



Insurance salvage rights for classic car policyholders

The Federation of British Historic Vehicle Clubs (FBHVC) reported in its latest newsletter that it has been making enquiries into cases where specialist classic car insurers have amended their policies regarding salvage rights in the event of a total write off but appear to be using terms that apply to modern vehicle accident conditions. The situation with classic cars is different because, depending on the loss category, many owners of historic vehicles would quite understandably be unhappy to see their cherished vehicle crushed when several of the body panels, interior trim or mechanical components could be salvaged and re-used to good and safe advantage. In other cases the costs of repair of major damage may exceed the agreed insurance value so the cars are considered uneconomic repair cases by the insurer and are classed as a Category C, but many classic car owners faced with that situation might prefer to rebuild the damaged car. So Victor Smith contacted the classic car insurance specialists, Peter Best Insurance Services (PBIS), for their views on this topical issue – insurance salvage rights.

PBIS have a long established relationship with the leading insurer Ecclesiastical and together they have developed policies specifically designed to give some of the class leading cover for enthusiasts' classic cars, not least MGs. When it comes to salvage rights under classic car policies Peter Best acknowledges it is a "subject which can be grey" but says "where it is permissible for the vehicle or parts to be

returned to the client, Ecclesiastical will always endeavour to do so. There will be a fair charge for the scrap value which is deducted from the agreed value payable on a major claim. With monocoque construction vehicles in particular, if the vehicle is a total write off - for example as a result of fire and no parts are redeemable that is defined as Category A (often referred to as a "Crisp") - and there will not be any salvage available. If however parts of the vehicle are salvageable, then these can be purchased as the vehicle is deemed Category B. Where, however, the vehicle can be physically repaired safely but the cost is more than the agreed value, known as Category C, then the vehicle can be returned to the client at a negotiated price. The fourth Category D is for vehicles repaired normally within economic circumstances."

Peter notes the "issue with monocoque vehicles is one of safety – caused by weakness in the hidden structure of the shell. For example, we had two Mercedes which were not allowed back on the road after an intense fire on the basis that the welds in the pillars may have disintegrated. Similarly, vehicles immersed in salt or flood water – for example in sea water, river flooding or sewage rising from drains in flood conditions - may also suffer corrosion of the hidden areas. Normally vehicles with a chassis are less prone to major destruction and we have experience of one MGA damaged heavily by fire where a number of parts were redeemable."

Specialist insurers recognise classic car enthusiasts are generally a good risk group

as they care for their vehicles in terms of good maintenance and secure overnight garaging and they usually cover modest annual mileages driven for pleasure. So whilst the incidence of major accident damage is relatively low, many enthusiasts have been aware in varying degrees that their classic car insurance policy might include salvage rights – but quite what those rights are most members would prefer not to have it clarified by the experience of the settlement of a claim following a major accident involving a vehicle write-off.

In response to my seeking clarification of a policyholder's salvage rights under an Ecclesiastical limited mileage agreed value classic car policy through PBIS, Peter replied "your question relates to the inclusion of a salvage clause in the policy wording. This is something that the Ecclesiastical Insurance Group and PBIS plan to have in the next reprint of our policy booklet to reduce ambiguity over what is a complex issue". He added "this response has been agreed with Ecclesiastical who, although recognising that vehicle salvage technically becomes the property of the insurer once an agreed value has been paid, they also recognise the importance of a historic car or collectable vehicle being returned to the owner for a subsequent rebuild or for parts. So it falls outside their standard vehicle scrapping arrangements".

So reading Peter's note the only outstanding point for enthusiasts with PBIS classic car cover arranged through Ecclesiastical is to see the salvage clause in the updated policy booklet. That will form part of the policy wording which is likely to take the form of an addition to the General Conditions section, or possibly under the "Settlement of claims under Section 1: Loss or Damage to your Vehicle" section, in the next reprint of the policy booklet that is issued with the policies arranged by PBIS.

Many members will be aware of the vehicle loss categories Peter refers to and recognise the quite reasonable concerns over allowing a Category A Crisp back on the road, so in drafting a clause covering salvage rights as an addition to the General Conditions applying to all sections of the policy, I can see using the qualification of "permissible return" of the vehicle for use on public roads would cover the legal constraints given the category of loss attached to the vehicle. But the essential point is the salvage rights of the policyholder will be clear, but there will be a fair charge for the scrap value which would be deducted from the agreed value payable on a major claim. That will be clarified by the new policy wording which we await.