

## Why are you still doing unaccompanied test drives?

This is tough one. For several years the insurance carriers have tightened up their policy wording in effort to discourage unaccompanied test drives. Then the pandemic hit, and dealers were forced into unaccompanied test drives for the safety of their employees and prospects. With the vaccine and other controls, best practice encourages the test drive process can and should go back to normal.

**Unaccompanied test drives cost you gross** - Any experienced salesperson that deals in pre-owned autos knows a poor test drive experience can cost gross or even the entire sale. The opportunity to properly demonstrate the features on a demo drive and address questions or concerns about handling or odd sounds or rattles is a valuable part of the sales process, helps put your prospect at ease, reduces negotiation, and increases potential for gross profit.

**Unaccompanied test drives expose your business to potentially huge losses**- The problem is multi-layered. A loss can involve liability, property damage, bodily injury, theft, or false pretense portions of a policy. Even if a loss is clearly that of the prospect most states will require the dealer insurance respond as *primary*. Wow! That is a bunch of exposure from both the dealer and an insurance carrier's standpoint.

Let's break it down beginning with the most common, an auto accident. Your unaccompanied prospect rear-ends another vehicle. The dealer insurance responds as *primary*, covering the other vehicle, and *the dealer pays a deductible*. If the dealer vehicle is damaged, it's a *separate* claim and *another deductible*. If the prospect, or the other party, is injured the bodily injury limits could be tremendous.

Most often auto accidents are a result of distracted driving. Aside from the fact the prospect is unfamiliar with the vehicle, they may also be unfamiliar with the roadway. The risk increases with the knowledge the prospect is *testing* the auto, perhaps pushing the limits of acceleration, braking, and steering while fiddling with the controls, the radio, and even posting their test drive to social media! Add to the mix they may have a less than concerned attitude since it is *not their car*. We haven't even addressed the other drivers on the road that may also be distracted! The role of an accompanying salesperson is much greater than just selling the features of the vehicle, they serve to monitor and ensure the safest test drive experience possible.

**Unaccompanied test drives create theft losses that *may not be covered* by your insurance** – the dealer's inventory portion of an insurance policy has a built-in *exclusion* for auto theft that occurs when the dealer or salesperson willfully releases the keys to someone, and that person doesn't return the car. It is technically not theft if the customer is given *permission* to take the car. If the joyride results in the auto disappearing for good the dealer is out the *entire cost of the car!*

Fortunately, there is a coverage available through some carriers called *False Pretense* or *Trick & Device coverage* that a dealer can request to protect against this very thing. Sadly, about 85% of the dealers choose to *decline* this coverage hoping to save money on premiums. This type of insurance often includes some coverage related to other ways a nefarious individual may attempt to trick a dealer out of a vehicle. In short, unless you *add False Pretense to your dealer policy there is no coverage for this type of loss*. A quick call to your insurance agent should confirm if you are truly protected. If your agent is unfamiliar with this type of coverage it may be a good time to shop around. Your dealer association will be able to suggest insurance agencies that specialize in dealer related insurance policies.

**A test drive agreement is *required* when a prospect is operating a vehicle owned by the dealership-** if a prospect is pulled over or involved in an accident, they must show proof of permission to operate the vehicle (often called a demo permit or test drive permit) and can be fined if they do not provide it (what a deal killer). Your dealer association has these forms available. The dealer completes the form and gives one copy to the prospect then retains a copy for file along with a copy of the prospect's driver's license and insurance card (make sure to compare the photo on the license with the face of the prospect!) The form requires the prospect to sign and agree to accept responsibility for losses and can be most helpful when processing a claim as it may allow the insurance carrier to hold the prospect accountable for a portion depending on the scenario.

**Insurance carriers frown on unaccompanied test drives, *some even exclude this practice!*** Check with your agent as to what rules must be followed should you opt to include unaccompanied test drives in your business operations.

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