

**Use of Airbag Reinstallation Costs in Determining if a Salvage Title is Required**

COMMONWEALTH OF KENTUCKY  
DEPARTMENT OF INSURANCE  
Frankfort, Kentucky

**ADVISORY OPINION  
2009-01**

**The following Advisory Opinion is to advise the reader of the current position of the Kentucky Department of Insurance (the “Department”) on the specified issue. The Advisory Opinion is for informational purposes only and is not legally binding on either the Department or the reader.**

TO: All Motor Vehicle Insurance Companies Issuing Policies in Kentucky

FROM: Sharon P. Clark, Commissioner

RE: Use of Airbag Reinstallation Costs in Determining if a Salvage Title is Required

DATE: November 3, 2009

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**RELEVANT STATUTE: KRS 186A.520 (effective October 1, 2009)**

House Bill 309 (HB 309) enacted by the 2009 Regular Session of the Kentucky General Assembly amended **KRS 186A.520** to provide a means for motor vehicle insurers to exclude airbag reinstallation costs to determine if the cost to rebuild or reconstruct a damaged vehicle exceeds seventy-five percent (75%) of the current National Automobile Dealers’ Association (NADA) retail value for the purpose of determining if a salvage title must be obtained. This law became effective October 1, 2009.

**THE DEPARTMENT’S POSITION:**

The Department has received several inquiries about this legislation. This advisory opinion is intended to provide clarification so that motor vehicle insurers can properly comply with both the spirit and intent of HB 309.

- ☐ Prior to HB 309, KRS 186A.520 required all damaged vehicles with a total estimated repair cost exceeding 75% of the retail value in the current NADA price guide to be subject to salvage title requirements.

- ☐ HB 309's amendments to KRS 186A.520 allow the exclusion of airbag reinstallation costs from the total estimated repair cost for the purpose of determining whether a vehicle would be subject to salvage titling.
- ☐ It is the Department's opinion that "airbag reinstallation costs" includes not only the cost of the airbag but also any component parts, modules, sensors, etc., as well as the labor cost involved to return the airbag to a proper functioning safety device.
- ☐ It is the Department's opinion that airbag reinstallation costs which are excluded from the seventy-five percent (75%) salvage title computation shall be included in the total claim amount on both first and third party claims.
- ☐ It is the Department's opinion that nothing in HB 309 is intended to discharge the motor vehicle insurer's obligation to include the cost/value of the airbag reinstallation costs and collateral interior damage in regard to the overall settlement of a claim.
- ☐—Motor vehicle insurers generally consider a vehicle to be an economical total loss when the estimated cost of repair (including any supplements), plus loss of use and diminution of value for 3<sup>rd</sup> party claims, equals or exceeds the actual cash value of the vehicle less salvage value. This calculation has not changed.

Questions regarding this advisory opinion can be addressed to Consumer Protection, at (502) 564-3630.

\_\_\_\_\_/s/ Sharon P. Clark\_\_\_\_\_  
Sharon P. Clark, Commissioner  
Kentucky Department of Insurance  
On this 3rd day of November, 2009