

AN EMPLOYER'S GUIDE TO MODIFIED VEHICLES



ROMERO
INSURANCE BROKERS

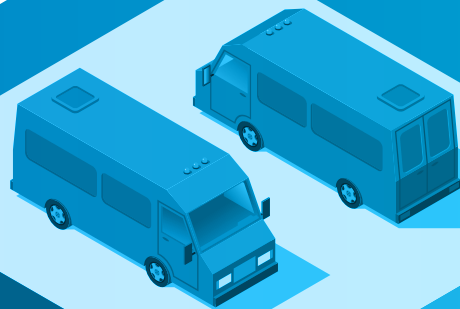
DRIVING YOU IN THE RIGHT DIRECTION

We are one of the leading independent insurance brokers in the country. As an insurance broker, our job is to look after our customers.

We're not just about providing insurance cover. We offer industry advice, ranging from in-depth knowledge about insurance policies right through to risk management expertise.

We provide access to insurance for commercial clients, sports and leisure industries, private clients and many more. Our team are also expert fleet insurance brokers – working with large businesses to provide cover for all their vehicles, big or small. Managing the claims for dozens (or in some cases hundreds) of vehicles can be a tricky task but our team are up for the challenge and have received an array of fantastic testimonials from happy customers.

Now it's our turn to pass on our industry knowledge. Following on from BIBA's recent report on modified vehicles, we have developed this whitepaper to help you understand what a 'modification' is and how this could impact your insurance.





FOREWORD

Customers and brokers might not always know the ins and outs of their vehicle insurance. It almost goes without saying that, to be able to declare modifications to your insurer you'll need to know what classes as a modification in the first place. A car window sticker isn't classed as a modification, surely? You might be surprised to know that it is.

It's key for us to educate our customers to ensure their cover remains unaffected and, in the event of a claim, they're not faced with any unexpected surprises.

This whitepaper will hopefully serve as a reference guide for those wanting to know more information about fleet insurance and when to declare modifications.

**Simon Mabb, Director
Romero Insurance**

INTRODUCTION

DID YOU KNOW...

- ◆ You might not know what's been added to a car by the previous owner, but it still classes as a modification.
- ◆ Optional extras can be considered as a modification... even on a brand new car.
- ◆ You might need special insurance to cover modifications that aren't included as part of your standard cover.
- ◆ Your insurer needs to know about any modification or you might not be covered if the worst happens!
- ◆ Even if you think a small tweak or change to your vehicle isn't significant enough to tell your insurer, it's always worth putting a call in anyway.
- ◆ As an employer, keeping track of fleet vehicles can be a tough challenge. So it's important to keep a thorough record, documenting each of your vehicles and any modifications.
- ◆ If you choose to arrange your insurance through a broker, they will be able to help find suitable cover for your car and its modification.

QUICK FACTS

- ◆ Wheel modifications can increase the cost of your policy by **100%**
- ◆ Your car body makeover could hike your policy cost up by **57%**
- ◆ Adding racing stripes could increase your insurance cost by **22%**
- ◆ Switching to a more powerful engine could increase your insurance cost by **132%**

WHAT IS A MODIFICATION?

A modification is essentially any change to a vehicle since it was first manufactured. This means **any change**.

Research conducted by BIBA shows that insurers would want to know about hundreds of various types of modifications. There are several reasons for this. Some modifications could affect performance. Cosmetic modifications could attract thieves or vandalism. Adding a Sat Nav, for example, will understandably make the car more desirable despite it being an addition to the car rather than a modification.

In some cases declaring a modification won't affect your premium but, in others, it may change your policy and require a higher premium or excess.

The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) requires you to make sure you answer all questions posed by an insurer carefully and honestly. If you don't take "reasonable care", then you could be in danger of having your policy void. If this happens your claim (or a proportion of it) is unlikely to be accepted.



