

How To Save Money on Insurance

The Company That Insures You Makes a Difference

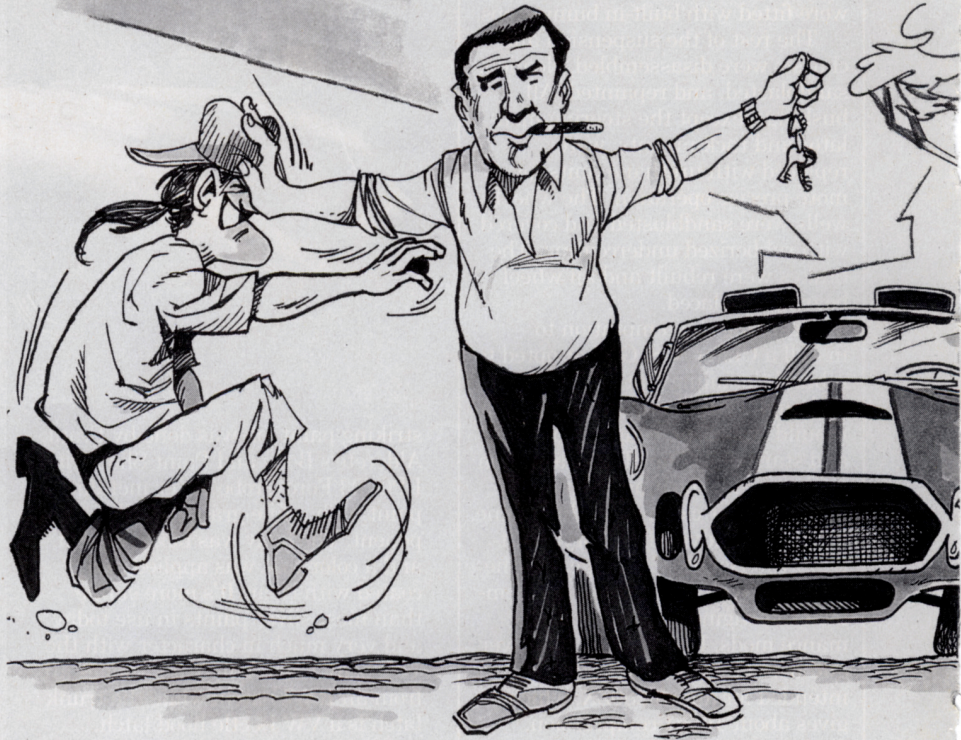
By Robert Eckhardt

One of the most frequently asked questions we field is "Will I be able to get insurance on this car?" There seems to be a preconceived notion that if you own a kit car, the cost of insurance will drive you to the poor house, if it can be purchased at all. That doesn't have to be true. It all depends on which insurance company underwrites your policy and the type of policy the company will offer you.

To gain some insight, we contacted a number of insurance companies and some folks involved in the kit car business. Their answers to insuring a kit car varied and ranged from "It's a piece of cake to get insurance" to "Some major companies won't consider insuring specialty cars." Some insurance companies will write a policy for a specialty car, others will not. Most of the time if they cover a kit car, it will be a "declared value" policy. You must get an appraisal to verify the value of your car. They will cover the replacement value of the vehicle up to the declared value.

We have all heard horror stories about insurance companies not paying for covered items. If you give them any wiggle room, they'll take it. When contacting insurance companies, be truthful with them. If you're not and have an accident, it will give them grounds to deny coverage. Answer every question and verify every fact with receipts. If you have leather seats, document it. If you installed a \$15,000 engine, list all of the parts and their costs. If there is a \$5,000 paint job on the car, show the receipt.

Take detailed pictures of everything. We heard one story about a stolen car that was insured for \$20,000. The insurance company would pay only \$12,000 as a replacement cost because there were no pictures or detailed receipts, or an appraisal to verify the true value of



the car. There was \$1,800 worth of special rims on the car, but without pictures and receipts, the insurance company denied the claim. In defense of insurance companies, there's a lot of fraud involved in insurance claims. If all they have is your word, do not expect to get paid.

STATED VALUE

Most of the major insurance companies are reluctant to write a policy on customized, modified, or replica cars for comprehensive and collision coverage. Some would not do it at all. If you're a good driver, your existing company will probably write the liability portion but not the comp and collision coverage. It will be a "stated value" policy. If the car is worth \$30,000, that's what it will be covered for.

Problems with potential claims is the reason most companies gave for not wanting to cover kit cars. The claims adjuster doesn't know how to deal with this type of vehicle. The adjuster works from books that show an insurance symbol. These symbols are based on not only the value of the car, but on how hard it is to have repaired, how often it's stolen, the cost

of replacement parts, and how much damage is done. A specialty car does not fit into any category in any of their books.

The claims adjuster is used to dealing with cars made by major manufacturers. They have experience in accident damage for cars they can find in the blue book. They know what they're worth. There are thousands of similar cars on the market. If your car is totaled or stolen, they know what to pay you for it. A kit car or any car altered from the factory specs means guesswork for the adjuster. They don't have the knowledge of the parts, the labor needed to repair them, or the value for these vehicles. Therefore, everything is based solely on the value of the vehicle.

