

## **Vehicles in a New Orleans car dealership lot sit surrounded by floodwaters in the aftermath of Hurricane Katrina**

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A Palos Hills-based agency that investigates insurance fraud is leading a wide-scale effort to create a database of information about vehicles damaged as a result of Hurricane Katrina.

The National Insurance Crime Bureau's goal is to thwart unscrupulous car dealers who might try to pass off flood-damaged vehicles to unsuspecting buyers.

It's the first time the bureau has undertaken such a massive effort, which could take as long as a year and involve collecting information on tens of thousands of vehicles damaged by flooding, said Frank Scafidi, spokesman for the bureau.

"We've never done this before," he said. "It's unprecedented."

Ultimately, state motor vehicle departments around the country would be able to tap into the database containing information about vehicles that have been declared "totaled" by insurance companies.

Dishonest salvage operators and car dealers often try to hide from car buyers the fact that vehicles have been damaged by a natural disaster, said Robert Bryant, the bureau's president and chief executive.

"By creating a registry of damaged vehicles now, the potential for this type of fraud can be greatly reduced," Bryant said.

After Hurricane Floyd hit Florida in 1999, an estimated 75,000 vehicles were damaged by flooding and declared totaled by insurance companies, according to Carfax, which supplies used-vehicle histories to consumers and auto dealerships.

However, more than half of those damaged vehicles were resold to buyers who were either unaware of the vehicles' past or uninformed about the extent of the damage, Carfax said.

Typically, totaled vehicles are sold at auction for their parts. The bureau, however, is concerned that some flood-damaged vehicles could wind up on used-car lots, Scafidi said.

"Say you have a car with a Kelley Blue Book value of \$15,000 and it's been totaled," he said. "Somebody picks it up for \$500 at auction, puts another \$1,000 in to clean it up, then turns around and sells it for \$8,000."

In many states, including Illinois, vehicles that have been declared totaled by insurance companies will have their title "branded" with a notation that the vehicle has been salvaged. That brand will show up when a potential buyer does a search of the vehicle's title history.

Titles, however, can be "washed" so the branding vanishes. One way is re-titling the vehicle in another state that's more lenient about disclosing the vehicle's condition, Scafidi said.

"There are places where you can re-register a car from out of state without any questions being asked," Scafidi said.

Carfax says its title searches will uncover whether a title has been washed.

The Palos Hills bureau and the National Automobile Dealers Association advise car shoppers to check a vehicle's interior for signs of water damage, and to look for any evidence of unusual rusting.

"As with any used car, it's always a good idea to take it to your local mechanic to have it checked out before you buy," Scafidi said. "It's usually something a reputable dealer won't have a problem with."

If the seller balks, however, take a walk, he said. Brian Cooper said it's generally pretty easy to spot a car that's been submerged in floodwater.

"You can't hide that stench," said Cooper, purchasing manager at CarMax in Tinley Park. "I was in a (flooded) car that had had the interior replaced, and you can still smell it."

CarMax said it doesn't sell flood-damaged cars and that its car buyers are trained to spot such vehicles. The company acquires vehicles at auto auctions, as well as from other sources, and auction operators will notify buyers of cars for sale that have been salvaged, Cooper said.

"We also do extensive background checks on any of the vehicles we buy," he said.

Scafidi said that at least a dozen investigators from the insurance crime bureau have been sent to Baton Rouge, La., and Mobile, Ala. They're working with local law enforcement agencies to catalog damaged vehicles, he said.

Information, including vehicle identification numbers and descriptions of the vehicles, will be fed into a computer database that will be maintained by the American Association of Motor Vehicle Administrators, Scafidi said. Motor vehicle departments throughout the country would be able to access the data on AAMVA's secure web site, he said.

As vehicle information comes in from the field, the list of vehicles will be updated daily, said Vivienne Cameron, an AAMVA vice president.

"We are not waiting for the list to be complete," she said. "It will be as current information as exists."

The bureau estimates it could take six months to a year to complete the job.

"The largest task is to try to identify all of those vehicles that are going to be absolutely useless once the floodwaters recede," Scafidi said.

While the bureau is financed by the nation's major insurance companies, Scafidi said the data collection effort isn't intended just to protect their interests. The companies are not kicking in additional funds to pay for assembling the database, he said.

"We are trying to protect a lot of people, whether or not they are policyholders of our member companies," Scafidi said.