

MOTOR CLAIMS; DEALING WITH PARTS MADE OF MIXED CONSTITUENTS

WHILE ASSESSING THE LOSS

Composite materials are parts made from two or more constituent materials with significantly different physical or chemical properties, that when combined, produce a material with characteristics different from the individual components. The individual components remain separate and distinct within the finished structure. The new material may be preferred for many reasons: common examples include - materials which are stronger, lighter, less expensive when compared to traditional materials.

The latest automobiles use many parts that are made of composite materials for various reasons as already explained above. In addition, the composite materials are more safe in certain conditions due to their shock absorption qualities and they also give an aesthetic look. Just to name a few parts, steering wheel, radiator, driver's seat in heavy vehicles, wiring harness, etc.

Motor insurance policy, a contract between the insured and insurer, clearly defines the rate of depreciation to be applied for different parts and I reproduce the same below:

1. For all rubber/ nylon / plastic parts, tyres and tubes, batteries and air bags - 50%
2. For fiber glass components - 30%
3. For all parts made of glass - Nil
4. Rate of depreciation for "**all other parts**" including wooden parts will be as per the following schedule.

AGE OF VEHICLE	% OF DEPRECIATION
Not exceeding 6 months	Nil
Exceeding 6 months but not exceeding 1 year	5%
Exceeding 1 year but not exceeding 2 years	10%
Exceeding 2 years but not exceeding 3 years	15%
Exceeding 3 years but not exceeding 4 years	25%
Exceeding 4 years but not exceeding 5 years	35%
Exceeding 5 years but not exceeding 10 years	40%
Exceeding 10 years	50%

The above table is very clear and there is absolutely no scope for any ambiguity or confusion. Composite materials are not specifically defined hence they all fall under the category of '**all other parts**' which attract normal depreciation as per the age of the vehicle.

Let me name a few of the parts where the insurance surveyors normally encounter some problem in applying the depreciation and they also normally tend to take the easy route of applying depreciation @ 50 % on the part. This approach is very convenient, comfortable and would not invite any query from the claims officer.

But is this approach fair? Are the surveyors doing their job right here? Are the policyholders or consumers getting a fair deal from the insurers in the event of a claim. Let me elaborate here:

The steering wheel is made of a steel rim, a hub, and few spokes. The rim & the spokes are then covered with high density elastomer which is light in weight, strong enough, durable, provides an excellent grip for the sweat secreting hands, and most importantly, is its shock absorbent qualities. The life of this steering wheel can be the age of the vehicle. One need not have to replace a steering wheel just because it has worn out or rusted due to oxidation. The replacement of steering wheel may be demanded only in the event of an accident impact. Otherwise, it serves the lifetime.

But most surveyors are mechanically tuned to applying depreciation @ 50% for the reason it has some material that is looking more like rubber or plastic and the seniors have applied 50 % depreciation all along for ages. Why invite fresh trouble with the insurer's who have to give jobs again and again to the surveyors?

Similar is the case with the driver's seat in heavy goods vehicles. The seat frame, the bottom frame and foundation are all made of steel and only the seat base and the back rest have some plastic wire woven net to allow the driver to sit. The author has seen some reports where the depreciation is applied at 50 % which is most unfair towards the insured client.

Also take the case of radiators in most vehicles available today. It is made of aluminium core with the top and bottom water or coolant chambers made of plastic with filler port and a cap. In a frontal impact the radiator gets damaged both on the core and the water chambers, sometimes only the core gets damaged due to fan hit or any other projected part piercing it, and sometimes only the water chambers get broken. The water chambers are a very small portion of the radiator assy. But the surveyors are mechanically used to or are even asked to or sometimes forced to apply 50 % depreciation by the insurers.

The wiring harness is yet another interesting case. Here again, the senior surveyors applied 50% depreciation and the present generation is also applying 50% depreciation and the next generation surveyors will apply 50 % too. This goes on and on. The seniors created a paradigm and others will simply follow it without even making an attempt to reason with the procedure adopted and attempt to change the procedure followed blindly. Wiring cables are made of

metal wires, called as conductors, made of copper or aluminium, and are protected with enamel coating as an insulator & separator.

The author is of the firm opinion all the parts made of composite material fall under the definition of “the other parts” for the purpose of applying depreciation as defined in the policy document and should be applied so.

But how should the surveyors change their mindset and also age old practice of applying depreciation blindly? This is where the surveyor’s institute, a body formed by IRDA, will have to formulate uniform format of report making and clearly defining the interpretations of certain words in policy conditions which should be circulated to all the insurance companies. This will help the surveyors work truly independently and fearlessly and then only they can claim and live like independent professionals and their reports will then be made “Without Prejudice” in letter and spirit.

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