



April 8, 2013

The Honorable Ed Hooper, Chairman  
Transportation and Economic Development Appropriations Subcommittee  
Florida House of Representatives  
402 South Monroe Street  
The Capitol, Room 222  
Tallahassee, FL 32399-1300

Re: HB 7125 Eliminating the 80% Threshold for Certificate of Destruction

Dear Chairman Hooper,

As a member of the board of the National Salvage Vehicle Reporting Program (NSVRP) and a recently retired FBI Supervisory Special Agent in charge of the FBI's Major Thefts program serving as the senior FBI official for auto-related crimes for the entire country, I strongly recommend that the House Transportation and Economic Development Appropriations Subcommittee prevent any language that eliminates testable standards for requiring a vehicle to receive a Certificate of Destruction from moving forward.

NSVRP is a leading not-for-profit law enforcement support organization dedicated to reducing auto theft, title fraud and abuse, and to helping to control criminal activities related to the exportation of stolen and fraudulently obtained vehicles and is recognized by DOJ as an independent third party standards body for the National Motor Vehicle Title Information System (NMVTIS).

NSVRP routinely monitors the sale of used and salvage vehicles. Our monitoring clearly shows that under branding resulting from improper and in some cases fraudulent initial valuation of the extent of damage by insurers and other owners offering badly damaged cars for sale provides increased returns for the sellers and the auction companies that receive a percentage of the final sale price. It also creates an environment in which these vehicles can be used by criminals to perpetrate crimes with very small and hard-to-trace footprints.

In some cases unethical intermediate buyers may purchase these vehicles for resale. Because of the extent of the damage, bringing the vehicle back to safe operating condition is not profitable. Therefore, resellers are likely to make only minor repairs before offering these catastrophically damaged and likely unsafe vehicles for resale to consumers who have no idea the true extent of the prior damage, the potential for compromised safety and the likelihood that additional extensive repairs will be required in the not so distant future. In other cases clean title and underbranded badly damaged vehicles are purchased by criminal groups for their paperwork, which will be used to cover subsequent thefts of other vehicles. In many cases, NSVRP is able to track these potentially unsafe and fraudulently or improperly branded cars from insurers and other parties through the salvage auctions and middlemen as they ultimately pass into the hands of unsuspecting consumers or through crime groups who recycle the VINS on undamaged stolen vehicles domestically or export them for resale in other countries. We can provide documented examples of both scenarios.

NSVRP works closely with the U.S. Department of Justice (DOJ), the FBI, U.S. Customs and Border Protection, various states and other parties to help uncover and end these abuses. The first step is to ensure vehicles get a proper brand. The second is to minimize ways in which proper branding can be removed or

The National Salvage Vehicle Reporting Program (NSVRP) is a not-for-profit 501 (C) (3). The organization was founded to support law enforcement and to promote and support efforts to advance the National Motor Vehicle Title Information System (NMVTIS). NSVRP's mission is to support initiatives to control auto-theft and title abuse. NSVRP's Board of Directors consists of representatives of major law enforcement groups, and is an independent third party standards provider for NMVTIS. NSVRP has been recognized both by the Department of Justice and the FBI for 'Exceptional Service in the Public Interest' for its public policy efforts.



washed. Eliminating the fixed and testable 80 percent threshold for Certificate of Destruction will create a moral hazard by leaving the decision of when a vehicle must receive a nonrepairable brand up to the insurer or other owner of the vehicle, thus providing economic incentive to bypass non-repairable branding in the interest of maximizing profits while compromising public safety and going against the public interest.

The examples provided with this letter help illustrate the dangers of eliminating explicit criteria for mandatory non-repairable branding. In the case of the Chevy Tahoe and the Honda Pilot, the owners' improper and likely fraudulent initial valuation of catastrophically damaged vehicles being offered for sale can set the stage for later abuses and criminal activity. While violations will continue to take place by unethical sellers and buyers willing to break state and federal laws, rules and regulations, the proposed change to Section 319.30 of the Florida Statute will shield this practice from effective regulation by defining 'nonrepairable' with such a broad brush and removing the explicit 80 percent criteria. The third attachment shows examples of the types of vehicles being offered for sale with repairable salvage titles in Ohio, a state that does not have a repairable title brand. Florida can expect to see vehicles in similar condition put back on the road if a testable threshold for Certificate of Destruction is removed and replaced with a subjective nonrepairable definition.

This very important section of the statute, which was created through extensive meetings and discussion between consumers, law enforcement, the auto recycling industry, the insurance industry, the salvage auto auction industry and all stakeholders impacted by these laws, has up to now protected consumers by insuring that heavily damaged total loss vehicles are designated as non-repairable. Florida's Senate recognized these dangers and recently removed this language from their Department of Highway Safety and Motor Vehicles bill.

Clearly, HB 7125 would be a dramatic and significant change to Florida's titling laws. NSVRP believes that elimination of a fixed damage threshold for requiring vehicles to require a Certificate of Destruction is bad public policy.

