

What is Agreed Value?

Is it beneficial for you?



Taking a look into Agreed Value. But we ask whether it is in fact right for you, and the things you ought to know before you take it up.

What is agreed value?

Let's start with the 'technical definition' on agreed value insurance for classic cars; This is an insurance contract under which the insurer agrees to pay a stated amount in the event of the total loss of the property insured without any adjustment for depreciation or appreciation. This type of insurance allows the policy holder to secure their investment on their classic car.

In simpler terms

Normally a private car policy is designed to pay out the current 'market value' of your classic car, which could exclude any appreciation gained throughout that year of a classic vehicle.

Keep reading for:

- Positives of Agreed Value
- Negatives of Agreed Value
- Examples to help
- Fluctuating Market Trends
- Checklist for Agreed Value
- Top FAQs on Agreed Value

Also Included:

- Salvage retention
- Insurance write-off categories



Positives of Agreed Value

Agreed value works just fine, as long as classic car values don't fluctuate too dramatically. But as we all know, with market trends and vehicles becoming more rare or desirable because of appreciation, it is important to make sure that if the worst happens you can at least recover financially from your loss. With agreed value, once a price is agreed for a fixed term you can rest assured that there will be no negotiating on settlement from the insurance company.

Option to retain salvage.

You can find you are offered the option to retain salvage. This is where the vehicle is damaged beyond 'economical' repair but the damage is not so serious that the vehicle can no longer be fixed for use on the road. Write-off categories C and D are instances where you will be given the option to retain salvage.

What if you choose to retain the salvage?

If your agreed value cover on your vehicle is £20,000 and is damaged beyond 'economical' repair, you could be given the option to retain the damaged vehicle to repair. If you choose to do this then you will need to expect an adjustment in your final settlement as insurers will deduct the salvage value of the vehicle (for instance £5,000) from the total agreed value. Minus your excess, of £100 in this case, you would expect to receive £14,900.

Salvage Retention =

Agreed Value - Value of salvage - Excess

£20,000 - £5,000 - £100

=£14,900 to receive plus your vehicle from salvage

What if you choose not to retain the salvage?

If you chose not to retain your salvage or were not able to due to the vehicle being classified as a category A or category B write-off then you will be given the full amount of the agreed value minus the excess amount.

Do not want salvage retention=

Agreed Value - Excess

£20,000 - £100

= £19,900 in total

Did you know?

Salvage retention, is a standard add on for Heritage's agreed value cover. The reason we use salvage retention is in case you wish to buy back your vehicle or parts (Or whatever is left from the damage) then you can. As you may want to arrange your own repair providing the vehicle is only deemed uneconomical to repair via the insurers.



Write-off categories explained:

Car insurance assessors use various categories of car insurance write-off to rank the seriousness of accident damage. Two categories represent very serious damage, but the remaining two categories are for 'economic write-offs' – where damage is expensive to fix but not necessarily dangerous.

- Category A: scrap only. For cars so badly damaged they should be crushed and never re-appear on the road. Even salvageable parts must be destroyed. This could be down to a variety of reasons including contamination from flooding, fire or even hazardous materials.
- Category B: body shell should be crushed. Signifies extensive damage, although some parts are salvageable. Should never re-appear on road, although reclaimed parts can be used in other road-going vehicles.
- Category C: the vehicle is repairable but the costs exceed the vehicle's value. Can re-appear on road.
- Category D: the vehicle is repairable but repair costs are significant compared to the vehicle value – including time delays to source parts. Can re-appear on road.

The ABI Salvage Code dictates that Category A and Category B cars should be crushed, with Cat B vehicles allowed to donate some safe and serviceable parts.

Reference: <http://www.rac.co.uk/community/blog/rac-blog/september-2011/what-is-an-insurance-write-off>



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Negatives of Agreed Value

As with positives there also comes negatives. The negative of agreed value comes where the value of a classic car is trending upwards and therefore the agreed value may be less than the market value of the vehicle.

