

# Protecting customer vehicles in your shop



**Guest editorial**  
**Becky Harding, CPCU**

Director of Association Programs  
JD Fulwiler & Company  
Insurance

877-924-5777

bharding@jdfulwiler.com

**M**ost upfitters have customer vehicles in their shop at some point, whether they belong to municipalities, utilities, contractors or even bailment pools. Regardless of which category your shop fits into, you are responsible for ensuring customer vehicles are adequately protected while in your “care, custody and control.” If a customer’s truck is stolen from your shop or damaged when being returned, you would likely feel an obligation to step in and cover the damage either in full or part. The term for this coverage is Garage Keepers insurance.

This insurance can be purchased in several different ways, depending on the company insuring it. Most insurers offer coverage options based on how much protection you want to provide customers. Garage Keepers insurance is typically written on a legal liability, direct excess or direct primary basis.

## Garage Keepers Legal Liability

This form of insurance coverage provides for comprehensive

and collision coverage for customers’ cars only if you are legally liable for the damage. For example, if a space heater is left running in the shop by one of your employees and the shop catches fire (thus, causing fire damage to customers’ vehicles), you would be directly liable as a result. In this scenario, your insurance policy would pay for the damage. However, if a customer’s car is parked outside the shop and someone veers off the main road and crashes into it, you are not legally liable for the damage. Your insurance policy would not respond and your customer would need to submit the claim to his or her insurance company for remedy.

## Garage Keepers Direct Excess

This provides comprehensive and collision coverage for customers’ vehicles regardless of your legal liability. However, it will only pay on an excess basis; meaning, it will pay after the customer’s own insurance policy limits are exhausted, if the policy does not respond to the particular type of claim or in the unlikely event the customer has no coverage at all. So, using

the same previous examples, the Direct Excess policy would respond to both losses, but only after your customer’s insurance pays.

## Garage Keepers Direct Primary

This coverage will pay for comprehensive and collision for damage to customers’ vehicles regardless of your legal liability in a loss. It will also pay first-dollar — meaning, your policy would pay for the entire loss, without consideration of customers’ own insurance limits. So, using the same previous examples, the Direct Primary policy would respond to both losses and pay without regard for your customers’ own insurance policy limits and/or coverage.

Direct Primary is the most common form of Garage Keepers insurance currently being used. However, it’s becoming more prevalent for upfitting operations to consider Legal Liability, as they don’t necessarily want responsibility for any loss that may cause damage to customers’ vehicles.

The argument for Legal Liability is, in order to protect

your own claim history and thus have better control over premiums, paying only losses for which you are directly responsible is the more prudent decision.

The argument for Direct Primary is that it’s simply good business to assure customers their property is covered for any type of loss. It’s beneficial to customer relationships and overall company reputation.

Some insurance companies in the work truck industry are veering away from these three options altogether. Certain insurers are now covering Garage Keepers exposure under “property of others” and not placing it in its traditional form on the policy at all. If you have an insurer handling it in this manner, note that Direct Primary is the only way a claim will be paid under the “property of others” format. Otherwise, it reacts to a claim essentially the same way as the more widely used Garage Keepers forms previously mentioned.

To determine which form of coverage works best for your company, discuss the issue with your trusted insurance agent. A few minutes of conversation will help find the perfect fit for your business and protect customers the way you feel is appropriate.



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959 STATE HWY 95 N, Shiner, TX 77984 | 361.401.7420 | BedrockTruckBeds.com

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