-SECONDARY (DMV)" <mitchell.nuckles@lynchburgva.gov>, "Glick, Frank (VSP)" <Danny.Glick@vsp.virginia.gov>, "jones@virginia sheriffs.org" <jones@virginia sheriffs.org>, "smdraper@ci.martinsville.va.us" <smdraper@ci.martinsville.va.us>, "dana@vachiefs.org" <dana@vachiefs.org>, "Clement, Whittington" <wclemeent@hunton.com>, "jhudgins@iiav.com" <jhudgins@iiav.com>, "peter.easter@easterassociates.com" <peter.easter@easterassociates.com>
Cc: "Grim, Karen (DMV)" <karen.grim@dmv.virginia.gov>, "Childress, William (DMV)" <william.childress@dmv.virginia.gov>, "Cavalli, Gregory (DMV)" <Gregory.Cavalli@dmv.virginia.gov>, "Hill, Joseph (DMV)" <joseph.hill@dmv.virginia.gov>, "Penny, Thomas (DMV)" <thomas.penny@dmv.virginia.gov>, "Klotz, Barbara (DMV)" <barbara.klotz@dmv.virginia.gov>, "Wells, Matt (DMV)" <Matt.Wells@dmv.virginia.gov>, "Bogner, Kevin (DMV)" <kevin.bogner@dmv.virginia.gov>, "Martin, Matthew (DMV)" <matthew.martin@dmv.virginia.gov>, "Smoot, Janet (DMV)" <janet.smoot@dmv.virginia.gov>
Date: 11/25/2014 12:20 PM
Subject: Salvage study Report - Feedback

Dear Stakeholders:

It has been brought to our attention by more than one reviewer that the proposed definition of a rebuilt vehicle would unintentionally exempt certain vehicles from the statutory requirement to obtain a salvage designation for damaged vehicles as currently required, and conversely, require any damaged vehicle, no matter the amount of the damage, to be declared salvage.

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Michie Longley

Carol M. Longley

VirginiaDMV | Legislative Analyst | (804) 367-0910 | Michie.Longley@dmv.virginia.gov |

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9113 Church Street Manassas, Virginia 20110-5456
Telephone: (571) 208-0428 Fax: (571) 208-0430

November 6, 2014

Ms. Janet Smoot
Virginia Department of Motor Vehicles
Governmental Affairs
2300 W. Broad Street
Richmond, VA 23269

Dear Ms. Smoot:

The Automotive Recyclers Association (ARA) represents professional automotive recyclers across the United States and in 14 countries internationally. Our members, affiliated chapters, and associate member companies all share a common goal of safely and efficiently processing inoperable motor vehicles in an environmentally responsible manner and encourage the reuse of quality recycled auto parts in the automotive marketplace.

In discussions with the Virginia Automotive Recyclers Association (VARA), an ARA affiliated chapter member, regarding possible changes to the state's salvage, nonrepairable, and rebuilt vehicle laws, ARA supports the position of VARA as it pertains to the proposed definition of "cosmetic damage". ARA shares the concerns of VARA and professional automotive recyclers operating within the state that a definition of "cosmetic damage" that includes *all* paint rather than "custom paint" is extremely problematic and could cause serious negative consequences. Given that a significant percentage of the cost of repair often includes the materials, labor, tools and paint needed to bring a vehicle back to its pre-loss condition, excluding *all* paint rather than "custom paint" from the nonrepairable value calculation could result in severely damaged vehicles falling under the state's nonrepairable threshold and returning to the road.

We urge the DMV to reconsider this proposed definition. ARA and the Virginia Automotive Recyclers Association would be more than pleased to provide you with further detailed information or answer any questions that you may have.

Respectfully Submitted,

Michael Wilson
CEO, Automotive Recyclers Association

From: Chris Lagow [chris@lagowlobby.com]
Sent: Tuesday, November 25, 2014 5:46 PM
To: Longley, Michie (DMV)
Subject: RE: Salvage study Report - Feedback

Option 1 is good, and (ii) is correctly left in . It is consistent with the owner retained language in 1603 (D).

From: Longley, Michie (DMV) [<mailto:michie.longley@dmv.virginia.gov>]
Sent: Tuesday, November 25, 2014 5:31 PM
To: mcaddy@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; rick@mmauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; arheiss@lkqcorp.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iiaav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; Chris Lagow; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com; jhudgins@iiaav.com; agambardella@vada.com; lois@viada.org; pete@viada.org; bilparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iiaav.com; peter.easter@easterassociates.com
Cc: Grim, Karen (DMV); Childress, William (DMV); Cavalli, Gregory (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Klotz, Barbara (DMV); Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV); Smoot, Janet (DMV)
Subject: RE: Salvage study Report - Feedback
Importance: High

Dear Stakeholders:

Thank you for responding as quickly as you have. Based on the feedback received today, and keeping in mind our Monday deadline to deliver the report and language, we can offer you two choices:

1. Include this slightly revised definition of rebuilt vehicle:

"Rebuilt vehicle" means (i) any salvage vehicle that has been ~~damaged as a result of collision, fire, flood, accident, trespass, or any other occurrence and has been repaired for use on the public highways~~ and the estimated cost of repair ~~exceeded 75~~ did not exceed 90 percent of its actual cash value, ~~for use on the public highways~~ or (ii) any late model vehicle which 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.

Please note: While proposed changes received today eliminated part (ii), that part is necessary. As we understand it, its purpose here and under current law is to pull in late model vehicles that do not already meet the definition of "salvage vehicles." The owners of these vehicles, by virtue of the cost of repair, would be required to obtain "rebuilt"-branded titles for the vehicles. After further review of the discussions of the study, we propose to leave part (ii) as it exists currently in the Code because it was not discussed at any discernible length. The amendments to part (i) alone should suffice to incorporate

“repaired” vehicles into the definition of “rebuilt,” as a “repaired vehicle” is, by definition, a salvage vehicle.

