



Dealer Advisory

October 6, 2005

STATE FARM SALVAGE VEHICLE CONSUMER TALKING POINTS

These suggestions represent one method of dealing with a consumer who returns to the dealership after receipt of a letter advising them that the vehicle they bought from you must now be retitled on a “salvage” title. You should consult with your dealership attorney and/or your liability insurance carrier to see if they would prefer that you handle these customers in a different manner.

1. If a customer contacts your dealership regarding a State Farm “salvage” vehicle, make certain that he/she is referred promptly to the dealer operator.
2. The dealer operator should also:
 - a) Pull the deal jacket and service files, if any exist, to verify the purchase and service history.
 - b) Explain to the customer that the dealership purchased the vehicle with a clean, green title without any notice that the vehicle had ever been in a wreck or otherwise damaged;
 - c) That the dealership sold it in total and complete good faith;
 - d) That the dealership fully complied with all state and federal laws in dealing with the consumer and had no knowledge of the vehicle’s earlier status as a wrecked or damaged vehicle.
 - e) That while the dealer completely understands the customer’s concerns, and sympathizes with the customer, he/she has no responsibility for the wrongdoing of State Farm.
 - f) Provide the customer a copy of the attached Dealer Bulletin from the Secretary of State.
3. The dealer operator, or a person of great trust and decision-making authority and communication skills should meet with the customer ASAP in a private office.
4. The dealer operator, or his/her special designee should ask the customer if he/she has filed a claim or actually received a dollar sum from State Farm as a result of State Farm not titling the vehicle as a salvage vehicle.
5. On concluding the customer conference, the dealer operator should immediately:
 - a) Notify your liability insurance carrier;
 - b) Notify your legal counsel.

This advisory has been prepared by Mr. Ray Foresman, MADA counsel, and Mr. Bob Weller, DADA counsel.

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STATE OF MICHIGAN
TERRI LYNN LAND, SECRETARY OF STATE
DEPARTMENT OF STATE
LANSING

DEALER BULLETIN

DATE: October 6, 2005
TO: Licensed Michigan Vehicle Dealers
FROM: Michigan Department of State, Bureau of Regulatory Services
SUBJECT: **State Farm Mutual Insurance Company Agreement – Salvage Vehicles**

On September 14, 2005 Michigan Attorney General Mike Cox notified 2,532 Michigan vehicle owners that their vehicles, which were previously owned by State Farm Mutual Insurance Company, would be issued Michigan salvage titles. State Farm discovered after internal review, that it could not confirm proper titles were issued to vehicles it acquired from policyholders due to damage or theft, during the period 1997-2003. Subsequently, State Farm approached the Attorneys General in 49 states, including Michigan, and voluntarily entered into an agreement to compensate owners who now own vehicles that will be titled as salvage. Affected vehicle owners have been instructed on how to file a claim for compensation. Only consumers who complete and return a claim form will be eligible for compensation payment.

The State Farm Agreement includes:

- Compensation to vehicle owners ranging from \$400 for vehicles valued at \$1,000 or less, to \$20,000 for vehicles valued over \$40,000
- Payment of all fees by State Farm for salvage title application, vehicle inspection, and rebuilt title application.
- Release of further liability by State Farm for owners who accept compensation

In the next few weeks, vehicle owners will receive their salvage titles from the Michigan Department of State and additional information regarding the procedure for inspecting and re-titling these salvage vehicles. Michigan dealers may be contacted by affected owners seeking additional compensation. If an owner files a complaint and an investigation is conducted by the Department of State involving one of the State Farm vehicles, it will initially focus on a review of the vehicle's title history to determine whom in the chain of ownership was responsible for making application for a salvage title. Any enforcement action against a dealer license would be based on the dealer knowing of the vehicle's salvage status prior to the sale and failing to disclose, or making false representations regarding, the vehicle's condition to the purchaser.

If you have questions regarding salvage vehicles and your responsibilities under Michigan law, please contact the Bureau of Regulatory Services, Program Operations Division, at (517) 241-6850.