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Sarah Frasch, Chief Deputy Attorney General  
Bureau of Consumer Protection  
Office of Attorney General  
Strawberry Square, 15<sup>th</sup> Floor  
Harrisburg, PA 17120

**Re: Proposed 37 Pa. Code Chapter 301 – Automotive Industry Trade Practices**

Dear Chief Deputy Attorney General Frasch:

On behalf of the Insurance Federation of Pennsylvania (IFP), thank you for the opportunity to offer comments regarding the regulatory proposal at **37 Pa. Code Chapter 301 – Automotive Industry Trade Practices**. The IFP is a state trade association representing all lines of insurers including automobile insurance. Our members insure a majority of the auto insurance written in Pennsylvania.

The IFP does not object to the consumer protection goals outlined in the proposal for members of the general retail public purchasing motor vehicles. We understand the language's attempt to better educate consumers on the condition of used vehicles during the marketing and sale of such vehicles. In fact, we believe the goals of consumer protection and auto safety outlined in the proposed regulatory amendment are laudable.

The IFP has been following the promulgation of this regulation and initially believed that it is rightly focused on a traditional car dealer that is marketing and selling vehicles to the general public. However, after further review, there is an aspect of the auto insurance claims process that we believe will be adversely impacted by the current regulatory proposal because of the broad definition of "dealer" in 37 Pa. Code Chapter 301.1.

The issue of the appropriateness of the sale of total loss salvage vehicles being included in the added notice and disclosure amendments under the regulation has already been raised by commentators like Copart and Insurance Auto Auctions (IAA). The IFP joins these comments.

As part of their business model, companies like Copart and IIA offer auction services to auto insurers that have taken title to vehicles that have been determined to be total losses as a result of an insurance claim. **The methods in which these companies sell salvage vehicles should not, we believe, be a part of this regulatory proposal.**

To better explain our point of view it may be helpful to outline the auto insurance claim total loss process. During a claim that results in a vehicle being declared a total loss, an insurer will negotiate a settlement with a claimant that results in a payment of the actual cash value of the vehicle. Under 31 Pa. Code Chapter 62.3 (e) a total loss is determined if the cost of repairing a motor vehicle exceeds its appraised value less salvage value, or the motor vehicle cannot be repaired to its predamaged condition.

When a total loss is declared and an insurance claimant agrees to settlement, the auto insurer will acquire title to the total loss vehicle, apply for a salvage title, and then work with a third-party vendor, like Copart or IAA, to sell the salvaged vehicle to third parties who are in the market for such vehicles.

Insurers utilize vendors like Copart or IAA for the specific purpose of selling salvage vehicles to salvage dealers not to the general public. **Salvage dealers** are defined in 75 P.S. § 1337 as:

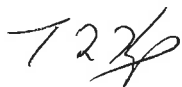
“Any person regularly engaged in the business of acquiring and dismantling used, wrecked, damaged, abandoned or salvage vehicles for the purpose of selling the usable parts and selling the remaining hulk materials for recycling or processing.”

Applying the added disclosure and inspection requirements outlined in the regulatory proposal is implausible in the context of the sale of salvage vehicles. In addition, the added costs of the provisions, while having little if any consumer protection benefit for salvage dealers purchasing such vehicles, will also add costs and delays to the settlement of total loss auto insurance claims. Such costs will ultimately be borne by auto insurance consumers at a time of increasing inflation and rising premiums.

The IFP respectfully submits that these types of transactions should fall outside the scope of the regulatory amendments being proposed to Chapter 301. Copart and IAA have submitted written comments that offer amendatory language to remove the sale of salvage vehicles from the added disclosure and inspection requirements found in the regulatory proposal. **The IFP respectfully requests the amendatory language exempting the activities of companies like Copart and the IAA from the proposed revisions of 37 Pa. Code Chapter 301 be adopted.**

Thank you for your consideration of the IFP’s comments. Please do not hesitate to contact me at 717-236-2301 or [tknapp@ifpenn.org](mailto:tknapp@ifpenn.org) should you have any questions or concerns.

Respectfully submitted,



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