Former Director Chris Herstam issued the following Circular Letter on February 27, 1995:

CIRCULAR LETTER NO. 95-2

TO: ALL INSURERS AUTHORIZED TO TRANSACT INSURANCE IN ARIZONA, INSURANCE TRADE ASSOCIATIONS, AGENTS' ASSOCIATIONS AND OTHER INTERESTED PERSONS

FROM: CHRIS HERSTAM, DIRECTOR OF INSURANCE

DATE: FEBRUARY 27, 1995

RE: ABANDONMENT OF AUTOMOBILE SALVAGE

It has been brought to the attention of the Arizona Department of Insurance that some insurers are abandoning automobiles, on which they afford coverage, to the operators of towing services or salvage yards after the vehicles have been involved in a total loss and have been towed from the scene of the accident. The towing service or salvage yards then left to its own resources to collect for the costs incurred where these same insurers do not provide assistance in obtaining a valid and marketable title to the salvage or pay for the towing service or storage. The costs incurred by the towing company often exceed the value of the vehicle. It is the Department's position that insurers should not abandon salvage to the operators of salvage yards or towing services nor use abandonment to mitigate either vehicle physical damage or liability losses.

An insured is normally required by the terms of his insurance policy to take whatever steps may be necessary to protect the property from further damage. Further, removing a vehicle from the highway after an accident is required under Arizona law and is in the interest of public safety. As a result of these contractual, legal and social obligations, the insured will typically incur towing and storing expenses. The responsibility to pay reasonable expenses incurred as a result of these obligations belongs to the insured and his insurer where so provided by the terms of the insurance contract.

Therefore, insurers doing business in Arizona are hereby advised by this Department to take whatever steps are reasonably necessary to prevent or minimize the losses that
occur to the operators of towing services and salvage yards as a result of the above-described practice. These steps would include, but are not limited to, the payment of reasonable charges for towing or storage and the provision of assistance in obtaining a valid and marketable title.