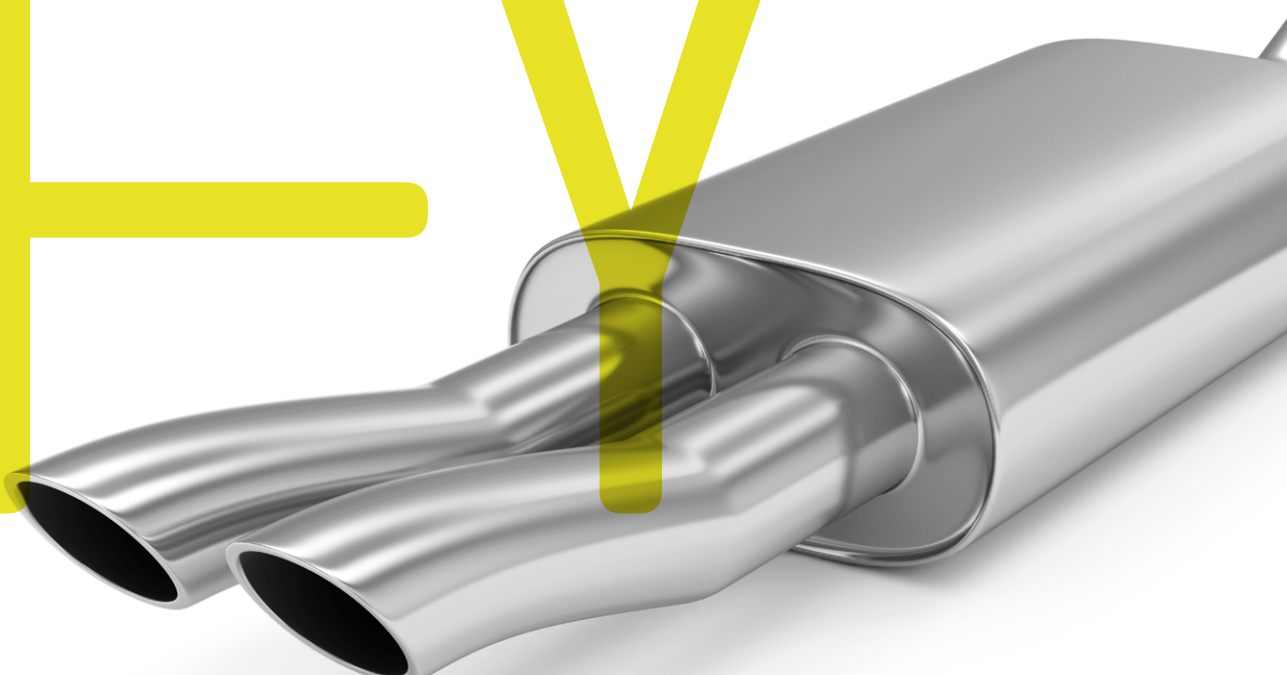


MODIFIED



BIBA

In partnership with
ageas

REPORT ON MODIFIED VEHICLES

BRITISH INSURANCE BROKERS' ASSOCIATION



WHAT IN A CAR

REPORT ON MODIFIED VEHICLES

The British Insurance Brokers' Association (BIBA) is the UK's leading general insurance intermediary organisation representing the interests of insurance brokers, intermediaries and their customers.

BIBA membership includes over 1,850 regulated firms, employing more than 100,000 staff. Insurance brokers put their customers' interests first, providing advice, access to suitable insurance protection and risk management.

BIBA manages around 600,000 enquiries a year through its Find Insurance services online and via the telephone.

BIBA is the voice of the sector advising members, the regulators, consumer bodies and other stakeholders on key insurance issues.

Ageas is one of the largest general insurers in the United Kingdom, making insurance easy for around five million customers.

Ageas offers car, home, fleet and small business insurance through brokers, affinity partners and its own brands, Rias and Ageas.

