

THE ULTIMATE GUIDE TO INSURING GARAGES

BE A BETTER AGENT

**THE ULTIMATE
GUIDE
TO
INSURING
GARAGES**



Eddie K. Emmett

THE ULTIMATE GUIDE TO INSURING GARAGES

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How to insure Garages

Robby's Garage

This course will follow our agent as he prepares to call on Robby's Garage. Robby is a friend from high school who took over his father's business four years earlier. Robby had an uncovered loss and is very unhappy with his current agent. He trusts our agent because of their friendship but has never purchased any insurance coverage from him. Our agent values their friendship and wants to do the very best job possible, but has never written a repair garage.

You will learn why the answers given on an application affect coverages.

It will help you be better able to explain your recommendations for coverage.

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz question, the correct answer will be shown.

Minimum recommended coverage:

Business Personal Property, Business Income, Employee Dishonesty, Money and Securities, Accounts Receivable, Computers, Goods In Transit, Valuable Papers and Records, General Liability, Employee Benefits, Environmental Impairment, Umbrella, Business Automobile Liability and Physical Damage, Hired and Nonownership Auto, Garagekeepers, Workers Compensation

Other coverages to consider:

Building, Earthquake, Flood, Leasehold Interest, Real Property Legal Liability, Computer Fraud, Forgery, Signs, Cyberliability, Employment-related Practices, Stop Gap Liability

Category: Automotive Sales & Service

SIC CODE: All codes starting with 753

NAICS CODE:

811111 General Automotive Repair

811112 Automotive Exhaust System Repair

811113 Automotive Transmission Repair

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811118 Other Automotive Mechanical and Electrical Repair and Maintenance

811121 Automotive Body, Paint and Interior Repair and Maintenance

811122 Automotive Glass Replacement Shops

811198 All Other Automotive Repair and Maintenance

Suggested ISO General Liability Codes: 10072, 10073, 10075

Suggested Workers Compensation Code: 8380, 8393, 9516

Risk Overview

Automotive garages offer a wide variety of mechanical services, from engine repair to tune-ups. The garage may be stand-alone or part of another business such as an automobile dealership or filling station. They may specialize in a specific type of automotive repair, such as transmissions or brakes, or may service other types of motorized vehicles such as snowmobiles or recreational vehicles. Some repair or rebuild parts such as brake drums, or custom-make old, difficult-to-replace parts. Operations may include gasoline or diesel fuel sales or retail sales of automobile accessories and tools. Normally, auto repair shops perform body work or painting only when incidental to other repairs.

Additional services can include towing, auto club affiliations, pickup and delivery of customers, and the loan or rental of replacement vehicles. Some will have a mobile unit to perform repairs to stranded vehicles or at the customer's location.

Property exposure

comes from flammables such as lubricants, oils, degreasers, and solvents used in the repair operations. They must be properly labeled, stored and separated. Aerosols and flammable additives contribute to the overall fire load. Welding is often a part of the operation and needs to be evaluated for proper handling of the tanks and gases, as well as adequate separation from the other operations with either a separate room or flash/welding curtains. Tires do not catch on fire quickly; however, when they do burn, the fire is difficult to put out and an oily smoke permeates the entire area. Theft is a concern because auto parts are considered to be target items. Appropriate security controls must be taken including alarms, lighting, and physical barriers prohibiting access to the premises after hours.

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Crime exposures

are from employee dishonesty and theft of money and securities either from holdup or safe burglary. Employee dishonesty is controlled through background checks, inventory monitoring, control of the cash register, disciplined controls and division of duties. Audits should be conducted at least annually. Theft of money and securities prevention requires controls of monies kept in the cash drawers and regular bank drops.

Inland marine exposure

are from accounts receivable if the garage offers credit, computers to monitor inventory and for diagnostics, goods in transit if parts are delivered to customers, and valuable papers and records due to customers' and vendors' records. Backup copies of all records, including computer records, should be made and stored off premises.

Premises liability exposure

comes from slips and falls due to public access to the premises. Customer waiting areas should be provided for customers waiting on repairs. Customers must not be permitted in the garage area. Floor coverings should be in good condition with no frayed or worn spots on carpet and no cracks or holes in flooring. Steps and uneven floor surfaces should be prominently marked. Sufficient exits must be provided and be well marked, with backup lighting systems in case of power failure.

Parking lots and sidewalks need to be in good repair with snow and ice removed, and generally level and free of exposure to slips and falls. If the premises is open after dark, there must be adequate lighting and appropriate security for the area. Cars in the parking lot present an attractive nuisance hazard. Chains may be required to prevent entrance after hours.

Products liability exposure

can be high due to the potential for an accident in the event that the vehicle is not properly repaired. There should be a check-off procedure in place prior to release of the vehicle to the customer to prevent its return with any vital functions not working properly. If the garage directly imports or reconditions items for resale, the exposure increases to the point of a manufacturer.

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Environmental impairment exposures

can be significant due to the disposal of used lubricants, oils, degreasers, solvents and batteries. Adequate procedures should be in place and must be followed to prevent any leakage or contamination. Contracts should be in place to dispose of all environmentally dangerous chemicals.

Automobile exposures

are generally limited to owned vehicles being used for errands to pick up needed supplies. All employee drivers should have an appropriate driver's license and their MVRs should be regularly checked. All vehicles must be regularly maintained with records retained. Towing presents a more serious exposure due to the potential for damage to the vehicles being towed. All tow truck drivers must be experienced in towing. Towing vehicles must be regularly checked, particularly the hoists and tow bars.

