

Salvage firms compete with Internet and overseas

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An 18-wheeler carrying over 1,000 computer monitors from a Mexican assembly plant overturned in January of last year. A huge insurance loss? Not really, thanks to the demands of the salvage marketplace.

The driver was unharmed, but a portion of the monitors was heavily damaged. Following the accident, the computer manufacturer filed a claim and the monitors were returned to its assembly plant for storage in containers.

Then in stepped SalvageSale, an Internet-based auction site devoted to the purchase and sale of commercial salvage. The company assessed which monitors were still in good condition, and SalvageSale paid the manufacturer's employees overtime to paint over the manufacturer's logo.

"When dealing with consumer products manufacturers often have concerns about their brands being associated with damaged goods," said Daniel Parsley, chairman and CEO of SalvageSale. "Many companies have clauses to destroy these goods but the salvage industry addresses those concerns and removes their brands to create generic salvage."

SalvageSale then put the genericized monitors on its auction Web site (www.SalvageSale.com), which is like an eBay for commercial buyers, and after 973 bidder inquiries and 300 bids, recouped 45 percent of the manufacturer's losses.

The salvage industry is nothing new, but the online approach is a new twist. The market can include metals, paper goods, agricultural products and retail goods. For years stores like Building # 19 in Massachusetts, Martin's in Maine and C-Mart in Maryland have been peddling wares that they acquired at salvage auctions, but since so much manufacturing has gone overseas, retail goods don't flow as frequently through these outlets.

"Right now less than 5 percent of Building #19's merchandise is from insurance salvage," said Frank Puopolo, president of Danvers, Mass.-based Puopolo and Associates.

"The focus of the traditional salvage market has changed drastically," said Puopolo, recalling a time when the department store Marshalls used to buy and sell salvaged goods. "Our industry has shrunk measurably over the past 10 to 15 years. We're more involved with the service side of business as opposed to just selling salvage now."

The service component of the salvage business involves site assessment, damage evaluation, inventory preparation, brands and label protection, transportation, storage, site cleaning, disposal of stock, value verification and sale of stock.

To remedy the deficit of demand, more salvors are turning to the Internet. Puopolo's company is part of a network of some of the biggest salvors, who have a Web site at www.salvageco-op.com.

"Any single one of us probably wouldn't have enough merchandise to be best sold over the Internet, but with six of us we come up with enough things to put up there," he said. "Combined, we have over 1,000 years of experience."

Some of the traditional salvors don't have many good things to say about their online competitor SalvageSale.

"It has certainly had an effect on us," said Puopolo about SalvageSale's entrance into the national market in 2000.

Peter Carello, functional director of claims subrogation at The Hartford, said a lot of the traditional salvors with whom he has done business were concerned when The Hartford began doing business with SalvageSale.

"I think they really have the market cornered at this point," he said.

In the salvage food chain Carello is in charge of subrogation, meaning he stands in the shoes of the insured and tries to collect the money The Hartford has already paid for the claim. He said the advantage of SalvageSale is the

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speed of the transaction. By linking insurance companies directly to potential buyers worldwide, SalvageSale speeds up the sales process.

John Chartrand, owner of Chartrand Equipment Co. in Red Bud, Ill., has been pleased with the equipment he has purchased from SalvageSale.

"I'm in the parts business so when I get it I tear it down to the good parts," he said. "Anytime you're buying salvaged equipment you have to allow for some problems, but so far I haven't run into any with them."

Howard Stoner, president of Boston-based salvage company Stoner & Co., works throughout North America, Mexico and the Caribbean, specializing in large industrial and commercial losses for insurance companies. He said he has found the Internet to be a great resource for locating buyers, but he is uncertain about the viability of online marketplaces in salvage.

"I think time will reveal the merits of it," he said. □

Waters Insurance Agencies in 1998 and Palmer-Goodell in 2000.

Kemper Services, a Platinum Equity company, unveiled its new name and corporate identity: Broadspire, a provider of casualty and disability claims management and risk and safety consulting services. Platinum Equity, LLC, purchased the service business in July from Lumbermans Mutual Casualty Co.

Proformance Insurance Co. has agreed to acquire the New Jersey auto and homeowners insurance business of Sentry Insurance a Mutual Co. of Stevens Point, Wisconsin in a transaction valued at \$4.75 million. Sentry continues to operate in New Jersey for business insurance, which is not affected by this transaction.

Three Massachusetts insurance agencies have changed their name to reflect their affiliation to their parent company, Banknorth Group, Inc.

Effective immediately, Palmer-Goodell Insurance Agency in Springfield, Mass., Catalano Insurance Agency in Methuen, and Waters Insurance Agency in Topsfield will be known as Banknorth Insurance Agency, Inc./MA.

Banknorth acquired Catalano and