

Protecting customer vehicles in your shop



Guest editorial
Becky Harding,
CPCU

Director of
Work Truck Total Protect
877-924-5777
becky@worktrucktotalprotect.com

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 your shop fits into, you're responsible for ensuring your customers' vehicles are protected adequately while they're in your care, custody and control. If you had a customer's vehicle in your shop and it was stolen or it was damaged while you were delivering it back to them, you would likely feel an obligation to your customer to step in and cover the damage either in full or in part. The insurance term for this 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 here in more detail.

Garage Keepers Legal Liability: This form of insurance coverage provides for 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 in the shop by one of your employees and the shop catches fire, thus causing fire damage to your customers' vehicles, you would

be directly liable as a result. In this scenario, your insurance policy would pay for the damage. However, if your customer's vehicle is parked outside of 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 turn that claim into their own insurance company for remedy.

Garage Keepers Direct Excess: This coverage form provides for comprehensive and collision coverage for your 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, 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 same example above, the Direct Excess policy would respond to both losses, but only after your customer's insurance pays.

Garage Keepers Direct Primary: This coverage form 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, which means your policy would pay for the entire loss, without consideration of a customer's own insurance limits. So, using the same two examples above, the Direct Primary policy would respond to both losses and pay without regard for your customer's own insurance policy limits and/or coverage.

Direct Primary is the most common form of Garage Keepers Insurance being used at this time. However, it is becoming more common for upfitting operations to consider Legal Liability, as they don't want to necessarily be responsible

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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 thus have better control over their premiums, paying only losses for which they 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 at all is simply good business. It is good for customer relationships and overall business reputation.

It's important to note that some insurance companies working within the commercial vehicle 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. The only thing to know if you have an insurer that handles it this way is 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 discussed previously.

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

JD Fulwiler & Co. Insurance developed the Work Truck Total Protect 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. Learn more at ntea.com/partnerships.

