



## **NSVRP Vehicle Branding and Total Loss Best Practices Guidelines At-A-Glance**

**(Last updated August 24, 2014 incorporating lessons learned from Hurricane Sandy and Colorado floods)**

Protecting the public through the proper application of title branding can be seen as a two-step process. The first step is to ensure that all damaged vehicles get a proper brand. The second step is to minimize ways in which this branding can be removed, or ‘washed.’

The following is a summary of NSVRP-recommended best practices guidelines, which are in our opinion fully consistent with the American Association of Motor Vehicle Administrators (AAMVA) best practice standards on salvage, rebuilt and reconstructed vehicles, to help ensure that damaged and total-loss vehicles are properly branded and to help close loopholes that are often used to bypass the initial branding of damaged vehicles and to reduce title washing of vehicles with branded titles.

1. All states should recognize at a minimum two classes of salvage titles: one that allows for repair/rebuilding and a second that is non-repairable (also known as junk/parts only/certificate of destruction).
  - a. The triggers for each classification should be reasonable and well-defined, based upon either a cost of repair as percentage of ACV, or a specific level of damage.
2. There should be very few (if any) exceptions to when a total-loss vehicle is required to have a salvage brand. Depending upon the level of severity that brand may be either a repairable or non-repairable brand. A total-loss payout occurs because the insurer has determined that it is not economical to repair the car and should be deemed as proof that there was enough damage that a brand is appropriate to alert a future buyer to prior damage.
3. States should not have exemptions to branding and unintended loopholes should be tightly policed and eliminated. Common exemptions and loopholes include:
  - a. Cutoff years beyond which vehicles get exemptions from branding
  - b. Value under which vehicles get exemptions from branding
  - c. High fixed dollar amount of damage under which vehicles get exemptions from branding
  - d. Exemption from included classes of parts (such as airbags) or classes of repair work (such as painting) in calculating the costs of repairs
  - e. Linking the calculation of non-repairable salvage to the economic return from the sale of the salvage vehicle
4. States should ensure that insurers and other owners are not given the latitude to declare unwarranted self-exemptions when making branding determinations. Subjective branding definitions, lack of thresholds, including branding determination language such as, “as determined by the person who owns the vehicle at the time of occurrence or by the insurer or other person acting on behalf of the owner,” or allowing damaged vehicles with missing or incomplete estimates to be classified as anything but non-repairable salvage all serve to leave branding determination in the hands of insurers and other owners, who have an economic incentive not to brand, or to under brand, damaged vehicles.
5. States should include a flood title brand designation and total-loss flood vehicles should be considered as strong candidates for non-repairable vehicle branding.
6. Bio/chemical-hazard vehicles should be considered non-repairable unless specifically addressed under the state’s inspection and re-registration process.
7. States should designate clear titling administrative and oversight authority to cover all regulated entities and ensure the relevant agency has the authority to make and implement recommended best practices.
8. To avoid title washing, states should include a brand carry-forward provision in their rules.

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 recognized by the Department of Justice as an independent third party voluntary standards body 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.



9. States should require in-state title paperwork before allowing the sale of vehicles by salvage auctions. The resale of clean title cars from other states at salvage auctions has been banned by some states because it enables parties to circumvent mandatory branding under rules in the title states and allows vehicles to be resold under previous clean titles without regulation.
10. NMVTIS reporting violations should also be a violation of state law and states should require reporting on an accelerated timeframe. These states should define penalties for violation of non-registration and reporting under state law.
  - a. States should also consider requiring salvage auctions to ensure that all buyers/brokers are registered with NMVTIS before being allowed to purchase at their auctions.
  - b. Towing companies obtaining Certificates of Destruction or junking certificates should be mandated by enforcement authorities to show proof that all such vehicles have been reported into NMVTIS.
11. States must clearly define when title transfer occurs and title branding is therefore required.
  - a. Violations of the federal Odometer Act should also be considered violations of state law.
  - b. States should consider requiring that odometer declarations be provided for vehicles older than 10 model years old given that the average age of vehicles on the roads today is over 11 years.
12. Multiple title transfers on a single document should be prohibited. The transfer under a clean title of a damaged vehicle is a significant source of title branding avoidance and a great risk to subsequent buyers.
  - a. Any title transfer of a damaged/total-loss vehicle under a clean title should be prohibited in any case where the vehicle would be subject to a change in title branding status if the transfer were being reported. The owner must be required to get the title branded before being allowed to resell or transfer the vehicle either directly or through an agent.
13. States should prohibit the sale of vehicles on bills of sale and require all sales of vehicles to be accompanied by a state-issued document such as a certificate of title, a salvage certificate of title or a certificate of destruction. When sales are conducted in the absence of state-issued documents, unscrupulous buyers can use bills of sale to obtain a duplicate title, which will likely be a clean title from the previous owner because transfer and branding information has not been reported to the state.
14. Salvage title vehicles should require full theft and safety inspections before being eligible for receiving a rebuilt/rebuilt salvage title.
15. There should be clear definitions of the terms agent/broker/dealer, and both brokers and dealers should be required to be included in any title chain of history.
16. States should close the gap on sales tax avoidance by requiring salvage vehicle sales to be presumed as sales at retail (and not for resale) unless the buyer presents a resale certificate as a licensed automobile dealer, dismantler, automotive repairer or scrap metal processor.
17. States should require a warning sticker on any vehicle offered for sale that has been reported as a total loss by an insurance company or has been reported as acquired by a NMVTIS junk/salvage/insurance (J/S/I) reporting entity, or if the certificate of title contains a brand.
18. States should not allow salvage auctions to sell directly to consumers.
  - a. If a state is contemplating allowing auctions or wholesalers to sell directly to consumers they must institute important consumer protections.
19. E-titling will be an effective tool in reducing many types of vehicle fraud commonly committed upon the public, but states must ensure that transfers are clearly defined, reporting is required at the earliest time when a transfer has effectively taken place and that state laws do not conflict with the reporting requirements of the federal Odometer Act.
20. States must pair all title reporting with reporting the current title brand when recording that information into NMVTIS.

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