If vehicles are rented to customers, the dealership should keep a copy of the renter's driver's license and proof of insurance. The rental contract should identify permitted drivers and state that unlicensed or minor drivers are not permitted. It should also include a hold-harmless agreement in which renters agree to assume responsibility for the operation of the vehicle to limit the business's exposure to only vicarious liability. If a collision damage waiver is offered, the customer's signature is needed to document whether this was purchased or declined. The customer should also be required to sign a pre-inspection form to minimize disputes when the vehicle is returned with damages. Vehicles that are rented should be inspected and reconditioned before being rented again.

Garagekeepers exposure

comes from damage that can occur to customers' vehicles while in the repair shop's care, custody and control. Access to these vehicles should be prevented. Keys to customers' vehicles should be kept in a locked box, with proper identification required to prevent handing the customer's car to the wrong owner. Lots must be well lighted with chains in place to prevent transport. Fences and other security also may be appropriate.

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Workers compensation exposures

are heavy. Brake turning, welding or other repair work must be handled only when appropriate safety equipment, especially eye protection, is available. Lifting of a vehicle by hoists, jacks, and other mechanical means can result in injury should the equipment malfunction. Hoists must be well maintained and procedures in place to prevent vehicles from falling. Workers can slip and fall, or incur back injuries, sprains, strains or hernias from lifting. If the shop sells batteries, leakage or spilling of battery acids can cause burns on contact with skin and respiratory problems when inhaled. Employees should be provided with safety equipment, trained on proper handling techniques, and have conveying devices available to assist with heavy lifting. Employees performing maintenance or repair work on customers' vehicles should be properly trained.

QUIZ: RISK OVERVIEW

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz question, the correct answer will be shown.

All of the answers may be found in **Risk Overview** section you just studied. Feel free to go back and search for the correct answer if you have the slightest doubt.

Robby's Garage is owned by Robby Grace III. Robby's grandfather opened the business and when he decided to retire Robby bought it from him. Robby had worked at the garage for over ten years, helping to manage it, and also training as a mechanic during that time.

Which of the following is a workers compensation code used by repair garages?

- a. 753
- b. 10073
- c. 8380
- d. 98052

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What is the primary fire exposure for a garage operation?

- a. Flammable liquids
- b. Electrical
- c. Dust
- d. Fabric

What area should be restricted to employees only?

- a. Parking lots
- b. Garage area
- c. Waiting rooms
- d. Office

What added auto exposure is common to many garage operations?

- a. Rental cars
- b. Towing services
- c. Youthful drivers
- d. Over the road exposures

Which coverage protects a customer's vehicle if damaged?

- a. Bailees customer
- b. Garagekeepers
- c. General Liability
- d. Business Auto Physical Damage

Quiz questions are good re-enforcers of the material covered. If you were able to answer all of the questions correctly, please continue. If you were not able to answer all of them correctly, feel free to restart the quiz and try again.

Now that he has the basic knowledge of the industry, our agent wants to know the types of questions he should ask during his meeting. He is familiar with the ACORD forms, but he wants something with more meat that is specific to garage operations. He chooses the questionnaire.

Our agent decides to stay with the minimum recommended coverages from the narrative and builds the questionnaire. He reviews each section carefully in order to be comfortable with the questions he is asking.

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Garages Questionnaire Selection Coverage List

Category: Automotive Sales and Service Risk: Garages

GENERAL INFORMATION

Account:

Account number:

Agency:

Agency number:

Producer:

Producer number:

Legal business name(s)

WHY?

The correct legal business name is needed since policy conditions provide for payment only for the financial interest of the insured shown. If the named insured is incorrect, payment could be denied.

But being listed does not guarantee coverage unless the parties have an insurable interest

It's a good idea to confirm that the First Named Insured is the one who should receive all cancellation notices, audit reports, and other important insurance notifications.

Mailing address :

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Type of entity:

Individual Corporation Sub-S Corp.
Partnership

Joint Venture Not-for-profit Limited Liability Company

WHY?

The legal entity is used to determine who is an insured in the various commercial general liability coverages. If there are multiple named insureds, there can be multiple types of legal entities.

SIC Code(s):

NAICS

Code(s): _____

Federal ID Number: _____

When did the applicant start business operations?

When did the present management assume control?

How many years' experience does the owner have in this type of business?

How many years' experience does the manager have in this type of business? _____

WHY?

The owner, manager or head mechanic are vital and critical to the successful continuing operations of an auto repair garage. If a manager or mechanic leaves to join a different garage or starts a new business, the customers may follow that individual.

Has the applicant ever been involved in a bankruptcy procedure?

Yes No

If yes, explain including the type of bankruptcy and the filing date.

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Names of subsidiary companies or joint ventures that are not part of this application:

WHY?

An insurance agent, like a risk manager, must identify potential gaps in coverage. A customer may be making assumptions about coverage for its various joint ventures and/or subsidiaries. Identifying these early could prevent potential gaps in coverage. It may open a dialogue on the topics and allow the customer to decide on whether to purchase coverage for its joint ventures and/or subsidiaries.

Important People	Name	Phone Number
Owner/Principal:	_____	_____
Other Decision Makers:	_____	
Plant and Grounds:	_____	
Financial:	_____	
Legal:	_____	
Claims:	_____	

WHY?