Ageas is a wholly owned subsidiary of Ageas Group, which is listed on the Belgium stock exchange.

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- FORE WORD

This new guide from BIBA is designed to help customers and brokers understand more about the insurance of modified vehicles. Our research shows that there is a lot of confusion and little practical guidance for customers in this area which potentially could result in policy restrictions that may affect cover, claims or premiums. It explores the central question of 'what constitutes a modification?' and what needs to be disclosed to an insurer. This is illustrated with some real life claim examples and we are grateful to The Financial Ombudsman's Service for sharing these with us.

We have put together a list of common modifications and some 'Top Tips' when it comes to arranging insurance. Central to these is the role of the specialist motor broker who understands this often complex area and can find the best insurer to meet the specific needs of the customer. We are grateful to our insurer partner Ageas - which offers insurance for modified vehicles - for their help in producing this guide.



Graeme Trudgill FCII
Executive Director,
BIBA

ageas



Adam Clarke,
Chief Underwriting Officer,
Ageas

Driving should be enjoyable, whether it's for work or for pleasure. However, for many people, finding the right insurance for a vehicle can be confusing when it comes to declaring modifications.

After all, it may not be clear what's been added to a car by its previous owner, or even by an authorised dealership after the vehicle left its factory. What many people don't realise is that optional extras are actually considered to be vehicle modifications – even on a brand-new car.

It's true, most simple modifications are covered by standard policies. Things like alloy wheels and tow bars, for example. But if a vehicle has been fitted with, say, an enhanced induction kit or treated to a bespoke paint job, specialist insurance may be needed. When a second-hand vehicle is purchased, it's always a good idea to ask the seller for detailed information about any optional extras they've fitted. To be fully covered by an insurance policy, the extent of the vehicle's modifications must be fully declared.

At Ageas, we're keen to make insurance easy. So we're pleased to be supporting BIBA with this much needed guide to help improve understanding of modifications and how they affect your insurance.

Modified or not, it's always better to be safe than sorry.

INTRODUCTION

Have you fitted door poppers to your car, running boards to your 4WD or added an awning to your camper van? Not things you may think are significant enough to tell your insurer, but which actually could invalidate your motor insurance. Research conducted by BIBA reveals that there's an extensive list of modifications that an insurer may want to know about.

Many simply want to know about modifications since the car left the dealership, but in fact some, say they treat optional extras fitted to the car when new by a manufacturer as a modification.

There are numerous reasons why insurers need to know about seemingly less important modifications that don't affect performance. These could be because cosmetic changes to the bodywork could increase the value to thieves or a decal might be seen as provocative and attract vandalism. Modified parts can also be difficult for an insurer to source replacements if there is damage or a theft.

Every insurer is different – some treat locking wheel nuts and a roof rack as modifications that must be referred, others don't. Some insurers charge extra, some don't. What about if you order a new car with a few accessories? If in doubt, always err on the side of caution and ask your broker or insurer.





The good news is that there is a healthy specialist insurance broker market available for modified vehicles. You can find a specialist motor insurance broker by using BIBA's Find Insurance service via www.biba.org.uk or by calling 0370 9501790. These brokers will have access to a range of insurers who are happy to insure modified vehicles, ranging from simple upgrades bought at the time of purchase through to more extensive modifications to bodywork and engine performance.

