



## Risky **BUSINESS** ▶ By **Donald Barrand**

# Good Insurance Coverage a Safe Bet

**W**ith its strange jargon, complex coverages and exclusions, most of us find auto dealer insurance nearly impossible to understand. Add a slew of regulations that differ from state to state and it can become a complete mystery. However, the most important thing to remember is a good insurance policy is one of the best investments an auto dealer can make. The right insurance not only protects you from potentially losing your business, it allows you to concentrate on what is most important -- growing your business.

Insurance for auto dealers can be divided into three main categories: liability, inventory and property.

Liability insurance protects against damage or bodily injury resulting from the way you do business. There are two types of liability insurance in a standard garage policy. Auto liability protects you against claims and suits arising from the operation of the vehicles in your inventory, whether driven by you, your employees or customers.

So if a customer wrecks one of your vehicles during a test drive and does not have insurance of his own, you're covered. Garage operations liability, meanwhile, covers you for accidents that do not involve vehicles in your inventory. Let's say a customer slips on a puddle of transmission fluid. You're covered.

For most auto dealers, inventory is their largest asset. Dealer open lot insurance covers physical damage to the vehicles on your lot. If there's a hail storm, for instance, your vehicles are covered. Or, if a vehicle is stolen from the lot, you're covered. In addition, dealer open lot covers vehicles in your inventory while being test driven if they are involved in a collision.

Property insurance covers your building and its contents. If your

building is knocked down by a tornado, you're covered. If there is a fire in your garage, you're covered. Property insurance can also cover loss of income and extra expenses incurred to get back into business quickly.

Insurance premiums are based on risk. The more vehicles you have on your lot and the more valuable your buildings, the more you will have to pay for insurance. If your lot is in an area prone to flooding, expect to pay more. Yet when you consider the protection it provides, insurance is an excellent value.



**Auto liability protects you if a customer wrecks one of your vehicles during a test drive and does not have insurance of his own.**

Here are some tips to make the most of your insurance dollar:

Don't undervalue your inventory. If the vehicles on your lot are worth \$300,000, don't value them for \$200,000 thinking you're going to save a lot of money. You won't. The difference in premium is miniscule. The difference in what you will collect on a claim could be significant.

Don't insure your personal vehicles under your dealer's insurance. Personal auto and dealer auto are two completely different coverages. There are big gaps in the protection they provide and your losses might not be covered.

Don't confuse theft coverage with false pretense coverage. If a customer test drives your vehicle and doesn't bring it back -- it is not considered a theft, and therefore not covered unless

you had false pretense coverage on your policy.

If you offer customers financing, you should buy errors and omissions coverage for truth-in-lending laws as well as the Fair and Accurate Credit Transaction Act (FACTA) which goes into effect at the end of 2010. A minor data breach exposing a customer's personal information could result in a lawsuit that could potentially put your business in jeopardy.


Make sure your insurance company has an A.M. Best rating of at least A- or better, and a Fitch or

Moody's IFS rating of at least BBB (Good), or preferably A (Strong) or better. Your agent should be able to tell you the insurance company's rating. What good is insurance if your insurance company can't pay a claim?

Auto dealer coverage is highly specialized. Talk to a few agents to determine who understands your business best and can provide the most comprehensive policy. Seek out an agent who can provide

you with a program developed especially for auto dealers. Your local NIADA chapter should be able to provide you with a list of agents.

Make sure your agent explains what coverages he or she is able to provide and that you understand what you're buying. Ask questions until you are completely satisfied you understand what the policy you are buying covers and does not cover.

Good insurance enables you to stop worrying and concentrate on selling. 

**Don Barrand**, transportation practice leader at V3 Insurance Partners, is a 34-year veteran of the insurance industry. More than 20 of those years were spent specializing in commercial auto and Don was a pioneer in the development of insurance programs designed for new and independent dealers. Don can be reached at 913-297-7468 or [don.barrand@v3ins.com](mailto:don.barrand@v3ins.com).

