

## Salvage Retention

(Your Schedule will confirm if this cover is in force)

Under Section 2 – Loss of or damage to **Your Vehicle**, if **Your Vehicle** is considered a total loss, **You** may have the option to retain the salvage of the insured **Vehicle**. This option is offered at the time of the loss. This will be salvage category dependent:

- **Category A** - The vehicle would be so structurally damaged that it is not possible to repair it economically or safely. The vehicle must be crushed in its entirety. The salvage cannot be retained in this circumstance.
- **Category B** - The vehicle would be so structurally damaged that it is not possible to repair it economically or safely. The shell, frame and chassis must be crushed. Usable parts can be recycled by a salvage disposer. The salvage cannot be retained in this circumstance.
- **Category S** - The vehicle has sustained damage to any part of the structural frame or chassis therefore the insurer has decided not to repair the vehicle. The salvage can be retained in this circumstance.
- **Category N** - The vehicle has not sustained damage to the structural frame or chassis and the insurer has decided not to repair the vehicle. There maybe some safety items that require replacement. The salvage can be retained in this circumstance.

The cost of the salvage is deducted from the payment made to **You** (if applicable) upon settlement of the claim.

## Salvage retention with classic car insurance

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 their vehicle being a write-off. A key concern has been the insured's right to salvage retention and the terms of that retention.

There are **essentially two main issues**: whether a badly damaged car can be returned to the owner (where the write-off categories apply) and also what are the conditions attached to the insured's salvage retention rights under a classic car insurance policy and whether there is a buy-back condition. A **particularly sensitive issue has been “salvage buy-back” conditions in classic car insurance policies** where, following a full agreed value payment has been made to the insured by the insurer, the insured has then been faced with making a payment to the insurer to retain the salvage so they have the opportunity to rebuild the car or at least retain key parts.

### Salvage retention clauses in the policy

For a classic car owner the key concern has been the inclusion of a salvage retention clause in the classic car policy wording. However this is something that specialist classic car insurers have been reviewing over recent years and have revised policy documents to reduce ambiguity over what is a complex issue. Some specialist

insurers have recognised the importance of a historic car or collectable vehicle being returned to the owner following a claim for major damage for a subsequent rebuild or for parts. Whilst this falls outside insurers' standard vehicle scrapping arrangements because vehicle salvage technically becomes the property of the insurer once a payout has been made to the insured. In the case of a typical classic car policy that would be once an agreed value payment (a key part of classic car cover) has been made to the insured. But some specialist insurers now offer policy enhancements for a small additional premium to provide “NIL Deduction Salvage Retention”.

### What does the term 'write-off' mean?

Alongside is clarification provided in a classic car policy document. See also information on the RAC website at:

<https://www.rac.co.uk/drive/advice/know-how/what-is-an-insurance-write-off/>

## Nil Deduction Salvage Retention

(Your Schedule will confirm if this cover is in force)

Under Section 2 – Loss of or damage to **Your Vehicle**, if **Your Vehicle** is considered a total loss, **You** may have the option to retain the salvage of the insured **Vehicle** deduction free (only if this is shown on **Your Schedule** of insurance). This cover is only available for vehicles up to a value of £50,000. This will be salvage category dependent:

- **Category A** - The vehicle would be so structurally damaged that it is not possible to repair it economically or safely. The vehicle must be crushed in its entirety. The salvage cannot be retained in this circumstance.
- **Category B** - The vehicle would be so structurally damaged that it is not possible to repair it economically or safely. The shell, frame and chassis must be crushed. Usable parts can be recycled by a salvage disposer. The salvage cannot be retained in this circumstance.
- **Category S** - The vehicle has sustained damage to any part of the structural frame or chassis therefore the insurer has decided not to repair the vehicle. The salvage can be retained in this circumstance.
- **Category N** - The vehicle has not sustained damage to the structural frame or chassis and the insurer has decided not to repair the vehicle. There maybe some safety items that require replacement. The salvage can be retained in this circumstance.

### Example of policy enhancements for “NIL Deduction Salvage Retention”

The specialist classic car insurer offers a policy enhancement with their “agreed value” classic car policies for a modest additional premium. The cover above is only available for cars up to a value of £50,000 but another enhancement will cover up to a £100,000.

Annual Premium	£90.90
Nil Deduction Salvage Retention	£15.00
Agreed Value	£12.00
<b>Total</b>	<b>£117.90</b>

Where applicable, Insurance Premium Tax has been included at the appropriate rate.