People are what make a business. Successful risk management depends on knowing who can make decisions and who must be consulted. Interviewing the individuals identified here assists in finding and resolving gaps in coverage. If the owner is not the head mechanic, it is very important to meet with that mechanic to understand the real expertise of the garage.

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The applicant's primary operations are:

WHY?

A clear understanding of the customer's view of its business is vital for providing risk management services to the customer as well as working with the insurance company on the account.

The applicant's secondary and incidental operations are:

WHY?

There are many specialties within garage operations so it is important to know the types of vehicles that the insured works on and the types of services they provide. The vehicles and the services performed will impact the ability to place an account and also impact the pricing.

The applicant used to be involved in the following operations, but they have been discontinued:

WHY?

These operations may have stopped but the related products and completed operations exposures remain active. If the named insured remains on the policy, the exposure must still be considered active.

The hours of operations are:

How many days is the applicant open per week? ____

Is this a seasonal operation? ____ Yes ____ No

If yes, what is the season? From _____ to _____

WHY?

As the hours of operations grow, so do the exposures to loss. Theft of money and property, workers compensation and liability injuries due to criminal activities increase along with injuries due to darkness. Adequate lighting is a very important loss control factor but other security measures should also be reviewed to reduce the loss potent.

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Does the applicant have a safety program? ___ Yes ___ No

If yes, answer the following:

Name of safety director: _____

Phone number of safety director: _____

Attach a copy of the safety program.

WHY?

Safety programs are effective in reducing losses when they are actually implemented. Helping an insured develop and implement an effective safety program can help prevent injuries, save lives and save money.

Does the applicant have a disaster plan? ___ Yes ___ No

If yes, answer the following:

Name of disaster coordinator: _____

Phone number of disaster coordinator: _____

Attach a copy of the disaster plan.

WHY?

Disaster plans must be in place that establishes what should occur in the event of a catastrophe such as a tornado, earthquake, hurricane, fire or cave-in. Pre-planning and training in advance of a disaster can prevent panic and reduce injuries.

Clientele Age: ___ 18-25 ___ 25-35 ___ 35-50 ___ Over 50 Years

Clientele Origin: ___ Families ___ Business/Professional

___ Students ___ Military ___ Other

Describe other. _____

WHY?

Clientele age may be indicative of the nature of the garage operations. When the average age is general or older, the normal garage exposures can be anticipated. A younger average age could suggest a garage with a reputation for customizing or enhancing vehicle performance. These activities could lead to more serious products and completed operations claims due to the work done combined with the age of the driver.

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Garages may develop a preferred customer base. This base will dictate the type of services that the garage offers and the types of vehicles serviced. Corporate customers can and do demand more personalized service that often includes vehicle and customer pickup and delivery and may even include complementary loaner vehicles. Military customers may involve federal contracts and required time on the base.

Does the establishment draw its customers primarily from the immediate area? ___ Yes ___ No

If no, explain what draws customers to the establishment.

Is the establishment located in a shopping center? ___ Yes ___ No

WHY?

Customers who come to a particular garage from a distance usually do so because the garage specializes in certain kinds of work or vehicles. It is important to understand the "attraction" in order to evaluate the exposure.

PROPERTY – BUILDING

Premises # _____ Building # _____

Location address:

WHY?

The location address must be exact since the coverage is specific to the location. If the location address is incorrect, a loss could be denied.

It is important to know what the insured considers business personal property. This knowledge will help identify coverage gaps.

Does the applicant own the building? ___ Yes ___ No

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If no, answer the following:

Who owns the building?

Is the applicant contractually obligated to insure the building?

Yes No

If yes, attach a copy of the contract.

WHY?

Many buildings that appear to be owned are actually leased on a long-term basis. By the terms of the lease, the insured who is leasing may be required to provide the building property insurance. In those cases, the limit of insurance, the causes of loss and other coverage details are described in the lease. The lease should also address responsibility for the coverage on improvements and betterments. These factors affect the coverage and valuation decisions made by the insured.

If the building sustains a major loss, would the applicant replace it with the same type of structure? Yes No

If no, what would the applicant do?

If the building sustains a major loss, what new building codes would be imposed on the applicant in order to rebuild?

WHY?

Building codes are upgraded regularly. Since building owners cannot afford to constantly upgrade to meet new codes, they often do not apply to existing buildings until the building owner makes major changes due to updating or damages. Occasionally, codes even require a change in occupancy. Most property forms exclude any additional costs to comply with new code requirements, but the coverage is available through an endorsement.

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Describe any barriers that would prevent the fire department from responding to a fire at the applicant's building in a timely manner. These could include locked gates, railroad crossings, and congested or narrow roads.

WHY?

Auto repair garages may fence their property to prevent damage to customer's vehicles left on the premises. These enclosures can prevent fire departments from reaching the protected property. The owner should establish a plan for fire department access if or when needed.

Describe any barriers or bottlenecks that would prevent the efficient evacuation of the building.

How many fire extinguishers and smoke alarms are on premises?

____ Fire extinguishers ____ Smoke alarms

When was the building built? _____

When were the following systems last updated?

____ Heating ____ Electrical ____ Roof ____ Plumbing

WHY?

Electrical wiring should be in conduit and inspected regularly since sparks from frayed wiring can ignite fumes in the garage. Explosion-proof lighting fixtures should be used so fumes are not ignited by an electrical spark caused by breaks in standard lighting fixtures. All electrical boxes should be located away from the service bays to reduce the chance of explosions.

