

May 21, 2003

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis, MD 21401

Dear Mr. President:

In accordance with Article II, Section 17 of the Maryland Constitution, today I have vetoed Senate Bill 90 – Motor Vehicles – Certificate of Title – Rebuilt Salvage.

Senate Bill 90 requires the Motor Vehicle Administration (MVA) to issue a certificate of title to a vehicle owner that contains a conspicuous notation that the vehicle is “rebuilt salvage” regardless of the insurance company’s valuation of the cost to repair the vehicle. This is known in the trade as “branding a vehicle.” Current law only requires this notation if the cost of repairs is greater than the fair market value of the vehicle before the damage. This requirement does not apply to a vehicle more than seven model years old.

Although this bill is designed as a consumer protection measure, it has the effect of harming consumers whose vehicles are damaged. This bill is a disincentive for insurers to “total” vehicles when the damage is less than the fair market value. MVA states that current practice of some insurers is to allow a vehicle to be totaled if the cost of repairs is 60% or more of the fair market value. An insurer will do this when it is a sound business practice to do so based on the resale value of the damaged vehicle. This bill decreases the value of those salvaged vehicles. Insureds who today have the option of having a vehicle repaired or receiving the fair market value of the vehicle will be deprived of the second option if the resale value of the damaged vehicle no longer makes this option economically sound for an insurer.

Further, this bill would result in the following anomaly: If a vehicle is damaged and the owner elects to keep the vehicle and have it repaired, the title will not be branded. If, however, the insurer agrees to pay the owner the fair market value for the vehicle, the title will be branded.

Finally, if a vehicle is totaled today and a salvage certificate issued under circumstances where the value of the damage is less than the fair market value, there are ways for a consumer to determine the vehicle’s total loss and title history. There are readily accessible databases, via the internet, available to consumers that will show this history. Any additional protection gained from this bill will be incremental at best.

It seems clear that the primary beneficiaries under this bill will be automotive dismantlers and salvage businesses. It will serve to increase the supply and decrease the cost of available vehicles. It will result in increased costs to insurers and automobile auctioneers because of the diminished value of salvage vehicles, and ultimately to consumers because insurers will have less incentive to total damaged vehicles.

For the above stated reasons, I have vetoed Senate Bill 90.

Sincerely,