



National Motor Vehicle Title Information System (NMVTIS) ADVISORY BOARD MEETING – Webcast Part 2

Tuesday, June 18, 2013

The NMVTIS Advisory Board convened part two of its eighth meeting on June 18, 2013, via webcast in place of the March board meeting, which was cancelled due to weather. The following individuals participated:

Designated Federal Official (DFO)

Todd Brighton
Bureau of Justice Assistance

George March
*Regional Information Sharing
Systems*

Advisory Board Members

Levon Baghdassarian
NOBEL Systems

Christopher T. McDonold
*Maryland Vehicle Theft Prevention
Council, Department of State Police*

Mark Binder
Farmers Insurance

Kurt Myers
*Pennsylvania Department of
Transportation Safety Administration*

William Brauch, **Board Vice Chair**
Iowa Attorney General Office

Howard Nusbaum
*National Salvage Vehicle Reporting
Program*

Bernard Brown
The Brown Law Firm

Joseph Farrow, **Board Chair**
California Highway Patrol

Joe Pedigo
*Towing and Recovery Association of
America*

Brian Hildreth
Insurance Auto Auctions

Shaun Petersen
*National Independent Automotive
Dealers Association*

Tony Lawler
Mississippi Department of Revenue

Neil Schuster
American Association of Motor Vehicle Administrators

James Spiller
National Vehicle Service

Stacey K. Stanton
Arizona Department of Transportation

Jim Taylor
Auto Data Direct, Inc.

James Vogel
RigDig

Mark Warner
International Association of Financial Crimes Investigators

Robin Wiener
Institute of Scrap Recycling Industries, Inc.

Michael Wilson
Automotive Recyclers Association

Guest Observers including presenters

Barbara Beninati
ISO Claim Search

Kerry Bentfield
American Salvage Pool Association

Les Cravens
Auto Data Direct

Mike Diegel
Consultant/Writer

John Drewke
Experian

Lorraine Friel
NOBEL Systems, Inc.

Kevin Gallagher
National Insurance Crime Bureau

Paul Kanitra
Carfax, Inc.

Jim Irish
MobileTrac, InstaVIN

Carlos Martins
ISO, Claim Search

Jonathan Morrison
California New Car Dealer Association

Bob Passmore
Property Casualty Insurers Association of America

Robert Sawyer
NCDMV License and Theft Bureau

Patricia Rimo
Consultant/Writer

Bureau of Justice Assistance

Kim Bright
Todd Brighton

American Association of Motor Vehicle Administrators

Vivienne Cameron
Catherine Curtis
Philippe Guiot
Mekala Joy
Kathy King
Marney Michalowski
Philip Quinlan

Note: All presentations made at this meeting are available upon request. Please contact Todd Brighton, DFO.

Opening Remarks

Mr. Brighton called the meeting to order at noon, welcomed participants and reviewed the agenda, urging attendees to participate in the discussions. Commissioner Farrow welcomed attendees and made a few comments about the relevance of the agenda.

Education and Awareness

Insurance Industry Reporting - Outreach Program

Carlos Martins, Assistant Vice President, Insurance Services Office (ISO) ClaimSearch

Mr. Martins presented an overview of a new training program developed by ISO, a NMVTIS data consolidator. The program is designed to help support insurers and others better understand NMVTIS reporting and compliance. The program was launched in January and scheduled to run through June. Aspects of the program include:

- A series of email blasts to all ISO members
- Designating home office contacts for every company served
- A series of emails on specific topics
- Holding a series of three training webinars for membership groups
- Social media outreach
- A series of job aid tools including best practices

Two of the webinars have already been held; the most recent was in May and more than 260 companies enrolled. A third webinar was scheduled for the week of the NAB board meeting and more than 100 companies registered to attend.

Mr. Martins explained that ISO also developed a series of job aid tools to provide to their insurance members that include:

- Best practices tool
- Job aid tool
- Frequently asked questions tool
- Management reports training

All of these are available on the ISO website to help members understand what management reports ISO makes available for self-service on the web to help them manage their compliance.

