

## Coalition Statement to NICB Regarding Hurricane Sandy Flood Vehicles and the Insurance and Salvage Pool Industry

As a coalition of law enforcement support organizations we would like to address the risks to consumers from the purchase and resale of undisclosed damaged flood vehicles. As NICB noted in its recent press release, major natural disasters such as Katrina and now Hurricane Sandy do allow for fraudulent resale of flood damaged vehicles by 'unscrupulous salvage operators and dealers'. We believe however that the NICB communication does not focus on the underlying root of the problem, and does not offer the most direct method of addressing the bulk of the problem right from the start.

Since NICB is made up of member insurance companies and may also include as members some of the largest public salvage auction companies who are used by the insurance companies to resell their total-loss salvage vehicles, it is perhaps understandable that NICB has directed its attention outward to those dealers that either intentionally or unknowingly resell such vehicles to the public rather than to the underlying sources of the problem itself.

The public is harmed when they are sold severely compromised vehicles whose underlying flooded or water damaged condition has been hidden from them. In order for this to happen, it requires either that the initial flood damage was never documented and disclosed, where the title was not converted to a proper branding, where the vehicle was not reported into the National Motor Vehicle Title Information System (NMVTIS) database, or where the vehicle was transferred over multiple jurisdictions in order to 'wash' the title.

In short, the underlying problem actually starts at the beginning when large volumes of flooded vehicles do not get properly classified as total-loss flood vehicles by insurers, are not properly branded and not properly and swiftly reported into the appropriate state and federal databases by those entities who are handling them prior to them being offered for resale. It is then compounded by the way the salvage auctions and Internet sites then resell those same vehicles.

Much of the solution to this problem is already available to insurers and salvage pools to minimize these problems, and make it far more difficult for the public to be defrauded by any 'unscrupulous salvage operators and dealers.' **If NICB would encourage its member Insurers to comply with the USDOJ recommendations for conduct included in the NMVTIS Federal Rule to immediately report every one of those total loss flood vehicles- regardless of vehicle age- into the federal NMVTIS database it would be much harder for the public to be taken advantage of.** If NICB would encourage that their member Insurers **whenever possible apply to the jurisdictions for titles branded as flood/non-repairable/junk vehicles so these units would not be available for domestic resale by any buyers who might then prey on the public.**

Furthermore, if NICB would actively support legislation at the state level to standardize title branding, and would support efforts to allow every state to have non-repairable branding and flood branding, many of these vehicles could permanently be removed as a temptation for improper repair and resale. Presently the patchwork of branding loopholes is in large part a result of legislative lobbying efforts undertaken by these same insurer member and salvage pool organizations that helped to create and maintain these loopholes that enable title branding avoidance and title washing in the first place.

If NICB urged the salvage auctions who sell some 2.5 million total-loss vehicles each year on behalf of the insurers to immediately report all these vehicles into NMVTIS as soon as they get them and before they offer them for resale, and if NICB urged those salvage pools not push selling any of these flooded or severely damaged vehicles to the public it would also help.

**If these voluntary steps were immediately taken by the Insurers and the salvage pools, the problem for consumers would instantly be reduced.** In fact we believe that NICB should be in the forefront of making these recommendations to its members and to advocate for their compliance. NICB could then also help provide the moral guidance and help overcome the industry lobbying that thwarts efforts to have non-repairable branding, flood titles, title branding carry forward and the other initiatives that would help protect the public.

Respectfully submitted by the law enforcement coalition

