

# Contingent Auto Liability Insurance — Do You Need it?

**Guest Editorial**  
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Contingent auto liability insurance is a commercial insurance product that typically protects the lessor (the owner of the vehicle) in third-party liability claims. How do you determine whether or not this is a product you need? How do you know if this is an area

in which you have some risk, but are likely unprotected?

These are common questions, and ones that are relatively easy to answer when discussing Contingent Auto Liability (also referred to as Contingent Lease coverage). Are you an upfitter with stock that you would either lease or rent to a reliable customer or are you a dealer who will sometimes lease or rent to a prospective

buyer? If you answered “yes” to either question, you have some exposure and are a likely candidate for Contingent Auto Liability insurance.

## Scenario 1

You have an upfitting operation, and during the course of your work, you find yourself with some units that you own for either your commercial use (parts running, delivery, etc.) or that are part of a growing inventory of completed vehicles held for sale. You are approached by a loyal customer who wants to rent one of your vehicles, perhaps for a seasonal need. Being a conscientious business owner, you collect an insurance certificate showing that the customer has personal insurance coverage; have the customer sign a rental agreement with the agreed-upon terms; and let the customer drive away in your vehicle.

## Scenario 2

You are a truck dealer and repair facility. (It's important to note that if you only loan a car to a customer while his or her vehicle is in for repair, you may not need Contingent Liability. Most commercial auto policies cover this exposure.) You have a large inventory held for sale and a clientele of regular buyers. One of your customers wants to purchase a truck of a different size or style than he's typically running in his fleet. However, he is unsure of the handling of the vehicle and would like to confirm that it suits his needs. As such, he wants to rent a vehicle from you before he buys, perhaps for several months or longer. This gives him an opportunity to test the prospective unit for compatibility to his operation. Again, you collect an insurance certificate from your customer showing he has his own insurance coverage; have him sign a rental agreement with the agreed-upon terms; and let him drive away in your vehicle.

Is your liability in either of these arrangements covered? After all, you have a signed rental agreement (or lease agreement) and a copy of each customer's insurance



coverage. The answer is: “Not necessarily.” This is because your customer may have let his insurance lapse, unbeknownst to you, or has inadequate limits to cover a liability loss. Also, even though your rental agreement stipulates that the customer is required to insure the vehicle, the situation gets muddy when a claim occurs and either of the previous examples is true. How can you require your customer to insure a vehicle on a policy that no longer exists or on a policy with limits that are exhausted?

So, let's say your customer is in a serious accident, causing damage to a third party. That injured third party looks to your customer for damages, but your customer's policy doesn't have adequate limits to provide relief to the claimant and they now turn to you, the owner of the vehicle. In this scenario, your Contingent Auto Liability could step in to protect you.

Your Contingent Auto Liability policy stipulates that it will pay for “bodily injury” and/or “property damage” in the event that there's a claim involving a covered leased/rented vehicle when the following are true:

- You have collected a certificate of insurance (or equivalent, like a copy of the policy) from your customer.

- Your customer's insurance is not collectible at the time of the accident. If your customer has insurance but the limits are exhausted, your policy will pay the excess of your customer's limits. If your customer's policy has cancelled, your policy will pay until the earlier of either 1) you regain custody of your vehicle, or 2) 30 days after the cancellation date of your customer's policy.

Contingent Auto Liability can be a difficult product to purchase, as many agents and underwriters are not comfortable with the risk and may not know how to rate for such an exposure. However, diligence is paramount in today's insurance marketplace. There are agents and underwriters who are familiar with work truck industry operations and are quite comfortable underwriting such exposures if you're willing to find them and ask the question.

*As the preferred insurance agency of the NTEA, JD Fulwiler developed the Protection Plus program to provide the industry with underwriting, risk assessment and loss prevention services. JD Fulwiler will shop among many top insurance carriers with which it does business to find a coverage solution that best meets your needs. For more information on the Business Insurance Program, visit NTEA.com or call 1-800-441-6832.*

## PROTECTION PLUS

INSURANCE PROGRAM FOR THE WORK TRUCK INDUSTRY

At JD Fulwiler & Company Insurance we are dedicated to serving NTEA members and affiliates with our specially designed **Protection Plus** program. This NTEA-preferred program has availability for all companies, regardless of how small or how large. We provide consistent underwriting guidelines you can count on from underwriters who are experts in the work truck industry. Protection Plus Program Coverages Include:

- Property
- General Liability
- Product Liability
- Workers Compensation
- Crime/ERISA
- Umbrella/Excess
- Dealers Open Lot
- Garage Liability
- Garage Keepers
- Personal (home, auto, etc)
- Employee Benefits
- Employment Practices Liability

**Contact Our Work Truck Industry Insurance Specialist Today!**

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*Protection Plus is a program of JD Fulwiler & Company Insurance*  
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