

## **EXHIBIT B**



# National Automobile Dealers Association



## NADA SUPPORTS BETTER TRACKING OF WRECKED, FLOODED, AND STOLEN VEHICLES – S. 202 & H.R. 1257

### Issue

Each year, millions of vehicles are totaled and thousands of wrecked, flooded, or stolen vehicles are sold without proper disclosure. The current system for tracking totaled vehicles is outdated and full of loopholes, and a national database is still far from completion. While insurance companies collect data on severely damaged vehicles for their shared databases, they are not required to electronically disclose the VINs of all totaled vehicles, to “red flag” these vehicles for the public. The national DMV system for tracking totaled vehicles is a valuable first step but must be supplemented with more modern technology from the private sector to provide increased transparency for used car buyers.

### Background

Many totaled vehicles are resold at salvage auctions, rebuilt, and reenter the market with a clean vehicle title. Consumers suffer because the state DMV system of paper titles does not provide a timely or complete vehicle history. State vehicle salvage disclosure laws are inconsistent and incomplete, and years of effort by many groups to seek a national salvage disclosure law has never yielded consensus. While NADA supports the National Motor Vehicle Title Information System (NMVTIS), a national DMV database established by a 1992 act, the database is still missing information from 14 states and is plagued by technological challenges and funding shortfalls.

The most effective and simple approach to combat title fraud is to allow the public more timely and complete access to insurance data on totaled vehicles. Legislation (S. 202/H.R. 1257) would require insurance companies to disclose the VINs of totaled cars to vehicle history providers, such as CarFax, before the vehicle gets back into the marketplace. (See: “*Tracking Totaled Vehicles for Consumers.*”)

### Key Points

- While damage from hurricanes and flooding most dramatically demonstrate the problem, any remedy must be broader than flood vehicles. In 2005, State Farm admitted to reselling at least 30,000 totaled cars without salvage titles, which were subsequently purchased by consumers who were unaware that their vehicles had previously suffered severe damage.
- The current paper trail system of vehicle titles must be replaced with a modern, electronic, and VIN-based system that will make it harder for fraudulent individuals to “wash titles” and hide severe vehicle damage.
- Total-loss information must be made available in an electronic and commercial format so that vehicle auctions, dealers and the public can track total loss vehicles. Single VIN lookups of total-loss vehicles are not efficient enough for the used car resale market, which is the first line of defense against salvage fraud.

### Status

A NMVTIS rulemaking that partially addresses insurance company disclosure of salvaged vehicles was recently released; however, total loss disclosure legislation is still needed to provide more timely and complete information on totaled vehicles. On March 5, this issue was the subject of a Subcommittee on Commerce, Trade, and Consumer Protection (House Energy and Commerce Committee) hearing. Members of Congress are urged to cosponsor S. 202 and H.R. 1257.

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