

Modifications to Vehicles

When motor vehicle insurance is being arranged or renewed, insurers require information about whether a vehicle has been modified. There is usually a question on the proposal requiring details of modifications and, if cover is arranged by telephone, similar information is requested. However, you need to be aware that, even if the insurer does not ask for this information, it should still be disclosed.

What does the term "modifications" mean?

The simple answer is that insurers want to know about changes to the vehicle, which alter it from the manufacturer's original specifications for the particular make and model of vehicle.

These changes can be categorised as follows:

1. Those which enhance the vehicle's performance e.g.
 - larger engine fitted;
 - modified air intakes;
 - modified exhaust system; and
 - lowered suspension.

2. Those which make the vehicle more attractive to thieves and which affect the security of the vehicle and any accessories within it e.g.
 - alloy (mag) wheels;
 - spoilers;
 - full body kit; and
 - special paint finish.

Fitting expensive sound systems, some of which are worth more than the vehicle itself, also make a vehicle a target for thieves, particularly when some of the components are clearly displayed. Most insurers want to know about sound systems over a certain stipulated value and ask that this information be disclosed at commencement of the policy, or following the installation of such a sound system.

Why do insurers want to know about modifications?

To determine whether they wish to accept or continue to insure a particular risk, having regard to such factors as:

- the type of vehicle;
- the nature of the modifications; and
- the age and experience of the driver.

A powerful vehicle, which has been extensively modified in terms of performance, being driven by a young and inexperienced driver, statistically presents a very high risk to insurers.

When should modifications be disclosed to an insurer?

If a vehicle has been modified when insurance is being arranged, the modifications must be disclosed at that time. If a vehicle is modified after commencement of the policy, the modifications must be disclosed to the insurer at the following renewal of the insurance, unless the policy wording indicates they should be advised sooner i.e. "when they are made"; "as soon as possible"; or "immediately".

Some second-hand vehicles will have been modified since new. Therefore, it is important to establish if this is the case when purchasing a second-hand vehicle, because when insurance is arranged, any modifications must be disclosed to the insurer.

What are the implications of not disclosing modifications to an insurer?

If you do not tell an insurer about the modifications to a vehicle, in the event of a claim, the policy might be avoided from its commencement (void ab initio) or from a subsequent renewal (depends when the modifications were made to the vehicle). This means the policy is treated as though it never existed and the claim is unable to be considered. This can affect both current and previous claims. Avoidance of a policy also carries with it a stigma, which often affects a person's ability to get insurance in the future.

Tips

1. When purchasing a second-hand vehicle from a dealer or privately, seek advice about whether the vehicle has been modified in any way from the manufacturer's original specifications.
2. If you are unsure about what should be disclosed to an insurer, ask the insurer for clarification and guidance about what information it requires.
3. Remember: Tell the truth!



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