10 VEHICLE MODIFICATIONS YOU NEED TO KNOW ABOUT

1. PAINTWORK

We mean non-standard paintwork or resprays. Anything like stripes, signs, graphics, or decals need to be declared. This is because paintwork modifications could attract vandalism or make the car more appealing to thieves.

2. BODY KITS

A body kit modification includes modified body parts or additional part installations. Body kits are generally designed to improve performance output. This, of course, means insurers need to know about these modifications as they are considered a higher accident risk.

3. SPOILERS

Front or rear spoilers or rear roof spoilers are a modification. It not only changes the appearance of a vehicle, but can help to provide better handling when driving at a high speed. As the spoilers could detach whilst being driven, have potentially dangerous sharp edges or obstruct the driver's view it poses an additional risk.

4. WHEELS

Wider wheels or wheel spacers are thought to improve traction and cornering. Carbon or magnesium wheels provide aerodynamic benefits as they are both much lighter material than steel or aluminium wheels.

Every insurer must know about modifications that improve or alter the performance of the vehicle. Adding bigger wheels or attractive alloys could also increase your car's appeal to thieves.

5. TYRES

Look out for trail tyres or wider tyres, as both class as a modification. If you're installing winter tyres, make sure they are fitted in accordance with your manufacturer's specification.

They should, of course, be in a roadworthy condition (but this applies to any tyre, at any time). Winter Tyres – the Motor Insurance Commitment is an industry commitment where over 70 insurers have agreed that winter tyres won't incur additional premium costs.

You'll need to check whether your insurer is part of the commitment, but we recommend contacting your insurer or broker and letting them know about the fitting of winter tyres. Visit www.abi.org.uk for more information.

6. SUSPENSION & STEERING

Any kind of suspension changes need to be reported to your insurer: from updated or lowered spring and dampeners right through to a new airbag. Any chassis changes, extended forks or frame modification should be relayed to your insurer too.

Essentially these changes mean the initial car your insurer covered is no longer exactly the same, and they may need to adjust premiums accordingly.

Lowered cars, for example, could be seriously damaged by going over speed bumps or rough terrain and, if you wish to make a claim, you could find yourself in hot water.

7. EXTERIOR BODY MODS

Exterior body modifications can range from huge changes to tiny adjustments. Look out for: shaved doors and door poppers, additional windows, bonnet changes, petrol tank changes, altered pedals, fairings, flared wheel arches or wings.

You will also need to tell your insurer about added or upgraded awnings, side steps, pop-up roofs, roof racks, luggage systems or hoists. Even though these may seem like additions rather than modifications, they could still invalidate your insurance.

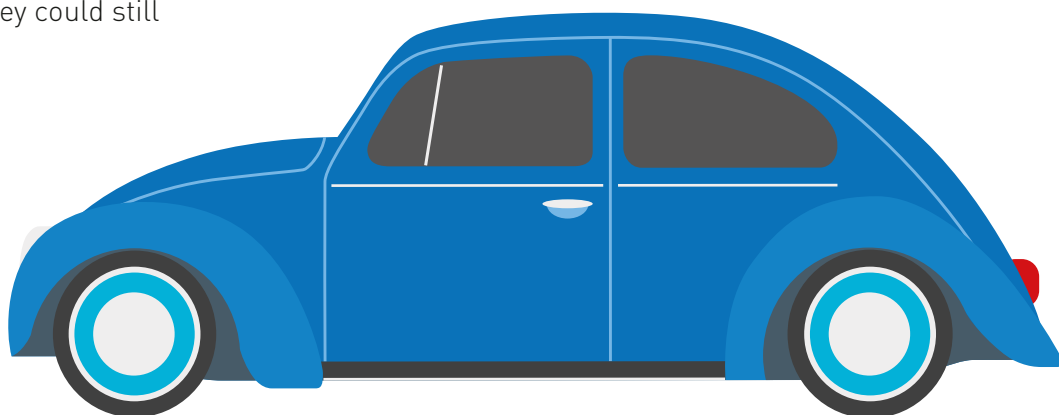
For commercial and fleet vehicles in particular, you may feel it necessary to install a tail lift. Again, this is significantly changing the vehicle and its associated potential risks so you'll need to tell your insurer or broker about the changes to every vehicle modified within your fleet.

