

CLIENT ADVISORY

Garage Liability Packages May Reveal Coverage Gaps and Lacking Limits

Garage liability packages are an industry norm, but a careful, thorough and candid review will often reveal that the coverage offered is not as robust as it should be – and, in certain instances, limits are severely lacking. Sadly, far too many auto dealers don't learn this until a claim is made, the same point at which they become aware of the significant impact this coverage gap can have on profit margins and their balance sheet.

The more clients look at their garage liability policy, the more gaps or holes they often find. And without proper counseling, the right advisor may not know that there are a variety of stand-alone solutions that can very easily supplement key coverage components in a garage package policy. This delicate balance is an important reminder for auto dealership owners who need to have a complete understanding of their current program so they can recognize the gaps and potential liabilities that may exist before it's too late.

Key and common coverages that might be better served through standalone policies include, but are not limited to:

Errors & Omissions (E&O) – Many garage liability package forms provide a limited amount of E&O coverage, and package carriers have recently started identifying ways to reduce their exposure under these insuring agreements. In addition, the provided coverage is more often than not very limited (as it is specific to four or five insuring agreements) and is not miscellaneous in nature. The open marketplace has solutions both on a primary and excess basis that make for a more robust E&O solution from a coverage and limit standpoint.

Errors & Omissions coverage in a typical garage liability program is limited to Statute and Title E&O, Truth in Lending/Truth in Leasing E&O and Agents' E&O; the Truth in Lending coverage is further limited by endorsement No. 759, which states "we will reimburse reasonable defense costs incurred" and does not mention other indemnification, costs, etc.

AmWINS' Auto Dealer's Professional Liability Program covers claims that stem from an error made in "the purchase, sale, repair, finance, title or lease of vehicles, which includes financing, loan, tag and title, insurance, finance and loan document or documentation preparation services for others for a fee."

What's the difference? The professional services definition in our Auto Dealer's Professional Liability Program is much broader and, as a result, the policy will be triggered by any of the services listed instead of the specific three items listed on the current standard program. In addition, standard garage liability program is limited to 'Statute' and 'Title' E&O, which only narrows how and when that policy will respond.

Employment Practices Liability – The coverage offered in most packages is particularly basic relative to the auto dealer's third-party exposure, the definition of employee, the definition of loss and wage/hour (only available in certain states).

Directors & Officers Liability (D&O) – Very few (if any) package policies provide this coverage, and while most auto dealers do not realize they have a D&O exposure, protecting against this exposure could prove to be critical in securing balance sheets in the event the dealer is involved in M&A, raising additional capital or using debt.

Cyber/Network Security – The coverage offered in most forms is rudimentary at best, and, with an uptick in the number of cyber-related claims hitting the news, it's a matter of when, not if, a significant claim hits the auto industry. The sheer volume of transactions that auto dealers make in any given year is significant and the fact that few of these are securely held (in as much as most auto dealers still deal with hard copies of sales/Finance & Insurance-related documents) means the exposure exists. Notification costs and regulatory coverage are two essential coverage items the open market offers that the garage package does not.

Crime – While some forms provide coverage, it is extremely simplistic compared to what's available in the open market. Coverage can be enhanced in a number of areas specific to auto dealers' crime exposure, but particularly for losses stemming from temporary employees and independent contractors, as one example.

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To learn more about how AmWINS can help you place coverage for your clients, reach out to your local AmWINS broker or marketing@amwins.com.

If you do not have a contact at AmWINS to help with your financial services risks, [click here for a list of brokers on our website](#).

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Pollution – From first-party and third-party perspective, pollution coverage can save policyholders plenty of time, headaches and cash. With ever-increasing tort liabilities and scrutiny from state and federal governments, as well as environmental protection agencies, a pollution policy is definitely something to consider. This has become an ever-significant issue, particularly as more and more dealerships undergo facelifts to keep pace with their brands' new design styles. Issues can range from contaminated soils located on a new dealership site to asbestos and mold remediation required during the interior remodeling of showrooms at existing locations. Available pollution policies can cover these exposures via a Contractors Pollution Liability (CPL) and an Environmental Impairment Liability (EIL) policy.

Property – Excess Wind – With insureds continuing to grow their footprint and increase their overall exposure, consider the non-admitted marketplace for high excess Wind Only or Named Wind Only options above admitted carrier limits provided for All Risk. There is reasonable pricing available for large excess limits.

Deductible Buy Down Programs for Windstorm – Admitted markets continue to push higher primary per auto deductibles, typically with no minimum. The in-house facility at AmWINS has had success in buying down the insured's maximum deductible and fixing the insured's costs on a per-occurrence basis. As with other buy down quotes from this in-house facility, the policy is on a "Follow Up" form basis and follows the primary definitions.

The types of policies that address these risks can be purchased in a variety of ways to mirror and enhance the coverage that an auto dealer package policy already provides; they can certainly be purchased on a primary stand-alone basis where no coverage exists within the package. Alternatively, if the package offers some coverage but the carrier is beginning to reduce limits or narrow their terms, the specialist markets that offer the above-mentioned coverages may be able to provide a more robust solution by supplementing the coverages already being offered, reducing deductibles, offering higher limits or a combination of these three.

Finding and identifying these gaps is really only the first step in the process. Knowing that other solutions exist is critical to ensuring an auto dealer's insurance program accurately reflects the true exposures that these working professionals face day-to-day.

[Click here](#) for more information about AmWINS' Auto Dealer's Professional Liability Program.

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