

## OWNERSHIP OF TOT'D. VEHICLES

House Bill 5224 as enrolled  
Second Analysis (7-29-92)

Sponsor: Rep. Gary L. Randall  
House Committee: Transportation  
Senate Committee: Transportation &  
Tourism

### ***THE APPARENT PROBLEM:***

Public Act 96 of 1990 amended the Michigan Vehicle Code to clarify the procedure involved when the owner of a severely damaged, newer vehicle (less than six years old) wishes to retain it. When a late-model vehicle is totalled, Public Act 96 specifies that the owner is responsible for assigning the certificate of title to the insurer, which acquires ownership through the payment of damages and applies to the secretary of state for a salvage certificate of title. The salvage title then is assigned to the owner, who essentially "reacquires" ownership of the vehicle. Reportedly, this procedure results in additional costs to the owner as the damaged vehicle usually must be towed away and held in storage while the salvage title application is processed. Towing and storage costs apparently can amount to hundreds of dollars. To avoid this expense, it has been suggested that an individual be allowed to retain ownership of a totalled vehicle while the insurer applies for a salvage title.

### ***THE CONTENT OF THE BILL:***

The bill would amend the Michigan Vehicle Code to allow an insurance company, after paying a claim on a severely damaged, late-model vehicle, to permit the owner to retain ownership. If the insurer allowed the owner to retain ownership, it would have to apply to the secretary of state for a salvage certificate of title in the name of the owner; require the owner to sign the application for a salvage title; and attach the owner's certificate of title to the salvage title application, or have the owner certify that the title was lost. The owner would be required to surrender the title or assign it to the insurer. The owner could not sell or otherwise dispose of the vehicle without first receiving a salvage certificate of title, which would have to be assigned to the buyer if the vehicle were purchased. Alternatively, an insurer still could

acquire ownership through the payment of damages, and still would have to apply for a salvage title.

MCL 257.217c

### ***FISCAL IMPLICATIONS:***

The Senate Fiscal Agency says the bill would not affect state or local budget expenditures. (6-3-92)

### ***ARGUMENTS:***

#### ***For:***

Before Public Act 96 of 1990 was enacted, the Michigan Vehicle Code assumed that an insurer would, in all cases, acquire a totalled vehicle from the owner and that the owner would be willing to transfer ownership to the insurer. Sometimes, however, the original owner prefers to keep a badly damaged vehicle for salvage purposes, or because he or she believes that repairing it will be more feasible than buying a new vehicle. In such a case, prior to Public Act 96, the insurer subtracted the value of the totalled vehicle from its payment to the owner and did not apply for a salvage title. To address this situation, Public Act 96 clarified the responsibilities of the owner to surrender his or her title to the insurer, and of the insurer to apply for a salvage title. It is considered important that this transaction actually be made and documented with the state to ensure that damaged vehicles are not put back on the streets without having passed the safety inspection that is required before salvage vehicles may be driven. In addition, the issuance of a salvage title creates a record of damage to a vehicle and assists in auto theft prevention, as records must be kept on major component parts acquired or sold by dealers who dismantle or rebuild salvage vehicles.

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While Public Act 96 created a procedure that accommodates the interests of the state, the process is cumbersome and results in unanticipated costs to the owner. According to the Department of State, some insurance companies implement the law by having a damaged vehicle sit in a storage lot accruing charges while application for the salvage title is being made. Storing the vehicle protects the insurer from liability, by preventing the owner from driving it before a salvage title is obtained, but can cost the owner hundreds of dollars. By allowing the owner to retain the vehicle while the insurer applied for a salvage title, the bill would simplify the process and save the owner considerable towing and storage costs.