2. The second option, if we cannot reach a consensus on #1, would be to remove all the proposed changes to the repaired/rebuilt sections and simply revert to the status quo. It would mean keeping the current provisions for a repaired vehicle and a rebuilt vehicle.

If anyone finds the first option unacceptable, we will go with option 2.

Please let me know your preferences. And again, thank you for your patience and quick response.

Michie

Carol M. Longley

VirginiaDMV | Legislative Analyst | (804) 367-0910 | Michie.Longley@dmv.virginia.gov | www.dmvNOW.com

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From: LILESP@nationwide.com
Sent: Tuesday, November 25, 2014 5:54 PM
To: Longley, Michie (DMV)
Subject: RE: Salvage study Report - Feedback

Michie, Thanks for reminding be of the use of (ii) which is also spoken to in the Owner Retained Salvage section. I would vote then for option one. Thanks!!

Patrick Liles
Associate Director, MD
Mid-Atlantic Regional Operation

(Work) (804) 675-3416
(Fax) (804) 675-3487

From: "Longley, Michie (DMV)" <michie.longley@dmv.virginia.gov>
To: "mcaddy@lkqcorp.com" <mcaddy@lkqcorp.com>, "ricolas@lkqcorp.com" <ricolas@lkqcorp.com>, "mattlacy@lacyauto.com" <mattlacy@lacyauto.com>, "rick@mmauto.com" <rick@mmauto.com>, "jonathan.williams@easterassociates.com" <jonathan.williams@easterassociates.com>, "dchurch@iaai.com" <dchurch@iaai.com>, "kdotzeva@iaai.com" <kdotzeva@iaai.com>, "gerald.faries@copart.com" <gerald.faries@copart.com>, "aron.rosenfield@copart.com" <aron.rosenfield@copart.com>, "arheiss@lkqcorp.com" <arheiss@lkqcorp.com>, "Alan.hoskins@copart.com" <Alan.hoskins@copart.com>, "james.hines@copart.com" <james.hines@copart.com>, "Bobby.Glenn@simsmm.com" <Bobby.Glenn@simsmm.com>, "rob@capresults.net" <rob@capresults.net>, "Wrcicir2@aol.com" <Wrcicir2@aol.com>, "jim@davisindustries.com" <jim@davisindustries.com>, "bennyc@cunningham-brothers.net" <bennyc@cunningham-brothers.net>, "churchstreetauto@gmail.com" <churchstreetauto@gmail.com>, "rbradshaw@iiav.com" <rbradshaw@iiav.com>, "vicki.harris.QR6V@statefarm.com" <vicki.harris.QR6V@statefarm.com>, "george.dodson.afxd@statefarm.com" <george.dodson.afxd@statefarm.com>, "chris@lagowlobby.com" <chris@lagowlobby.com>, "micaela.isler@pciaa.net" <micaela.isler@pciaa.net>, "LilesP@nationwide.com" <LilesP@nationwide.com>, "bill.tibbens@farmersinsurance.com" <bill.tibbens@farmersinsurance.com>, "harold.singh@erieinsurance.com" <harold.singh@erieinsurance.com>, "jhudgins@iiav.com" <jhudgins@iiav.com>, "agambardella@vada.com" <agambardella@vada.com>, "lois@viada.org" <lois@viada.org>, "pete@viada.org" <pete@viada.org>, "[bilparrish@gmail.com](mailto:billparrish@gmail.com)" <[bilparrish@gmail.com](mailto:billparrish@gmail.com)>, "echildress@spottsfainconsulting.com" <echildress@spottsfainconsulting.com>, "LYNCHBURG LA-SECONDARY (DMV)" <mitchell.nuckles@lynchburgva.gov>, "Glick, Frank (VSP)" <Danny.Glick@vsp.virginia.gov>, "jjones@virginiasheriffs.org" <jjones@virginiasheriffs.org>, "smdraper@ci.martinsville.va.us" <smdraper@ci.martinsville.va.us>, "dana@vachiefs.org" <dana@vachiefs.org>, "Clement, Whittington" <wcclement@hunton.com>, "jhudgins@iiav.com" <jhudgins@iiav.com>, "peter.easter@easterassociates.com" <peter.easter@easterassociates.com>
Cc: "Grim, Karen (DMV)" <karen.grim@dmv.virginia.gov>, "Childress, William (DMV)" <william.childress@dmv.virginia.gov>, "Cavalli, Gregory (DMV)" <Gregory.Cavalli@dmv.virginia.gov>, "Hill, Joseph (DMV)" <joseph.hill@dmv.virginia.gov>, "Penny, Thomas (DMV)" <thomas.penny@dmv.virginia.gov>, "Klotz, Barbara (DMV)" <barbara.klotz@dmv.virginia.gov>, "Wells, Matt (DMV)" <Matt.Wells@dmv.virginia.gov>, "Bogner, Kevin (DMV)" <kevin.bogner@dmv.virginia.gov>, "Martin, Matthew (DMV)" <matthew.martin@dmv.virginia.gov>, "Smoot, Janet (DMV)" <janet.smoot@dmv.virginia.gov>
Date: 11/25/2014 05:30 PM
Subject: RE: Salvage study Report - Feedback

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Michie

Carol M. Longley

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From: Longley, Michie (DMV)

