

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1193 (Delegates Oaks and Malone)
Environmental Matters

Motor Vehicles - Certificate of Title - Rebuilt Salvage

This bill addresses title to salvaged vehicles that an insurance company takes possession of after an auto claim settlement. The bill requires the Motor Vehicle Administration (MVA) to issue a certificate of title to a vehicle owner that contains a conspicuous notation that the vehicle is “rebuilt salvage” regardless of the insurance company’s valuation of the cost to repair the vehicle.

The MVA must issue a certificate of title that does not contain such a conspicuous notation of “rebuilt salvage” if the salvage certificate accompanying the application is for a vehicle more than seven model years old.

Fiscal Summary

State Effect: The bill’s requirements could be absorbed within existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: An insurance company must obtain a salvage certificate for each vehicle titled in Maryland that is acquired as a result of a claim settlement arising from an accident that occurred in the State. Along with the required \$20 fee and the vehicle title, the company must provide one of the following statements (if applicable) on the application:

- the cost to repair the vehicle for highway operation is greater than the fair market value of the vehicle prior to sustaining the damage for which the claim was paid;
- the cost to repair the vehicle for highway operation is equal to or less than the vehicle's fair market value before the damage occurred;
- the vehicle is not rebuildable, will be used for parts only, and is not to be retitled; or
- the vehicle has been stolen.

The salvage certificate must contain a conspicuous notation by the MVA that describes which of these statements applies to the vehicle (unless the vehicle was stolen and not recovered).

The MVA must issue a certificate of title that contains a conspicuous notation that the vehicle is "rebuilt salvage" if: (1) the salvage certificate is accompanied by a statement by the insurance company that the cost to repair the vehicle exceeds the fair market value of the vehicle before the damage occurred; or (2) the certificate does not bear a notation that the cost to repair the vehicle for highway operation is equal to or less than the fair market value of the vehicle prior to the damage for which the claim was paid.

The MVA must issue a certificate that does not bear the conspicuous notation of "rebuilt salvage" if the salvage certificate accompanying the application:

- contains a statement from the insurance company that the cost to repair the vehicle for highway operation is equal to or less than the fair market value of the vehicle before the damage was incurred;
- was issued before October 1, 1992 and the application is accompanied by a statement from the insurance company that the cost to repair the vehicle was equal to or less than the fair market value of the vehicle prior to the sustained damage; or
- is issued for a vehicle more than seven model years old.

State Expenditures: The MVA advises that computer programming modifications to three programs will be needed to meet the bill's requirements. These changes could result in a one-time Transportation Trust Fund expenditure of \$22,500. However, the Department of Legislative Services (DLS) advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the MVA system. Further, DLS advises that the increased computer expenditure is simply an estimate and that the MVA may be able to handle the changes within existing resources.

Background: Unless the title to a vehicle labels the vehicle as “rebuilt salvage,” a person may not know that the vehicle was salvaged and rebuilt or repaired. A person may see a salvage certificate to a vehicle if a person pays to receive documentation from a service called “CarFax,” although not all vehicle salvage certificates are contained in CarFax files.

The Governor vetoed an identical bill (as amended) in 2003. In his veto message, he stated that SB 90 “will result in increased costs to insurers and automobile auctioneers because of the diminished value of salvage vehicles, and ultimately to consumers because insurers will have less incentive to total damaged vehicles.” The veto message also stated that the bill will result in an anomaly because a title will only be “branded” if the insurer agrees to pay the owner the fair market value for a damaged vehicle. If the owner elects to keep the vehicle and have it repaired, the title will not be branded.

Additional Information

Prior Introductions: This bill is identical to HB 728 and SB 90 of 2003, as amended. HB 728 passed the House and SB 90 passed both houses but was vetoed.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 15, 2004
lc/jr

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