Obviously if you're converting your car into a mobile home, campervan or convertible then you'll need to tell your insurer as these are hefty changes that will affect your premium.

8. INTERIOR BODY MODS

Additional or replacement seating might seem like a cosmetic change but - you guessed it - it's still a modification. Same goes for your brand-new speaker system or snazzy new Sat Nav installation.

Even replacing your CD or radio unit or installing a Bluetooth kit could impact your insurance. Adding anything that increases your car's value could naturally increase your car's insurance premium.



9. BRAKES

If your vehicle requires new brakes or brake pads, you must make sure they are replaced like-for-like to the manufacturer's specification. If your brake discs or pads are not OEM (original equipment manufacturer), you'll need to declare it.

10. ENGINE, TRANSMISSION & EXHAUST

You should make your insurer aware of any engine changes (from casing guards and chips through to engine management system changes). Induction kits, exhaust system changes, dual controls, intercooler changes, superchargers and much more should all be declared.

You should also be aware that some exhausts are not legal on public roads and, if you're caught with an excessively noisy exhaust, you could be landed with an on-the-spot fine.



QUICK FAQs

WHAT IF MY VEHICLE IS SECOND HAND?

Check with your seller to find out if the car has been through any modifications. If in doubt, you can always send a photograph of the vehicle in question to your insurance broker who'll be able to help.

If you're shown to be providing information that is accurate to the best of your knowledge, insurers will respect that.

HOW DO I MONITOR THE CARS IN MY FLEET?

On a fleet policy, vehicles are generally leased or bought by the company and used by employees. In this instance, it's highly unlikely modifications would be done by employees. However, if the vehicle has been previously owned you should speak to the dealer and ensure no modifications have been made prior to purchase.

WHAT DO I DO IF MY INSURER WON'T ACCEPT MY MODIFICATIONS?

If a car has undergone extensive modification, it's possible the insurer may be unable to offer cover. That's where insurance brokers step in (hello!). Brokers have access to niche insurers and so, combined with their strong relationship with some of the UK's best insurers, they are likely to be able to secure cover on your behalf where 'off the shelf' insurance isn't possible.

I USED A COMPARISON SITE AND DECLARED MY MODIFICATIONS. THAT'S OKAY, RIGHT?

Whenever using a comparison site, we recommend reading the insurer's own website and specifications carefully. Though to have access to additional industry advice and support it's best to work with an insurance broker – particularly if insuring a large number of fleet vehicles.

On a similar note, always check your insurance documentation. Don't just assume all of your modifications will be on there. Human error can happen and it's up to you to make sure all policy documentation is correct.

WHAT DOES “REASONABLE CARE” MEAN?

It means you've done all you can to find out about and declare modifications on your car. This is more applicable to second hand cars, where you may not be aware of modifications made by the previous owner. Taking a photograph and sharing it with your insurance broker, or asking for written confirmation of any modifications from your car dealer will show your insurer you have answered their questions as honestly and accurately as possible.

