

Am I covered for that?

As insurance professionals we receive our share of calls that begin with “Am I covered for....?” The conversation usually continues with a description of a unique circumstance and a discussion of specific insurance coverages and how they may apply. These conversations often lead to a review of additional options available.

Additional options??? Yes, you read that correctly. You see, not all policies are created equal and optional coverages that are a good fit for one dealer may not be necessary for another. It comes down to determining your specific risk characteristics (your business model and how you operate) and creating a package that addresses these risks. An insurance professional experienced in insuring auto dealers can help you assess your specific insurance needs.

In this article I’ll break down some of the more common and often overlooked optional coverages available along with scenarios in which they apply. If your dealership is exposed to any of these activities ask your insurance professional if your policy offers these optional coverages.

Garagekeepers Liability- this may be confusing because many dealers (and less experienced agents!) refer to a dealer/garage policy as “Garagekeepers” when in fact this coverage is an *option* and unless its been added to your policy you don’t have it. In a nutshell Garagekeepers provides Physical Damage coverage to another person’s auto in your care, custody, and control. An example is if you are working on a customer auto and it gets damaged. Common for a service shops, but what about for dealers? Even if you do not perform service for the public you may still be exposed in the following ways: 1) Test driving a customers trade-in. 2) Test driving a vehicle at the dealer auction (that car belongs to someone else) 3) Vehicle consignments (note that not all Garagekeepers forms allow this practice so check with your agent before doing consignments 4) acting as a Registered Importer.

False Pretense- Let’s say you or your salesperson allows a customer to take an unaccompanied test drive and he drives off with your car...forever. Did you know that because you gave the customer the keys and permission this is *not* considered auto theft? It is a form of *conversion* and is *not* covered on *any* policy unless you have the option of False Pretense. Another example is if you sell a vehicle and later find out the purchaser used a false identity or wrote a check on a fake or closed account. In this case you were ‘tricked or schemed’ out of the vehicle and the only way you’d be covered for the loss is with the *False Pretense* option.

Fencing, signs, light poles- When you insure your home it usually covers your fence against damage. This is not always the case on a commercial building. If a drunk driver smashes into your fence in the middle of the night and has no insurance (common) you may be in for a disappointment to learn that your building coverage only covers the building and you are stuck fixing that fence out of pocket! Most policy underwriters require the desire for coverage to Fences, Unattached Signs, and Light poles be disclosed and rated for up front. Make sure to inform your agent if you have these exposures so the proper forms requesting coverage can be filed *before* there’s an issue.

Employment Practices Liability Insurance (EPLI)- our lawyer friends love to file lawsuits on behalf of disgruntled employees. Costly lawsuits for harassment, discrimination, and wrongful terminations are becoming more and more common. If you have employees you *are* exposed. Workplace joking or

teasing of a sexual or off-color nature add to this exposure. A proper EPLI policy will provide legal defense and coverage for these instances.

Errors & Omissions (E&O) coverage – Auto dealers have the responsibility to protect the assets of the consumer through accurate paperwork. If you, your salesperson, or finance manager makes an error or omits an important document regarding an odometer reading, known prior damage, causes a titling error, or an incorrectly completed financing form and customer files a lawsuit you could be on the hook to purchase a vehicle back from the customer for the full amount of their investment including repairs, interest, and legal fees. E&O policies provide legal defense and afford the coverage necessary. It happens more often than you may think.

Other optional coverages such as Fire Legal Liability, host liquor liability, personal & advertising injury, limited worldwide liability, cyber liability, contract driver coverage, and more are also available and can be covered more in depth in future articles.

It's understandable as a small business owner to want to keep your fixed expenses such as insurance as low as possible. The good news is these optional coverages are surprisingly affordable. If your dealership has one or more of these exposures do yourself and your business a favor and contact your insurance professional to ask about availability on your policy. Even if you never have to use them, I guarantee you'll sleep better.

Todd Shepard is the founder of Shepard & Shepard Dealer Insurance and author of [Insuring Your Dealership-what every used car dealer should know](#). For a complimentary copy or no-obligation policy review visit www.shepquote.com or call 855-396-0488