

April 14, 2014

The Honorable John Hickenlooper
Governor of the State of Colorado
136 State Capitol
Denver, CO 80203-1792

Re: Veto Request on HB 1299 – Vehicle Salvage Law

Dear Governor Hickenlooper –

The undersigned organizations respectfully request that you veto HB 1299. The bill makes a significant anti-consumer change to Colorado's motor vehicle salvage law that will have unintended, adverse financial consequences for automobile owners who may henceforth be required to have a "salvage" designation on their vehicle title.

Under current law, when a vehicle is involved in an accident and sustains damage exceeding the fair market value of the vehicle, the consumer's insurance company may decide it is not economically appropriate to make repairs and will declare the vehicle to be a "total loss".

Insurance companies settle "total loss claims" based on the fair market value of the vehicle before the accident. Often times, the vehicle remains "roadworthy" (safe for use) and the owner may decide to retain and continue driving the vehicle. If the damages are significant, or the owner chooses not to keep the vehicle, the insurance company will settle the insurance claim, pay the owner the fair market value of the vehicle, and subsequently transport the vehicle to an auction facility that specializes in selling the damaged vehicle to either a repair facility or parts dismantler.

Colorado law currently requires such "total loss" vehicles less than six years old be branded with a "salvage" title; total loss vehicles six years and older are not required to have a salvage title.

The current "six year salvage rule" recognizes the practical reality that newer vehicles, with their higher fair market value, need to have sustained significant damage for the repair costs to trigger the insurer to declare the vehicle a "total loss". In contrast, older vehicles are more likely to be declared a "total loss", even when "roadworthy", because the repair cost for minor damages can easily exceed their lower fair market value.

HB 1299 changes the law by eliminating the six-year salvage requirement. Under HB 1299, *every* vehicle that sustains damage in excess of the car's fair market value will be classified as "salvage", regardless of whether the damage is structural, cosmetic, or the vehicle remains roadworthy.

The proponents of HB 1299 have asserted the bill is pro-consumer safety, but the reality of the situation is that it will not prevent consumers from keeping their "total loss" vehicles, nor will it provide consumers with any meaningful auto damage disclosure information. The only thing that the bill will do is reduce the fair market value of the consumer's roadworthy "total loss" vehicle.

Once a vehicle has a salvage title, it is worth significantly less in the auto market. A salvage designation generally reduces the value of a car from 25-40%, and sometimes more depending on the year and make of vehicle.

Today, the average vehicle on the road is more than ten years old. The unintended anti-consumer consequences of HB 1299 will be especially apparent with older model vehicles. Any time a consumer retains their vehicle and sells it privately, the amount they receive for their damaged, but “roadworthy”, car will be significantly reduced, simply because HB 1299 requires that such vehicles be branded with a “salvage” designation. Likewise, insurance company recoveries for the sale of salvage vehicles will be reduced and act as an insurance rate cost-driver that could result in higher insurance costs for consumers.

It should be noted that HB 1299 really benefits only new/used car dealers and auto parts recyclers at the expense of Colorado auto consumers and insurance consumers, whose insurance rates are likely to be adversely impacted by this auto insurance cost-driver.

New and used car dealers, who are sometimes asked to buy back vehicles when undisclosed damages are found following a sale, will be able to short circuit their due diligence before re-selling a car, because they will be able to use the salvage title designation as a replacement to full consumer disclosure of any/all damage a vehicle has sustained. In effect, HB 1299 is anti-consumer disclosure.

If HB 1299 becomes law, auto recyclers will also receive a financial windfall, because they will have access to a wealth of lower cost salvage vehicle parts as a result of the increased number of vehicles that will have to be designated as salvage vehicles.

We do not see how this bill is, in any way, in the best interest of auto consumers. Moreover, both chambers of the 2014 General Assembly have passed legislation that clearly promotes auto damage consumer disclosure. HB 1100 (Motor Vehicle Title Branding) is designed to address title washing and consumer disclosure of auto damage safety issues. HB 1100 carries over motor vehicle titles from other states to Colorado, so a vehicle branded (salvage or otherwise) cannot be issued a clean title in our state. HB 1100 also addresses vehicles that are older than 6 years *and not safe to be on the roads* by creating a “non-repairable” brand for cars. That bill also creates a new “flood” brand for vehicles damaged in flood waters. All of these new titles are exempt from the 6-year exemption currently in statute. *HB 1100 is the real auto consumer damage disclosure safety bill and should be given an opportunity to be implemented and evaluated before Colorado unnecessarily creates a flood of salvage vehicles that harm, not help auto consumers.*

We fully expect Colorado consumers will be frustrated and upset by the enactment of HB 1299 when they needlessly receive a significant reduction in the sales price of their (salvage) vehicle following a fender bender or when their vehicle has merely sustained cosmetic damage. And, we are persuaded legislators will hear from their constituents once they discover their damaged, but roadworthy, vehicle has been *reduced in value by up to half*, simply because the vehicle must be designated as “salvage”.

We are available to meet with you and/or your staff to discuss in more detail why the Governor should veto HB 1299, and how HB 1100 provides auto consumers with meaningful auto damage disclosures without creating any of the adverse financial implications for auto consumers that are inextricably tied to HB 1299.

Thank you for your consideration.

Sincerely,

Kelly Campbell
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