

Upfitters: Is Your Insurance Company Correctly Classifying Your Operation?



GUEST EDITORIAL
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The Product Liability portion of a General Liability insurance policy is significant to truck equipment upfitters. Once a vehicle leaves a facility, the product represents your name and reputation. So, it's important to ensure it's underwritten

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correctly, and an agent and underwriter understand your business. This will help prevent surprises during a claim or audit.

While reviewing policies for companies in the work truck industry, I found an alarming number of misclassifications of General Liability policies — of which Product Liability

is included.

Two common problems are incorrectly rating upfitters as either auto/truck repair facilities, or vehicle dealers.

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Clarifying Key Issues

The correct classification for an upfitter is Insurance Services Office (ISO)¹ General Liability (GL) classification 51250 – Auto & Truck Body Manufacturing, as defined by ISO:

Automobile, bus or truck body manufacturing includes the following process to suit customer's need. Unit can be built either as special or stock body to fit chassis. Metal is

¹ ISO is a provider of, among other things, regulatory and underwriting data which is used by insurance companies across the United States. Nearly all insurers use ISO classification data when underwriting a risk.

received. Templates are laid out to mark size and shape. Material is cut by burning or shears. Shaping is done by heating and hammering, power brakes and rollers. Fabricating includes clamping, dogging, heating, hammering, tacking, welding, grinding, cleaning and painting.

An incorrect classification for upfitters is ISO GL classification 10073 – Auto Repair or Service Shops. Abbreviated ISO definition:

This classification includes automobile repair work that ranges from the changing of a tire to a complete engine overhaul. Skilled mechanics are employed by these repair centers to repair ignition systems, mufflers, brakes, automatic and manual transmissions, and other mechanical repairs. These repair centers may operate as a specialty repair shop dealing primarily in one type of repair, such as transmissions, radiators, mufflers, brakes, etc., or if large enough, may offer a variety of mechanical repair services, as well as vehicle inspections.

This classification also contemplates automobile paint shops, body shops as well as specialty risks performing rustproofing operations including those risks applying spray-on bedliners to pickup trucks.

Code 10073 contemplates those risks, which are not trailer dealers that perform trailer repair work – including the installation of trailer hitches on vehicles.

While the auto repair class may describe a few operations in an upfitting shop, it does not incorporate the essence of work performed by an upfitter, which is the manufacture of bodies/equipment and/or installation of equipment to the chassis. In fact, the auto repair class doesn't take into account chassis work of any kind.

Another error is classifying an upfitter with a dealer's license as a dealer ONLY. This is a common mistake, because a typical dealer's policy automatically includes the incidental repair facility within the dealership (such as oil changes, small dent repair, etc.). However, as previously stated, upfitters

are not properly classified as a repair facility. In this scenario, the dealership and upfitting operation should be rated separately.

Your question may be, “How can this misclassification affect me?” First, most general liability policies have a clause for “misrepresentation.” This allows the insurer to cancel your policy mid-term in the event they were not adequately informed of your operations, either by you or your agent. (The only other time an insurer has the right to cancel mid-term is for non-payment of premium.)

Second, in the event of a claim, an adjuster would likely note the operations described on the policy and/or application for coverage differ from your actual operations. In this situation, the claim would typically be paid, but could result in subsequent problems. If, for example, the policy shows you as a repair facility and you have a claim regarding a body you installed onto a chassis, the insurer would be made aware of the discrepancy. This could mean non-renewal, a sizeable increase in premium or even mid-term cancellation.

As the soft insurance market of the past decade moves away, the need for proper classification becomes more prominent. Insurers are reviewing risks with more scrutiny, agents are required to provide a clearer picture of the client's operations, and pricing is increasing to reflect these changes.

The current insurance climate encourages having a good understanding of your policy and conducting a thorough review with an agent for accuracy. This can help prevent a possible problem, which could not only cause unnecessary frustration, but cost additional premium dollars.

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 (800) 441-6832. ♦

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