Have there been any additions to the building? ___ Yes ___ No

If yes, describe the addition including its date of completion.

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QUIZ: GENERAL INFORMATION AND BUILDING

Robby's grandfather opened the business in 1951 and was the only owner and manager until Robby took over. The business has never moved but the neighborhood has changed from residential to commercial over the years. The garage has always catered to its neighbors so most of their customers are employees of the surrounding businesses. In addition, Robby's is under contract to provide service for the private passenger fleets of these same businesses.

The business started with one building but it has purchased surrounding property over the years. There are now four buildings connected by a common parking area. The original building is now the office and general storage/parts building, next to it is a six-bay garage, at more of a distance is the body shop and close to the body shop is a flammable liquid storage building.

Who can be listed on Robby's Garage as a named insured?

- a. Robby
- b. Robby's grandfather
- c. Robby's best friend
- d. All of the above

Which employee of Robby's could give the best insight of the garage operations?

- a. Secretary
- b. Head mechanic
- c. Bookkeeper
- d. Sales manager

The corporate base for Robby's continues to grow and with it a demand for personalized services. What type of services may Robby's be expected to provide that might add to his loss exposure?

- a. Customer and vehicle pickup and delivery
- b. Two for one pricing
- c. Car sales
- d. Bonus mile plans

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Robby III owns Robby's Garage but Robert Grace Sr, Robby's grandfather, owns the buildings and leases them to Robby's Garage under a long term lease. Can Robby insure the buildings under his property insurance?

Yes

No

Which of the following must be specifically designed for the body shop occupancy?

- a. Roof
- b. Electrical
- c. Plumbing
- d. Insulation

PROPERTY – BUSINESS PERSONAL PROPERTY

Premises # _____ Building # _____

Location address:

WHY?

There may be several buildings within a single premises. All buildings should be clearly identified through a site map to ensure none are omitted and that values are correctly assigned. If the location address is incorrect, a loss could be denied.

Describe the business personal property.

WHY?

It is important to know what the insured considers business personal property. This knowledge will help identify coverage gaps.

Do the applicant's business personal property values fluctuate?

Yes No

If yes, is the fluctuation Monthly Seasonal (from _____ to _____)

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WHY?

Fluctuating business personal property values can lead to coinsurance and underinsurance issues. Value reporting forms and peak season endorsements can be valuable tools to resolve any problems.

Is the applicant's business personal property:

Highly flammable: ___ Yes ___ No

Susceptible to severe damage from: ___ Smoke ___ Heat ___ Water
___ Temperature

WHY?

Understanding business personal property's vulnerability to loss aids in risk management. Highly combustible property should be kept away from any heat-producing processes; it should be stored in well-ventilated rooms or vaults that are separate from materials that could increase the spread of fire.

Do any other occupancies in this building present a significant exposure hazard to the applicant? Examples are explosion, fire or chemical hazards but are not limited to just them. ___ Yes ___ No

If yes, describe.

WHY?

Other occupants of a building can be the major fire exposure for that location. Understanding the nature of the other occupancies is the first step in the risk management process for your customer. The other occupancies can't be forced to change but the insured has some options, including the option to move to a different location.

Would business personal property be damaged if the outside heat, light or power failed? ___ Yes ___ No

If yes, answer the following:

Describe what would be damaged and how quickly.

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How is the heat, light or power transmitted to the applicant?

Will alarms sound or other notification be made if power fails or shuts off?
 Yes No

Are backup generators available? Yes No

WHY?

Garages cannot operate without heat, electricity and water, so their business is dependent on utility services. The utility service coverage available in the unendorsed property coverage form is very limited so endorsements to provide coverage that is more specific should be encouraged.

Are detailed records kept of all inventory, machinery, fixtures or equipment including purchase date and price?

Yes No

Are all items labeled and assigned inventory numbers? Yes No

WHY?

The time to prepare for a loss is before it occurs. If the insured understands the need for records to document their business personal property, underinsurance problems can be reduced and claim settlements can be handled more expeditiously.

Are paints and varnishes stored on premises? Yes No

If yes, how much and how is it stored?

Does applicant spray paint on premises? Yes No

If yes, is a UL-approved spray booth used for all spray painting?

Yes No

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Are flammable liquids such as paints, glues and varnishes used and stored? ___ Yes ___ No

WHY?

Spray painting should only be conducted in an Underwriters Laboratories (UL) approved spray booth equipped with explosion-proof wiring and an automatic extinguishing system. Paint fumes are extremely explosive if exposed to a spark or open flame so containment is necessary to prevent a major loss. Outdoor spray painting should be avoided because of the potential environmental contamination.

Fumes from varnish and paint are extremely combustible. All varnishes and paints should be stored in separate temperature-controlled room or a building separated from the main facility. Storage containers should be enclosed, bonded, grounded and free of static. No more than a one-day supply should be in the processing area at any one time.

Vehicle repairs involve gasoline and other flammable liquids. This creates significant potential for fire and smoke damage. Separating the repair facility from other operations is an important loss reduction technique.

Only a one-day supply of flammable liquids should be kept in the repair facility. Bulk storage of flammable liquids should be in approved cabinets, receptacles or areas designed for such storage. The fumes from these liquids are often more flammable than the liquid so the storage area must address this hazard as well. Employees should be trained in the correct storage, dispensing and handling of this property. How many of each of the following types of fire extinguishers does the applicant have on the premises?

