

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1167 (Delegate Malone)
Environmental Matters

Motor Vehicles - Certificates of Title - Rebuilt Salvage

This bill requires the Motor Vehicle Administration to issue a certificate of title to a vehicle owner that contains a conspicuous notation that the vehicle is “rebuilt salvage” if the salvage certificate accompanying the owner’s application for a certificate of title

- bears a notation that the cost to repair the vehicle for highway operations is greater than the vehicle’s fair market value prior to sustaining the damage for which the claim was paid;
- bears 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 sustaining the damage for which the claim was paid; or
- was issued before October 1, 1992 and the application is accompanied by a written 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 vehicle sustaining damage.

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 expenditures in FY 2009 for computer reprogramming costs. Revenues would not be affected.

Maryland Automobile Insurance Fund: MAIF could have revenue losses associated with its recovery of salvageable vehicles. MAIF would likely raise premiums to recoup the value of any such loss.

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 MVA that describes which of these statements applies to the vehicle.

MVA must issue a certificate of title that contains a conspicuous notation that the vehicle is "rebuilt salvage" if ● the salvage certificate bears a notation that the cost to repair the vehicle exceeds the fair market value of the vehicle before the damage occurred; or ● the salvage 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.

MVA must issue a certificate that does not bear a conspicuous notation of "rebuilt salvage" if the salvage certificate accompanying the application ● bears 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 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 natural 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 find out about a salvage certificate on a vehicle if a person pays to receive documentation from a service called “CarFax.”

The Governor vetoed a similar bill (as amended) in 2003. In the veto message, the Governor 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” as rebuilt salvage 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: MVA advises that computer programming modifications to meet the bill’s requirements would total \$45,000 in fiscal 2009. 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.

MAIF: The Maryland Automobile Insurance Fund recovers salvageable vehicles. As such, its operations would be affected by this bill. MAIF advises that the rebuilt salvage notation could reduce the value of its seven model year old or newer recoverables by approximately 50%. MAIF advises that, in fiscal 2007, this would have meant a loss of revenue of \$598,509. MAIF would have to raise premiums to recoup the loss of this revenue.

Additional Information

Prior Introductions: An identical bill, SB 162 of 2007, was amended by the Senate and heard by the House Environmental Matters Committee, but no further action was taken. Another identical bill, HB 801 of 2007, was issued an unfavorable report by the Environmental Matters Committee. This bill is also identical to HB 728 and SB 90 of 2003 as originally introduced. HB 728 was amended and passed the House, but no further action was taken. SB 90 was also amended and adopted by the General Assembly but was vetoed by the Governor for policy reasons. HB 1193 of 2004, a similar bill, received an unfavorable report from the House Environmental Matters Committee.

HB 1678 of 2006, a similar bill, was heard by the House Environmental Matters Committee, but no further action was taken.

Cross File: SB 568 (Senators Stone and Della) – Judicial Proceedings.

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

Fiscal Note History: First Reader - March 5, 2008
mll/ljm

Analysis by: Evan M. Isaacson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510