He also described additional measures that ISO has taken including conducting random audits of member companies based on a review of their reporting. The intent of the

measures are to identify outliers, those companies that relative to a peer group do not appear to be reporting the number of total losses that would be expected. ISO reaches out to those companies to assist them to determine the cause for their outlier status. Their next steps include developing a similar program for auto recyclers, junk and salvage yard customers, as well as continuing to provide customer support for self-audit programs and day-to-day requests in response to any auditing the companies face.

Mr. Martins described a new initiative to provide customers with better analytical data and transparency for NMVTIS reporting. ISO is working on a new dashboard and analytical tool that they will roll out to their NMVTIS customers to help them better understand their reporting relative to the industry or a peer group. Mr. Martins cautioned the board that the enhanced analytical reporting will not provide members with complete end-to-end visibility, and members need to understand what information is only available from AAMVA.

Mr. Bender suggested that ISO reach out beyond its usual contacts to find the individuals actually responsible for reporting within the insurance companies. Mr. Pedigo asked if the training is only available to ISO members, which Mr. Martins affirmed.

Update on California AB 1215

Jonathan Morrison, Director of Legal & Regulatory Affairs, California New Car Dealers Association

Mr. Morrison reminded the group that the primary purpose of AB 1215 was to automate some of the processes involved in DMV registration by taking a previously voluntary electronic registration program and making it mandatory for the state's new car dealers. The bill also included a mandate for all dealers in the state of California to check the NMVTIS database prior to selling a used vehicle and posting a bright red sticker on the vehicle noting any negative history. This was designed to help both dealers and consumers understand more about the history of a vehicle prior to purchase. He noted that new car dealers don't want a red-sticker vehicle on their lot. He also noted that once Carfax signed on as an NMVTIS provider and began providing that information at a low cost, it helped to drive other providers to participate.

As next steps, Mr. Morrison said, the hope is that the NMVTIS database will be completed soon, and to watch to see if other states follow California's lead and pass similar requirements. He said that so far they have not received negative feedback from dealers. They were able to easily implement the program, see its benefits and don't consider it to be a burden.

Jim Taylor, President, Auto Data Direct, Inc.

Mr. Taylor shared specific data they had gathered, primarily from integrators, noting that it represented only a small subset of the California market. He said that from January

2012-April 2013, only about 64 percent of ADD's independent California dealers were actively pulling NMVTIS reports. He thinks that a number of dealers are still unaware of the requirements under AB 1215, but their number of accounts continues to grow.

ADD's records show that only about 3 percent of the records pulled represent vehicles that would have required a red sticker. From January 2012-April 2013, NMVTIS records accounted for about 66 percent of ADD's overall NMVTIS record totals, with the largest increase following the implementation of AB 1215.

Nationally, about 68 percent of the NMVTIS PPI purchases are pulled by dealers, with the balance coming from integrators, towing operators, recovery agents and others. In addition, there has been considerable improvement in the rate of records found; from 2009's 38 percent found, the rate decreased to 9 percent not found in 2012. The success rate in the consumer world is considerably lower, largely because consumers are not entering the proper VIN number.

Mr. Spiller asked Mr. Taylor if the system had a means to alert the consumer to the fact that they had entered a wrong VIN number. Mr. Taylor said no, that had been done only for the corporate side. Mr. Spiller suggested that it might be helpful to consumers to have that feature available. Mr. Taylor said they would consider it, but it would need to be done outside their secure website, which raises other issues.

Mr. Brown asked Mr. Morrison if his members had a sense that AB 1215 was acting as a deterrent to bringing bad cars into California. Mr. Morrison said for the most part, those who bring in bad cars wouldn't target new car dealers as their market. He would ask some members but noted it might be a question better directed to used car dealers.

