



Current Articles 2003 – March

Branded Vehicles

The "branding" of vehicles will be introduced by the Ontario government in the very near future. The purpose of this change is to further reduce fraud associated with motor vehicles and also to make it difficult to register a stolen vehicle, thereby reducing thefts of automobiles. The road safety program is designed to identify severely damaged vehicles that have been classified as a total loss and subsequently branded as a result of collision, impact, fire, flood, or theft.

This program is mandatory and will replace the current voluntary disclosure program. It will apply to "salvage" and "reassembled vehicles", and to vehicles being imported to Ontario. The new regulations will apply to anyone involved in the possession, sales, handling, inspection, documentation or appraisal of severely damaged vehicles. The Highway Traffic Act has been amended to include significant penalties for failure to comply with the new legislative and regulatory requirements.

The designations of branding will include "Stolen" and will be applied to the VIN number by the police, owner or MTO. Once the vehicle is branded as "stolen" the VIN is locked and it cannot be transferred or registered. If the vehicle is recovered, the "stolen" branding can be lifted.

The next branding is "irreparable". If a vehicle is so designated, it cannot be relicenced. This will apply to severely damaged vehicles and will prevent these vehicles from being repaired and later sold.

Thirdly, is the branding as "salvage". This will be applied when the vehicle is deemed a write-off and may be changed to the last branding as "rebuilt" if the vehicle complies with the requirements of a Standard Inspection Certificate by an authorized vehicle inspection facility.

From the broker's perspective, there may be some difficulty in insuring and establishing values of historic or antique vehicles that have been extensively repaired and refurbished but may come under the requirements of a branded vehicle particularly if the vehicle was brought in to Ontario from another jurisdiction. Hopefully, and with an up-to-date appraisal, this can be overcome and the vehicle be insured including the OPCF 19A - Agreed Value of Automobile endorsement.

It is not likely that a "branded" vehicle will be subject to a further diminished value as the purchase of a "branded" vehicle will, no doubt, reflect the reason for the "branding" such as, severe damage. Diminished value was addressed in my article of April, 2001.

I have had several inquiries from the diminished vehicle article and one of late refers to a leased vehicle that was extensively damaged but that did not have sufficient damage to deem it a write-off. In other words, it was repaired. When the lessee returned the vehicle to the lessor, the lessor demanded additional money "as the vehicle had been reduced in value from that which they

expected after the expiry of the lease." Although some leasing companies include "gap" or a Value Added- Leased Unit Extension coverage, this will not apply unless the vehicle is deemed a total constructive loss. As with diminished value, this is another type of potential monetary loss to an insured which cannot be covered by the automobile policy. These types of monetary losses cannot be quantified by an insurer until the vehicle is traded, sold or returned to a leasing company, any of which may occur quite some time after the actual date of loss.

James E. Bonnay,
C.I.P., C.C.I.B.
Insurance Consultant

Phone 905-333-1727
Fax 905-333-0683
E-mail - jamesbonnay@cogeco.ca