Does the applicant do welding or soldering on premises? ___ Yes ___ No

Is gasoline drained prior to any welding or soldering? ___ Yes ___ No

WHY?

Welding and soldering should be conducted away from all flammable liquids and fumes. It is best to conduct these activities away from any combustible susceptible materials.

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Gas tanks or other parts of a vehicle containing fuel should be removed from the vehicle, completely drained and then washed to eliminate fumes before any welding or soldering in order to prevent fire and explosion.

How is drained gasoline stored?

WHY?

Drained gas should never be placed in an open container. It should be placed in a UL approved flammable liquids container and disposed of in an environmentally safe manner.

BURGLAR ALARM

Describe any burglary exposures beyond what is usual to this type of business.

Describe any special features to the burglary alarm or safe or vault systems that are not noted elsewhere.

IMPROVEMENTS AND BETTERMENTS

Is the applicant a tenant? ___ Yes ___ No

If yes, answer the following.

Describe all I & B added by the applicant or for which the applicant is paying that cannot be removed.

What is the term of the applicant's lease?

What is the applicant's lease renewal option term?

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WHY?

Many auto repair garage operations lease space in buildings they do not own. Car lifts that the garage installs must be replaced if a loss occurs in order to continue operating. Since they are permanent installations in the building that remain in the building if the insured moves out, they are considered improvements and betterments. The insured has two options for insuring them. Their values can be added to the values of all other business personal property and be subject to the business personal property rate. The other option is to schedule them as improvements and betterments with a separate limit and be subject to the building rate.

PROPERTY – BUSINESS INCOME

Premises # _____ Building # _____

Location address:

What expenses would continue during any business suspension?

\$ _____ preceding 12 months \$ _____ current year

WHY?

It is important for an insured to determine and distinguish between expenses that continue, those that do not and others that are elective or voluntary. Payroll expense is an example of an expense that can be included, included with conditions or totally excluded.

How many days would the applicant need in order to resume operations?

WHY?

There is coverage for only 30 additional days after the business resumes normal operations. The insured should consider how long it may take to rebuild its clientele after an extended business interruption. If it cannot accomplish this within 30 days, purchasing coverage for a longer period should be considered.

Would the applicant's net income equal pre-loss levels as soon as the operations resumed? ___ Yes ___ No

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If no, how many days would be needed before the income would return to the pre-loss level?

30 60 90 120 150 180 210
 240 270 310 340 370

WHY?

Regular customers will quickly take their business elsewhere if the garage is out of business for an extended time. Regaining those customers as well as attracting new ones takes longer than 30 days. The insured should estimate the number of customers that would be lost and the length of time to replace them. With this information, an insured can choose an extended business income time period and limit of insurance.

Describe all pieces of equipment or type of operation that would cause a suspension of operations until it was replaced, repaired or resumed.

Is there one manufacturer or one customer upon whom the applicant is dependent for continued operations?

Yes No

Note: If yes, consider using the business income for dependent properties endorsement.

WHY?

A bottleneck process can delay a firm from returning to operation once a loss occurs. The insured's entire processing method should be evaluated in order to identify the potential bottlenecks. Once identified, a plan to accommodate or work around each bottleneck should be developed just in case a loss occurs to the identified bottleneck.

A specialty auto repair garage may be completely dependent on one or two parts manufacturers for their stock. If one of those manufacturers has a loss, the garage will suffer a loss of income once all available stock is exhausted. If the insured has no alternative parts supplier options, the Business Income from Dependent Properties coverage should be considered as an alternative to ceasing operations.

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QUIZ: PROPERTY – BUSINESS PERSONAL PROPERTY & INCOME

Robby started the body shop because Franklin's Appliances agreed to service all of their vehicles with Robby. They represent 50% of the receipts for the body shop. About one year after the body shop operation started, there was a fire due to the explosion of fumes. After that loss, Robby became very careful in how to dispense flammable liquids and built the separate storage building.

The office and general storage area includes regular automobile maintenance items such as filters, wiper blades, belts, lights, motor oil and similar high demand items. Other items are delivered by local auto supply stores or are picked up by employees from salvage yards or auto parts wholesalers.

There are three buildings listed on the current policies, but four buildings on the premises map. Since business personal property is blanketed, is there coverage for business personal property kept in the building not listed?

Yes

No

How large a supply of paint should there be in the body shop?

- a. One-hour supply
- b. One-day supply
- c. One-week supply
- d. One-month supply

When welding or soldering a gas tank, what must always be done?

- a. Drain the tank and wash the vehicle
- b. Weld in a specially prepared room
- c. Remove, drain and wash the tank
- d. Provide adequate ventilation

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When Robby had the fire nine years ago, it took five months to rebuild and another five months to return to full operations. Is there coverage to help him as the business rebuilds its customer base after the resumption of operations following a covered loss?

- a. Yes, but only for 30 days
- b. No, this is the cost of doing business
- c. Yes, extended business income can be purchased
- d. Yes, extra expense coverage is available

If Franklin Appliances has a loss, Robby will suffer a significant loss of revenue until they return to operations. What coverage can Robby purchase to protect him against a property loss to Franklin?

- a. Business Income and Extra Expense
- b. Business Income from Dependent Properties
- c. Financial Consequences
- d. Customer Guarantee

INLAND MARINE – ACCOUNTS RECEIVABLE

Premises # _____ Building # _____

Location address:

What is the average monthly amount of receivables over the last 12 months? _____

What is the maximum monthly amount of receivables during the last 12 months? _____

What is the estimated cost to re-create all accounts receivable records? \$

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WHY?

