

Unknowingly uninsured

PETER ATKINSON

AN increasing number of consumers have discovered that their vehicles are not covered by their insurance policy when left with motor dealers to be sold on their behalf, leaving them exposed to huge financial loss should the vehicle be damaged or stolen.

Most private motor insurance policies exclude cover if the vehicle is involved in an accident while being kept at a motor dealership for purposes other than maintenance or repair.

Most consumers assume that their insurance policy will provide comprehensive cover regardless of where their vehicle is being kept. However, an insurance policy is drawn up according to the specific risk factors associated with that vehicle – such as physical security measures at the insured's premises, where the car is stored when not in use, as well as the age and experience of the named driver.

These are the factors that are taken into account at the underwriting stage, which determines the type of cover that is required and the total premium that needs to be paid.

Once a vehicle is placed in the possession of a motor dealer, the original risk factors no longer apply and the insurer has no way of knowing who will be driving the car or where it will be stored. As a result, the premium being offered on the vehicle may no longer be appropriate and if the insurer is not informed of the change in circumstances they



NO COVER. Many insurance companies will not cover a vehicle while it stands on a motor dealer's floor. Consumers looking to sell their motor vehicles on dealership floors should approach their insurance companies beforehand.

Picture: Desiree Swart

may decide not to meet a claim.

The fact is that many insurers are unwilling to extend cover under a personal lines policy if the asset is effectively no longer under the control of the insured. However, they may be willing to grant an extension for a given period, provided they are satisfied that the dealer has suitable

precautions and processes in place to provide adequate risk protection.

Many reputable dealerships do have external insurance cover to protect their own vehicles on the showroom floor from theft, loss or damage. However, because the private vehicle is not the property of the dealership it is usually referred to as

'consignment stock' which is typically not covered by standard motor dealerships policies, as the insurer will not classify it as actual stock in trade.

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