

Examining Salvage vs. Total Loss Vehicles

From time to time, I receive requests to explain the difference between salvage and total loss vehicles, including a recent question from an NAAA auction. I thought this publication was the perfect place to tackle this one.

The question I received was: "I need your opinion on salvage/total loss units. Sometimes viewed as the same issue but I see a distinction between both. What is your take?"

In my opinion, these are different. The basic definitions for "total loss" and "salvage" vehicles on Investopedia.com are:

Total Loss: "A loss that occurs when the insured property is totally destroyed, or is damaged in such a way that it can be neither recovered nor repaired for further use, or the insured is irretrievably deprived of it. Usually, this indicates the maximum settlement possible according to the terms of the policy as per the insurance company's policy."

Salvage: "A term used for a generic title brand. A salvaged vehicle is typically declared a total loss by the insurer, then rebuilt or repaired. These rebuilt or repaired vehicles will have a salvage title and in some states will require special inspection before they can be put back on the road. Vehicle history reports will show that a vehicle has a salvage title, although they may not provide a reason."

In some instances, total loss thresholds may vary by state. Examples can be significant collision damage, mechanical defects, biohazard, flood and structural damage. Once totaled by the insurance company, the vehicle may or may not get repaired. If repaired, most states will brand the vehicle's title to reflect the vehicle's new status.

From the NAAA Arbitration Policy point of view, the vehicle's title — if branded — will require a disclosure from consignors to would-be buyers. Total loss is NOT a title brand.



▶ Title discrepancies must be announced including, but not limited to: not actual miles, salvage, theft recovery, stolen vehicle, flood damage, Lemon Law buybacks or trade assist. Insurance transfers would also require a disclosure.

▶ All titles submitted by seller must be in seller's company name on title or on a properly-executed reassignment form. The seller guarantees the titles of vehicles that are sold through auction. This title guarantee warrants that the title shall be marketable and free and clear of all liens and encumbrances. This includes any brand (such as 'salvage') noted upon the current

or any prior certificate of title unless such encumbrances were announced at the time the vehicle was sold through auction and for a period of four years from the date of sale. Seller's liability under this title guarantee shall never exceed the auction sale price (the maximum amount) of the vehicle, and this maximum amount shall be reduced by two percent (2%) per month following auction sale date. All liability under this title guarantee shall expire and terminate 48 months after auction sale date. The auction will not be responsible for any expenses incurred on vehicles returned for late title.

▶ Seller warrants, represents and

guarantees possession and conveyance of a certificate of title, properly executed, valid in the state where the transaction is occurring and clear of all liens and encumbrances (except current year DMV fees in California). The seller warrants and will defend the title against the claims and demands of all persons whatsoever.

We urge all sellers and buyers to fully understand a vehicle's history and its title status before offering to sell or buy at an NAAA auction. ■



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