Andrew Conway, California Department of Motor Vehicles

Mr. Conway provided the board with an update on the enforcement efforts within the department. He introduced Mary Garcia, as the person responsible dealer enforcement. He noted that for the first few months after AB 1215 implementation, they were only warning dealers. They had not moved to actionable enforcement but were now going to do so. He added that they were getting a lot of questions about transaction volumes, but with a rapidly changing market, he was unsure where volumes would go in the future.

His department is also curious how the use of NMVTIS as a retail tool for consumer protection might affect other areas such as vehicle theft, vehicle embezzlement and other crimes that could be solved by the database.

Ms. Garcia explained that in their oversight program, inspectors find about 45-50 percent are in compliance while approximately 27 percent are either unaware of the requirements or have invalid NMVTIS reports. She noted that more than 50 percent of the dealers sell less than 10 vehicles a year and as a result, they are focusing on larger

dealers. The department inspects about 2,500 dealers per year with the expectation of getting to all 9,000 within a few years.

Ms. Garcia was asked if there were any civil penalties for non-compliance. She noted that there are no civil penalties; however, the DMV's enforcement division can issue citations to dealers who fail to get into compliance after the initial visit. On occasion, a district attorney will take a case. She gave an example of two current cases in process now that represent the most common violations, selling from an unauthorized location and consignment sales.

When asked about an approximate success rate since implementation of AB 1215. Mr. Morrison estimated a 95 percent success rate for new car dealers. The most common problems are an incorrect VIN entry or the dealer knows the vehicle's history and knows there is an error in the report, but do not know how to get it corrected.

Mr. Conway agreed, adding that it has provided benefit to consumers while making it more difficult to move damaged vehicles through the California market. For that reason, there are probably vehicles leaving the state to be sold elsewhere.

Mr. Taylor called the program "hugely successful," about 85-90 percent successful with pockets of independent dealers not aware of the requirements or noncompliant. One question to look at is whether there are fewer cars being auctioned in California because of NMVTIS, and whether those cars going to other states.

Mr. Farrow suggested that the committee consider whether to try to move similar legislation in other states. Mr. Brown added that California should be proud of the success rate because of NMVTIS.

Mr. Conway suggested there needs to be focus on what exactly the legislation is trying to achieve, removing these vehicles from the market or ensuring there is adequate consumer notice concerning problematic vehicles.

Hurricane Sandy Panel

William Brauch, Special Asst. Attorney General, Iowa AG's Office and Director, Consumer Protection Division

Mr. Brauch introduced the panel and the issue noting that neither consumers nor honest dealers want flood-damaged cars; latent problems often do not surface for months. Many of these problems are not immediately evident upon visual inspection. It's a serious consumer problem and his office first issued a warning following Hurricane Floyd in 2000, where about 6,000 damaged vehicles were entered into a database that consumers could check.

Kevin Gallagher, Supervisory Special Agent, New York Region, National Insurance Crime Bureau (NICB)

Mr. Gallagher pointed out that Hurricane Sandy was a multistate event in a heavily populated area, but most of the damage was in two states, New York and New Jersey. He described some of the initial difficulties included areas that were inaccessible immediately after the storm, or were open only to first responders whose priority was to assist victims.

Another issue was the lack of communication among the multiple agencies involved in the dealing with the storm's aftermath. To help cope with this, NICB set up a database where member companies could send all the vehicles reported as damaged. They also deployed agents to contact local governments and other agencies to set up meetings with senior NICB personnel. This was helpful, but there were continued difficulties getting reported vehicles moved. However, there was no central storage area, which made it hard to track and identify these vehicles. Additional communication with various agencies helped to identify places where vehicles were being stored.

Predatory tow operators began to take advantage of the situation, approaching people and offering to take care of the situation with their vehicles, storing them anywhere they could find space. However, many of these vehicles ended up being held hostage by the operators while NICB worked with law enforcement to try to mitigate the situation.

One solution NICB proposed was to contact regulators in New York and New Jersey to set specific fee schedules for towing during a state of emergency.