Sent: Tuesday, November 25, 2014 12:20 PM

To: 'mcaddy@lkqcorp.com'; 'fhileman@LKQCORP.com'; 'jlconforme@lkqcorp.com'; 'rjcolas@lkqcorp.com'; 'mattlacy@lacyauto.com'; 'rick@mmauto.com'; 'jonathan.williams@easterassociates.com'; 'jonathan@mmauto.com'; 'dchurch@iaai.com'; 'kdotzeva@iaai.com'; 'gerald.faries@copart.com'; 'aron.rosenfield@copart.com'; 'Alan.hoskins@copart.com'; 'james.hines@copart.com'; 'Bobby.Glenn@simsmm.com'; 'rob@capresults.net'; 'Wcricjr2@aol.com'; 'jim@davisindustries.com'; 'bennyc@cunningham-brothers.net'; 'churchstreetauto@gmail.com'; 'rbradshaw@iiav.com'; 'vicki.harris.QR6V@statefarm.com'; 'george.dodson.afxd@statefarm.com'; 'chris@lagowlobby.com'; 'micaela.isler@pciaa.net'; 'LilesP@nationwide.com'; 'bill.tibbens@farmersinsurance.com'; 'harold.singh@erieinsurance.com'; 'jhudgins@iiav.com'; 'agambardella@vada.com'; 'lois@viada.org'; 'pete@viada.org'; 'bilparrish@gmail.com'; 'echildress@spottsfainconsulting.com'; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); 'jjones@virginiasheriffs.org'; 'smdraper@ci.martinsville.va.us'; 'dana@vachiefs.org'; Clement, Whittington; 'jhudgins@iiav.com'; 'peter.easter@easterassociates.com'

Cc: Grim, Karen (DMV); Childress, William (DMV); Cavalli, Gregory (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Klotz, Barbara (DMV); Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV); Smoot, Janet (DMV)

Subject: Salvage study Report - Feedback

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Michie Longley

Carol M. Longley

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From: Longley, Michie (DMV)
Sent: Wednesday, November 26, 2014 10:51 AM
To: Grim, Karen (DMV); Martin, Matthew (DMV); Smoot, Janet (DMV); Childress, William (DMV); Cavalli, Gregory (DMV)
Cc: Klotz, Barbara (DMV); Wells, Matt (DMV)
Subject: FW: Salvage study Report - Feedback

From: Lois Keenan [<mailto:Lois@viada.org>]
Sent: Wednesday, November 26, 2014 10:47 AM
To: Longley, Michie (DMV)
Cc: Pete Iaricci; Meade Spotts
Subject: RE: Salvage study Report - Feedback

Michie,

Thanks for your time this morning to get clarification of section ii on the definition of a rebuilt vehicle. Now that we understand that this section only pertains to owner retained vehicles, we support the new verbiage.

Have a great Thanksgiving,

Lois Keenan, Executive Director
Virginia Independent Automobile Dealers Association
4700 Thoroughgood Square
Virginia Beach, VA 23455
Ph: 800-394-1960/757-464-3460
Cell: 757-621-8424
Fax: 757-460-1346
www.viada.org or www.virginiausedcardealers.com
lois@viada.org

Supporting Virginia's most successful dealers since 1960

From: Longley, Michie (DMV) [<mailto:michie.longley@dmv.virginia.gov>]
Sent: Tuesday, November 25, 2014 5:31 PM
To: mcaddy@lkqcorp.com; rjcolas@lkqcorp.com; mattlacy@lacyauto.com; rick@mmauto.com; jonathan.williams@easterassociates.com; jonathan@mmauto.com; dchurch@iaai.com; kdotzeva@iaai.com; gerald.faries@copart.com; aron.rosenfield@copart.com; arheiss@lkqcorp.com; Alan.hoskins@copart.com; james.hines@copart.com; Bobby.Glenn@simsmm.com; rob@capresults.net; Wcricjr2@aol.com; jim@davisindustries.com; bennyc@cunningham-brothers.net; churchstreetauto@gmail.com; rbradshaw@iav.com; vicki.harris.QR6V@statefarm.com; george.dodson.afxd@statefarm.com; chris@lagowlobby.com; micaela.isler@pciaa.net; LilesP@nationwide.com; bill.tibbens@farmersinsurance.com; harold.singh@erieinsurance.com; jhudgins@iav.com; agambardella@vada.com; Lois Keenan; Pete Iaricci; billparrish@gmail.com; echildress@spottsfainconsulting.com; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); jjones@virginiasheriffs.org; smdraper@ci.martinsville.va.us; dana@vachiefs.org; Clement, Whittington; jhudgins@iav.com; peter.easter@easterassociates.com
Cc: Grim, Karen (DMV); Childress, William (DMV); Cavalli, Gregory (DMV); Hill, Joseph (DMV); Penny, Thomas (DMV); Klotz, Barbara (DMV); Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV); Smoot, Janet (DMV)

Subject: RE: Salvage study Report - Feedback
Importance: High

Dear Stakeholders:

Thank you for responding as quickly as you have. Based on the feedback received today, and keeping in mind our Monday deadline to deliver the report and language, we can offer you two choices:

1. Include this slightly revised definition of rebuilt vehicle:

"Rebuilt vehicle" means (i) any salvage vehicle that has been ~~damaged as a result of collision, fire, flood, accident, trespass, or any other occurrence and has been repaired for use on the public highways~~ and the estimated cost of repair ~~exceeded 75~~ did not exceed 90 percent of its actual cash value, ~~for use on the public highways~~ or (ii) any late model vehicle which 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.

Please note: While proposed changes received today eliminated part (ii), that part is necessary. As we understand it, its purpose here and under current law is to pull in late model vehicles that do not already meet the definition of "salvage vehicles." The owners of these vehicles, by virtue of the cost of repair, would be required to obtain "rebuilt"-branded titles for the vehicles. After further review of the discussions of the study, we propose to leave part (ii) as it exists currently in the Code because it was not discussed at any discernible length. The amendments to part (i) alone should suffice to incorporate "repaired" vehicles into the definition of "rebuilt," as a "repaired vehicle" is, by definition, a salvage vehicle.

2. The second option, if we cannot reach a consensus on #1, would be to remove all the proposed changes to the repaired/rebuilt sections and simply revert to the status quo. It would mean keeping the current provisions for a repaired vehicle and a rebuilt vehicle.

If anyone finds the first option unacceptable, we will go with option 2.

Please let me know your preferences. And again, thank you for your patience and quick response.

