

# Are you protecting customer vehicles in your shop?



**Guest editorial**  
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**M**ost upfitters have customer vehicles in their shops at some point, whether they belong to municipalities, utilities, contractors or even bailment pools. Regardless of which category fits your shop, you are responsible for ensuring customers' vehicles are protected adequately while in your care, custody and control. For example, if you had a customer's vehicle in your shop, and it was stolen or damaged while you were returning it to them, you would likely feel an obligation to step in and cover the damage either in full or part. The insurance term for this type of coverage is Garage Keepers Insurance.

Garage Keepers Insurance can be purchased in several different ways depending on which insurance company you choose. Most insurers offer coverage options based on how much protection you want to provide to your customer. Garage Keepers Insurance is typically written on a legal liability, direct excess or direct primary basis. We will address these three options in more detail as follows.

## Garage Keepers legal liability

This form of insurance coverage provides comprehensive and collision coverage for customers' vehicles only if you are legally liable for that damage. For example, if one of your employees leaves a space heater on 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

your 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 your customer would need to submit that claim to their own insurance company for remedy.

## Garage Keepers direct excess

This coverage form provides comprehensive and collision coverage for customers' vehicles regardless of your legal liability. However, it will only pay on an "excess" basis. This means it will pay after your customer's own insurance policy limits are exhausted, or if their policy does not respond to the particular type of claim, or in the unlikely event they have no coverage at all. Using the two 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 form provides comprehensive and collision for damage to your 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 the customer's own insurance limits. Using the two previous examples, the direct primary policy would respond to both losses and would pay regardless of the customer's 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 typical for upfitting operations to consider legal liability, as they don't want to necessarily be responsible for any loss that may cause damage to customer vehicles.

The argument for legal liability is in order to protect one's own claim history and thus have better control over premiums, paying only losses for which they are directly responsible is the more prudent decision. The argument for direct primary is that assuring customers their property is covered for any type of loss is simply good business — for customer relationships and overall business reputation.

Note, some insurance companies working within the work truck industry are veering away from these three options altogether. Some insurers are now covering the Garage Keepers exposure under "property of others" and not placing Garage Keepers in its traditional form on the policy at all. Keep in mind, if your insurer handles it this way, 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 listed.

To determine what form works best for your company, discuss the issue with your trusted insurance agent. A few minutes of discussion may make it easier to find the right fit for your company and protect customers the way you feel is appropriate.

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