

# INSURANCE PRIMER

A CRASH COURSE IN  
COLLECTOR CAR INSURANCE





**Finally, you own the vehicle you've spent a lifetime dreaming about. Now what? The next step is to protect your investment. Auto policies covering your basic needs can be found anywhere. But to cover a collector car, a basic insurance policy designed to protect the Buick or Toyota you drive daily could fall short and leave you with less insurance than you need.**

## **CAR INSURANCE 101**

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**When it comes to automobile insurance, there are three basic types:**

### **Actual Cash Value**

Most auto insurers write Actual Cash Value policies. If your car is stolen or declared a total loss, you will only receive what the insurance company determines is the value of your car at the time of loss. In most cases, this “value” is based on used-car prices, not on the value of your car in the collector car market. Actual Cash Value policies are the norm for cars driven on a daily basis. But if your collector car is worth more than what might be stated in a used-car price guide, Actual Cash Value is unlikely to fully cover your loss.

### **Stated Value**

With a Stated Value policy – what many regular-use auto insurers offer for collector cars – you set the amount at which your car is insured. In the event of a claim, that amount is the starting point from which the adjuster may depreciate the car, meaning that the company will pay the lower of the amount stated on the policy declarations page or the actual cash value. As a result, it's likely that you will not receive the full value of your car.

### **Agreed Value**

With an Agreed Value policy, you and the insurance company agree on an amount for which to insure your car, and a premium is paid based on that value. In the event of a total loss, you'll receive the full amount for which the car was insured less any deductibles that may apply to your policy.

## APPRAISALS AND VALUATION

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**Insurance companies establish the value of collector cars in different ways, and it's important for you to be part of the process.**

Some companies will require appraisals at the owner's expense to establish the agreed value, while others may not require an appraisal but will not insure for more than the book value of each vehicle. The best companies will not require appraisals and will rely on your opinion to help determine the proper insured value of your collector car.

## COLLECTOR CAR VERSUS REGULAR-USE CAR INSURANCE

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**The cars you drive every day are very different from your collector cars in terms of value, usage and availability of parts and services. As a result, your insurance needs to reflect those differences.**

With an Agreed Value collector car policy, you're assured of receiving the full face value of the policy if you suffer a total loss. You'll also be more likely to work with a claims representative who understands windshields that cost more than \$500 and parts that have to be fabricated. One of the big advantages of an Agreed Value policy from a collector car insurance company is that *you* pick the repair shop for your V-16 Cadillac or Ferrari 275 GTB/4.



Most collector car insurers restrict the annual mileage a car is used, require that each licensed driver in a household have his or her own regular-use car and stipulate that all collector cars are garaged. In response to the lower mileage driven and greater care lavished on the cars, as well as the lower loss history with collector cars in general, the average collector car insurance premium is far lower than that for your regular-use vehicle.

Not only are standard premiums likely to be three to four times higher than with a collector car policy, in the event of a loss, you'll probably deal with a claims staff with no concept of the cost to repair or replace parts on a rare or old collectible. Many regular-use insurers also have contracts to send their insureds to specific body shops that probably have no experience with cars like yours. However, adding your collector car to your regular-use insurance policy may make sense if you plan on using it as your daily driver.

## **WHAT IS A COLLECTOR CAR AND WHEN IS A COLLECTOR CAR POLICY RIGHT FOR YOU?**

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**Collector cars come in all sizes and shapes. Some, like an 1898 Locomobile, were built in the 19th century, while others, such as a Ferrari F430, qualify right out of the showroom.**

Although individual insurance companies differ on exactly which cars they will cover, if a vehicle is of limited production and special interest, it might qualify if it's not used for daily transportation. In years past, cars that were less than 25 years old, built from kits or modified were generally not eligible for collector car policies, but for the most part those restrictions have been lifted.

To qualify for collector car coverage, drivers must have a good driving record, and some companies require them to be 25 years of age or older. The collector or special interest car also needs to be securely garaged. While not all collector car policies have strict mileage

restrictions, 2,500 miles has long been considered the average annual usage. The particulars of restrictions, such as those for mileage and the age of the driver, will vary by company, but the basic policies have much in common.

## COMMON FEATURES OF COLLECTOR CAR COVERAGE

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**In most ways, the coverage offered by collector car insurance is very similar to the insurance you purchase for your daily drivers.**

Although coverage will vary depending upon the legal insurance requirements in your state, it generally includes the following:

**Collision Coverage** covers damage to your vehicle caused by an impact or a crash with another vehicle or object.

**Other Than Collision** covers damage to your vehicle caused by an event other than an impact or collision such as fire, theft or vandalism.

