



SPECIAL REPORT

August 2012

ABUSIVE VEHICLE TOWING & STORAGE PRACTICES: A HALF BILLION DOLLAR PROBLEM

Introduction

Abusive towing and storage practices cost vehicle owners and their insurers over a half a billion dollars each year. The number of reports of inflated towing claims is growing, which means more problems for both vehicle owners and insurance adjusters who must have access to the vehicles. If action is not taken to end these abusive practices, costs can be expected to continue to grow, resulting in higher out-of-pocket expenses for owners and increasing insured loss costs that may translate into higher premiums for policyholders.

To bring attention to these issues, this PCI special report takes an in-depth look, providing analysis on the costs of abusive practices and results from a PCI member survey identifying abusive practices and where they are most prevalent. In addition, the report offers potential solutions that would help lower towing and storage costs for consumers and alleviates their frustrations in retrieving their vehicles.

How Big Is The Problem?

The towing and storage of private passenger automobiles is a multi-billion dollar business. According to the National Highway Traffic Safety Administration (2010), 16 million traffic crashes occur in the U.S. each year.¹ PCI estimates that these crashes result in 10.9 million passenger cars and light trucks being transported from the scene of the accident by a tow truck.² According to industry data,³ the average crash-related towing and storage fee in 2010 was \$412 per claim (\$228 for towing and \$185 for storage). This translates into a total nationwide cost of towing and storing damaged or disabled vehicles of about \$4.5 billion a year.

¹ Of the 16 million crashes each year, 6.2 million are police-reported crashes.

² The number of tow-away crashes (7.8 mill.) is derived from tow-aways (involving 1 or more vehicles) as a percent of crashes (51.7%) from the Federal Highway Administration for 4 available states (IL, MI, MN, NC), applied to NHTSA's countrywide crashes adjusted for passenger cars/light trucks (94%). The number of towed vehicles (10.9 mill.) is based on 20% of single-vehicle towed crashes and 80% multi-vehicle towed crashes (NHTSA); 2 vehicles are assumed to be towed in half of the multi-vehicle crashes.

³ Collision data compiled by Audatex, a subsidiary of Solera, is a leading global claims solution provider.

Towing charges, which impact drivers' out-of-pocket costs in non-accident situations as well as insured costs, vary by location, size of vehicle and distance.⁴ On a nationwide basis, PCI estimates the total excess amount of towing and storage charge to be about \$570 million a year, accounting for 13% of the total annual towing and storage costs.⁵

What Are Abusive Towing Practices?

For many years, there have been growing concerns related to excessive towing and storage fees generated by the practices of some unscrupulous towing companies. Although the vast majority of these firms are honest and well-intentioned, some engage in abusive business practices designed to increase towing and storage charges.

One of the most common causes of towing abuse is failing to provide notice to registered vehicle owners, and insurers that a vehicle has been towed and where it is being stored. Other forms of abuse include unreasonable limitations on access to towed vehicles by their owners or insurers, deliberately vague release procedures and elaborate documentation requirements – these are just a few examples of tools used to generate a larger bill and hold vehicles “hostage” until the bill is paid. By restricting access to the towed vehicle, storage charges are allowed to accumulate, in some cases, to an amount exceeding the value of the vehicle. In addition, there are “unbundled” fees (e.g., for administration, clean-up, helpers, mileage/fuel, labor, dolly, winching, extra hook-up, inspection, wait time and access, etc.) that can be tacked on to the bill, often without itemization, resulting in staggering bills.

Information on towing and storage abuse abounds on the Internet. For example, one website cites a Texas state report that found “lots of complaints of excessive and questionable charges. One Houston-area tow bill cited in the report came in at a whopping \$1,470.”⁶ Other reports include a towing and storage fee costing more than \$500 and towing bills up to \$900.⁷

The above examples are supported by data from the National Insurance Crime Bureau (NICB), which receives and analyzes referrals of questionable insurance claims where fraud is suspected. According to the NICB, the number of referrals related to inflated towing or storage bills have more than doubled between 2009 and 2010⁸ (Fig. 1).

⁴ Towing charges from crashes may also differ from charges for breakdowns and illegally parked cars.

