

SUBJECT: Vehicle title requirements for insurers, motor vehicle salvage dealers

COMMITTEE: Transportation — favorable, without amendment

VOTE: 5 ayes — Alexander, Bosse, Alonzo, Edwards, Price

1 nay — Siebert

3 absent — Clemons, Moreno, Uher

WITNESSES: For — Paul Dugger; Wanda Lindeman, Owner Auto Dismantler

Against — Robert Grube, Farmers Insurance Group; Eugene Palmer, Allstate Insurance Company; Bill Tallas, State Farm Insurance Company; Milford Pat Smith, Farm Bureau Insurance Companies; Charles Wirth, State Farm Insurance Company; Jonna Kay Hogeland, National Association of Independent Insurers; Marcia McAllister, Insurance Auto Auctions, Inc.; Jim AuBuchon, Commercial Metals Company

DIGEST: HB 2151 would require that an insurance company that acquired ownership of a late model salvage vehicle through payment of a claim surrender the vehicle's certificate of title to the Texas Department of Transportation (TxDOT) and apply for either a salvage motor vehicle certificate of title or a nonrepairable motor vehicle certificate of title.

Salvage vehicle would mean a vehicle damaged to the extent that the total estimated cost of repairs, including parts and labor, is at least 75 percent of the actual cash value of the vehicle in its predamaged condition.

The bill would define a nonrepairable vehicle as one damaged or missing a major component part to the extent that the total estimated cost of repairs to rebuild or reconstruct the vehicle, including parts and labor, was equal to or greater than an amount equal to 95 percent of the actual cash value of the vehicle in its predamaged condition.

The bill would forbid the sale of the vehicle until appropriate titles were obtained and allow sale or assignment of title only to licensed salvage dealers.

The bill would not apply to a vehicle that had been stolen and recovered and had no major component part removed, missing, damaged or destroyed.

Insurance companies would have to require a vehicle's owner to surrender the certificate of title to the vehicle to the insurance company and sign an application for a salvage motor vehicle or a nonrepairable motor vehicle certificate of title. The owner of the vehicle would be prohibited from transferring ownership unless TxDOT had issued a salvage motor vehicle or a nonrepairable certificate of title.

An owner of a late model salvage motor vehicle would be prohibited from selling, transferring or releasing the vehicle to a person other than a salvage vehicle dealer, the former owner of the vehicle or a governmental entity. A salvage dealer would have to surrender a received certificate of title to TxDOT and apply for a salvage or nonrepairable certificate of title.

The bill would require a salvage vehicle dealer who acquired ownership of a late model salvage vehicle or a nonrepairable motor vehicle for the purpose of dismantling, scrapping or destroying the vehicle to submit to TxDOT a report stating such a purpose accompanied by the certificate or title for the vehicle.

It would be an offense to knowingly apply to the department for a certificate of title for a motor vehicle that was a nonrepairable motor vehicle that had been rebuilt.

A person who has a salvage motor vehicle certificate of title could be issued a regular certificate of title only after completing an application describing each major component part used to repair the vehicle, showing the identification number affixed or inscribed on the part that is required by federal law. The application for the certificate of title would have to be accompanied by a written statement signed by a specially trained commissioned officer of the Department of Public Safety.

The bill would take effect September 1, 1995, only if HB 2599 by Kubiak and Bosse, a licensing act for vehicle salvage dealers, is enacted.

**SUPPORTERS  
SAY:**

Auto theft is a major problem for the state of Texas. More than 145,000 vehicle thefts were recorded in Texas in 1992, and the monetary losses were staggering. The rising theft rate leads insurance companies to raise insurance premiums to cover the cost of paying policyholders the value of their stolen cars.

This bill, in tandem with HB 2599, also on today's calendar, proposing a licensing act for salvage dealers, would significantly decrease the business opportunities for auto thieves and their helpers by reducing the chances for illegal profit. Forcing that appropriate certificates of title be produced for salvage or nonrepairable vehicles would offer consumer protection, business protection and establish good business practices.

The bill would require insurance companies that acquire late model vehicles through payment of a claim to surrender the title to the state and get a special title issued for vehicles that are declared either salvage or unrepairable.

This legislation is designed to limit the ability to illegally transfer titles and vehicle identification numbers from non-repairable or salvage vehicles. The bill includes reasonable definitions that would facilitate implementation of sound policy in these areas. The 95-percent damage requirement is a reasonable requirement for a car to be declared nonrepairable. Oklahoma and Florida have an 80-percent damage requirement, and Virginia and Michigan have 90-percent damage requirements. Industry representatives believe 95 percent is a reasonable figure for Texas.

**OPPONENTS  
SAY:**

While curbing auto thefts and shady business practices related to them may be a worthwhile goal, this bill is unlikely to curb the activities of thieves, who will continue regardless of the state's requirements for title transfers. The definition of nonrepairable vehicle using the 95-percent standard would mean that many vehicles will be declared unrepairable, even though under current law they could safely be repaired and used for transportation. A better definition, and one proposed by the International Association of Auto Theft Investigators, would be a vehicle incapable of safe operation on public roads and that has no resale value except as a source of parts or scrap.

There is a significant market for rebuilt cars in Texas. Given the relatively low book value of most older cars, damage which is almost totally cosmetic and, in many cases, quite minor, would cause a vehicle to be declared nonrepairable. The bill would unfairly treat all components of a repair estimate equally for calculating whether a vehicle is repairable or nonrepairable, even if the repairs are mainly cosmetic. Cars designated nonrepairable are worth much less than a car with a regular salvage certificate and the insurance company in possession of the car will not recoup as much of its payments to policyholders. As a result, insurance premiums will rise to cover the shortfall.

NOTES:

Also on today's calendar is HB 2599 by Kubiak and Bosse, which would regulate and license motor vehicle salvage dealers. HB 2151 would take effect only if HB 2599 is enacted.

Rep. Bosse has prefiled a floor amendment that would simplify the requirements for insurance companies paying a total loss claim on a vehicle.

The companion bill, SB 1034 by Cain, is pending in a Senate State Affairs subcommittee.