**Liability Coverage** pays for damages to other people (bodily injury) or property (property damage).

**Medical Payments** pays for medical expenses for you or your passengers after an accident, regardless of who is at fault.

**Personal Injury Protection** (PIP) pays benefits for bodily injury damages resulting from an auto accident in a no-fault insurance state. PIP may cover other benefits, including lost wages and funeral expenses, depending on specific state guidelines.

**Uninsured Motorist Coverage** (UM) pays for bodily injury or property damages for you and your car when an uninsured or hit-and-run driver is legally liable, up to your policy limits.

**Underinsured Motorist Coverage** (UIM) pays up to your policy limits for damages to your car caused by a person who does not carry adequate liability coverage.

## WHAT YOU NEED TO KNOW ABOUT COLLECTOR CAR COVERAGE

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Another thing that most collector car policies have in common is what they don't cover.

**On-Track Coverage** is not offered by most collector car insurance companies, although a separate physical damage policy for club track days and driver's education may be available. Several other specialty insurance companies do write racing policies for both driver's education and competition, but the coverage is generally very expensive and deductibles can start at \$5,000.

**Business-Use Coverage** is not generally offered by collector car insurers. If your collector vehicle is used for advertising, promotional or delivery purposes, you'll probably need to put it on your business or personal auto policy.

**Parts Cars and Unrestored Cars** sitting outside are not usually covered by most collector car policies.





## OTHER FEATURES AND RESTRICTIONS

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**When seeking collector car insurance, you'll want to investigate:**

- Policies with a single liability charge – paying an individual liability premium for every car in your collection means you'll pay too much.
- Spare Parts Coverage – will your spare parts or tools carried in your car be covered if stolen or damaged?
- Roadside Assistance
- Deductibles
- Driver Age Restrictions
- Overseas Shipping/Touring
- Coverage for a Car Under Restoration

Most collector car coverage has limitations, which are often stated in the application process. If your application is accepted, it's largely based on the information you provide about how your vehicle is used.

Before purchasing any collector car policy, you should understand all limitations and be comfortable with them.

## WHEN TO COVER A COLLECTOR CAR

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**Many people aren't clear about when to insure their collector cars. The truth is, as soon as a car is legally yours, it needs insurance.**

Even if a car is acquired in the winter and put away immediately, a fire, theft or accident in the garage could cause any loss to come straight out of your pocket. Your homeowner's policy won't cover any damage to your car – even if it's tucked away in your garage or basement. Although most collector car coverage will not extend to track or racing use, a race car should always be insured while being stored, transported or driven on the road if it's legally registered.

While the car is being restored, it needs to be insured, though you should be sure that it's also covered under your restorer's policy. If there is a loss, it will be easier for you to file the claim with your insurance company, who will take responsibility for settling the claim and will then work out the details of the loss with the other insurance company.

As the work progresses, you should periodically adjust the insured value of your car to ensure it is always properly covered. Upon completion, the value should again be increased to reflect the fine condition of your freshly restored prize.

Most reputable auto transport companies have their own insurance, but it generally only covers up to \$100,000 in damages for any losses due to negligence. If there is a loss caused by another driver or an act of nature, the transport company's insurance wouldn't cover the damage. That means that you need your own insurance coverage before pickup, during transit and after delivery.

## CHOOSING A COLLECTOR CAR INSURANCE EXPERT

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There are a number of reputable collector car insurers, and many of them will write your coverage directly or work through agents located throughout the country. Whichever company you select, make sure it can offer the following:

**An A.M. Best Rating of “A-” or better:** The insurance company is financially strong and benefits from good management.

**Agreed Value Insurance:** In the case of a total loss, you'll receive the total amount for which your car is insured, less any deductibles that may apply to your policy.

**In-House Claims:** The agency has its own claims department to take care of you in the event of a loss.

**Choice of Repair Facility:** Because your car is special, you should be the one to select the shop to repair it.

**Single Liability Charge:** Look for a company that only applies one liability charge despite the number of cars in your garage or collection. Please note that a single liability charge is not approved in all states.

You'll also probably want to ask the following questions when considering insurance for your collector car:

- Does the agency solely cover collector vehicles?
- How are insurance values set?
- Are appraisals required?
- What is the policy regarding young drivers?
- Are claims adjusters familiar with collector vehicles?

Also consider price, the service received when you contact the company for a quote, and what your collector car friends say about a particular insurer. Take your time, ask a lot of questions and be sure to make an informed decision.



Hagerty is the premier source for safety and protection information about the collector car hobby. For more information on enhancing your collector car ownership experience, log on to **[www.hagerty.com](http://www.hagerty.com)** or call **888-310-8020**.



## Towing & Benefits Program

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