A local representative from Farmers Insurance took a slightly different view of obtaining insurance. She said that as long as the kit car is street legal, there should be no problem covering it as a second vehicle. It would be a "declared value" policy, but you should get a second car discount. At Farmers, every auto has its own policy number, but you can have it in the same household to get a multi-car discount. Each of their policies have

different ratings based mostly on mileage. They have a "pleasure" rating that is for a weekend car. It has a lower rate than a car used for commuting to and from work.

Farmers is one of the companies that has a "homemade" car classification. If the car would go 200 mph, they wouldn't cover it, but the normal kit car can be covered. It must be street legal and it's rated according to mileage. If you drive it 10,000 miles per year, that's what your premium is based on. You tell the agent how many miles you expect to drive each year.

They also have a "hobby or parade" vehicle classification, which is for antique cars that are towed to auto shows or parades. The premiums are very low. If you're going to drive the car all the time, you don't want a hobby-car policy. If you were to have a claim and the odometer shows that you put on 10,000 miles, you better have the documentation to show you went to a lot of long parades. If you don't, they'll charge you for a regular standard policy.

PAYING TWICE

One of the questions we asked was, *Why do we have to pay to insure a second car when we're already insured?* The Farmers representative's answer was enlightening. Her explanation was, "We insure the car, not the driver. You can let a neighbor borrow your car and it is covered. However, if you let a family member who lives in your house drive the same car, they are not covered. Your neighbor can borrow your pickup to go to the dump, but if he is living in your house, he needs to be insured on your car." That sounds to us like the individual is being insured, not the car.

We pushed this issue further. *If the car is insured and not the individual, why are we covered if we borrow our neighbor's car?* Her answer was, "You are not driving your neighbor's car all the time. The insurance companies want to make sure you don't have to call every time you get in another car. It is a courtesy they have extended to their customers. If your teenage son, who lives out of state, visits during the summer for a week, he can drive your car. But if he lives with you, he must be rated on the policy." It's a game the insurance companies play, and if you want to drive you must play by their rules. It boils down to every car must be insured and every driver must be identified. That's how they make their money.

SPECIALTY COMPANIES

There are insurance companies that specialize in kit cars and replica cars—that's all they do. Their policies are generally written on a "stated value" basis. Most of the time, they'll have different mileage limits and correspondingly different rates. For instance, you can insure a car for driving it less than 2,500, 5,000, or 7,500 miles. These companies' rates are usually reasonable.

Some of these companies will price the comp and collision coverage based on materials and labor or materials only. They'll pay for the materials if you fix the car yourself. Since most kit-car builders do the work themselves anyway, the coverage is cheaper. You can insure a \$35,000 kit car that's driven 5,000 miles a year or less, with \$100,000 liability, \$2,000 medical payments, and uninsured motorist up to \$50,000, with a \$500 deductible. It will cost \$579 for one year with materials and labor coverage. The same car with only the materials covered will be \$359—that's a \$220 savings.

With a specialty insurance company, the handling of the claim and the settlement may be a lot easier than with a regular insurance company, because you'll get an adjuster who understands kit cars. It may be worth a couple hundred dollars more to deal with somebody who knows specialty vehicles. It's one thing to deal with cars found in the blue book, but knowledge of the specialty-car market will save time on any claim. It's going to take the big company longer to settle a claim because their local claims adjuster has probably never seen a kit car before. He's going to have to check how much every part costs and where to get them. They don't have a source for their comparisons. The specialty insurance adjuster probably has dealt with these vehicles in the past on a claim basis.

If all of this insurance information seems confusing, it is, and it's supposed to be. One agent told us that the consumer is supposed to be kept ignorant. Think about it. You buy insurance not knowing the final cost and never seeing the policy until weeks after you bought it. When you finally get the policy, you need to be a lawyer to understand what you're reading. And that's not enough. Most of the coverage is open to interpretation. For instance, "liability" means different things to different companies. If you have an engine fire, one company may say it was a manufacturer's defect, and you're

covered. Another company may say that it was improper maintenance on your part, and you're not covered.

We asked a couple of agents to supply us with written definitions of the different insurance coverages. They could not give us any. They could read the definition from their book, but could not give us a copy. As an example of the confusion over terms, "collision" is when you collide with any object. "Comprehensive" is anything other than collision. But if you hit a deer, that's comprehensive, not collision. You tell us.

If comprehensive coverage is for everything other than what we collide with, why do we need "uninsured motorist" coverage? It's a complex issue that has grown out of the fact that many car owners don't have insurance. The insurance companies are protecting themselves by making the good drivers pay for the system abusers.

The best advice we can give is not to shop on price alone. Go to your own insurance company first. Then shop around for not only the best price, but the best coverage.

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SOURCES

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121 E. Dings Hwy., Suite 203
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800/257-9496

Heacock Insurance Group
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222 E. Lemon, Suite 101
Lakeland, FL 33801
800/678-5173

Metro Agency
Dept. KC
32646 Five Mile Rd.
Livonia, MI 48154
313/522-3900

Parish Insurance Co.
Dept. KC
P.O. Box 158598
Nashville, TN 37215
800/274-1804

Sneed, Robinson, Gerber, Inc.
Dept. KC
6645 Stage Rd.
Memphis, TN 38184
901/372-4580

Tri-State Insurance Co.
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Luverne, MN 56156
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