Michie

Carol M. Longley

VirginiaDMV | Legislative Analyst | (804) 367-0910 | Michie.Longley@dmv.virginia.gov | www.dmvNOW.com

[Confidentiality Statement](#)

From: Longley, Michie (DMV)

Sent: Tuesday, November 25, 2014 12:20 PM

To: 'mcaddy@lkqcorp.com'; 'ffileman@LKQCORP.com'; 'jlconforme@lkqcorp.com'; 'rjcolas@lkqcorp.com';

'mattlacy@lacyauto.com'; 'rick@mmauto.com'; 'jonathan.williams@easterassociates.com';
'jonathan@mmauto.com'; 'dchurch@iaai.com'; 'kdotzeva@iaai.com'; 'gerald.faries@copart.com';
'aron.rosenfield@copart.com'; 'Alan.hoskins@copart.com'; 'james.hines@copart.com';
'Bobby.Glenn@simsmm.com'; 'rob@capresults.net'; 'Wcricjr2@aol.com'; 'jim@davisindustries.com';
'bennyc@cunningham-brothers.net'; 'churchstreetauto@gmail.com'; 'rbradshaw@iiav.com';
'vicki.harris.QR6V@statefarm.com'; 'george.dodson.afxd@statefarm.com'; 'chris@lagowlobby.com';
'micaela.isler@pciaa.net'; 'LilesP@nationwide.com'; 'bill.tibbens@farmersinsurance.com';
'harold.singh@erieinsurance.com'; 'jhudgins@iiav.com'; 'agambardella@vada.com'; 'lois@viada.org';
'pete@viada.org'; 'bilparrish@gmail.com'; 'echildress@spottsfainconsulting.com'; LYNCHBURG LA-
SECONDARY (DMV); Glick, Frank (VSP); 'jjones@virginia sheriffs.org'; 'smdraper@ci.martinsville.va.us';
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Cc: Grim, Karen (DMV); Childress, William (DMV); Cavalli, Gregory (DMV); Hill, Joseph (DMV); Penny,
Thomas (DMV); Klotz, Barbara (DMV); Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV);
Smoot, Janet (DMV)

Subject: Salvage study Report - Feedback

Dear Stakeholders:

It has been brought to our attention by more than one reviewer that the proposed definition of a rebuilt vehicle would unintentionally exempt certain vehicles from the statutory requirement to obtain a salvage designation for damaged vehicles as currently required, and conversely, require any damaged vehicle, no matter the amount of the damage, to be declared salvage.

To correct this oversight, we are amending the definition:

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As revised, any salvage vehicle that has been repaired and any late model vehicle with cost of repairs exceeding 75% of the ACV will be branded rebuilt.

Please let us know today if you absolutely cannot live with this definition. I apologize for the very short notice. The study report and the enabling legislative language is due to the Secretary on Monday, December 1st. We have run out of time for further revisions. Your quick attention will be much appreciated.

Michie Longley

Carol M. Longley

VirginiaDMV | Legislative Analyst | (804) 367-0910 | Michie.Longley@dmv.virginia.gov |
www.dmvNOW.com

[Confidentiality Statement](#)

From: Jonathan Morrow [Jonathan@mmauto.com]
Sent: Thursday, November 27, 2014 4:23 AM
To: Longley, Michie (DMV)
Subject: Re: [MALWARE FREE]RE: Salvage study Report - Feedback - UPDATE

VARA has no problem with the revised definition in option 1.

Jonathan Morrow
VARA President

Sent from my LG G3, an AT&T 4G LTE smartphone

----- Original message-----

From: Longley, Michie (DMV)
Date: Wed, Nov 26, 2014 11:00 AM
To: Longley, Michie (DMV);mcaddy@lkqcorp.com;rjcolas@lkqcorp.com;mattlacy@lacyauto.com;Rick Morrow;jonathan.williams@easterassociates.com;Jonathan Morrow;dchurch@iaai.com;kdotzeva@iaai.com;gerald.faries@copart.com;aron.rosenfield@copart.com;arheiss@lkqcorp.com;Alan.hoskins@copart.com;james.hines@copart.com;Bobby.Glenn@simsmm.com;rob@capresults.net;Wcricjr2@aol.com;jim@davisindustries.com;bennyc@cunningham-brothers.net;churchstreetauto@gmail.com;rbradshaw@iiav.com;vicki.harris.QR6V@statefarm.com;george.dodson.afxd@statefarm.com;chris@lagowlobby.com;micaela.isler@pciaa.net;LilesP@nationwide.com;bill.tibbens@farmersinsurance.com;harold.singh@erieinsurance.com;jhudgins@iiav.com;agambardella@vada.com;lois@viada.org;pete@viada.org;bilparrish@gmail.com;echildress@spottsfainconsulting.com;LYNCHBURG LA-SECONDARY (DMV);Glick, Frank (VSP);jjones@virginiasheriffs.org;smdraper@ci.martinsville.va.us;dana@vachiefs.org;Clement, Whittington;jhudgins@iiav.com;peter.easter@easterassociates.com;
Cc: Grim, Karen (DMV);Childress, William (DMV);Cavalli, Gregory (DMV);Hill, Joseph (DMV);Penny, Thomas (DMV);Klotz, Barbara (DMV);Wells, Matt (DMV);Bogner, Kevin (DMV);Martin, Matthew (DMV);Smoot, Janet (DMV);
Subject:[MALWARE FREE]RE: Salvage study Report - Feedback - UPDATE

Dear Stakeholders –

This is a quick update to let you we've heard back from representatives of the insurance industry as well as VIADA. They are fine with the revised definition in Option 1 described below.

Happy Thanksgiving to all.