Sincerely,

A handwritten signature in black ink that reads 'Ryan T. Toole'. The signature is written in a cursive, slightly slanted style.

Ryan Toole  
FBI SSA (Ret.)  
Member of the Board of Directors, NSVRP

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# Toole Testimony Example One: FL Vehicle Auctioned with Repair Costs Estimated by Insurance Company at Below 80% of ACV



## VEHICLE DETAILS

This vehicle has massive damage and clearly cannot be repaired at any cost, yet a seemingly precise estimate of just below 75% of actual cash value (ACV) was reported by the insurance company. As a result, the damage estimate was below the 80 percent threshold for requiring a non-repairable branding on the salvage certificate, and it was auctioned off with a repairable salvage title. This type of behavior is not unusual. NSVRP has identified many other such examples at these auctions.

The estimated repair cost is created by the insurer that provided the total loss vehicle to be auctioned. Typically, the insurer that produces the initial estimate and declares it a total loss is the same entity to determine the estimated repair cost, which determines the title branding.

The practice of securing better titles by insurers can lead to higher bidding both by unsuspecting bidders who use such repair estimates as a guide as to how much it will cost to repair a vehicle they purchase, as well as cases where under-assigned branding is used to buy paperwork by parties who will then commit a theft and VIN clone to change the identify of a stolen vehicle.

Branch:	<a href="#">Jacksonville</a>	8/19/200
Vehicle:	2007 CHEVROLET TAHOE C1500	Live 9:30:00
Stock Number:	4164452	Auction: AM ET I-bid LIVE
		Online Bidding Close: This auction is closed to pre-bidding. I-bid Live bidding begins at the time indicated.
		Auction Type: Open
		Who Can Buy: DEA ,DIS ,EXP ,LBU ,REB ,SCR ?

Note 4/8/13: There does not appear to be any export information or re-registration of this vehicle subsequent to the auction. Therefore this appears to be a case in which the insurer and the salvage auction abused the titling and branding system, but no criminal bought the vehicle to take advantage of the paperwork, unlike the 2004 Honda Pilot example which follows.



## Additional Vehicle Information

Body Style: **WAGON 4 DOOR**  
 Engine Size: **4.8L V8 SFI NS**  
 Estimated Repair Cost: **\$19,792.00**  
 ACV: **\$26,925.00**  
 Driver Airbag: **NONE**  
 Passenger Airbag: **NONE**  
 Left Side Airbag: **NONE**  
 Right Side Airbag: **NONE**  
 VIN Status: **OK**





# Toole Testimony Example Two: Fraudulently Under Valued Repair Estimates Lead to VIN Cloning and Other Criminal Activity



This is a case in which the insurance company underestimated the damage of an obviously irreparable vehicle thereby avoiding the need to issue a non-rebuildable title, allowing the insurer and the auction company to enrich themselves by getting more at auction for the underbranded vehicle than they would have earned had the vehicle been properly branded.

Today, a vehicle with the same VIN is registered in Michigan. It appears the original burnt-out but underbranded Honda Pilot was purchased at a NJ Copart salvage auction for the paperwork by what is now known to be an international organized crime group.

Lot # 11754646 - 2004 HONDA PILOT EX

<a href="#">Glossary of Terms</a>			
No Image Available			
<b>Lot Details</b>	<b>Highlights</b>	<b>Bid Information</b>	
ACV: \$22,993 USD	  	Facility: <a href="#">NJ - GLASSBORO EAST</a>	
Repair Cost: \$19,015 USD		Sale Date: 02/13/07	
Title State/Type: NJ CERTIFICATE OF TITLE		Sale Time: 12:00 PM EST	
Odometer: 0 NOT ACTUAL		Item # / Grid/Row: 2018 / *SALE	
Primary Damage: BURN		Sales Status: Sold	
Secondary Damage:		Bid Status: Never Bid	
VIN: <a href="#">2HKYF18484H597096</a>		<b>Notice:</b> <b>Sale has ended.</b>	
Body Style: 4DR SPORT UTILITY			
Color: BLACK			
Engine: 3.5L 6			
Drive: ALL WHEEL DRIVE			
Cylinders: 6			
Fuel: GAS			
Keys: NO			
Special Note:			
<b>Services</b>			
<p>THIS VEHICLE IS BEING SOLD AS "AS-IS, WHERE-IS" ALL BIDS ARE BINDING AND ALL SALES ARE FINAL (<a href="#">What this means</a>)</p> <p style="text-align: right;"></p>			
<a href="#">Share / Save</a>			

**Virtual Sale Starts : TUESDAY 2/13/2007 at 12:00 PM EST**

Pick Up Location : [NJ - GLASSBORO EAST](#)

Sale Date : 2/13/07 Item# 2018

Description : 2004 HONDA PILOT EX

Color : BLACK

VIN : [2HKYF18484H597096](#)

