CODE OF PRACTICE FOR THE DISPOSAL OF MOTOR VEHICLE SALVAGE

March 2007

INTRODUCTION

This Code of Practice has been produced by and is supported by the Association of British Insurers (ABI), Lloyd's Market Association (LMA), British Vehicle Salvage Federation (BVSF), British Vehicle Rental and Leasing Association (BVRLA), Motor Vehicles Dismantlers Association (MVDA), the Association of Chief Police Officers (ACPO) / Association of Chief Police Officers Scotland (ACPOS), Trading Standards Institute, the Home Office (HO), the Department for Transport (DfT), the Driver and Vehicle Licensing Agency (DVLA), Driver and Vehicle Licensing Northern Ireland (DVLNI)[1] and the Vehicle Operator and Services Agency (VOSA).

This Code gives advice on the steps to be taken in the treatment of vehicle salvage and recovered stolen vehicles. The categorisation and notification of salvage as set out in this Code will make it difficult for criminals to ring vehicles (illegally changing the identification of a stolen vehicle) or return dangerously repaired vehicles to the road. The purpose of the Code is to detect and deter insurance fraud and the above-mentioned criminal activities and to make vehicle histories much more transparent.

The Code seeks to encourage best practice. However, adoption by supporters and their members of any terms, standards, guidance, recommendations or similar statement contained in this document is voluntary and entirely at the discretion of each individual member.

CATEGORISATION OF VEHICLE SALVAGE

Four categories of vehicle salvage have been defined. Details are given of the steps to be taken in advising DVLA and MIAFTR on each category, together with the consequential effects on action taken by the police, VOSA, vehicle data agencies and other interested organisations.

The inspecting insurance staff or independent engineer must decide to which of the four categories a particular item of salvage belongs, using current ETS (Engineer Technical Sub-committee) Guidelines. Other than to correct inputting errors, data should not be removed from MIAFTR. Recategorisation may only be effected in exceptional circumstances (see Changes in salvage categories below).

DISPUTES

1. In the event of a dispute between the insurer[2] and the salvage agent regarding categorisation, the matter should be referred to a senior engineer nominated by the insurer.

2. Where two MIAFTR entries have been made by different insurers in respect of the same vehicle/incident, the entry made by the insurer that settles the claim should take precedence. However, where duplicated entries indicate different salvage categories, the insurer awarding a more severe salvage category is entitled to seek substantiating evidence (from other interested parties as appropriate) before removing their MIAFTR entry.

DVLA NOTIFICATION AND MIAFTR

A MIAFTR entry must be completed in respect of all total loss vehicles, indicating salvage categories (A, B, C or D as appropriate) as soon as reasonably practicable. Completing a MIAFTR entry meets the regulatory requirements for insurers to notify DVLA under the Road Vehicles (Registration and Licensing) Regulations 2002.

It is essential that notifications to MIAFTR are made properly and that amended/updated information is fed through as soon as is reasonably practicable.

DEFINITIONS

Throughout this Code all references to 'Salvage Disposer' shall be deemed to include members of any of the supporting organisations that dispose of salvage, including insurers and their agents, self-insurers and their agents and associated companies.

VIC – a Vehicle Identity Check. Since April 2003, all cars and certain light vans categorised as A, B or C require a VIC before a V5C registration certificate is re-issued by DVLA. The check is carried out by the Vehicle Operator and Services Agency (VOSA).

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[1] *Note that terminology in this Code may differ for Northern Ireland.*

[2] *Or 'self-insured' throughout this Code as appropriate.*

<table>
<tr><th></th><th>Category A</th><th>Category B</th><th>Category C</th><th>Category D</th></tr>
<tr><td rowspan="2">Definition</td><td>SCRAP only (i.e. with few or no economically salvageable parts and which is of value only for scrap metal)
e.g. total burnouts</td><td>BREAK for spare parts if economically viable (excluding any residual scrap value).</td><td rowspan="2">REPAIRABLE total loss vehicles where repair costs including VAT exceed the vehicle's pre-accident value (PAV).</td><td rowspan="2">REPAIRABLE total loss vehicles where repair costs including VAT do not exceed the vehicle's PAV.</td></tr>
<tr><td colspan="2">Salvage disposers should use best endeavours to ensure that Category A and B vehicles do not reappear on the road.</td></tr>
<tr><td rowspan="3">Vehicle Registration Certificate (V5C)</td><td colspan="4">It is the responsibility of the registered keeper to notify DVLA when a vehicle is passed to an insurer following a total loss payment.

