Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1678 (Delegate Oaks)
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: Potential increase in Transportation Trust Fund (TTF) expenditures in FY 2007 for computer reprogramming costs. Revenues would not be affected.

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 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.

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.

Background: After national disasters such as Hurricane Katrina and other storms, thousands of vehicles written off by insurers as ruined oftentimes are rebuilt and placed on the market. In addition, thousands of vehicles involved in accidents are rebuilt and resold. 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."

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.

State Expenditures: The MVA advises that computer programming modifications to meet the bill's requirements would total $33,750 in fiscal 2007. However, the Department of Legislative Services 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.

Additional Comments: The Maryland Automobile Insurance Fund (MAIF) recovers salvageable vehicles. As such, its operations would be affected by this bill. MAIF advises that in fiscal 2005 its salvage recoverables totaled approximately $3.5 million. MAIF advises that the rebuilt salvage notation would reduce the value of its recoverables by approximately 50%, or $1.75 million. MAIF would have to raise premiums to recoup the loss of this revenue.

Additional Information

Prior Introductions: This bill is identical to HB 728 and SB 90 of 2003, as amended. HB 728 passed the House, but no further action was taken. SB 90 was adopted by the General Assembly but was vetoed by the Governor for policy reasons. HB 1193 of 2004, an identical bill, received an unfavorable report from the House Environmental Matters Committee.

Cross File: None.

Information Source(s): Maryland Automobile Insurance Fund, Maryland Insurance Administration, Maryland Department of Transportation, CarFax.com, Department of Legislative Services

Fiscal Note History:	First Reader - March 21, 2006
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