

Insurance Europe's key messages on the draft ELV regulation (in response to the provisions in the Council's text)

1. Not every economic total loss is a technical total loss

Article 3, Annex I

Considering 'economic total loss' (ETL) vehicles as ELVs is inappropriate and not aligned with the definition of ELVs in Article 3 of the draft regulation. Only 'technical total loss' (TTL) vehicles are truly irreparable (and thus waste) and should therefore be considered ELVs.

In contrast, the notion of ETL is a purely economic one, linked to the choice of repairer, the origin of the parts (second-hand, OEM, manufacturer), the age of the vehicle, and the market (which affects the cost of labour and parts) where the determination is made. The designation of a vehicle as an ETL does not necessarily indicate irreparability or that the vehicle is no longer safe, but only that repair is deemed non-economical for a specific repairer/parts/market combination. As such, ETL vehicles may very well be technically repairable and thus potentially roadworthy and eligible for export as second-hand vehicles.

Moreover, exporting ETL vehicles to other countries where they are economically repairable (due to lower labour costs, etc) would make a significant contribution to the EU's sustainability goals, as this would prolong the life of vehicles and reduce the need for new production. On the contrary, treating ETL vehicles as ELVs that must necessarily be destroyed/recycled, even if they are still repairable, would have a clear negative impact from a sustainability perspective.

2. Insurers cannot and should not be forced to become responsible for assessing whether a vehicle is an end-of-life vehicle or not according to Annex I

Recitals 49 and 68, Article 37

The overarching approach of the proposed regulation does not properly address its key objective, which is to enhance the traceability of irreparable (i.e. technical total loss) ELVs. Placing the burden of tracing ELVs onto insurers would be inefficient and ineffective, because not all ELVs enter the insurance and appraisal "loop" in the first place. That is because a damaged vehicle may be uninsured for own damage (voluntary comprehensive insurance) and because not all vehicles involved in accidents are settled by insurers. Consequently, attempting to trace ELVs through insurers would, at best, capture only part of all the vehicles concerned.

Most insurers are not in a position to assume responsibility for determining and reporting on whether a vehicle is an ELV. In the majority of cases, the determination that a vehicle is an ELV is done by an independent automotive expert (regulated profession), a workshop, and/or a court-appointed expert, with no or minimal involvement by insurance companies. In many cases, the independence of the expert making the determination is legally mandated, which makes it legally impossible for insurers to assume this role. Moreover, in many markets where this would be legally permissible, insurers lack the information, expertise, systems and processes to make this determination and undertake the relevant reporting. Assigning this responsibility to insurance companies would therefore require fundamental changes in the way the system works in those markets and lead to excessive costs for those companies. These costs would include hiring experts to make such determinations, investing in the training of employees, investing in IT systems for obtaining, storing and reporting necessary data, and changing operating procedures accordingly, among others. For customers, this would lead to prolonged claims handling processes and, ultimately, higher motor premiums. In the few countries where insurers are more involved in the process, they are already reporting relevant data to the authorities on a continuous basis (eg France and Finland). Imposing additional annual reporting obligations would add unnecessary and costly complexity for no or very little benefit. Finally, it

should be noted that any solution employed should not entail costs that are disproportionate to the consequences of the problem.

3. Delivery of ELVs to authorised treatment facilities should be free of charge

Article 24

Notwithstanding the above comments regarding the role of insurers with respect to ELVs, we would like to flag an issue for consideration. Specifically, the proposal mentions that delivering an ELV to an authorised treatment facility or collection point should be free of charge unless a critical component, other than the electric vehicle battery, is missing. The purpose of this requirement (no missing critical components) is unclear. Particularly, if there is no cost to the authorised treatment facility, it does not seem fair to charge the owner if a part is missing, for example, due to an accident.

4. Repairability criteria need to be more practical

Recital 68, Annex I (Parts A and B)

We support the concept of circular vehicle disposal, but it requires practical criteria to be effective.

The current regulation, if implemented as currently drafted, would significantly limit the usability of vehicles after a claim, which goes against both the interests of policyholders and the EU's sustainability goals. This could result in vehicles being destroyed/recycled prematurely, even when they could be restored to a roadworthy condition. Therefore, it is crucial to adapt the criteria defining ELVs, as the existing list of criteria in Annex I does not align with practical realities in a number of instances.

To this end, in addition to the specific suggestions for improving the Annex I criteria outlined in Insurance Europe's [response](#) to the European Commission's consultation, please consider the following points:

- Part B, which provides a list of indicative criteria for ELVs, mixes various types of criteria and introduces confusion. Specifically, the rationale behind the automatic application of Part B when Part A is not applicable is unclear.
- Additionally, insurers have specific concerns regarding the criteria in Part B:
 - Part B - (b) its owner is unknown or the vehicle is abandoned: A vehicle should not be destroyed and recycled simply because it is abandoned.
 - Part B - (c) it has not had its required national technical roadworthiness test for more than two years from the date when this was last required or it has not been insured for at least two years: Regarding the first element of this criterion concerning roadworthiness, the fact that the vehicle has not been inspected within the specified timeframe should not determine whether it is an ELV (i.e. absence of test does not necessarily equal failure of test). Regarding the second element concerning insurance, it should be clarified that this criterion does not apply to vehicles that are exempt from insurance coverage under national legislation.
 - Part B - (e) it has been declared as a total economic loss by an insurance company and Part B - (f) the repair costs necessary to repair that vehicle to a technical condition that would be sufficient to obtain a roadworthiness certificate in accordance with Directive 2014/45/EU and its current value exceed its estimated market value after repair: in both cases, the vehicles in question remain technically repairable. These criteria prioritise economic considerations over technical feasibility and are contrary to the principles of vehicle repairability and durability.

5. Repairability and durability of vehicles and their parts should be enhanced

Ensuring the repairability and durability of vehicles and their parts is essential for reducing environmental impact by extending the lifespan of vehicles, minimising waste and need for resources. In order to extend the lifespan of vehicles and spare parts, the following issues should be addressed in the proposed Regulation on circularity requirements for vehicle design and management of ELVs:

- **Durability of components and the whole vehicle:** durability is a key aspect for sustainability of vehicles, parts and components because it mitigates environmental impacts from resource consumption, production and disposal through a longer lifetime. However, manufacturers have been designing parts with intentionally limited lifespans, including through practices such as planned obsolescence (i.e., designing parts to fail shortly after the warranty period). Vehicles, components and parts should be constructed in a way that they are not sensitive against specific defects or rapid wear. Therefore, durability requirements should be integrated into the draft Regulation. Moreover, where technically and economically appropriate, the durability of vehicles and their components may, in certain cases, be further supported through the use of dismantled parts that remain in good condition, and the refurbishment of worn components. It remains essential, however, that such practices uphold high standards of safety, quality assurance, and cost-effectiveness.
- **Repairability of vehicles and their parts:** vehicles and spare parts should be designed for easy repair. Making components that are modular, easy to disassemble, and replaceable will allow mechanics and users to fix problems without needing to replace the entire system or part. This is especially relevant for electric vehicle batteries that are the most expensive part of a vehicle (please see above key message on electric vehicle batteries).