Michie

Carol M. Longley

VirginiaDMV | Legislative Analyst | (804) 367-0910 | Michie.Longley@dmv.virginia.gov | www.dmvNOW.com

[Confidentiality Statement](#)

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Sent: Tuesday, November 25, 2014 5:31 PM
To: 'mcaddy@lkqcorp.com'; 'rjcolas@lkqcorp.com'; 'mattlacy@lacyauto.com'; 'rick@mmauto.com';

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Thomas (DMV); Klotz, Barbara (DMV); Wells, Matt (DMV); Bogner, Kevin (DMV); Martin, Matthew (DMV);
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Subject: RE: Salvage study Report - Feedback

Importance: High

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Please let me know your preferences. And again, thank you for your patience and quick response.

Michie

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Sent: Tuesday, November 25, 2014 12:20 PM

To: 'mcaddy@lkqcorp.com'; 'ffileman@LKQCORP.com'; 'jlconforme@lkqcorp.com'; 'rjcolas@lkqcorp.com'; 'mattlacy@lacyauto.com'; 'rick@mmauto.com'; 'jonathan.williams@easterassociates.com'; 'jonathan@mmauto.com'; 'dchurch@iaai.com'; 'kdotzeva@iaai.com'; 'gerald.faries@copart.com'; 'aron.rosenfield@copart.com'; 'Alan.hoskins@copart.com'; 'james.hines@copart.com'; 'Bobby.Glenn@simmmm.com'; 'rob@capresults.net'; 'Wcricjr2@aol.com'; 'jim@davisindustries.com'; 'bennyc@cunningham-brothers.net'; 'churchstreetauto@gmail.com'; 'rbradshaw@iiav.com'; 'vicki.harris.QR6V@statefarm.com'; 'george.dodson.afxd@statefarm.com'; 'chris@lagowlobby.com'; 'micaela.isler@pciaa.net'; 'LilesP@nationwide.com'; 'bill.tibbens@farmersinsurance.com'; 'harold.singh@erieinsurance.com'; 'jhudgins@iiav.com'; 'agambardella@vada.com'; 'lois@viada.org'; 'pete@viada.org'; 'bilparrish@gmail.com'; 'echildress@spottsfainconsulting.com'; LYNCHBURG LA-SECONDARY (DMV); Glick, Frank (VSP); 'jjones@virginia sheriffs.org'; 'smdraper@ci.martinsville.va.us'; 'dana@vachiefs.org'; Clement, Whittington; 'jhudgins@iiav.com'; 'peter.easter@easterassociates.com'

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Michie Longley

Carol M. Longley

VirginiaDMV | Legislative Analyst | (804) 367-0910 | Michie.Longley@dmv.virginia.gov | www.dmvNOW.com

[Confidentiality Statement](#)

From: Grim, Karen (DMV)
Sent: Thursday, November 06, 2014 1:45 PM
To: 'Earthlink (hgnusbaum)'
Subject: RE: Input on a proposal for new statutory salvage language for Virginia

Howard,

At this point it is too late to incorporate anything different into the study, since it is complete and must be submitted to the Chairs of the Transportation Committees by early December. The legislation that was drafted was based on discussions and recommendations of the stakeholders that comprised the study working group. The study working group was made up of representatives from the insurance industry, law enforcement, auto dealer associations, auto recyclers, salvage yards, salvage auctions and scrap metal processors. If you have any specific concerns regarding the legislation, I would suggest that you work directly through one of these stakeholder groups.

Attached is a copy of the study and accompanying proposed legislation that is currently under review by the study working group members.

Karen

Karen Grim

Virginia DMV | Senior Assistant Commissioner | Driver, Vehicle & Data Management Services | (804) 367-6659 | Karen.Grim@dmv.virginia.gov | www.dmvNOW.com

[Confidentiality Statement](#)

From: Earthlink (hgnusbaum) [<mailto:hgnusbaum@earthlink.net>]
Sent: Wednesday, November 05, 2014 10:38 AM
To: Grim, Karen (DMV)
Subject: Input on a proposal for new statutory salvage language for Virginia

Karen,

We had very recently been approached with some draft language asking us about our opinion regarding some potential adjustments to the current Virginia salvage statutory language that is apparently under consideration with your agency. In reviewing the draft language we were provided, we have identified a number of policy issues that we believe would have detrimental unintended consequences for consumers. We did not communicate our opinions directly back on the language we were provided.

I am not sure as to the completeness of what we were provided, nor if it is a current version of the language that is under consideration. We understand that this process is currently playing out amongst working group participants, but NSVRP would appreciate an opportunity to put

our concerns about this draft on record. Therefore, I would like to request on behalf of NSVRP that, when the time is appropriate, we be provided a copy of the language under consideration and that we be given a chance to officially review and provide feedback directly back to your agency on the proposed language early enough in the process for our input to be of material value to the process.

I also wanted to let you know that NSVRP has recently updated its Comprehensive Branding and Total Loss Best Practice Guide to provide recommendations that states should consider to improve the integrity and standardization of branding, titling and final dispensation of total loss and flood-damaged vehicles to better protect the public, with special emphasis on lessons learned from Hurricane Sandy, recent Colorado flooding and other investigations of title fraud, inaccurate title branding and other abuses. The guide is attached, and also may be accessed from our website at [http://nsvrp.org/uploads/NSVRP_Best_Practices_FINAL_STANDARD_September_8_2014_compressed .pdf](http://nsvrp.org/uploads/NSVRP_Best_Practices_FINAL_STANDARD_September_8_2014_compressed.pdf).

Thank you,

Howard

Howard Nusbaum

Administrator, NSVRP

The National Salvage Vehicle Reporting Program (NSVRP) is a not-for-profit 501 (C) (3). The organization was founded to support law enforcement and to promote and support efforts to advance the National Motor Vehicle Title Information System (NMTIS). NSVRP's mission is to support initiatives to control auto-theft and title abuse. NSVRP's

Board of Directors consists of representatives of major law enforcement groups, and is recognized by the Department of Justice as an independent third party voluntary standards body for NMTIS. NSVRP has been recognized both by the Department of Justice and the FBI for 'Exceptional Service in the Public Interest' for its public policy efforts.