According to NICB data, there were more than 250,000 Sandy-related claims for salvaged vehicles in New York, New Jersey and Connecticut. NICB still maintained their searchable database on their website and some state agencies are providing links to that site so people could check on the history of a potential purchase. In the meantime, NICB posted a number of PSAs on YouTube to alert consumers to Sandy-related scams.

Brian Hildreth, Director, Corporate Development, Insurance Auto Auctions, Inc.

Mr. Hildreth described his companies experience with about 70,000 vehicles from Sandy and noted that they needed armed guards to protect cash, staff and vehicles once they were rounded up and placed in one of more than a dozen storage facilities. He reminded the board of the human factor when salvaging vehicles.

He continued to recall their work with NICB, state DMVs and attorney generals in the states to record every vehicle they touched to help prevent fraud. They also worked with each state to ensure the proper branding was on the vehicles, as well as with the New York and New Jersey AGs to prevent fraud and price gouging, while making their data available to the NICB database. They continue to work with NICB, state and local agencies and their insurance company partners.

Howard Nusbaum, Administrator, National Salvage Vehicle Reporting Program

Mr. Nusbaum said his organization had reason to believe the total number of vehicles affected was about 600,000, more than listed by NCIB as total loss vehicle claims. His estimation included uninsured and self-insured fleet vehicles.

He described the efforts that his organization made to track these vehicles as they made it into the secondary market. Working with six law enforcement groups, they proposed voluntary actions and set up a tracking website. As a result, they believe there have been a significant number of vehicles sold with clean titles, many that didn't show up in any database.

Subcommittee Report Outs

NMVTIS Compliance and Awareness Subcommittee

Mr. Spiller, subcommittee chair, reported on the activities of the group including working with AAMVA to create ideas to improve state compliance. As a result of several meetings made some recommendations to AAMVA to embark on an outreach program. He commended AAMVA on the outstanding job done in doing that state outreach. The major recommendation is to send a letter to targeted individuals in states wherever AAMVA thinks such a letter would be most effective.

Regarding the junk and salvage industry, after some discussion the group did not see playing a role in this type of outreach other than encouraging more compliance and showing them how it can be done.

Mr. Taylor elaborated on a recommendation to put some kind of notice regarding the NMVTIS requirement on handouts to be distributed at the point of transaction in the salvage pool industry.

Mr. Spiller also reported that NICB was working on additional communication to companies that appear not to be reporting required vehicles. Mr. Brighton asked Mr. Spiller to email him the two recommendations.

NMVTIS Technological Capabilities Subcommittee

Mr. March, subcommittee chair, reminded the board that the committee recommended keeping the group in place until the reengineering effort is completed. AAMVA has most tasks completed and he commended them for that work. Based upon the status of the reengineering effort, it appears there is little additional for the subcommittee to focus on, but Mr. March will reach out to committee members for any ideas that may have come out of today's meeting. For example, could a system be built to recognize improperly formatted VINs from consumers? He has been in conversation with those working on the law enforcement developer site to see if they can be of assistance.

Public Observer Comments

Facilitator: Mr. Brighton in Mr. Farrow's absence

Ms. Bentfield, who works with the American Salvage Pool Association, said that the organization and its members are aware of the NMVTIS requirements and are reporting to NMVTIS. She invited the industry to formally invite ASPA representatives to have a conversation on this issue.

NAB Member Updates

Mr. Spiller said based on Mr. Taylor's statistics and looking back to a year ago, he sees a vast improvement from AAMVA's efforts to get people and organizations to comply with the requirements. Mr. Nusbaum commended the Department of Justice staff for its ramped-up enforcement efforts over the past year. Mr. March complimented the continued improvements to the www.vehiclehistory.gov homepage.

Closing Remarks

Mr. Brighton reminded the board that the next meeting will be Oct. 8 in Washington, D.C. The meeting then adjourned at approximately 1:50 p.m.