

# Protecting Your Customers' Vehicles While They're in Your Shop



**GUEST EDITORIAL**  
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Most upfitters have customers' vehicles in their shop at some point — whether those vehicles belong to municipalities, utilities, contractors or even bailment pools. Regardless of which category the shop fits into, you must ensure customer vehicles are protected adequately while in your

'care, custody and control'. If a customer's vehicle, while in your shop or during delivery, was stolen or damaged, you would likely feel an obligation to partially or fully cover the damage. The insurance term for this coverage is "Garage Keepers Insurance."

Garage Keepers Insurance can be purchased in different ways depending on which insurance company you choose. Most insurers offer coverage options based on how much protection you want to provide to a customer. Garage Keepers Insurance is typically written on a "legal

liability", "direct excess" or "direct primary" basis.

## Garage Keepers Legal Liability Coverage

This form of insurance provides comprehensive and collision coverage for your customers' vehicles only if you are *legally* liable for that damage. For example, if a space heater is left on and the shop catches fire, damaging a customer's vehicles, you would be directly liable. In this scenario, the insurance policy pays for the damage. However, if your customer's

vehicle is parked outside of the shop and someone veers off the main road and crashes into it, you are not legally liable for that damage. Your insurance policy would not respond and the customer would work with their own insurance company for remedy.

## Garage Keepers Direct Excess Coverage

This insurance offering provides comprehensive and collision coverage for your 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 their policy does not respond to the particular type of claim, or in the unlikely event they have no coverage at all. So, using the previous examples, the Direct Excess policy would respond to both losses, but only after your customer's insurance pays.

## Garage Keepers Direct Primary Coverage

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

## Choosing Your Coverage

Direct Primary is the most common form of Garage Keepers Insurance used at this time. However, upfitting operations are more commonly considering Legal Liability, as they don't want to be responsible for *any* loss that may cause damage to their customers' vehicles.

The argument for Legal Liability is that, in order to protect one's own claim history and 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 assuring your customers that their property is covered for any type of loss is simply good business. It is good for customer relationships and overall business reputation.

Note that some insurance companies in the work truck industry are veering away from these three options altogether. These insurers are now covering the Garage Keepers exposure under "property of others" and not including it — in its traditional form — on the policy at all. If you have an insurer that handles it this way, be aware 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 listed previously.

To determine which option works best for your company, discuss the issue with your trusted insurance agent. A few minutes of conversation will make it easy to find the fit for your business and protect your customers the way you feel is appropriate. ♦

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