Appendix F: Proposed Legislation

CONFIDENTIAL GOVERNOR'S WORKING PAPERS
PROPOSED SALVAGE STATUTORY LANGUAGE

November 26, 2014

1 § 46.2-1600. Definitions.

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

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

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

9 "Cosmetic damage," as applied to a vehicle, means damage to non-original manufacturer
10 equipment, audio-visual accessories, non-factory-sized tires and wheels, custom paint, and exterior hail
11 damage. Cosmetic damage shall not include (i) damage to original equipment and parts installed by the
12 manufacturer, or (ii) any repair required to enable a vehicle to pass a safety inspection pursuant to § 46.2-
13 1157. The cost for cosmetic damage repair shall not be included in the cost to repair the vehicle when
14 determining the calculation for a nonrepairable vehicle as defined in this section.

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

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

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

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

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

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

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

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

CONFIDENTIAL GOVERNOR'S WORKING PAPERS
PROPOSED SALVAGE STATUTORY LANGUAGE

November 26, 2014

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

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

46 "Rebuilt vehicle" means (i) any salvage vehicle that has been ~~damaged as a result of collision,~~
47 ~~fire, flood, accident, trespass, or any other occurrence and has been~~ repaired for use on the public
48 highways and the estimated cost of repair ~~exceeded 75~~ did not exceed 90 percent of its actual cash value,
49 ~~for use on the public highways~~ or (ii) any late model vehicle which has been repaired and the estimated
50 cost of repair exceeded 75 percent of its actual cash value, excluding the cost to repair damage to the
51 engine, transmission, or drive axle assembly.

52 "Repairable vehicle" means a late model vehicle that is ~~neither not a rebuilt nor a repaired~~
53 vehicle, but is repaired to its pre-loss condition by an insurance company and is not accepted by the
54 owner of said vehicle immediately prior to its acquisition by said insurance company as part of the claims
55 process.

56 ~~"Repaired vehicle" means any salvage vehicle that has had repairs less than the amount necessary~~
57 ~~to make it a rebuilt vehicle.~~

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

60 "Salvage dealer" means any person who acquires any vehicle for the purpose of reselling any
61 parts thereof.

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

68 "Salvage vehicle" means (i) any late model vehicle which 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 collision,
70 fire, flood, accident, trespass, or any other occurrence to such an extent that its estimated cost of repair,
71 excluding charges for towing, storage, and temporary replacement/rental vehicle or payment for
72 diminished value compensation, would exceed its actual cash value less its current salvage value; (ii) any
73 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 which 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.

CONFIDENTIAL GOVERNOR'S WORKING PAPERS
PROPOSED SALVAGE STATUTORY LANGUAGE

November 26, 2014

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

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

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

87 § 46.2-1601. Licensing of dealers of salvage vehicles; fees.

88 A. It shall be unlawful for any person to engage in business in the Commonwealth as an auto
89 ~~recycler a demolisher, rebuilder, salvage dealer,~~ salvage pool, or vehicle removal operator without first
90 acquiring a license issued by the Commissioner for each such business at each location. The fee for the
91 first such license issued or renewed under this chapter shall be \$100 per license year or part thereof. The
92 fee for each additional license issued or renewed under this chapter for the same location shall be \$25 per
93 license year or part thereof. However, no fee shall be charged for supplemental locations of a business
94 located within 500 yards of the licensed location.

95 B. No license shall be issued or renewed for any person unless (i) the licensed business contains
96 at least 600 square feet of enclosed space, (ii) the licensed business is shown to be in compliance with all
97 applicable zoning ordinances, and (iii) the applicant may (a) certify to the Commissioner that the licensed
98 business is permitted under a Virginia Pollutant Discharge Elimination System individual or general
99 permit issued by the State Water Control Board for discharges of storm water associated with industrial
100 activity and provides the permit number(s) from such permit(s) or (b) certify to the Commissioner that the
101 licensed business is otherwise exempt from such permitting requirements. Nothing in this section shall
102 authorize any person to act as a motor vehicle dealer or salesperson without being licensed under Chapter
103 15 (§ 46.2-1500 et seq.) and meeting all requirements imposed by such chapter.

104 C. Licenses issued under this section shall be deemed not to have expired if the renewal
105 application and required fees as set forth in subsection A are received by the Commissioner or
106 postmarked not more than 30 days after the expiration date of such license. Whenever the renewal
107 application is received by the Commissioner or postmarked not more than 30 days after the expiration
108 date of such license, the license fees shall be 150 percent of the fees provided for in subsection A.

109 D. The Commissioner may offer an optional multiyear license for any license set forth in this
110 section. When such option is offered and chosen by the licensee, all fees due at the time of licensing shall
111 be multiplied by the number of years for which the license will be issued.

112 § 46.2-1602. Certain sales prohibited; exceptions.

113 A. It shall be unlawful:

114 1. For any scrap metal processor to sell a vehicle or vehicle components or parts;

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115 2. For any salvage pool to sell ~~to any person~~ either in person or through any Internet auction a
116 salvage vehicle stored in the Commonwealth to any person who is not licensed as an a scrap metal
117 processor or licensed as a salvage dealer, rebuilder, demolisher an auto recycler, motor vehicle dealer, or
118 vehicle removal operator by the Commonwealth, or regulated as a similar business under the laws of
119 another state or jurisdiction; or

120 3. For any person to sell a nonrepairable vehicle to any person who is not ~~a scrap metal processor~~
121 ~~or licensed as a salvage dealer, demolisher,~~ licensed as an auto recycler or vehicle removal operator by
122 the Commonwealth, or regulated as a similar business under the laws of another state or jurisdiction; or

123 4. For any person to sell a rebuilt vehicle without first having disclosed the fact that the vehicle is
124 a rebuilt vehicle to the buyer in writing on a form prescribed by the Commissioner.

125 B. Notwithstanding the provisions of subsection A of this section, it shall not be unlawful:

126 1. For a salvage dealer to sell vehicle components or parts to unlicensed persons; or

127 2. For an individual to dispose of a salvage vehicle acquired or retained for his own use when it
128 has been acquired or retained and used in good faith and not for the purpose of avoiding the provisions of
129 this chapter.

