

HB 1243 – Bill dealing with ownership of vehicles deemed a total loss

Chairman Ruby and esteemed members of the Transportation Committee

My name is Chris Oen, and I serve as the Vice President of Claims for Nodak Insurance Company. Nodak Insurance is domesticated in Fargo, ND and has served the residents of North Dakota for over 79 years, protecting our policyholders. I am also on the board of the Association of North Dakota Insurers.

I come before this Committee to ask for a “do not pass” recommendation regarding HB 1243.

I’d like to provide some background on auto claims and those deemed a “total loss”. The term total loss is sometimes not the easiest to understand. Some accidents it is clear the vehicle involved is not repairable. In many instances, the vehicle needs to be assessed by an insurance claims professional and/or a repair facility to determine if the actual cash value warrants repair.

Once a vehicle is determined a total loss, the insurance makes an offer and their insured accepts that offer for the actual cash value of the vehicle. With that payment, the insurance company essentially buys the “salvage” of the wrecked vehicle and disposes of it. The disposal usually happens through sales to parts buyers or some entity that may want to rebuild the wrecked vehicle. This is most often done through companies that specialize in the sale of damaged vehicles.

In some instances, the insured or owner of the vehicle may elect to keep the vehicle. Being salvaged vehicles do have value, if the owner of the vehicle elects to keep it, an agreement is made to what the value of the salvage is. This is usually a % of the actual cash value, deducted from the total loss settlement amount.

In HB 1243, I don’t believe the insurance industry has issue with paragraph #1. This is the typical process as explained above. Practically, the insured retaining the salvage is common and beneficial to both the insurer and insured. Farm trucks are a great example. Often the truck may be damaged but the box or assembly on the truck is valuable to that farmer. Insureds should be (and usually are) offered to retain the vehicle.

The issue comes with paragraph #2. “An insurer may not require an insured to pay, out of the insurance payment or otherwise, for the return of an automobile...” The reason this is problematic and would make bad statute is as follows:

- By not allowing the sale of salvage and credit to the insurance company, this will drive rates for collision and comprehensive coverages dramatically. For example, if a vehicle is worth \$10,000

and that is paid in a total loss, the insured receives a check for \$10,000 (absent deductible for this example). The insurance company then sells the wrecked vehicle for \$2000. This is a net loss to the insurance company of \$8000. That net loss is what rates are based on. Losing that net recovery would push insurers to significantly raise rates. 1001 1st Ave. N, P.O. Box 2502  
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- There are almost always fees associated with a total loss. Towing from the scene and storage after are part of the loss and paid under the insurance contract. Those fees are offset by the sale of the salvage. This statute would create conflict between an insurance company and their insured. Who would pay the \$500 tow bill and \$500 storage if an insured is going to retain ownership? Who would be responsible for a 2<sup>nd</sup> tow from the tow lot to where the owner would like it moved?
- Damaged vehicles are inherently dangerous. From environmental to overall condition being dangerous to be around (sharp metal, glass). The process currently is vehicles are secured and disposed of (sold) by professional companies that limit environmental contamination and exposure to the public. This is especially important in regards to electric vehicles, where the disposal of batteries needs to be done in a very specific manner.
- Also, the salvage sale process has a community safety component to it. These vehicles are secured from public view and access.

In summary, from an insurance perspective, we continually strive to work with our policyholders and discuss what is best for them. If an insured wants to retain their vehicle, I think that is a commonplace transaction occurring daily in North Dakota. In order to keep insurance rates down, conflicts low, and safety for all North Dakotans, I urge this committee to give a “do not pass” recommendation.