



Written Testimony in Opposition of Senate Bill 36
House Committee on Transportation

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The Kansas Highway Patrol (KHP) appreciates the opportunity to provide written testimony in opposition of Senate Bill 36, and we respectfully request the Committee consider our agency's concerns. This bill would allow employees of salvage vehicle pools to perform vehicle identification number (VIN) inspections. The Kansas Highway Patrol has an extremely high degree of interest in protecting the integrity of the VIN inspection program. Our largest concern with this bill is allowing a non-law enforcement entity with a financial interest in the vehicle being inspected to perform a VIN inspection that will be changing the title status of a vehicle. Allowing this inspection process to take place outside of law enforcement control increases the potential for fraud. Some of these instances could include VIN cloning, title washing, VIN switching, and intentional incorrect branding for monetary benefit. It should be noted that many vehicles that come into salvage pools do not qualify for inspection by any other entity than KHP.

The purpose of the Kansas Highway Patrol's Motor Vehicle Enforcement Program (MVE) is to protect consumers, discourage auto theft, prevent the trafficking of stolen auto parts, ensure proper title branding, and ensure proper documentation of vehicle ownership. Auto theft in the United States is big business. Statistics from the Federal Bureau of Investigation indicate that 721,885 vehicles were stolen in 2019, costing American citizens and the auto insurance industry more than \$6 billion.

The MVE program protects Kansas' citizens from unknowingly purchasing stolen vehicles or vehicles that were declared as salvage by state and insurance standards. We strive to ensure that a vehicle's title stays true so that it cannot be "washed" or altered to increase the value of the vehicle, which ultimately protects the consumer.

The KHP listened to the salvage pools' request to conduct their own inspections to expedite their process. Their claims, however, do not accurately correspond with the number of vehicles they request us to inspect. It has been our experience that the salvage pools frequently have trouble acquiring the ownership documents needed for a proper inspection. Insurance companies are essentially abandoning vehicles at salvage pool lots with no ownership documentation. This lack of proper documentation does prevent a vehicle from receiving a VIN inspection. It is the Kansas Highway Patrol's understanding that the Kansas Department of Revenue has offered guidance to the salvage pool industry to properly obtain vehicle ownership documentation from an insurance company.

VIN inspections require two points of identification. The two points accessible to non-law enforcement entities are the public VIN plate and the federal label. A large percentage of the vehicles that come into salvage pools have been damaged so extensively that these two points of identification are not accessible. Locations of other points of identification on a vehicle are considered sensitive. These numbers are referred to as confidential numbers. Their locations are intended to be known only by law enforcement and vehicle manufacturers.

Oftentimes salvage pools have power of attorney for insurance companies to determine what brand a vehicle should receive. The types of vehicles that come through salvage pools most often receive the following brands: salvage, non-repairable, and non-highway. When KHP inspects these vehicles, we can assess the damage of the vehicle and match it to the suggested brand. If we have a question, which often we do, we will research those vehicles through law enforcement databases to ensure that it receives the proper branding. The Patrol has serious concerns that vehicles inspected by salvage pools will be easily marked as salvage instead of non-repairable or non-highway. Salvage pools have a monetary interest in each vehicle, and a salvage brand carries a higher resale value than a non-repairable or non-highway brand. Having the Patrol inspect these vehicles is of the utmost importance to maintain the legitimacy and integrity of the VIN program while at the same time protecting the public from consumer fraud.

This bill makes mention that the Patrol allows new vehicle dealers to inspect the vehicles they purchase. This broad statement would lead anyone to believe that if dealers can inspect their vehicles, then so should salvage pools. However, this broad statement is extremely misleading. In fact, for a dealership to qualify to do their own inspections they must be a “new” vehicle dealer. The *only* vehicles they can inspect are what we refer to as program cars. Essentially, these cars come from corporations such as rental services and manufacturers. These vehicles are never owned by an individual and are therefore never titled to an individual. The only brand these vehicles qualify for are regular certificates of title. No dealership has the authority to recommend any other brand.

Currently, the KHP has the personnel to cover the inspections requested at salvage locations, but we do not have the personnel to provide the type of oversight this addition to our program would require. Adding a program such as this would cause a financial burden to the Patrol that would require new forms, manuals, training courses, and perhaps additional personnel.

In closing, we oppose Senate Bill 36 because of the risks it presents to the VIN program that we are statutorily required to maintain and the risks of fraud for future buyers and consumers. We sincerely thank members of this committee for their consideration of our testimony.

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