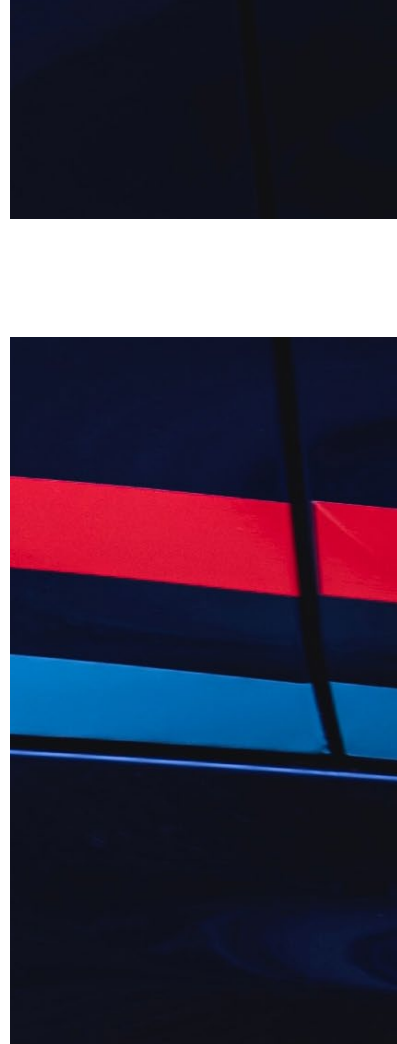




A.

WHEN IS A MODIFICATION A MODIFICATION?

Some insurance providers say “a vehicle is considered modified if it has been changed in any way since it was first supplied by the vehicle manufacturer”. However, others say that a modification is “*any alteration to the manufacturers’ standard specification to your car, including optional extras fitted to the car when new by the vehicle manufacturer or dealer, which improves its value, performance, appearance or attractiveness to thieves.*”



Looking at those differences:

1. Manufacturer's additional options from new versus standard basic manufacturer specification. Examples include, leather seats, alloy wheels, bespoke paintwork – tend to be acceptable depending on the value of the vehicle. However, if the specification of your vehicle elevates it beyond the standard specification and increases the purchase price it could also increase the value of the vehicle (and the cost of replacing it) so should be disclosed to your insurer. The majority of insurers will cover these types of modified vehicles and charge a premium that reflects the higher replacement value of your vehicle. If you buy your car second hand it can be difficult to identify optional extras so it's always good to check with the seller.

2. After market accessories – such as roof-racks, tow-bars and locking wheel nuts – are acceptable to most insurers and incur no additional premium. If your car has these accessories it's sensible to disclose them to your insurer.

3. Modified Vehicles - It does not matter if these are done by the manufacturer or an after-market specialist, they must always be disclosed. Examples include, performance enhancing or noise enhancing exhausts, graphics on the car (such as a Union Jack on the roof of a Mini) and performance enhancements to the engine. Not all insurers will accept every modification, but specialist insurers do exist and an insurance broker can usually find a solution. The insurer will need to agree and accept each modification and is likely to charge an additional premium, and/or impose other terms, such as a higher excess.



B. WHAT DOES THE FINANCIAL OMBUDSMAN SERVICE SAY?

Two case studies show what issues can arise because of modifications and how the Ombudsman has ruled:

Case 1: FOS ref 79/10. Insurer refuses to pay claim for theft of a car because the consumer had not disclosed the modifications made to his vehicle.

Mr T's car was stolen from the street where he parked it while he was visiting his local gym. He put in a claim under his motor policy and later told the Ombudsman he was 'totally shocked' when his insurer refused to pay out. The insurer said it was clear from the information Mr T provided in his claim that the car had been modified.

However, he had never notified the insurer of any modifications and he had answered 'no' when asked on the proposal form if he had modified or altered the car. The insurer had therefore 'voided' his policy (in effect treating it as though it had never existed) and it told Mr T he was not covered for the theft. Mr T complained that he was being treated unfairly, but the insurer would not alter its view, so he came to the Ombudsman.

Complaint upheld. Mr T confirmed that he had added 'a satnav unit, Bluetooth kit, PlayStation and CD changer'. However, he said he regarded these as 'simple additions, not modifications'.

The Ombudsman looked at the proposal form that Mr T had completed when applying for his policy.

This included a question headed 'Modifications', asking if there had been 'any changes to the engine, plus any cosmetic changes to the bodywork, suspension, wheels or brakes'. Mr T had answered 'no'.