Many auto repair garages require cash or credit card payments and have only limited need for Accounts Receivable coverage. However, garages that service public entity vehicles or maintain corporate accounts will invoice monthly. These customers often require that detailed information and records support the invoice. If necessary information is not provided, payment is denied.

This coverage is subject to an 80% coinsurance requirement, so an adequate limit is important.

Describe the present disaster plan for reconstruction/recreation of accounts receivables.

Where are accounts receivables records stored?

WHY?

Accounts receivable coverage includes the cost of recovering the accounts as well as the value of the accounts receivable. The valuation for the accounts receivable should include any costs anticipated to re-create the records. These include retrieval, employee time (including overtime) and other needed expenditures to restore the accounts receivable.

What percentage of the records is duplicated and stored separately?
_____ %

How long are duplicates kept?

Where and in what type of receptacles are the duplicate records stored?

WHY?

A critical risk management technique is to maintain a complete copy of company financial records off-premises

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INLAND MARINE – COMPUTERS

Premises # _____ Building # _____

Provide values for the following owned and leased items at this location:

	ACV	RCV
Owned computer hardware	\$ _____	\$ _____
Leased computer hardware	\$ _____	\$ _____
Owned and leased hardware in transit	\$ _____	\$ _____
Proprietary software	\$ _____	\$ _____
Purchased software	\$ _____	\$ _____
Software-related books, forms, documents	\$ _____	\$ _____
Software in transit	\$ _____	\$ _____
Fax machinery	\$ _____	\$ _____
Telephone systems	\$ _____	\$ _____
Photocopiers	\$ _____	\$ _____
Other	\$ _____	\$ _____
Describe other.		

WHY?

The diagnostic tools used today are really computers that can be added to this list. There may be some coverage for them under business personal property coverage, but they are better covered under the inland marine forms. These forms are usually more flexible and provide broader coverage including breakdown and virus protection.

It is important to list the items and their values that are to be covered under a computer policy since all those items can then be removed from the business personal property values. Coverage under a computer policy is broader and duplicate coverage does not result in double payment - just double premium!

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Will the applicant significantly change its computer set-up if a loss occurs?
 Yes No

Describe planned modifications and cost.

WHY?

If the insured has a plan to replace computers, it should be shared with the insurance company and the policy endorsed accordingly. Advance agreements make loss settlements easier for all parties.

INLAND MARINE – GOODS IN TRANSIT

Describe owned property or property of others that is transported by any mode of transportation, including by bicycle, car, truck, train, air or boat or sub-space transport.

WHY?

Most repair garages keep their parts stock low and have employees pick up parts from wholesalers and salvage yards as needed. These garages should consider purchasing Goods In Transit coverage since the transit limit in the Business Personal Property coverage is low and may not provide the needed coverage.

If applicant transports goods in its own vehicles, describe alarms and attach copy of certificates.

If applicant transports goods in its own vehicles, are goods kept in locked conveyance (such as trunk or truck body) at all times? Yes No

Do employees transport applicant's goods in their own vehicles?

Yes No

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If yes, answer the following:

Describe the types of items transported.

What is the maximum value? \$ _____

WHY?

Alarm systems may be required in order to obtain coverage. It is important to accurately describe any alarm since it may become part of an enforceable coverage warranty.

Many insurance companies require insureds to keep goods in transit in locked compartments at all times or the coverage is void. It is important to understand how the client operates so you can point out this potential coverage gap or have the insured pay additional premium to remove the warranty.

INLAND MARINE – SIGNS

Premises # _____ Building # _____

Location address:

Is this premises owned? ___ Yes ___ No

Is the sign neon, fluorescent, automatic, mechanical or electric?

___ Yes ___ No

Note: If the answer is no, the sign is not eligible for inland marine coverage. If coverage is desired, a property form should be considered.

Describe any unusual sign features or vandalism exposure not addressed elsewhere.

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INLAND MARINE – VALUABLE PAPERS

Premises # _____ Building # _____

Location address:

Can valuable papers be replaced? ___ Yes ___ No

What percentage will need to be replaced? _____%

What is the estimated cost to re-create? \$ _____

Describe the present disaster plan for reconstruction/re-creation of valuable papers.

Where are valuable papers stored?

What percentage is duplicated and stored separately? _____%

How long are duplicates kept? _____

Describe the location and receptacle where the duplicate valuable papers are stored.

CRIME – EMPLOYEE DISHONESTY

PRIOR POLICY

Provide the policy number, carrier, limits and the inception and expiration dates of any policy that provided employee dishonesty coverage for the applicant over the last five years.

Policy number _____ Carrier _____

Employee dishonesty limit _____ Inception date _____ Expiration date _____

Note: This information is needed when a loss is discovered in the current policy year for an occurrence in prior years

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WHY?

Note: This information is needed when a loss is discovered in the current policy year for an occurrence that took place in prior years.

The Employee Dishonesty policy is unusual since it refers to a previous policy. If a loss occurs, the settlement may depend on information from the previous policy.

EMPLOYEES

Does the applicant employ any person who has committed a theft or dishonest act? ___ Yes ___ No

WHY?

Note: These employees are excluded from coverage and should not be included for rating purposes.

Are all potential employees screened prior to employment?

___ Yes ___ No

Are references required and verified? ___ Yes ___ No

WHY?