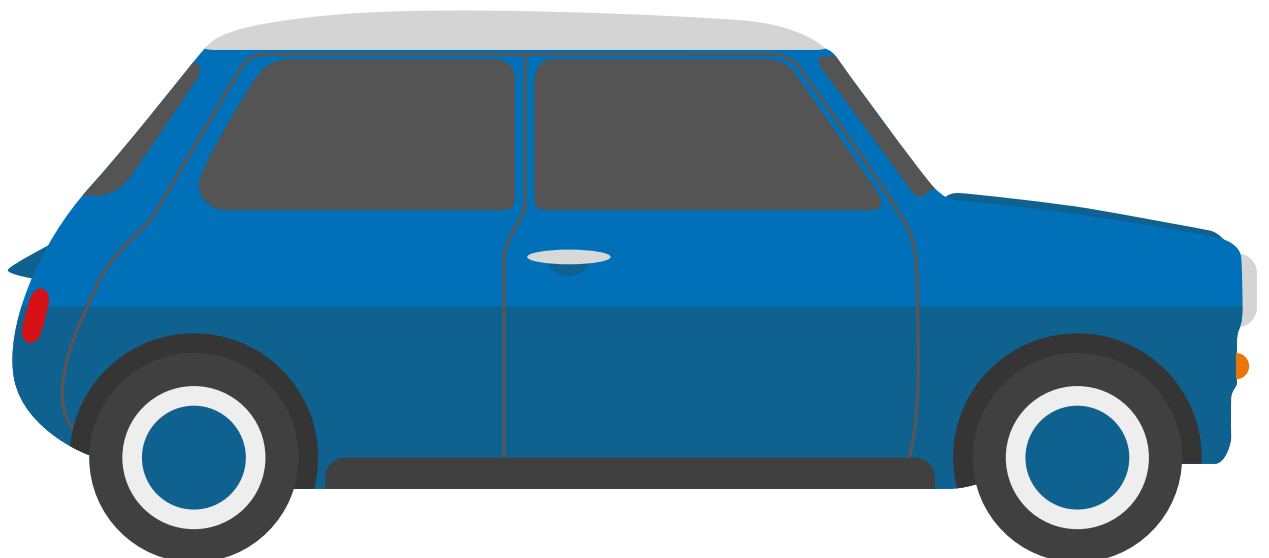
WILL MODIFICATIONS INCREASE MY INSURANCE PREMIUM?

Where a modification signals a higher risk of accident, theft or vandalism then your insurance premium is likely to increase. In some cases your insurance cost will stay unaffected.

But it's not all doom and gloom. Some modifications can actually bring your insurance premium down. For example, installing parking sensors could mean you're less likely to have an accident while reversing. And a tow bar indicates you're likely to be driving at a slower and safer speed. You'll still need to let your insurer know about these changes though.

I NEED TO MAKE MY CAR MORE ACCESSIBLE. THIS IS A NECESSITY, NOT A MODIFICATION.

Wheelchair ramps, altered foot pedals or steering aids might be needed to aid drivers with disabilities. However, whatever the reason for modifying your car, it still needs to be declared as the vehicle's worth and potential risks could be affected.



IS AN ILLEGAL MODIFICATION GOING TO INVALIDATE MY INSURANCE?

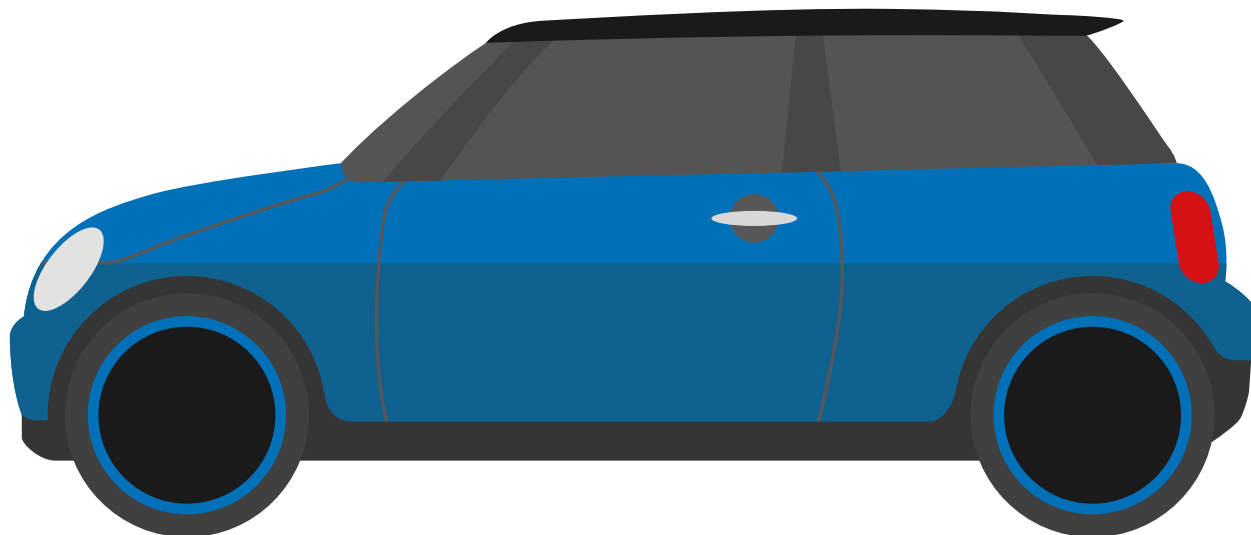
Of course. Under car neon lights, modifiers such as exhausts which emit loud noise and tinted windows restricting more light than the legal levels are against the law. And a car that's illegally on the road will result in a void insurance policy.