The Ombudsman accepted the insurer's point that the changes Mr T had made could well have made his car more attractive to thieves. However, there was nothing on the proposal form to indicate that it considered changes of this type to be 'modifications'. The Ombudsman did not see that Mr T could reasonably have been expected to know, from the examples given by the insurer, that he should have answered 'yes' to the question about modifications.

The Ombudsman upheld the complaint and said the insurer should settle the claim in line with the usual terms and conditions of the policy. The Ombudsman said it should also add interest, from the date when the car was stolen to the date when the claim was settled.

CASE
STUDY



Case 2: FOS ref 79/11. Insurer refuses to pay claim for theft of car because consumer had not disclosed the modifications made to his vehicle.

Mr C returned from a short business trip to find his car had been stolen from the side-road where he usually parked it, close to his house. He rang the insurer to report the theft and, while confirming the details, he mentioned that several modifications had been made to the car. The insurer was not aware that the car had been modified in any way. It told Mr C it would never have offered him insurance if it had known about the modifications. It declared his policy 'void' and rejected his claim. Very unhappy with this outcome, Mr C brought his complaint to the Ombudsman.

Complaint upheld. Mr C accepted that he had made a number of changes to his car, but he disputed the insurer's view that these changes amounted to 'modifications'. The Ombudsman looked at what the insurer had said about modifications when Mr C applied for his policy. He had completed his application online and we noted that there was a clearly-worded section asking for details of any modifications. Applicants were told to phone the insurer if they were at all unsure about the type of information they were required to provide in this section.

The Ombudsman then checked what Mr C had told the insurer when he reported the theft of his car. The insurer's recording of the call showed that Mr C had not had any difficulty understanding the question when asked if his car had 'any modifications'. He had responded by detailing all the changes that had been made to his car. The Ombudsman therefore concluded that he had been aware these changes amounted to modifications and that he had failed to disclose them when he applied for his policy.

The insurer argued that Mr C's failure to disclose the modifications was a 'material fact' – in other words, something that would influence an underwriter when deciding whether to offer insurance in a particular case, and the terms and conditions that should apply. In cases where a consumer 'deliberately' or 'recklessly' fails to disclose a material fact, the insurer is able to 'void' the policy (treat it as if it never existed). But if the non-disclosure was 'innocent' or 'inadvertent', then the insurer should re-write the insurance on the terms it would have offered – if it had known all the facts.

When the Ombudsman asked the insurer to provide evidence of the approach it would have adopted, if it had known the full facts in this case. It sent the Ombudsman a copy of its underwriting manual. This indicated that if the insurer had known about the modifications, it would still have offered to cover Mr C, but it would have increased the premium by 75%.

The Ombudsman had found no evidence to suggest that Mr C had acted 'deliberately' or 'recklessly' in failing to disclose the modifications and concluded that his non-disclosure was 'inadvertent'. The premium he had paid was only a proportion of the full amount he would have paid if the insurer had known all the facts. The Ombudsman said the insurer should pay part of Mr C's claim to reflect the proportion of the (correct) premium that he had actually paid.



C.

WHAT IF THE NEW OWNER OF A SECOND HAND CAR WAS UNAWARE THAT SOME ITEMS WERE NOT ORIGINAL SPECIFICATION?

The customer is expected to answer the specific questions asked when they arrange the insurance for the vehicle to the best of their knowledge and belief. Insurers recognise not every policyholder is an expert and may not appreciate different wheels or a modest boot spoiler.

However, any obvious modifications not disclosed could potentially risk the policy being voided. If in doubt, send a photograph of your vehicle to your insurance broker or ask your main dealer for written confirmation of any changes from the standard specification.

D.