The insured must be made aware that the policy does not cover losses caused by any individual who has previously committed a dishonest act. This coverage gap could be significant and expensive for the insured.

Does the applicant contract with another firm to lease employees?

___ Yes ___ No

Does the applicant lease employees without using an outside agency?

___ Yes ___ No

Does the applicant use volunteers? ___ Yes ___ No

WHY?

Insureds must be aware of coverage limitations caused by using leased employees. Identifying these limitations permits a discussion of coverage gaps as well as possible solutions, such as endorsements for closing them.

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Smaller auto repair garages may have family or friends help out in the office without compensation when an owner or other employee must drive because of customer requirements. These helpers are considered volunteer workers and are not covered under most employee dishonesty coverages. This coverage gap should be identified because coverage endorsements are available to address the circumstance. IMPORTANT: The persons most trusted are usually the ones who can steal the most.

MANAGEMENT CONTROLS

Does a person outside of the applicant's accounts payable unit verify the accuracy of all monthly paid invoices? ___ Yes ___ No

Are invoices stamped "paid" at the time checks are issued to prevent duplicate checks from being issued to fictitious persons? ___ Yes ___ No

Are auditor-suggested improvements in internal controls implemented?
___ Yes ___ No

Is there adequate separation of duties between employees who:

Receive money and keep books? ___ Yes ___ No

Disperse money and keep books? ___ Yes ___ No

Reconcile bank accounts and deposit or withdraw? ___ Yes ___ No

WHY?

Allowing one person to control all of a company's finances is unwise. It creates the potential for an employee to misappropriate funds.

Smaller operations may not be able to financially justify more than one employee handling the books, accounts and records. In these situations, using a reputable outside accountant or bookkeeping firm may be more cost effective than having one employee performing these functions without supervision.

CRIME – MONEY AND SECURITIES

Premises # _____ Building # _____

Location address:

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INSIDE THE PREMISES

Are money and securities kept in a locked safe or vault or other receptacle?

Yes No

If yes, describe.

If no, where are they kept?

WHY?

A separate survey is needed for each premises where there is money and securities because the exposures and protective devices will vary by premises. Safes and receptacles, alarms, and amounts of money are unique to each location.

Does this location require a different limit from the rest of the locations?

Yes No

If yes, what is the limit for this location? \$ _____

Does applicant have any peak periods of cash on hand? Yes No

(Example: Churches/synagogues – high holidays; nonprofits – fund raising events, etc.)

If yes, amount \$ _____ Time period(s) _____

WHY?

The on-premises money coverage does not apply to money taken home by the owner or an employee for safekeeping. This coverage ends when the money is removed from the business premises.

Are all cash registers located in well-lit areas that are easily seen from the street and/or other parts of the premises?

Yes No

Are customers' credit/debit cards checked for validity? Yes No

Does the applicant accept personal checks? Yes No

Does the applicant have a safe deposit box? Yes No

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If yes, answer the following.

Where is the safe deposit box? Name and address of depository:

What is the minimum value of its contents? \$ _____

What is the maximum value of its contents? \$ _____

WHY?

Locked receptacles are great for preventing casual thievery and they also help minimize other types of losses. Safes or other similar receptacles can protect money and securities during fire, windstorm and other causes of loss.

OUTSIDE THE PREMISES

What is the maximum amount of money or securities carried off premises by any one person? \$ _____

Do these individuals vary:

the time of day at which they go to the bank? ___ Yes ___ No

the conveyance used to go to the bank? ___ Yes ___ No

the route they take to the bank? ___ Yes ___ No

WHY?

Individuals who regularly deposit money should periodically change routines and routes when going to the bank so that criminals cannot "lie in wait" for them.

Do salespersons, truck drivers, or any other employees keep money or other valuables away from premises at night or on weekends?

___ Yes ___ No

If yes, who is permitted to do so and what is the maximum amount of money exposed?

Do salespersons, delivery persons or others collect money?

___ Yes ___ No

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If yes, what are the average and the maximum amounts any person may carry?

\$ _____ Average \$ _____ Maximum

Does the applicant use an armored car service? ___ Yes ___ No

If yes, describe.

WHY?

Money and securities coverage applies off premises at a residence only if the employee transporting the covered property stays with the property at the residence. If the employee leaves the property unattended and it is stolen, coverage could be denied. Coverage is intended to apply only when covered property is being transported – not for overnight or extended periods at temporary locations.

QUIZ: INLAND MARINE, EMPLOYEE DISHONESTY AND MONEY AND SECURITIES

Robby's business is 80% corporate and 20% individual accounts. The corporate accounts are billed once a month but he requires immediate payment on all individual accounts. He accepts cash, credit card or check. His office manager has been with the garage for 20 years and controls all aspects of the internal operation. There are three employees in the office to manage the invoicing, collection, ordering and payments. One of those employees is also in charge of controlling the inventory.

Robby has all of his diagnostic equipment included in the business personal property limit of insurance. Can he add it to his computer policy?

- a. Yes, but it must still be included in the business personal property limit for full coverage
- b. No, diagnostic equipment is not considered computer
- c. Yes and the business personal property limit should be reduced to reflect its removal
- d. No, the coverage under the computer policy is not as broad as the business personal property coverage

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What is the standard coinsurance percentage for Accounts Receivable coverage?

- a. 0
- b. 80
- c. 90
- d. 100

Locks and alarms are warranted on all Inland Marine Goods in Transit coverage forms.

