

Is your rental or leasing operation at risk?



Guest editorial
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Contingent Auto Lease Liability is a commercial insurance product that typically protects the lessor (vehicle owner) in third-party liability claims. How do you determine whether or not you need this product? How do you know if this is an area in which you have some risk, but are likely unprotected?

These common questions are relatively easy to answer when discussing Contingent Auto Lease Liability (also known as Contingent Lease coverage). Are you an upfitter who would lease or rent stock to a reliable customer? Are you a dealer who sometimes leases or rents to a prospective buyer? If you answered yes to either question, you're a potential candidate for Contingent Auto Lease Liability insurance.

Are you an upfitter leasing or renting stock to a customer?

You have an upfitting operation and during the course of your work, find units for your own commercial use (parts running, delivery, etc.) or that are part of a growing inventory of

completed vehicles held for sale. You're approached by a loyal customer wanting to rent one of your vehicles, perhaps for a seasonal need. Being a conscientious business owner, you request an insurance certificate showing the customer's coverage, have him sign a rental agreement and let him drive off in your vehicle.

Are you a dealer leasing or renting to a prospective buyer?

You run a truck dealer and repair facility with a large inventory held for sale and clientele of regular buyers. (Note, if only loaning a car to a customer while theirs is in for repair, you may not need Contingent Liability, as most Commercial Auto policies cover this exposure.) A customer wants to purchase a different size or style of truck than he typically runs in his fleet, but is unsure of the vehicle handling and wants to ensure it suits his needs. As such, he'd like to rent from you for several months before buying in order to test the prospective unit for

compatibility to his operation. Again, you collect an insurance certificate demonstrating coverage, have him sign a rental agreement and let him drive off in your vehicle.

Is your liability in this arrangement covered? Not necessarily — even though you have a signed rental (or lease) agreement and copy of his insurance coverage. Your customer may have let his insurance lapse, unbeknownst to you, or have inadequate limits to cover a liability loss. While your rental agreement stipulates the customer is required to insure the vehicle, complications arise when a claim occurs and either of the previous scenarios are true. How can you require a customer to insure a vehicle on a policy that no longer exists or where limits are exhausted?

Let's say your customer is in a serious accident causing damage to a third party that seeks damages. However, your customer's policy doesn't have adequate limits to provide relief to the claimant, and they now turn to you, the vehicle owner. In

this situation, Contingent Auto Lease Liability could protect you. This policy stipulates it will pay for "bodily injury" and/or "property damage" in the event of a claim involving a covered leased/rented vehicle when the following is true.

- You collected a certificate of insurance (or equivalent, such as 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 limits are exhausted, your policy will pay excess of your customer's limits.
 - If your customer's policy has cancelled, your policy will pay until the earlier of 1) you regain custody of your vehicle or 2) 30 days after the cancellation date of your customer's policy.

Contingent Auto Lease Liability can be difficult 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 this insurance marketplace. Agents and underwriters familiar with your work truck industry operations can underwrite such exposures if you're willing to ask the questions.

JD Fulwiler developed the Protection Plus program to provide the work truck 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. Find more details at ntea.com/partnerships.



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