Where the insurer takes title to the vehicle, the registered keeper may authorise the insurer to act as its agent in notifying DVLA. However, the insurer must notify the DVLA, using the appropriate section of the V5C, without delay. If this action is not taken, the registered keeper will still be liable for the vehicle under the Continuous Registration requirements of the Road Vehicles (Registration and Licensing) Regulations 2002 and could incur a fine.</td></tr>
<tr><td colspan="3">Where the Salvage Disposer is disposing of the salvage, the remaining parts of the V5C must be securely destroyed.</td><td>Where the Salvage Disposer is selling or transferring ownership of the vehicle, the remaining parts of the V5C must be passed to the salvage agent/ new owner.</td></tr>
<tr><td colspan="3">Where vehicle salvage is retained by the owner/registered keeper and subsequently sold on, they should be made aware by the insurer that the vehicle may have to undergo a VIC test before a replacement V5C is issued by DVLA. The V5C must be returned if it has been provided to the insurer for scrutiny prior to claims settlement.</td><td></td></tr>
<tr><td>Recovered stolen vehicles</td><td colspan="4">Recovered stolen vehicles which are in a total loss condition must be categorised A, B, C or D as appropriate.

Recovered stolen vehicles that are undamaged, or with only minor damage, must be notified to MIAFTR as recovered. The record must not be deleted.

Any changes in a total loss category must be notified to MIAFTR as soon as reasonably practicable on re-classification.</td></tr>
<tr><td>Changes in salvage categories</td><td colspan="4">Any changes in a total loss category must be notified to MIAFTR and to any party to whom the affected vehicle has been transferred as soon as reasonably practicable following re-classification. Where the vehicle no longer falls within any of the Categories A, B, C or D, DVLA should be notified in writing. Such a communication should include the claim reference number, Vehicle Registration Mark, Make and Model, Vehicle Identification Number (if available) and the date of accident. Insurers should allow a minimum of 48 hours to elapse after updating MIAFTR before raising any related enquiries with DVLA.</td></tr>
<tr><td>Database notifications</td><td colspan="4">All notifications to MIAFTR whether indicating theft or damage are passed to vehicle data agencies for a finance check. The data agencies use the information to provide a vehicle check service to the motor trade and the public. It is essential that loss information on MIAFTR is accurate and up to date.</td></tr>
<tr><td>Documentation</td><td colspan="4">All Salvage Disposer documentation to salvage agents in respect of individual items of salvage must categorise the salvage as either A, B, C or D.

Salvage agents must maintain proper records in accordance with BVSF requirements (where applicable) and the Motor Salvage Operators Regulations 2002 so that an effective audit trail of purchases and disposals exists. Premises and records will be accessible to police.

Salvage agents will record the identity of all vendors and purchasers of salvage. In the case of non-insurer vendors and purchasers, proof of identity will be required.</td></tr>
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<tr><th></th><th>Category A</th><th>Category B</th><th>Category C</th><th>Category D</th></tr>
<tr><td rowspan="3">Responsibilities of the primary salvage agent in the treatment of salvage/vehicles</td><td colspan="4">Where salvage is being disposed of by a member of a supporting organisation</td></tr>
<tr><td>SALVAGE MUST BE CRUSHED.
The vehicle identification number (VIN) plate and visible VIN must be removed at the earliest possible opportunity and either held in secure storage whilst awaiting disposal or securely disposed of. The stamped in VIN must be left in situ and not interfered with in any way.</td><td>Category B must be treated as Category A once reusable parts have been removed.