130 § 46.2-1603.2. Owner may declare vehicle nonrepairable; insurance company required to obtain a
131 nonrepairable certificate; applicability of certain other laws to nonrepairable certificates; titling and
132 registration of nonrepairable vehicle prohibited.

133
134 A. The owner of any vehicle titled in the Commonwealth may declare such vehicle to be a
135 nonrepairable vehicle by applying to the Department for a nonrepairable certificate.

136 B. Every insurance company or its authorized agent shall apply to the Department and obtain a
137 nonrepairable certificate for each vehicle acquired by the insurance company as a result of the claims
138 process if such vehicle is titled in the Commonwealth and is (i) a late model nonrepairable vehicle or (ii) a
139 stolen vehicle that has been recovered and determined to be a nonrepairable vehicle. The application shall
140 be accompanied by the vehicle's title certificate or salvage certificate ~~and shall contain a description of the~~
141 ~~damage to the nonrepairable vehicle.~~ Application for the nonrepairable certificate shall be made within
142 fifteen days after payment has been made to the owner, lienholder, or both.

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

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

151 There shall be no fee for the issuance of a nonrepairable certificate. All provisions of this Code
152 applicable to a motor vehicle certificate of title shall apply, mutatis mutandis, to a nonrepairable
153 certificate, except that no registration or license plates shall be issued for the vehicle described in a

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154 nonrepairable certificate. No vehicle for which a nonrepairable certificate has been issued shall ever be
155 titled or registered for use on the highways in the Commonwealth.

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

160 § 46.2-1605. Vehicles ~~repaired or~~ rebuilt for highway use; examinations; branding of titles.

161 ~~Each salvage vehicle that has been repaired or rebuilt for use on the highways shall be examined~~
162 ~~by the Department or by a local law enforcement official prior to the issuance of a title for the vehicle. A.~~
163 Each salvage vehicle that has been rebuilt for use on the highways shall be submitted for a state safety
164 inspection in accordance with § 46.2-1157. The inspection shall be completed by an inspector wholly
165 unaffiliated with the person requesting the inspection of the vehicle.

166 B. Upon passage of a state safety inspection, each rebuilt vehicle shall be examined by the
167 Department prior to the issuance of a title for the vehicle. The examination by the Department shall
168 include a review of video or photographic images of the vehicle prior to being rebuilt, if available; all
169 documentation for the parts and labor used for the repair of the salvage vehicle; and a verification of the
170 vehicle's identification number, confidential number, and odometer reading, and engine, transmission or
171 electronic modules, if applicable. This inspection shall serve as an antitheft and antifraud measure and
172 shall not certify the safety or roadworthiness of the vehicle. The Commissioner shall ensure that, in
173 scheduling and performing examinations of salvage vehicles under this section, single vehicles owned by
174 private owner-operators are afforded no lower priority than examinations of vehicles owned by motor
175 vehicle dealers, ~~salvage dealers, demolishers, rebuilders, salvage pools, licensed auto recyclers, salvage~~
176 ~~pools or vehicle removal operators.~~ The Commissioner may charge a fee of \$125 per vehicle, for the
177 examination of ~~repaired and~~ rebuilt vehicles. ~~When the examination is conducted by a local law~~
178 ~~enforcement official, the Department shall reimburse the local law enforcement department \$75 for its~~
179 ~~costs in conducting the examination and reporting its findings to the Department.~~

180 C. Any salvage vehicle whose vehicle identification number or confidential number has been
181 altered, is missing, or appears to have been tampered with may be impounded by the Department or a
182 local law enforcement official until completion of an investigation by the Department. The vehicle may
183 not be moved, sold, or tampered with until the completion of this investigation. Upon completion of an
184 investigation by the Department, if the vehicle identification number is found to be missing or altered, a
185 new vehicle identification number may be issued by the Department. If the vehicle is found to be a stolen
186 vehicle and its owner can be determined, the vehicle shall be returned to him. If the owner cannot be
187 determined or located and the person seeking to title the vehicle has been convicted of a violation of §
188 46.2-1074 or 46.2-1075, the vehicle shall be deemed forfeited to the Commonwealth and said forfeiture
189 shall proceed in accordance with Chapter 22.1 (§ 19.2-386.1 et seq.) of Title 19.2.

190 D. If the Department's examination of a repaired or rebuilt salvage vehicle indicates no
191 irregularities, a title and registration may be issued for the vehicle upon application therefor to the
192 Department by the owner of the salvage vehicle. The title issued by the Department and any subsequent
193 title thereafter issued for the repaired or rebuilt vehicle shall be permanently branded to indicate that it is a
194 repaired or rebuilt vehicle. All repaired and rebuilt vehicles shall be subject to all safety equipment
195 requirements provided by law. No title or registration shall be issued by the Department for any rebuilt
196 vehicle which has not first passed a safety inspection, nor for any vehicle for which a nonrepairable
197 certificate has ever been issued.

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198 E. If the Department's examination of a rebuilt salvage vehicle reveals irregularities in the
199 required documentation or obvious defects, the Department will identify to the owner the irregularities
200 and defects that must be corrected before the Department's examination can be completed.

201 F. When necessary and upon application, the Department shall issue temporary trip permits in
202 accordance with § 46.2-651 for the purpose of transporting the rebuilt salvage vehicle to and from an
203 official Virginia safety inspection station.

