

**CODE OF CONDUCT AGREED TO BETWEEN MEMBERS OF
THE SOUTH AFRICAN INSURANCE ASSOCIATION AND THE BANKING ASSOCIATION**

ON HOW TO DEAL WITH MOTOR VEHICLE SALVAGE

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2. THE PURPOSE OF THE CODE

The purpose of the Code on Motor Salvage between the insurance and banking industries is to resolve the differences in approach between finance houses and insurers in terms of the status codes of vehicles.

Insurers and Vehicle Finance Houses have a moral duty to the general public to safeguard them from unscrupulous operators who are selling and or putting back in use unfit and unsafe vehicles as code 2 vehicles, which should have been deregistered.

3. DEFINITIONS

The following terminology and NaTis Codes will be used in all correspondence between insurers and finance houses.

3.1 NaTis Codes

The four life cycle status codes for a motor vehicle on NaTis are;

a.) Code 1 -New

New vehicles delivered by a dealer to the first owner.

b.) Code 2 – Second Hand

Used vehicles with one or more previous owners.

c.) Code 3 -Permanently Unfit For Use

Code 3 vehicles are Code 1 or 2 vehicles involved in an incident, and subsequently being declared unfit for use as a motor vehicle, such motor vehicle may be rebuilt however will forever reflect a code 3 allocation and undergo the stringent procedures set out in the legislation. A vehicle is “Permanently unfit for Use”, when the extent of the damage includes structural defects that require substantial rebuilding.

d.) Code 4 -Permanently Demolished

Permanently demolished, means that the chassis of a motor vehicle has been a.)Compacted;

b) compressed; c) melted; d) destroyed d; or e) damage to such an extent that the motor vehicle concerned cannot be made roadworthy and the chassis cannot be used to build a motor vehicle”.

3.2 Uneconomical to Repair

A vehicle is “uneconomical to repair” when, cost of parts, the availability of parts, the repair duration and vehicle rental costs are high. The status of the vehicle will not be altered.

Therefore in the insurer’s discretionary opinion the vehicle is uneconomical to repair, but structurally sound.

3.3 Dealer Stock

Where vehicles are declared uneconomical to repair, vehicles are registered in the name of the insurance company as the titleholder of the vehicle.

4. PROCESSES THAT WILL BE FOLLOWED

4.1 Responsibility of the Insurance Company

- Insurers undertake to exercise sound judgement and to take extreme care in making decisions relating to the repair and status of accident-damaged vehicles.
- Insurers and their appointed assessors will make this decision and instruct Finance Houses accordingly.

4.1.1 Damaged Vehicles

An insured vehicle, involved in an accident, is always assessed by an Insurer appointed specialist (the motor vehicle engineer or motor assessor) to determine the extent of the damage. Depending on the extent of the damage, the vehicle will either be repaired, declared uneconomical to repair or unfit for use as a motor vehicle.

Based on the information provided by the specialist report, the insurer will determine whether the vehicle should be permanently demolished, is permanently unfit for use or is declared uneconomical to repair.

Permanently Demolished -If a vehicle is declared “permanently demolished” (Code 4), the vehicle will be demolished. The insurer will request the Finance House to change the status of the vehicle on the NaTis system to a Code 4 on settlement and to deregister the vehicle.

Permanently Unfit For Use -If a vehicle is “declared permanently unfit for use” (Code 3), the vehicle will be written off. The insurer will request the Finance House to change the status of the vehicle on the NaTis system to a Code 3 on settlement.

Declared Uneconomical To Repair -If a vehicle is “declared uneconomical to repair”, the status of the vehicle will be or remain that of a Code 2 vehicle. The Insurer warrants that these vehicles are structurally sound and have the capability of being repaired. The vehicle will be **Dealer stocked** into the name of the insurer as the titleholder of the vehicle before selling it as salvage.

4.1.2 Control over Motor Engineer/Assessors

It is the responsibility of Insurers to control and issue instructions to their motor engineers or assessors. The Motor Engineers report must be completed and it is required that the reason(s) must be specified to why a vehicle is declared as; uneconomical to repair, permanently unfit or demolished.

The report must contain photos of the vehicle and the Motor Engineer must specify the vehicle status in line with the definitions listed, enabling the claims handler to request a change in status code where required. It is of utmost importance that the motor engineer determines the safety of any possible repair beyond a shadow of doubt, according to the manufacturer and SABS safety standards. No guarantee can be given for repairs, which have been done and do not conform to SABS safety standards.

Insurers are mindful of the fact that in the case of accident-damaged vehicles, Finance Houses are at risk of refinancing vehicles that should have been demolished or changed to the status of "rebuilt". Moreover, that the public might be endangered if the required process is not followed.

4.1.3 Stolen Vehicles

An insured vehicle that is stolen and not recovered is settled once the claims process has been completed. The final step of this process is obtaining confirmation that the vehicle had not been recovered. Post settlement, the Insurer will request the Finance House, as titleholder, to deregister the vehicle as stolen. The licensing authorities will require an additional letter from the Finance House stating the reason for deregistration. The Insurer's instruction to the Finance House will serve as this letter.

4.2 Responsibility of the Finance House

- In all circumstances, the Finance House will notify TransUnion HPI of the reason for the settlement. Hence, even in the case of vehicles that are settled as uneconomical to repair, the Finance House will notify TransUnion HPI who will record this information against the vehicle history.
- The Finance Houses will; notify the insurer concerned immediately should it come to their attention that;
 - a.) Any vehicle which should, upon reasonable inspection, have been declared permanently unfit for use, have actually been declared uneconomical to repair.
 - b.) An insurer has failed to register vehicles that have been declared uneconomical to repair into their own name prior to selling such vehicles.

It is agreed that the;

- Finance Houses are entitled to view/audit the assessor's report in terms of any vehicle in which they have an interest.
- Disposal by the insurer then places the requirement for a roadworthy test to be passed on to the subsequent owner prior to re-registration.
- South African Insurance Association will publish this Code together with the signatories thereto on the SAIA webpage – www.saia.co.za

DATE OF INCEPTION OF ORIGINAL AGREEMENT : As per each signatory **TERMINATION** : This

Agreement is subject to one month's notice unless otherwise determined.

NAME OF COMPANY: _____

SIGNED: _____

DATE: _____

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