THE BODYSHELL/ FRAME/CHASSIS MUST BE CRUSHED.

Air bags and seat belt components must be properly disposed of in accordance with the manufacturer's instructions - these items must never be re-sold.</td><td colspan="2" rowspan="2">May be sold on. When any vehicle is broken for spares, the criteria for category B apply.</td></tr>
<tr><td colspan="2">All registration plates must be immediately covered and, as soon as reasonably practicable, removed and securely destroyed.

All tax discs (including those expired and those still valid but with less than a month to run) must be removed and securely stored or destroyed.</td></tr>
<tr><td>ELV and Certificates of Destruction.</td><td colspan="2">Any vehicle designated end of life shall be treated in accordance with the End-of-Life Vehicles Regulations 2003. Vehicles within scope (cars, light vans and 3 wheelers excluding trikes) must be issued with a Certificate of Destruction. A Notification of Destruction (V860) will only be issued for vehicles outside scope e.g. HGVs and motorcycles.

Identification marks on engines and any other salvaged parts must not be erased. Copies of V860s must be retained by the salvage agent for a period of at least 6 years for audit purposes, or such other period as defined in the Motor Salvage Operators Regulations 2002 or any subsequent amendments.</td><td colspan="2">When any vehicle is broken for spares, the criteria for category B apply.</td></tr>
<tr><td>Note 1</td><td colspan="4">It is for the inspecting engineer to determine, given the specific circumstances such as type of water (fresh, contaminated or salt), depth of submersion etc, whether a vehicle should be categorised A, B, C or D or not classified.</td></tr>
<tr><td>Note 2</td><td colspan="4">All bodyshells other than those on Category C and D salvage, or bodyshells the subject of replacement in service, must be crushed. (NB Special arrangements may apply to manufacturers' bodyshell schemes.)</td></tr>
<tr><td>Note 3</td><td colspan="4">Salvage Disposers are strongly encouraged to utilise only the services of those salvage agents who comply with the appropriate provisions of the Environmental Protection Act 1990 and the Motor Salvage Operators Regulations 2002.</td></tr>
<tr><td>Note 4</td><td colspan="4">Third party total losses should be categorised A, B, C or D, and a MIAFTR entry made.</td></tr>
<tr><td>Note 5</td><td colspan="4">Salvage Disposers should use their best endeavours to assume responsibility for the disposal of all categories of salvage, whether first or third party claims.</td></tr>
<tr><td>Note 6</td><td colspan="4">For the purposes of establishing whether Category C or D applies to repairable salvage, both repair cost and pre-accident value should be inclusive of VAT.</td></tr>
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CODE OF PRACTICE FOR THE DISPOSAL OF MOTOR VEHICLE SALVAGE FLOWCHART FOR CATEGORISING VEHICLES

Is the damage sufficiently severe to warrant settlement on a total loss, constructive total loss or vehicle replacement basis in accordance with the code?

NO

CODE OF PRACTICE DOES NOT APPLY

- Insurance repair cases
- Stolen and recovered undamaged or minimal damage (after the claim has been settled)
- Vehicles which are not repaired for other commercial reasons

YES

Can/should the vehicle be repaired? *

NO

Does the vehicle contain any parts that are economically viable for resale?

NO

CATEGORY A

- Extensive damage with no economically salvageable parts
- Total burnouts
- Old, low value damaged vehicles with no economically salvageable parts
- Scrap value only

YES

CATEGORY B

- Vehicles which should not be repaired
- Heavy damage, chassis bent
- Old, low value vehicles beyond any form of economic repair

YES

Do repair costs including VAT exceed PAV?

YES

CATEGORY C

- Vehicles which can/should be repaired

NO

CATEGORY D

- Vehicles replaced under "new for old" schemes (say, 60% damage) which would not otherwise have been treated as total losses
- Constructive total losses

** See Engineer Technical Sub-committee Guidelines*