

## MINUTES OF THE HOUSE TRANSPORTATION COMMITTEE

The meeting was called to order by Vice-Chairman John Faber at 1:30 p.m. on March 10, 2004 in Room 519-S of the Capitol.

All members were present except:

- Representative Gary Hayzlett-excused
- Representative Jim Yonally- excused
- Representative John Ballou- excused
- Representative Kenny Wilk- excused

Committee staff present:

- Mary Galligan, Legislative Research Department
- Hank Avila, Legislative Research Department
- Bruce Kinzie, Revisor of Statutes Office
- Betty Boaz, Committee Secretary

Conferees appearing before the committee:

- Chris Peterson, Enterprise Rent-A-Car
- Steve Kearney, KS Automotive Recyclers Ass'n.
- Carmen Alldritt, Director of Motor Vehicle Div.
- Don McNeely, KS Auto Dealers Ass'n.
- Bill Sneed, State Farm Insurance
- Lee Wright, Farmers Insurance

Others attending:

See Attached List.

### **Senate Sub. for SB 500 - Salvage vehicles, definition**

Vice-Chairman Faber opened the hearing on **Sub. SB 500**. Vice-Chairman Faber introduced Chris Peterson as the first proponent. (Attachment 1) According to Ms. Peterson SB 500 was a much longer and comprehensive measure, that in addition to salvage vehicles, provided more specific definitions for flood and non-repairable vehicles. The Senate Committee believed they should take the first step—a more definitive definition of salvage vehicle title – and allow the parties to work on the other issues this summer and fall. As a result, Substitute for SB 500 is limited to “salvage titles”. Ms. Peterson said Kansas’ lack of a clear definition of when a vehicle should be “salvaged” creates an atmosphere of uncertainty. She said SB 500 seeks to clarify the law regarding when a damaged vehicle should be branded “salvage”. Ms. Peterson concluded that based upon their experience and research, about half of the states have a percentage-based threshold that determines when a damaged vehicle should be branded “salvage”. A standard such as requiring a vehicle to be branded “salvage” if the total estimated damages exceed 80% of the value of the vehicle is reasonable. She urged support of **Sub. SB 500**. She stood for questions.

The next proponent was Steve Kearney, representing the Kansas Automotive Recyclers Ass'n. (Attachment 2) Mr. Kearney pointed out that the original SB 500 contained both a percentage of damage threshold for “salvage” vehicles and for “non-repairable” vehicles. Mr. Kearney urged the Committee to amend **Sub. SB 500** to include the thresholds of 75% for “salvage” and 95% for “non-repairable” vehicles. Mr. Kearney also drew the Committee’s attention to Line 33 of **Sub. SB 500** which added language “other than a late model vehicle” which was defined as “any motor vehicle which has a manufacturer’s model year designation of or later than the year in which the vehicle was wrecked or damaged or any of the six preceding years”. In conclusion Mr. Kearney requested consideration of the provisions of HB 2860 regarding the establishment of a “bid” card system at the unregulated auto auctions and insurance pools.

The next proponent for **Sub. SB 500** was Carmen Alldritt, Director of Motor Vehicle Division, Dept. of Revenue. (Attachment 3) Director Alldritt requested the original language found in **SB 500** be retained. This wording would restore the current requirements of insurance companies and owners to obtain

## CONTINUATION SHEET

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salvage, re-built salvage, and non-repairable certificates of title. This language places the responsibility and obligation on the owner for failure to apply for salvage, re-built salvage, or non-repairable certificates of title. She then stood for questions.

Vice-Chairman Faber next recognized Don McNeely, President of the KS Automobile Dealers Ass'n. (Attachment 4) According to Mr. McNeely the problem, which the **Sub. SB 500** attempts to address, is the practice of unscrupulous automotive rebuilders of acquiring severely damaged vehicles, usually through an insurance salvage pool or auction, repairing or rebuilding these vehicles, and then selling these vehicles as undamaged vehicles on a clean title. Mr. McNeely also proposed adding a new section that would require a notice or label to be permanently affixed to the vehicle's driver-side doorframe by the Highway Patrol upon their current inspection, denoting the vehicle is in fact a rebuilt salvage vehicle, since the vehicle's actual title is rarely present at the time of sale. Mr. McNeely urged support of the **Sub. SB 500** and the amendments establishing damage percentage thresholds for salvage and non-repairable title brands and clear definitions for the vehicle's fair market value or repair costs. He stood for questions.

There were no additional proponents.

The Vice-Chairman recognized the first opponent. (Attachment 5) Bill Sneed, representing State Farm Insurance, said in order to facilitate a resolution for the original authors of the bills, they presented an amendment which in essence covered most of what is now found in **Sub. SB 500**. During the time that the bill was being worked, other interested parties requested that the definitions of "fair market value" and "cost of repairs" be included in the substitute bill. After reviewing this issue with his clients they concluded they were not in a position to support these definitions. According to Mr. Sneed he informed the proponents of the bill of his client's position and their concerns and provided some potential options. Mr. Sneed said the definition of "fair market value" is not consistent with the definition found in the Unfair Claims Settlement Model Regulation for insurance companies. The next definition deals with "cost of repair" and they have a major concern with the wording of this definition. Mr. Sneed concluded by asking the Committee not to pass **Sub. SB 500** in its present form.

The last opponent was Lee Wright, Farmers Insurance Group. (Attachment 6) According to Mr. Wright should the Committee decide passage of this bill is necessary, they would like to offer two suggestions for amendments that would make this bill more acceptable to them. The first amendment they would like is for late model vehicles with only cosmetic damage due to windstorm or hail to be excluded from the definition of a salvage vehicle. The second recommendation also addresses the definition of what constitutes a salvage vehicle for damaged late model vehicles. It would provide that the total cost of repair necessary to meet the 80% damage threshold not include the cost of repairing, replacing or reinstalling inflatable safety restraints, seat belts, glass, tires, wheels, sound systems, or any sales tax on parts or materials to rebuild or reconstruct the vehicle, since these items are not structural components. He urged the Committee to not pass **Sub. SB 500** without these amendments

One other opponent came forward, Richard Willborn, Farmers Alliance Insurance, McPherson, KS. He said they had a problem with the definitions of **Sub. SB 500**. He submitted no written testimony

There were no other opponents.

The Vice-Chairman asked the two groups to work together and come up with language that would work for all of them.

Vice-Chairman Faber closed the hearing on **Sub. SB 500**.

There being no further business Vice-Chairman Faber adjourned the meeting. The next Committee meeting will be March 11, 2004, at 1:30 p.m. in Room 519-S.