CONSUMER INSURANCE (DISCLOSURE AND REPRESENTATIONS) ACT 2012 (CIDRA)

What you need to tell an insurer when buying a private motor insurance policy is subject to the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). The Act requires an individual to take reasonable care not to make a misrepresentation to insurers when taking out an insurance policy. In effect this simply means making sure that you answer the questions raised by insurers honestly and with reasonable care.

If you fail to take reasonable care, you may find that insurers are able to void the policy, or, alternatively, you may find that an entire claim or a proportion of it may not be payable.

When setting questions on proposal forms / statement of facts, insurers normally prepare a list of questions that cover all the material facts they need to know.



Here is a list of some of the things an insurer would consider to be a modification to a car or motorcycle, grouped into eight different categories however there may be other modifications not listed:

Spoilers/body kits

- > Rear roof spoiler
- > Front or rear spoiler / airdam
- > Body kit
- > Rear valance

Paintwork

Stickers may be mentioned in insurers' lists of modifications. This reflects the fact that insurers may want to know about a graphic of substantial size that you (or the previous owner) applied to the bodywork. If you have any doubts you should speak to your insurer.

- > Paintwork / designs / decals
- > Murals
- > Graphics / decals – decoration / non-advertising

- > Paint work – non standard
- > Paint work – race replica
- > Painted signs
- > Non-standard respray
- > Badges indicating increased performance
- > Stripes

Suspension/steering

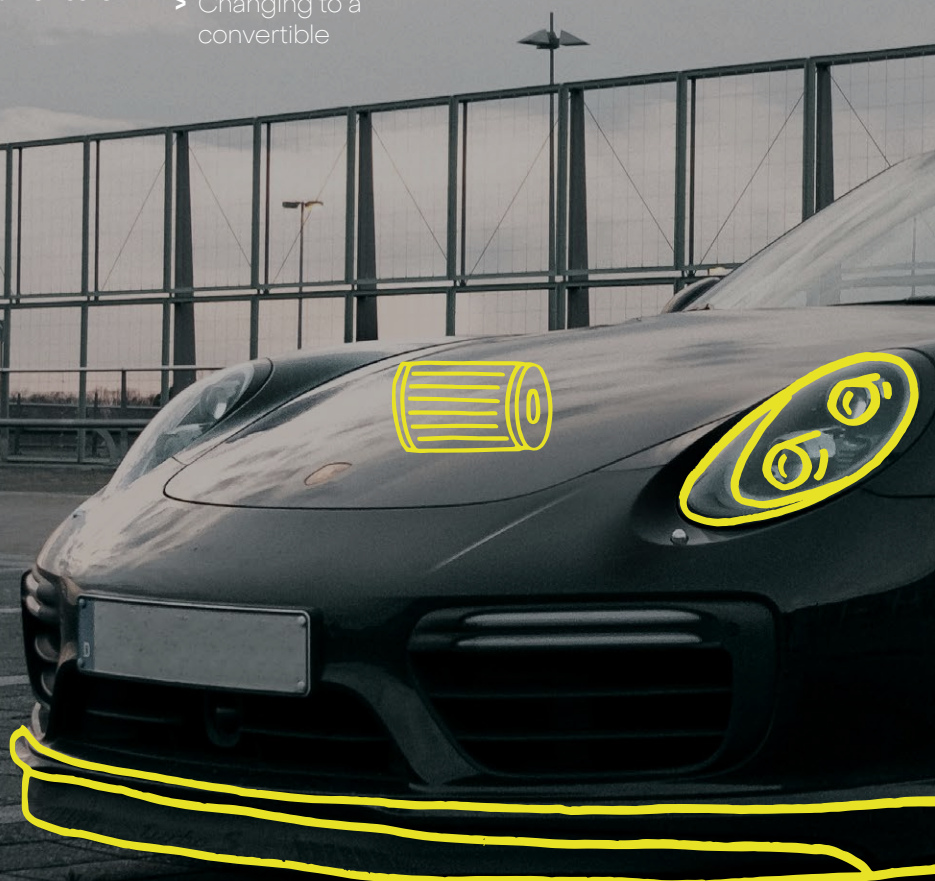
- > Chassis changes
- > Fork braces
- > Forks – extended
- > Frame modified
- > Steering change
- > Suspension – airbag / hydraulic
- > Suspension – updated / lowered / stiffened spring & dampers
- > Suspension changes
- > Uprated anti-roll bars

