

April 19, 2016

Colorado State Legislature
House Committee on Finance
200 East Colfax Ave.
Denver, CO 80203

sent via email to:
katie.ruedebusch@state.co.us

RE: NAMIC's Written Testimony in Opposition to HB 1342, Sale of Motor Vehicles

Dear Representative Lois Court, Chair; Representative Mike Foote, Vice Chair; and honorable members of the committee:

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to the House Transportation and Energy Committee's public hearing on HB 1342, Sale of Motor Vehicles.

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC members represent 40 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write nearly \$225 billion in annual premiums. NAMIC has 160 members who write property/casualty and workers' compensation insurance in the State of Colorado, which represents 44% of the insurance marketplace.

NAMIC appreciates the importance of making sure that consumers are protected against motor vehicle title fraud ("title washing"), unsafe vehicles being on the roadway, and motor vehicle theft. However, NAMIC believes that the proposed legislation, even as amended and improved by the House Committee on Transportation, will create unnecessary and duplicative reporting requirements for auto auction vendors who assist insurers and their insurance consumers in selling salvage vehicles after an auto insurance claim, without creating any meaningful pro-consumer protections benefits to individuals who purchase salvage vehicles.

Since there is no evidence to support the contention that the National Motor Vehicle Title Information System (NMVTIS) has failed to effectively gather, maintain, and disseminate accurate motor vehicle title information, NAMIC believes that the proposed state version of the NMVTIS will merely create a new and redundant tier of bureaucracy that will needlessly increase the cost of selling salvage motor vehicles.

Even though the bill has been improved by the House Committee on Transportation to specifically exclude insurers from the purview of the bill so as not to create additional direct costs for insurance consumers, the proposed legislation is still likely to have indirect costs for insurance consumers. Specifically, auto insurers help control their cost by selling salvage

vehicles damaged in total loss claims. Any legislation that creates additional requirements to those who purchase salvage vehicles, including auto auction vendors, – such as a requirement to get a certificate and pay a fee, provide additional title reporting to a new entity, or which limits who may sell and purchase a vehicle – interferes with free market principles and acts as an insurance rate cost driver.

Consequently, NAMIC is opposed to legislation that creates new administrative costs and penalties that are ultimately passed on from auto auction vendors to insurers and their policyholders in the name of consumer protection, especially when the legislation provided no appreciable new protection to purchasers of salvage vehicles.

Since insurers may pass on these additional indirect administrative costs to insurance consumers, we really don't have a "big dog in the fight". However, since auto insurers strive to be thoughtful cost-containment managers to promote affordability of auto insurance, we are expressing concern about this proposed legislation, which has been introduced and defeated in other state legislatures. A bill similar to this one was introduced this session, as an alleged consumer protection bill in our neighboring state, Utah, and the state legislature there saw past the consumer protection guise of the bill and soundly rejected the new administrative burden as being unnecessary and inappropriate.

NAMIC appreciates that the supporters of the bill believe that this new motor vehicle title reporting database program will help prevent "title washing" and auto theft, but there is nothing in the bill that specifically addresses how it will accomplish these laudable objectives, that isn't already being done through the NMVTIS, and by local law enforcement, and the Colorado Auto Theft Prevention Authority (CATPA).

Although NAMIC commends the House Committee on Transportation for limiting the scope of the bill to reduce the direct administrative burdens and costs of compliance with the proposed motor vehicle title reporting program for insurers and ultimately their policyholders, NAMIC is still concerned that the proposed legislation will adversely impact the motor vehicle resale market to the detriment of buyers and sellers of motor vehicles, which is likely to adversely impact insurance consumers.

NAMIC fully supports consumer protection and the goal of keeping unsafe vehicles off the roads, but the proposed legislation really doesn't do anything to promote this public policy objective. One need only note that the proposed legislation is being sponsored by an industry that makes money off of selling recycled motor vehicle parts to see that this bill is really about disrupting market competition for salvage motor vehicles, so as to reduce the resale value of salvaged vehicles that they purchase and then use to create recycled and refurbished motor vehicle parts for resale.

Additionally, NAMIC believes that HB 1342 will deter buyers and potentially drive down the value of salvage vehicles. As fewer bidders enter the marketplace as a result of this bill, insurers

will likely collect less money for salvage sales. Consequently, the bill could adversely impact auto insurance rates, because insurers use the money recovered from salvage sales to help offset claims losses.

Please **VOTE NO on HB 1342**, because the bill really isn't about consumer protection, it is merely an anti-market competition bill designed to benefit one business industry (those who buy, in volume, salvage vehicles for their recycled and refurbished motor vehicle parts business) to the detriment of insurance consumers and individuals who want to buy safe and functional salvage motor vehicles.

Thank you for your time and consideration of NAMIC's written testimony. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you have any questions pertaining to my written testimony.

Respectfully,

A handwritten signature in black ink, appearing to read "Christian J. Rataj". The signature is fluid and cursive.

Christian J. Rataj, Esq.
NAMIC's Senior Director - State Affairs Western Region