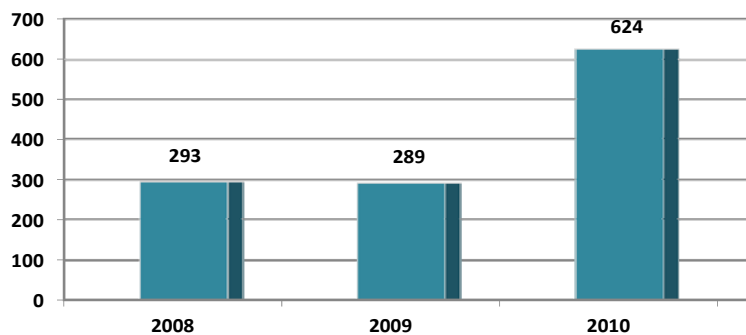
⁵ The \$570 million is derived from the average towing/storage fee of \$412 per vehicle and an assumption that the “usual and customary” tow and storage cost is about \$150 per vehicle. The average excess amount is the difference, or \$262 per vehicle. If 1 out of 5 (or 20% of) passenger cars and light trucks towed from an accident scene had excessive charges applied, the result would be \$570 million (= 10.9 million towed vehicles x 20% x \$262). One (1) out of 5 towed vehicles with excessive charges applied is a conservative estimate, given that the 5 states with the most aggressive towing practices represent 33% of registered cars nationwide.

⁶ Texas Cable News, March 4, 2009

⁷ Topeka Capital-Journal, March 24, 2010, and LJWorld.com, July 17, 2011

⁸ NICB, ForeCAST Report, “Referral Reason Analysis,” January 28, 2011

Figure 1
Referrals of Inflated Tow Bill/Storage
Spiked in 2010



Source: National Insurance Crime Bureau's Questionable Claims Database

PCI National Towing Survey Results

To gauge the scope of the problem, PCI surveyed its members, asking them to identify the most frequent towing- and storage-related problems and the cities and states where they occur most often. Results from PCI's 2011 National Towing Survey⁹ show the following:

- **Towing and Storage abuse is a problem almost everywhere**

- In descending order, Chicago, Philadelphia, New York, Atlanta and Houston are the five cities cited the most for aggressive towing practices.

According to Ed Forsythe, president of the Professional Towing and Recovery Association of Illinois: "Some of the bad guys are charging \$900 to \$1,200 for a tow that's not even three miles, a \$200 fee to clean up the street, \$200 to winch up, and \$75 an hour for using the truck."¹⁰

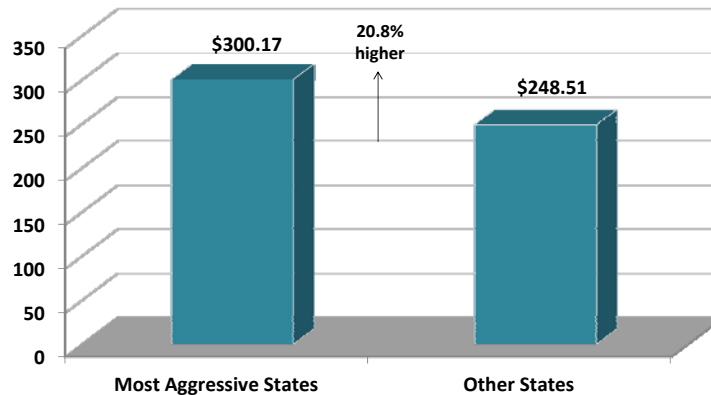
- The five states with the most aggressive towing practices, in descending order, are said to be Illinois, Pennsylvania, New York, New Jersey and California. These states' combined property damage liability and collision loss cost is 21% higher than all other states – the higher cost per vehicle in these five states may be partly attributable to excessive towing and storage fees¹¹ (Fig. 2).

⁹ The PCI survey was conducted in an effort to seek insight into insurers' top concerns over problems with towing companies and negative vehicle owner experiences. A total of 162 claims professionals from PCI member insurers completed the survey.

¹⁰ Insurance.com, "5 Worst Cities for Towing Hassles," August 4, 2011

¹¹ Fast Track Monitoring System, a publicly available report of auto loss experience prepared jointly by Independent Statistical Service, Insurance Services Office, Inc. and National Independent Statistical Service

Figure 2
Five States with Most Aggressive Towing Practices
Have Much Higher Damage Loss Cost than Other States



- However, the problem is by no means limited to the above cities and states. Forty-two (42) states and 149 cities were specifically mentioned by respondents, an indicator of how widespread towing and storage problems are.

- **The most critical towing-related problems for motorists and insurers are:**

- artificially high towing and storage charges and miscellaneous fees;
- inconsistent and difficult release process;
- a lack of transparency and communication from towing companies; and
- delayed access to vehicles for insurance adjusters and vehicle owners.

Insurers point to the release process as being one of the principal concerns in regard to towing. Generally, there are a multitude of steps and requirements for releasing a vehicle. The release procedures and forms are increasingly complicated and oftentimes require cash payments and in-person signatures. Insurers and their policyholders find vehicles being “held hostage.”

