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MEMORANDUM

Date: June 6, 2006

To: The Honorable Jackie Speier, Chair
Members, Senate Banking, Finance and Insurance Committee

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Michael A. Paiva, Senior Legislative Advocate

RE: AB 1122 (Wyland): Auto Insurance: Total Loss
As Amended May 25, 2006
Senate Banking, Finance and Insurance Committee – Hearing June 14, 2006
PIFC Position: Support

The Personal Insurance Federation of California (PIFC), representing insurers who write 44% of all automobile insurance sold in California, including State Farm, Farmers, Safeco, 21st Century, Progressive, and NAMIC, **supports AB 1122** authored by Assembly Member Wyland.

Current law requires insurance companies or their agents, within 10 days of settlement of a total loss, to forward properly endorsed ownership documents to the Department of Motor Vehicles (DMV) in order for a salvage title to be issued for the vehicle. In the case of a total loss retained by an insurance company, the vehicle must be properly titled and branded salvage, so the insurer or the insurer's agent, typically a salvage pool, can sell it at auction.

In many cases involving insurer-retained total loss vehicles, the insurer is not able to obtain the certificate of ownership from the vehicle's owner, despite the fact that the insurance claim has been paid and the vehicle is in the possession of the insurer, or their agent. While there are many reasons why an insurer is unable to obtain the certificate of ownership, current law provides no means for an insurer to obtain a salvage title (and meet the requirements under current law) if the vehicle owner or lienholder does not provide a properly endorsed certificate of ownership to the insurer or their agent.

Some of the reasons why insurers have difficulty obtaining the certificate of ownership include, but are not limited to:

- Fatality accident and the family members are too upset to complete or have no knowledge of the location of the title transfer documents.
- Lien holder has errors on the title and the financial institution will not provide correct documents.

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- Lien holder was purchased by another lending institution and will not send a “one in the same” document.
- Lien holder is no longer in business and no contact information is available.
- Customer will not respond to calls or has moved.
- Customer has lost their title documents and refuses to get new ones.
- Incorrect VIN or odometer statements on title documents. Customer will not cooperate in signing the correct documents.
- Negative equity claims. Customer will not provide documents for salvage to sell.
- Vehicle is in bankruptcy and no one is willing to provide the needed documents to sell salvage.
- DMV fees owed so title cannot be updated and customer will not pay the needed fees.
- Smog inspection is required, but not practical
- A hostile divorce situation occurred, and one person refuses to assist the other with signing the needed documents.

At the end of 2005, one of our members had approximately 659 salvage vehicles which had been located at salvage pools for over 90 days. Not all vehicles were in need of alternative sales, however most had title problems or document issues, and it is estimated that 150-200 of the inventory would have qualified for alternative sale options. With no options, these vehicles will sit at the pool and will never be sold.

AB 1122 would create an alternative salvage titling procedure which would allow insurers to sell vehicles they have *paid for* through the claims settlement process, but cannot currently dispose of due to the inadequate statutory scheme. Specifically, this legislation would require insurers, after making a total loss settlement, to make at least two written attempts to obtain properly endorsed ownership documents from the consumer. If the consumer fails to respond within 30 days, the insurer can then request the DMV to issue the salvage title in the insurers name so the vehicle can be sold at auction.

AB 1122 will protect consumers, minimize additional workload for the DMV and allow insurers to properly dispose of vehicles declared a total loss. For the reasons stated above, **PIFC supports AB 1122** by Assembly Member Wyland. If you have any questions, please contact Michael A. Gunning at (916) 442-6646.

cc: The Honorable Mark Wyland, Author
Erin Ryan, Senate Banking, Finance and Insurance Committee
Tim Conaghan, Consultant, Senate Republican Caucus
Cynthia Bryant, Deputy Legislative Secretary, Office of the Governor
Kathleen Webb, Office of the Insurance Advisor