

STORAGE NAME: h0661.tr.doc
DATE: January 28, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
TRANSPORTATION
ANALYSIS**

BILL #: HB 661
RELATING TO: Vehicle Title Certificates
SPONSOR(S): Representative(s) Wiles
TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) TRANSPORTATION
- (2) BUSINESS REGULATION
- (3) READY INFRASTRUCTURE COUNCIL
- (4)
- (5)

I. SUMMARY:

The bill redefines the term "total loss" to mean a motor vehicle or mobile home that has been damaged, destroyed, wrecked, or submerged in water, to the extent that the total estimated or actual cost of parts and labor, based on published compilations and local standards, to rebuild or reconstruct the vehicle or mobile home to its pre-accident condition and for legal operation on the roads or highways exceeds 75 percent of the retail value prior to such damage. The bill also states that a vehicle or mobile home is a "total loss" if an insurance company or self-insurer acquires ownership pursuant to a damage or theft settlement, or if the owner applies for a salvage certificate of title or a certificate of destruction.

This bill does not appear to have a fiscal impact on state or local governments.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|--|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

Individual Freedom

Under current law, an owner of a motor vehicle or mobile home and an insurance company can negotiate whether to repair or rebuild the vehicle if the cost to repair the damage is less than 80 percent of the retail value. If they agree not to repair or replace the vehicle, it is deemed a "total loss." The bill eliminates the opportunity for the insurer and owner to negotiate whether a vehicle or mobile home with damage equaling less than 75 percent of the retail value is a "total loss."

B. PRESENT SITUATION:

Current law regulates the handling of vehicles or mobile homes that have been determined to be a "total loss." The owner of such a vehicle, or an insurance company that acquires one, may not dispose of the vehicle or mobile home before it has obtained a salvage certificate of title or a certificate of destruction from the Department of Highway Safety and Motor Vehicles (DHSMV).

Whenever the owner of a "total loss" vehicle or an insurance company applies for one of these title substitutes, that person must provide to DHSMV an estimate of the cost to repair the damage to the vehicle. If that estimate is equal to 80 percent or more of the "blue book" value of the vehicle or mobile home, DHSMV will declare the vehicle unrebuildable and will issue a certificate of destruction, which authorizes dismantling or destruction of the vehicle. However, if the blue book value of the vehicle is \$1500 or less, the vehicle need not be issued a certificate of destruction, and it can be rebuilt or repaired under clean title. A stolen vehicle recovered in substantially intact condition that can be readily repaired and sold also need not receive a certificate of destruction.

A vehicle or mobile home is considered to be "total loss" when an insurance company pays an owner to replace it because it was wrecked or damaged, or because it was stolen. However, if the insurance company and the owner agree to repair the vehicle or mobile home, it is not a "total loss." An *uninsured* vehicle or mobile home is considered a "total loss" if the cost to repair a wrecked or damaged vehicle or mobile home would exceed 80 percent of the cost to replace it with one of like kind and quality.

C. EFFECT OF PROPOSED CHANGES:

Under the bill, a vehicle or mobile home is considered a "total loss" when it has been damaged, destroyed, wrecked, or submerged in water to the extent that the *estimated or actual* cost to repair it

to its pre-damaged condition exceeds 75 percent of the blue book value. The value of repair parts is determined by using the current published retail cost of OEM parts, or the actual retail cost of the repair parts actually used in the repair. The labor cost is computed using the hourly rate and time at locations that are reasonable and customary for the particular community's auto repair industry.

A motor vehicle or mobile home is also a "total loss" if an insurance company or a self-insurer acquires ownership pursuant to a damage or theft settlement, or if the owner applies for a salvage certificate of title or a certificate of destruction.

The bill eliminates the opportunity for the insurer and owner to negotiate whether a vehicle or mobile home with damage equaling less than 75 percent of the retail value is a "total loss."

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Redefines the term "total loss" for motor vehicles and mobile homes.

Section 2. Provides an effective date of July 1, 2002.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require cities or counties to expend funds or to take actions requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that cities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with cities or counties.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

In determining whether a vehicle or mobile home is "total loss," the bill requires a consideration of the costs to repair the vehicle or mobile home. Under the bill, labor costs are to be determined based on a what is reasonable and customary within a particular community. Neither the bill nor statutes contain a definition of "community" or a description of the scope of the term "community."

In addition, under the bill "total loss" means a vehicle or mobile home for which the owner applies for a salvage certificate of title or a certificate of destruction. This appears to be a circular provision in that a "total loss" designation is what triggers the requirement to obtain a certificate of destruction in the first place.

Also, DHSMV points out that under current law, a vehicle must be determined unrebuildable and receive a certificate of destruction when damage to the vehicle equals or exceeds 80 percent of the blue book value of any vehicle valued at more than \$1500. DHSMV recommends that this provision should also be amended to reflect the 75 percent levels stated in the bill.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

STORAGE NAME: h0661.tr.doc

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PAGE: 5

VII. SIGNATURES:

COMMITTEE ON TRANSPORTATION:

Prepared by:

Staff Director:

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