Furthermore, claims professionals repeatedly cited problems regarding a lack of transparency and communication in the towing process. Oftentimes, the insurer and vehicle owner cannot immediately locate a vehicle that has been towed and the automobile verification process can be delayed while storage fees are being assessed. In many areas, there are no standards for statements and itemized receipts, creating widespread problems with invoices.

Insurers noted an inability to: challenge towing and storage fees; dispute charges; and negotiate on rates. Insurers and vehicle owners have little leverage in these situations, since charges continue to accrue, leading to a “take it or leave it” attitude from towing facilities. Unstaffed or understaffed lots with limited hours present a myriad of problems for both the insurance adjuster and the vehicle owner.

Insurers were united in expressing frustration while attempting to inspect vehicles that were held by towing companies. Towing companies implemented inconsistent policies and

requirements for when and how adjusters are allowed to access a vehicle. Many insurers cited staggering fees for adjusters to enter a towing yard for inspections. These claims professionals also noted that the conditions within the towing yard made it very challenging as vehicles were parked too close together and the towing companies kept limited operating hours that resulted in additional daily storage charges. Additionally, insurers discussed the problems they continually witnessed when vehicle owners made attempts to collect personal items from their vehicles.

Marketplace challenges were another problem cited by insurers. Generally, insurers were concerned with a lack of choice and competition among some jurisdictions. In many cities, towing companies seem to enjoy exclusive relationships with law enforcement agencies on accident tows. A lack of towing industry standards, regulations, and uniformity in charges and policies severely challenge vehicle owners and their insurers' attempts to secure a timely release of vehicles.

Real-life horror stories reported by survey participants include:

- a vehicle in Iowa was towed 7 miles, resulting in an \$892 bill (excluding storage time) sent to the insurer.
- towing companies in Virginia charged \$350 in administrative fees for letters sent notifying owners that their vehicles were towed to storage facilities.
- a storage facility in Washington, D.C. charged an insurer \$400 per day for large vehicles.
- a Chicago woman was sent a \$915 towing bill after a minor traffic accident. The towing company then charged \$100/day for storage and would not release the vehicle without an in-person cash payment from the owner.

What Are The Solutions?

Towing regulation varies widely, with layers at the state and local level, most often limited to so-called "non-consent" towing. Common examples of "non-consent" towing are cars towed while illegally parked, or abandoned. While it can be argued that there are situations where a vehicle owner or operator may have little opportunity to choose a towing operator or bargain for services, court decisions have routinely found that "consent" towing includes vehicles towed from accident scenes and after a breakdown.

The distinction is an important one, because while the states may fully regulate "non-consent" towing, states are unable to fully regulate "consent" towing as they are preempted by provisions in federal law. This preemption does provide some benefits for consumers by preventing duplicative regulation in multi-state metropolitan areas (avoiding absurd situations such as having to change tow companies at state or city lines), but in some cases it has been used inappropriately as an obstacle to common sense reforms.

PCI supports effective regulation of accident scene towing practices to increase transparency, provide for reasonable release processes and access to towed vehicles, and

bring towing and storage charges under control. Effective towing regulation should include the following items:

- Specific notice requirements, within 24 hours of the commencement of the towing, so that the owner or insurer can be aware of charges being accumulated. This should cover both non-consent and consent tow situations.
- Require that vehicles be released from a towing or storage facility to a properly designated insurance representative when a statement of owner consent is provided.
- For non-consent tows, there should be limits on the distance that a vehicle is towed. For consent tows there should not be a limit on the distance as long as the tow contractor provides a specific estimate of the towing expense prior to the vehicle being towed.
- Clear disclosures covering the receipt and release of the vehicle, providing the street address, hours of operation and contact numbers of the storage facility to the owner, insurer, and insured. This covers both non-consent and consent tow situations.
- Prohibition against towing vehicles from private property without consent of the property owner. As such, this provision applies to non-consent tows.
- Itemized statements for all towing and storage services provided.
- No storage charge accrual on days when the facility is not open for the recovery of stored vehicles. This covers both non-consent and consent tow situations.
- Clear disclosures on storage charges, no extra charges for contrived charges such as vehicle access and inspection charges or charges for moving a vehicle from one place to another in the same facility.

PCI is composed of more than 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI members write more than \$190 billion in annual premium, 40 percent of the nation's property casualty insurance. Member companies write 46 percent of the U.S. automobile insurance market, 32 percent of the homeowners market, 38 percent of the commercial property and liability market, and 41 percent of the private workers compensation market.