DO I NEED TO DECLARE MY PERSONALISED REGISTRATION PLATE AS A MODIFICATION?

It depends on your insurer. Some do categorise a personalised number plate as a modification, whereas for others your premium won't be affected at all. Whatever the case you should always inform your insurer and the DVLA of a change in number plate.

If your car is stolen and you pursue a claim, your insurance provider will become the legal owner of the car... and its registration. If you want to ensure your personalised plate is returned to you, you'll need to ask your insurer to write a letter of no interest to the DVLA.

It's worth noting that if the number plate is incorrect or has not been fitted by a registered number plate supplier then you could be in danger of being fined and failing your MOT.



CASE STUDY 1

We helped one of our commercial customers to tackle a dispute over modification.

WHAT'S THE STORY?

One of our commercial customers had modified a vehicle to become a welfare van. A welfare van is similar to a motor home – allowing employees to have somewhere safe and comfortable to use when working away or through the nights.

THE PROBLEM?

Unfortunately, the customer hadn't informed us of the modification. And they had to make a claim for theft. The insurer had an issue with the fact the modification had not been disclosed.

HOW DID ROMERO STEP IN?

As the claim was a theft claim, we were able to argue that the modification didn't make the vehicle any more attractive. Therefore it would not have made a difference to the outcome of the claim even if it had been declared.

Had the insurer been made aware of the modification, they would have applied an increased premium. That difference could have been knocked off the claim value.

Due to our claims handling experience and strong relationship with the insurer, we managed to resolve the claim and our customer received the payout.



CASE STUDY 2

Offering advice to one of our clients made sure their vehicle (and modifications) were insured.

WHAT'S THE STORY?

One of our commercial clients was arranging insurance for their fleet vehicles. They turned to the Romero team to help advise on the best type of cover for their needs. We arranged comprehensive cover for their vehicles at a price they were happy with.

THE PROBLEM?

The customer had modified their vehicles. By installing expensive CCTV systems in each vehicle, they had vastly increased the overall value of the vehicle. Therefore, had they had to make a claim, they would have been underinsured.

We approached the original vehicle insurer, who were unable to provide additional cover to protect the value of the equipment.

HOW DID ROMERO STEP IN?

We suggested taking out a plant policy to cover the CCTV equipment, in addition to the original insurance policy for the vehicle. This means, if the customer has to make a claim in the future, they're adequately insured.

Having extensive knowledge of the insurance industry enabled our team to arrange the best possible cover for our customer.



HAVE YOU RECENTLY MODIFIED YOUR VEHICLE, OR IS YOUR FLEET INSURANCE UP FOR RENEWAL SOON?

Contact our expert team for a confidential conversation on

0113 281 8110 or visit
romeroinsurance.co.uk