

## INDEPENDENT AUTO DEALERS EDITION

March/APRIL, 2005

Choosing the right garage liability insurance has always presented a unique challenge to Texas Used Car Dealers. In fact, the current insurance marketplace has become increasingly confusing as the number of insurers wanting your insurance dollar grows. We can help you negotiate the waters!

**So, how do you protect yourself and your source of income?** Equally important as who the agent is, what company underwrites the policy, what coverages are included in your contract, is your responsibility to minimize your business' exposure to loss. Common sense claim prevention eliminates significant susceptibility to loss. Let's talk about one of those areas now.

### Employees Who May Drive a Dealer Owned Auto.

**Furnished autos** for employees' personal use are an area where your day-to-day control of potential loss becomes substantially non-existent. Imagine this circumstance: Your star salesperson with a furnished dealer owned auto has a teenage driver in his household. Dad asked this son to back the furnished auto out of the driveway and the youthful driver backs in front of an on-coming vehicle, resulting in bodily injury, as well as property damage. Is there any coverage and, if so, which contract will respond—the garage policy or the salesman's personal auto policy? Of course, the answer depends on several things, including whether an admitted or non-admitted carrier writes your and/or their insurance, what driver exclusions are included on the garage policy, are all policies in force, etc. Chances are your garage policy is going to deny coverage.

The most basic steps that you, as a dealer, should take to avoid furnished auto losses include the following.

1. Obtain a copy of your employee's personal auto policy
2. Obtain from your furnished auto drivers exclusion forms for all other household drivers, unless they are specifically named on your policy.
3. Ask your insurance agent to obtain driving records for employees to whom you furnish autos

4. Counsel your furnished auto drivers as to who is covered while driving a dealer owned auto and their responsibility in avoiding potential claims' causing behavior.

**Employees driving in the course of garage operations** are also cause for concern. The secretary drives a dealer owned auto to the courthouse to pick up some title work. She has a non-fault accident with an uninsured driver and both bodily injuries and property damage are involved. Again, how are you protected? Who is going to pay the bills? There are too many variables to make even a reasonable guess; however, the dealer should have some precautions already in place.

1. Be sure under-uninsured motorist coverage is a part of your policy.
2. Be sure medical payments and/or personal injury protection endorsements are in your insurance contract. They may or may not respond to the specific loss, but still you are better protected.
3. Be sure every employee allowed to drive any dealer owned vehicle has a personal auto policy.
4. Ask your insurance agent to obtain driving records for all employees and exclude from driving privileges anyone with an unacceptable citation history.
5. Employee injuries sustained in the course of their employment are workers comp exposures. Be sure you have a workers comp policy in place and that it is properly written.

**Your family members** may or may not be covered as furnished auto users for personal use of dealer owned autos. Many policies include youthful driver exclusions; others require all furnished auto drivers to be listed in the contract; others have rules specific to family members driving dealer owned autos. The Texas Garage Liability Contract was not created to replace, and is not a comprehensive substitute for, a Texas Personal Auto Policy. You can help prevent losses and protect your income.

1. Be sure that all family members who may drive dealer owned autos are listed specifically in your garage policy.
2. Purchase a personal auto policy to cover any personally owned vehicles and be sure all family members are listed there.
3. Include un-underinsured motorist and personal injury protection endorsements on both your personal auto and garage contract.

**Customers'** involved in accidents while test-driving a vehicle can cause grief for all concerned. Texas garage liability policies protect the dealer when a customer has an accident in a dealer owned auto, **but** the customer's insurance is primary

and the coverage is minimum limits as required by law, regardless. Coverage can be compromised if the customer does not have auto liability, if his drivers' license is impaired or if his test drive was not accompanied. Don't take a chance of losing your business because you failed to follow prudent test drive procedures.

1. Get a copy of the customers' drivers' license
2. Obtain from the customer proof of his auto insurance
3. Be sure the test drive is salesman—or some other employee—accompanied
4. Do not permit drivers under the age of 18 to test-drive dealer owned autos.

**Contract Drivers** fall under a restrictive definition, i.e. they are persons hired by you to drive a vehicle from point A to point B. They are not on your normal payroll, they are not your relatives and they are used only to transport vehicles. Not all garage policies automatically include coverage for contract drivers; some policies require family members to be listed in order to be considered as contract drivers; still others require that regularly used contract drivers be made known to the insurance company and driving information furnished. Often the insurance company provides coverage only when the contract drivers are 21 or older and some specifically exclude all contract drivers.

1. Request that your agent list on your policy all family members who will serve as contract drivers.
2. Obtain driving information for all routinely used contract drivers and request your agent to run motor vehicle reports for those individuals.
3. Ask your agent for proof that contract drivers are covered under your garage liability contract.
4. Ask to see the drivers' license of any contract driver hired to transport a vehicle.

No business owner can protect himself and his business from every insurance loss, but a prudent approach to driving exposures will materially reduce the chances of costly auto claims.

**CALL US TODAY TO DISCUSS ALL OF YOUR INSURANCE NEEDS.  
INSURANCE TO PROTECT YOUR ASSETS IS OUR BUSINESS.**

**We take it seriously!**

**1-800-783-6297**