Example of Price Appreciation

In 2014 your agreed value insurance cover could be £20,000 however in 2015 the value of your car may have increased to £30,000. It is important for you as the owner to keep a close eye on market trends and notify the insurer of any increase in your agreed value. If you do not increase the value from £20,000 to £30,000 you will not be guaranteed this amount in the event of a claim. It is not for the insurer to value your car.



Example: Porsche 911 Targa 1973

Here is one of our examples: A Porsche 911 Targa 1973 which was purchased in 2012 had an agreed value of £40,000, but now the current agreed value in 2014 is £90,000. Within two years this vehicle has doubled in value and then some. This is why it is vitally important you keep an eye on your vehicles price changes and current market trends.



Checklist for Agreed Value

Here is a checklist to help evaluate your agreed value cover correctly:

- 1) You will need to supply six coloured photographs of your vehicle. These photographs should consist of the front and rear (showing the registration plate), left and right sides, car interior and engine bay. In most cases, emailing photographs will suffice, alternatively original photos that are sent to the insurer can be returned.
- 2) Copy of the purchase receipt would be a requirement if you've bought the vehicle in the past 12 months. Although a copy of this regardless would be beneficial.
- 3) Any history that could be supplied, including MoTs and services would substantiate the value of the vehicle.
- 4) It's important to investigate periodically the current market trends.
- 5) Have your vehicle valued by an independent specialist, either from an owners club or a garage that hasn't worked on the vehicle (to make sure the value given is impartial)

Fluctuating Market Trends

The classic car bubble is upon us and there are classic cars that are currently skyrocketing in value whilst others dither along. It is essential that you monitor the value of your classic car and notify your insurance company of any changes that may need to be made. The biggest question that has arisen from fluctuating market trends is whether to go on agreed value of market value?

- If the value of your classic car has been agreed, then this is the amount you will receive in the event of a total loss.
- If your policy is on market value, then the amount will be negotiated at the time of loss.

Ultimately the choice is up to you as the owner of the vehicle. Agreed value offers a lot of protection however if your vehicle is rising in value then market value could be a more suitable alternative.



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Fre- quently Asked Ques- tions.

Answering the most common questions that are typically asked about Agreed Value.



Q1. What is an agreed value and how does it work

Agreed value is basically a pre-arranged settlement figure, so in the event of the vehicle being written off there is no negotiating with the insurance company regarding your settlement figure. Agreed value is an important aspect of your policy, especially in the event of a fire or theft claim, if your vehicle is just on market value you will have to try and prove the pre-incident condition. If its agreed, then proof has already been provided.

Q2. My vehicle is appreciating in value regularly, what happens if I agree the value?

If the value has been agreed, then this is the amount you will receive in the event of a total loss. If you leave your policy on market value, then the amount will be negotiated at the time of loss. If your vehicle is higher than what you have insured it for then there would most likely be an additional premium, if there is then this amount would be taken from your settlement figure.

- It is important that people do not think that this is an easy way to under-insure. Certain policies may have 'market value or up to the amount specified on the policy schedule' condition/endorsement in their policy wordings.

Q3. I have been asked to get an independent valuation or professionally valued, where do I go or who can do it?

You will need to go to either a classic car & enthusiasts club, to a classic car restorer or a specialist dealer.

- Classic car and enthusiasts club - some clubs have dedicated valuation officers
- Classic car restorer - only issue can be if they have actually done the work on the car. In the past values have based on the restoration costs as opposed to the market values
- Specialist dealers

Q4. Can I have agreed value on the car I am restoring?

With restoration projects, the value can go up as the work progresses and the condition improves. Values can also decrease during the work, the engine can be taken out, no paintwork etc. What we advise is that the cover is left on market value only. During the restoration and the vehicle's value has increased they should notify their personal client manager and the increase in value noted and adjusted accordingly.



Multi-Car Insurance

- Unlimited vehicles
- Agreed Value option
- Flexible repair scheme

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