Wheels/tyres

- > Wheel spacers
- > Wheels – carbon
- > Wheels – magnesium
- > Wider tyres
- > Wider wheels
- > Trial tyres

Exterior and Interior body modifications

- > Additional seating
- > Additional windows
- > Door poppers
- > Cabriolet conversion
- > Camper van conversion
- > Carbon fibre bonnet
- > Interior changes
- > Larger speakers
- > Petrol tank changes
- > Upholstery changes
- > Rear sets
- > Winch
- > Changing to a convertible
- > Bonnet bulge
- > Altered pedal configuration
- > Awning – added or upgraded
- > Fairings
- > Fibreglass panels
- > Luggage system / panniers
- > Roll bars
- > Roll cage
- > Seats – removal
- > Seats – replacement
- > Altered pedal configuration
- > Awning – added or upgraded
- > Fairings
- > Fibreglass panels
- > Flared wheel arches
- > Flared wings
- > High roof
- > Hoist
- > Galvanised chassis



E.

WHAT COULD AN INSURER CONSIDER TO BE A 'MODIFICATION'?

- > Emergency services blue light
- > Refrigeration
- > Pop up roof – added or upgraded
- > Side skirts / sills
- > Side steps
- > Road conversion
- > Tail lift

Engine transmission and exhaust

- > Bored-out engine
- > Engine casing guards
- > Engine chip
- > Engine tuned
- > Carburettor changed
- > Chipping – engine management system changes
- > Dual controls