204 **§ 46.2-1608. Maintenance and contents of records.**

205 A. Each licensee shall maintain a record of the receipt and sale of any vehicle. Such record shall
206 be maintained at the licensee's place of business. The record, at a minimum, shall contain:

207 1. A description of each vehicle purchased, exchanged, ~~or acquired~~, or sold by the licensee,
208 including, but not limited to, the model, make, year of the vehicle as well as the vehicle's title number
209 with state of issuance and vehicle identification number;

210 2. The price paid for each vehicle;

211 3. The name and address of the seller from whom each vehicle is purchased, exchanged, or
212 acquired, and the name and address of the buyer to whom the vehicle is sold;

213 4. The date and hour the sale, purchase, exchange, or acquisition was made;

214 5. A photocopy of seller's and buyer's driver's license, state identification card, official United
215 States military identification card, or any other form of personal identification with photograph,

216 6. For the sale of nonrepairable vehicles, a photocopy of the buyer's business license if the buyer
217 is authorized to purchase a vehicle under § 46.2-1602, or, if the buyer represents third party authorized to
218 purchase a vehicle under § 46.2-1602, then a photocopy of that third party's business license and
219 documentation that the buyer is authorized to act on behalf of that third party;

220 ~~7.6. A digital photograph~~ s of the seller, the buyer, and along with the vehicle that he is being
221 purchased, sold, exchanged, or acquired through or from selling-exchanging with the licensee; and

222 ~~8.7. The signature of the licensee and, the seller, and the buyer~~ as executed at the time of the
223 purchase, exchange, or acquisition, or sale of the vehicle by the licensee.

224 B. If any major component, as defined in § 46.2-1600, is sold, the salvage dealer shall provide,
225 upon request of any law-enforcement official, the information required by this section as to the vehicle
226 from which the part was taken.

227 C. The provisions of subdivisions A 5 and A 6 shall not apply to vehicles when the licensee
228 maintains a photocopy or electronic copy of one of the documents set out in § 46.2-1206 or this chapter.

229 D. The provisions of this section shall not apply to salvage pools as defined in § 46.2-1600,
230 except that salvage pools shall maintain a record of the receipt of any vehicle that contains the date of
231 receipt of the vehicle, its make, year, model, identification number, name, and address of the person from
232 whom it was acquired, the name and address of the buyer as well as (i) a photocopy of the buyer's driver's

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233 license, state identification card, official United States military identification card, employer-issued
234 identification card, or any other form of personal identification with photograph, and (ii) a photocopy of
235 the buyer's business license or, if the buyer represents a third party authorized to purchase the vehicle
236 under § 46.2-1602, then a photocopy of the third party's business license and documentation that the
237 buyer is authorized to act on behalf of the third party; and the vehicle's title number and state of issuance.

238 § 46.2-1608.2. Licensees to update records of the Department for motor vehicles that are to be
239 demolished or dismantled.

240 A. ~~A licensee or scrap metal processor~~ licensed auto recycler may be exempted from the waiting
241 period in subsection B of § 46.2-1608.1 by:

242 1. Entering into a contractual agreement with the Department to update records of motor vehicles
243 to be demolished or dismantled if such motor vehicles have either been issued a certificate of title, salvage
244 certificate, or nonrepairable certificate in the Commonwealth or are titled in a foreign jurisdiction. In
245 addition to the contractual agreement, the ~~licensee or scrap metal processor~~ licensed auto recycler shall be
246 required to comply with the Department's procedures for securely accessing and updating the
247 Department's records; and

248 2. Notifying the Department that a motor vehicle is being demolished or dismantled or of the
249 intention to demolish, dismantle, or reduce the motor vehicle to a state where it can no longer be
250 considered a motor vehicle. ~~Licensees or scrap metal processors shall~~ Licensed auto recyclers shall
251 electronically notify the Department of the demolished or dismantled vehicle's certificate of title, salvage
252 certificate, or nonrepairable certificate number and vehicle identification number.

253 B. ~~Licensees or scrap metal processors~~ Licensed auto recyclers in possession of the certificate of
254 title, salvage certificate, or nonrepairable certificate from the Commonwealth may demolish or dismantle
255 the subject motor vehicle. ~~Licensees or scrap metal processors~~ Licensed auto recyclers shall electronically
256 notify the Department of the demolished or dismantled vehicle's certificate of title, salvage certificate, or
257 nonrepairable certificate number and vehicle identification number within required time frames pursuant
258 to subsection D of § 46.2-1603.1.

259 C. ~~Licensees or scrap metal processors~~ Licensed auto recyclers in possession of a certificate of
260 title issued by a foreign jurisdiction may demolish or dismantle the subject motor vehicle. ~~Licensees or~~
261 ~~scrap metal processors~~ Licensed auto recyclers shall electronically notify the Department of the
262 demolished or dismantled vehicle's certificate of title number, vehicle identification number, year, make,
263 and model within required time frames pursuant to subsection D of § 46.2-1603.1.

264 D. ~~Licensees or scrap metal processors~~ Licensed auto recyclers that do not possess a certificate of
265 title, salvage certificate, or nonrepairable certificate may demolish the subject motor vehicle if the motor
266 vehicle is a model year that is at least 10 years older than the current model year. The ~~licensee or scrap~~
267 ~~metal processor~~ licensed auto recycler shall provide electronically to the Department the vehicle
268 identification number and the year, make, and model of the motor vehicle and shall remit to the
269 Department the fees set out in § 46.2-627 and an additional \$10 transaction fee. Upon receipt of such
270 notification, the Department shall check the records of nationally recognized databases. The ~~licensee or~~
271 ~~scrap metal processor~~ licensed auto recycler may not demolish or dismantle the vehicle until the
272 Department has notified the ~~licensee or scrap metal processor~~ licensed auto recycler of the results of that
273 inquiry. If a ~~licensee or scrap metal processor~~ licensed auto recycler is not in possession of the certificate
274 of title, salvage certificate, or nonrepairable certificate and the subject motor vehicle is of the current

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275 model year or of a model year that is nine years old or less, that vehicle shall be processed in accordance
276 with § 46.2-1202.

277 E. Nothing in this section shall release a ~~licensee or scrap metal processor~~ licensed auto recycler
278 from complying with the provisions of §§ 46.2-1603.1, 46.2-1608, and 46.2-1608.1.