ACV : \$22,993 USD

Repair Cost : \$19,016 USD

Title Type : CLEAN TITLE

Loss Type : COLLISION

Mileage : 0 N

Damage Type : BN

Keys: NO

**Current Bid: \$2,900 USD**

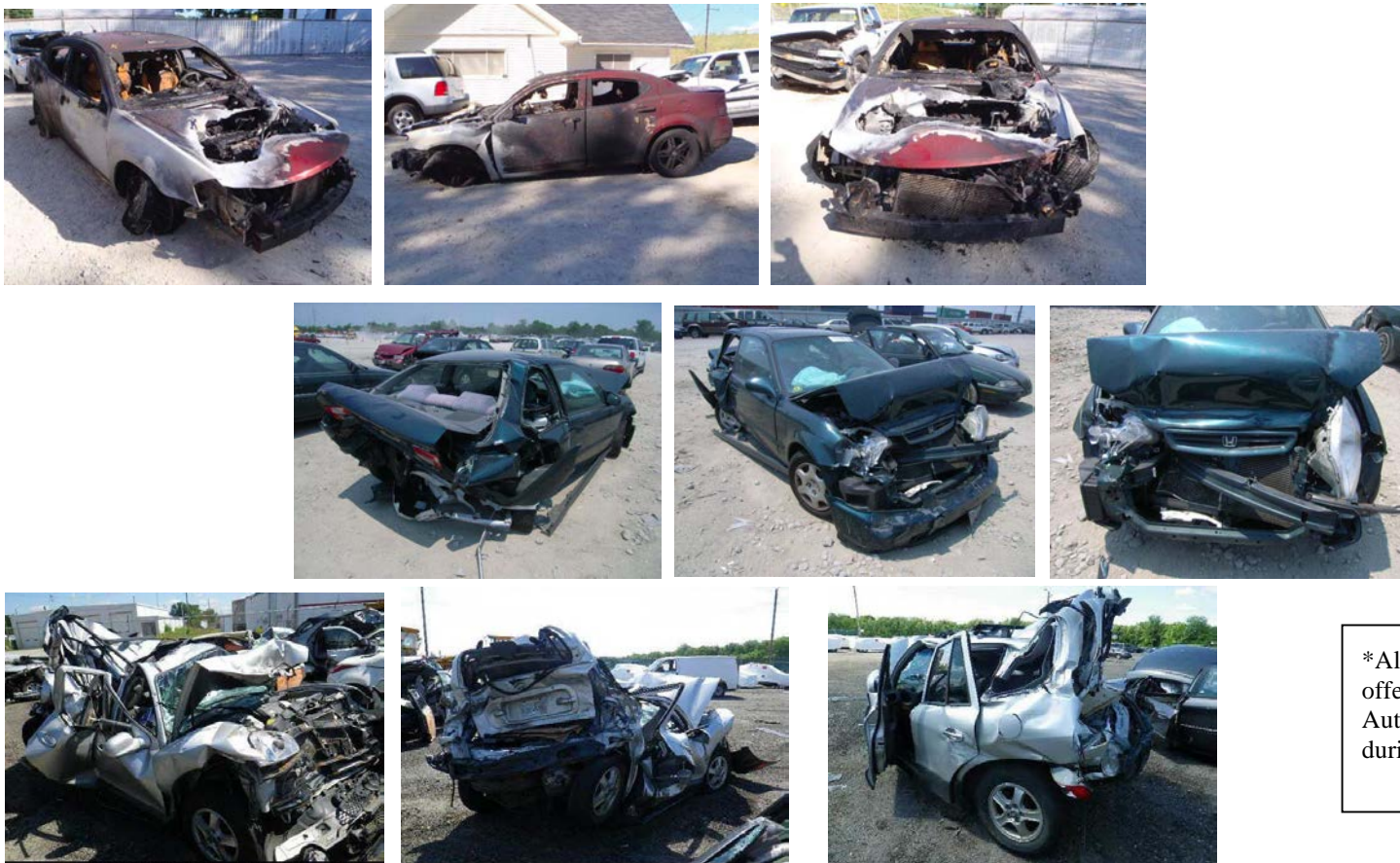


## Toole Testimony Example Three:

### Examples of Vehicles Recently Offered for Sale with Repairable Titles at Ohio Auto Salvage Auctions\*

Ohio's titling statutes do not include a nonrepairable brand. As a result, cars that are damaged beyond repair and should be destined only for the scrap heap are sold with rebuildable salvage titles. This opens the door to numerous types of fraud and abuse, including criminal entities using the paperwork to change the identity of a stolen vehicle and unscrupulous purchasers 'flipping' the cars by selling them to unsuspecting buyers after making cosmetic enhancements.

If Florida eliminates the current fixed and testable 80 percent threshold for determination of requirement of a Certificate of Destruction and replaces it with a subjective definition of nonrepairable, Florida's drivers can expect to encounter many more vehicles that are truly beyond repair being put back on the road either as potentially unsafe and inadequately repaired prior wrecks or as stolen vehicles using the recycled paperwork of underbranded badly damaged vehicles.



\*All of the vehicles pictured here were offered for sale at Ohio CoPart and Insurance Auto Auctions (IAA) salvage auctions held during the period of July 17 to July 30, 2012.