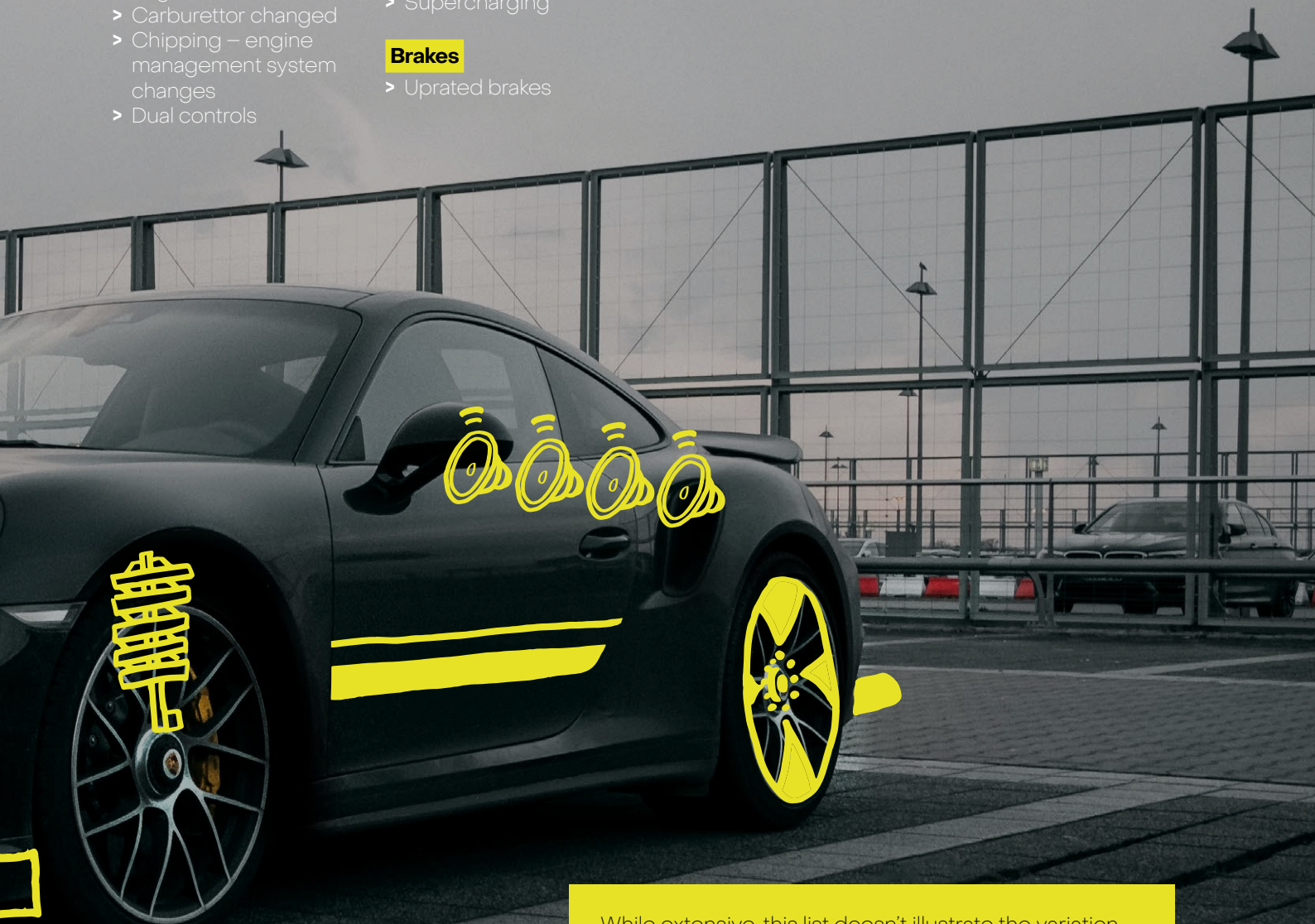
- > Exhaust system changes – cosmetic and performance
- > Induction kit (non-turbo or turbo)
- > Intercooler – any changes
- > Uprated cam
- > Stage 2 head
- > Stage 4 head
- > Uprated fuel injection
- > Water injection system
- > Gearing change
- > Blueprinting
- > Overdrive
- > Snorkel
- > Supercharging

Brakes

- > Uprated brakes

Winter tyres

There is an industry commitment, known as Winter Tyres – the Motor Insurance Commitment, where more than 70 motor insurers state they do not require an additional premium for these provided that the winter tyres meet, and are fitted in accordance with, the relevant manufacturers' specifications and are in a roadworthy condition while in use. You may need to check whether your insurer still needs to know about the use of winter tyres. You can read the industry commitment at www.abi.org.uk



While extensive, this list doesn't illustrate the variation inside each modification. For example, chipping can result in big differences in engine performance. Power increases of 25% are as achievable as a 10% improvement in miles per gallon. Having a broker and insurer that understands the difference can save you money on your premium.

CASE STUDIES



Example 1

A client contacted a BIBA insurance broker via a comparison site to discuss a heavily modified classic Ford Escort. The vehicle was a rally replica with a list of more than 20 different modifications. These included, but were not limited to, a full roll cage, paintwork, bored out non-standard engine and bucket seats. The customer had found it difficult to find an insurer willing to cover the vehicle.

The customer spoke to the broker, who specialised in motor insurance, and was asked for the full modification specification list of the vehicle to ensure all the facts required about the vehicle were available.

The broker was able to present the risk to their panel of specialist insurers and obtain terms that were acceptable ensuring the customer had suitable motor insurance.

Example 2

A BMW enthusiast contacted a BIBA insurance broker to insure a modified BMW M135i. The vehicle had been extensively modified: the engine had been remapped to 400 Brake Horse Power (BHP), a significant increase from the standard BHP, and a new exhaust, uprated brakes, suspension and alloy wheels had been fitted. Due to the BHP increase, the owner had not been able to find an insurer to assist.

