DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

# Michigan's Auto Insurance Law Has Changed

The information contained in the following publication pertains to auto insurance policies issued on or before July 1, 2020. Publications about auto insurance policies issued on or after July 2, 2020 are available at michigan.gov/autoinsurance.

For more information about the new auto insurance law and how it will affect you, please visit: www.michigan.gov/AutoInsurance.



# Consumer Counselor

## Financial Information for Michigan Consumers

## When buying a used car, beware of flood damaged vehicles

With extensive flooding caused by natural disasters and severe weather, both here in Michigan and in other states, consumers may want to check the history of any used car before buying it. Thousands of flooded vehicles are abandoned and the waters recede, these cars are often sold at auction for parts and shipped to other areas. Sometimes unscrupulous car wholesalers will manipulate the paperwork on these flooded cars before selling them to unsuspecting buyers not as car part but as good used cars. Avoiding the purchase of such a car should be of the highest priority when shopping for a new used car.

Once a Michigan car is determined to be a total loss by the insurance company, the Secretary of State will issue a 'Salvage' title for the 'distressed vehicle', as they are called under the Michigan Vehicle Code. A vehicle sold with a 'Salvage' title cannot be licensed for operation on Michigan roads until it is recertified by a specially trained police officer. While regular Michigan titles are green, 'Salvage' titles in Michigan are orange in color. In some cases, a vehicle may be deemed to be so badly damaged that the State will only issue a 'Scrap' title. 'Scrap' titles are red in color and prominently feature the words 'Scrap Title' at the top. Cars sold under a 'Scrap' title can never again be legally recertified or licensed in Michigan.

Despite these protections, some wholesalers may intentionally transfer or otherwise hide 'Salvage' or 'Scrap' titles to avoid having the damage noted, as the lesser quality title greatly lowers the value of the car. In addition, flooded vehicles are often cleaned up and transported far away from their original location after a major storm, so the car may not have a Michigan title at all, making it possible for these unscrupulous sellers to hide the car's origin from the Michigan Secretary of State.

A major problem caused by buying a flooded vehicle is that an insurance company will most likely not insure the car because the car is likely unsafe to drive. While a car may look perfectly fine on the surface, there could be hidden defects which make the car dangerous to operate and extremely costly to repair in the event of an accident. Insurance companies recognize flood damaged cars as unsafe and uninsurable because of the danger they present. If you buy such a car, you may be stuck with a car that you can't legally drive.

**How to avoid purchasing a previously flooded vehicle**

• **Research the vehicle by its VIN number**
The National Motor Vehicle Title Information System (NMVTIS) is designed to prevent the concealment of flood damage and other vehicle histories. NMVTIS is overseen by the U.S. Department of Justice (DOJ) and offers information to help protect you from title fraud and unsafe vehicles. This is a nationwide database and the only one to which all junk and salvage yards, insurance carriers, salvage auctions and other businesses are required to report total loss and junk/salvage vehicles. The National Insurance Crime Bureau (NICB) also maintains a database, VINCheck program, where consumers can enter a vehicle identification number to check for a salvage (or stolen) vehicle. Please note that these reports only monitor vehicles that were insured by participating companies.

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**• Do your own inspection**
Before you buy, take the time to scrutinize the car for the following:

- Check the engine for a high-water mark on the block or radiator, which is a clear indication that the car has been flooded.
- Look for rust or corrosion on wires and other components under the hood.
- Be suspicious if the carpet smells damp or of mildew. Be leery of new carpet in older vehicles.
- Always inspect the actual paper title of the vehicle before completing the purchase. Check to see if it has been branded as 'flood', 'junk', 'rebuilt', 'salvage' or other phrase indicating that the vehicle was severely damaged. Keep in mind, though, that a 'clear' title doesn't guarantee an undamaged car; as noted above titles can be 'laundered' across state lines to conceal the damage.
- If the seller says they've misplaced the title or otherwise refuses to show it to you, do not purchase the vehicle.
- If your inspection raises any of the above 'red flags', get a full inspection performed by an independent qualified mechanic prior to completing the purchase. If the seller won't allow this, walk away from the sale.

**Ask questions**
Before buying a car, ask the dealer for a report with a detailed history of the car. If you're not purchasing the vehicle from a dealer, you can get a vehicle history report.

Comprehensive vehicle history reports are produced with the vehicle identification number (VIN) and are available for a fee from a variety of sources including Experian's Auto Check or CarFax. Though the services are not free, it may be worth investing in them before completing the purchase. It may save you thousands in repairs down the road. Keep in mind that these databases may not always have the most up to date information and should not be considered a substitute for a detailed independent inspection of the vehicle.

**File a Complaint**
If you feel you've been taken advantage of when purchasing a car, you can file complaint against a used motor vehicle dealer with the Secretary of State, Bureau of Information Security, Regulatory Monitoring Division online or by contacting the Bureau of Information Security, Regulatory Monitoring Division at 888-SOS-MICH (888-767-6424).

**About DIFS**
The mission of the Michigan Department of Insurance and Financial Services is to ensure access to safe and secure insurance and financial services fundamental for the opportunity, security and success of Michigan residents, while fostering economic growth and sustainability in both industries. In addition, the Department provides consumer protection, outreach, and financial literacy and education services to Michigan citizens. For more information please contact DIFS at 877-999-6442 or visit www.michigan.gov/DIFS