

# Betterment/Depreciation

## Rules

Depreciation relates to items that lose value over time due to wear and tear, and aging.

Normal wear and tear of a vehicle part is based on the life expectancy of that part as determined by the manufacturer. The difference between the cost of a replacement part and the value remaining in the old part is referred to as depreciation.

MPI has a contractual responsibility to return insured parties to the same position they were in before the loss occurred. Depreciation is commonly applied to replacement parts with measurable life expectancy. Installing new or remanufactured parts results in betterment, as it puts the insured in a better position than they were in before the loss occurred.

## Betterment Threshold

When the total betterment on a claim is less than \$50.00 including taxes, the customer will not be responsible, and the betterment will be paid by MPI. Once it exceeds \$50.00 including taxes, the customer will be responsible for the full betterment amount.

If additional parts are added during a supplement, the repair shop must reassess the total betterment.

## Powertrain Components, Betterment, and Factory Warranty

Betterment should not be applied to powertrain components if the vehicle is still under factory warranty.

Factory warranty for the specific vehicle must be confirmed.

## Recycled Parts and Betterment

MPI does not consider depreciation when recycled parts are used, unless the betterment is of major significance. A shop must advise the insured of their recycled options. If a recycled part is selected, it must be of equal or less value to the new replacement part after deducting the betterment costs. For example:

A new part is written to the estimate for \$500 and a 50% betterment applies. If a recycled part is available for \$250 or less the shop may select and the insured would incur no expense. Recycled parts over \$250 would not be eligible of selection regardless of Parts Autonomy privileges.

See the [MPI Parts Business Rules](#) for detailed information on excluded and optional use recycled (LK) parts.

## Reference

Where depreciation is significant, and the customer is put in a better or worse position than prior to the accident, betterment will be applied at MPI estimator discretion.

The table below provides guidelines when considering depreciation. Since these are only guidelines, abusive wear or extraordinary care and maintenance will be considered, and betterment will be applied at the MPI estimator's discretion.

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These guidelines do not apply to commercial vehicles.

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Vehicle Component	Mileage Betterment Guideline	Depreciation Percentage
Interior electrical components (excluding stereos)	No depreciation	Nil
Factory stereos	0 to 35 months 3 years and older	Nil 5% per year 60% maximum
Batteries	0 to 23 months 2 years to 6 years 6 years and over	Nil 20% per year 90% Maximum
<a href="#">Tires</a>	Measure remaining tread (from base of tire tread)	Pro rate according to original tread depth (see <a href="#">Tire Betterment</a> ).
Brake pads, shoes and components	0 to 60,000	Pro Rate
Engine assemblies (long and short blocks), transmission assemblies, trans axles, differentials, radiators, condensers, exhaust components, alternators, starters, and related power train components	0 to 80,000 80,001 to 120,000 120,001 to 150,000 150,001 to 200,000 200,001 to 250,000 250,001 to 300,000 300,001 and over	Nil 10% 20% 30% 40% 50% 60% maximum
Suspension components: struts, shocks, ball joints, tie rod ends, steering racks, drag links, strut bushings, hub and bearing assemblies, and other wear and tear items	0 to 80,000 80,001 to 100,000 100,001 to 125,000	Nil 10% 20%

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	125,001 to 150,000 150,001 to 175,000 175,001 to 200,000 200,001 and over	30% 40% 50% 60% maximum
Old damage or wear and tear (rust, cigarette burns, etc.)	Estimator Discretion	Up to 60%

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