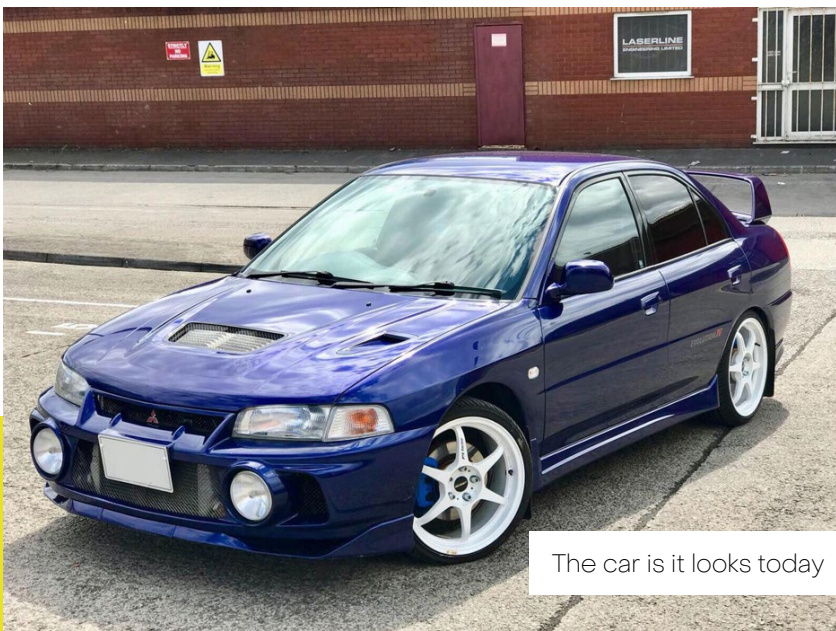
Thanks to the broker's expertise and access to niche insurers, a solution was found and the vehicle was insured without any issues. The specialist broker's understanding of these types of risks also helped reveal that the vehicle had additional modifications that the owner had not previously disclosed. The owner had thought he only needed to disclose changes to his engine and not the other upgrades he had carried out.



Example 3

This case involves extensive modifications to a rare Mitsubishi Lancer Evolution IV. The vehicle had been imported to the UK in 2006 and the original specification had not been altered in any way since it first left the factory in Japan in 1997. It was bought by its current owner in 2015 and underwent a significant upgrade with the following enhancements being made to boost performance:

- > HKS hardpipe kit
- > LD performance boost controller
- > Buddy Club P1 alloys with brand new tyres (£600)
- > Aftermarket exhaust system
- > HKS mushroom induction kit
- > Yellow speed coilovers worth £800
- > Cosworth high pressure coolant cap
- > Samco hoses
- > Autowatch alarm and immobiliser
- > Forge dumpvalve
- > Bigger intercooler



The car is it looks today



The modified vehicle is insured by BIBA member Grove and Dean who specialise in motor insurance.

TOP TIPS

- Speak to your insurance broker / insurance provider if there are any new accessories or modifications you either know have been fitted or you wish to change.
- Always err on the side of caution and disclose all modifications, however minor they may seem.
- Remember not every insurer will accept all modifications, but the BIBA Find Insurance service on 0370 950 1790 / www.biba.org.uk helps to find a broker who can assist.
- If using a comparison site, remember to re-check the insurer's exact questions on modifications if you go through to its own website as these may not be the same.
- If in doubt send a photograph of your vehicle to your insurance broker or ask your main dealer for written confirmation of any changes from the standard specification.
- Check your insurance documentation to make sure all of your modifications are on there – this is what your insurer will refer to if you need to make a claim.
- When buying a second-hand vehicle, ask the seller for detailed information about any optional extras they've fitted.





BIBA

Find Insurance

Insurance brokers can provide advice and access a wide range of insurance providers to help find solutions for all types of insurance needs.

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