- True
- False

The employee who can steal the most from Robby's Garage is:

- a. Bookkeeper
- b. Inventory clerk
- c. Office manager
- d. Body shop manager

Robby carried the deposit to his home to deposit the next day. He is robbed as he prepares to leave the house the next day. The coverage for the loss of money and securities is found:

- a. Money and Securities – Inside
- b. Money and Securities – Outside
- c. Robby's Homeowners
- d. No coverage

LIABILITY – GENERAL LIABILITY ON PREMISES EXPOSURES

Describe the applicant's on-premises operations.

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Describe how the applicant disposes of waste.

WHY?

There is no such thing as a "standard" garage occupancy. It is important to determine the type of services performed and the types of vehicles serviced.

Motor oil, gasoline, tires and batteries must be disposed of in accordance with Environmental Protection Agency (EPA) guidelines. The insured should have a written contract with an EPA approved company to handle all disposals. If there is no contract in place, the insured may be tempted not to adhere to the guidelines.

Does the facility comply with the National Fire Protection Association's Life Safety Code concerning the number, size and arrangement of exits? ____

Yes ____ No

If no, explain.

WHY?

Regardless of the size of an operation, there are concerns on how employees and other can exit the premises during an emergency. Exits must be adequate in number and properly positioned and marked.

Employees should know how to safely exit a structure and how to lead others out.

Does management conduct regular fire drills? ____ Yes ____ No

Are large panes of glass, both inside and outside, properly marked or etched to prevent accidental contact?

____ Yes ____ No

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WHY?

Fire drills are important in larger facilities. What appears simple during normal operations is very difficult with the regular lighting out and alarms sounding. Fire drills reduce the chance of panic and injuries in a real fire.

Does the applicant own, jointly own, hire, or lease any watercraft or aircraft? ___ Yes ___ No

WHY?

Note: If yes, there is limited or no coverage for these operations under Commercial General Liability policies. Consider completing the appropriate Aircraft Ownership or Ship or Boat Ownership Supplement.

WHY?

It is important to identify gaps in coverage, since the general liability policy excludes most watercraft and all aircraft liability exposures.

Does the applicant provide any child or adult care on premises?
___ Yes ___ No

Note: If yes, consider including the day care supplement.

Is food handled on premises? ___ Yes ___ No

If yes, answer the following:

Are food handlers required to use proper hygiene? ___ Yes ___ No

Has the establishment been cited by the Board of Health?

___ Yes ___ No

If yes, explain:

Does the insured store cleaning materials in a separate area distant from the food storage area?

___ Yes ___ No

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WHY?

Food poisoning can develop simply from having snacks available for workers. All food-related exposures must be identified and evaluated.

What are the percentages of types of floor covering in public areas?

___% Wood ___% Linoleum ___% Tile ___% Carpet
___% Other Describe other.

How many exits are available? _____

Are all exits free of obstruction, lighted and marked with exit signs? ___
Yes ___ No

Is there emergency lighting? ___ Yes ___ No

Are all exits equipped with panic door hardware? ___ Yes ___ No

If no, are all exits kept unlocked during business hours? ___ Yes ___ No

WHY?

Slips and falls are the leading cause of premises losses. Floor coverings contribute significantly to losses if not properly maintained. Safety recommendations to prevent slip and fall losses vary depending on the type of floor covering used.

Separate customer waiting areas should be provided. These areas should be comfortable and free of obstructions and slip and fall hazards. Exits must be clearly marked with doors unlocked or equipped with panic hardware for easy escape. Escape should lead directly to the outside and not through the work area. Customers should never be permitted in the work area.

PARKING LOTS AND SIDEWALKS

Does the applicant own or rent parking facilities that are available for clients, customers, employees, and/or the general public? ___ Yes ___ No

If yes, describe the parking facility(ies).

Length Width Number of stories Number of spaces

_____ _____ _____ _____
Attendant (Y/N) Proximity to applicant premises

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If yes, answer the following:

Does the applicant charge a fee? ___ Yes ___ No

If yes, consider completing the Garagekeepers questionnaire.

Does the applicant have vehicles towed when improperly parked on the premises? ___ Yes ___ No

Does the applicant hire a towing company to remove vehicles parked on the premises without permission?

___ Yes ___ No

If yes, is there a contractual agreement with the towing company?

___ Yes ___ No

If yes, attach a copy of the contractual agreement, if any, with the towing company.

Does the towing company provide insurance to meet its contractual agreement? ___ Yes ___ No

Does the applicant require a certificate of insurance from any towing company that provides services on the premises? ___ Yes ___ No

If yes, attach a copy.

Have arrangements been made for snow and ice removal from the parking lot and walkway? ___ Yes ___ No

WHY?

Areas for customers to drop off and pick up their vehicles should be clearly marked and separated from other customer parking areas and repair operations.

OFF-PREMISES

Do applicant employees interact regularly with customers off-premises?

___ Yes ___ No

If yes, answer the following:

Describe the clientele by percentage.

___% Residential ___% Commercial ___% Institutional ___% Public

Do employees travel alone? ___ Yes ___ No

Are employees screened for criminal background? ___ Yes ___ No

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Describe the procedure for training, monitoring and supervising all such off-premises employees.

WHY?

Some auto repair garage operations transport customers to and from work or home while their vehicles are being serviced. The employees driving these "courtesy vehicles" should be screened, have clear histories and be monitored to prevent inappropriate interactions with the customers.

CONTRACTUAL EXPOSURES

Does the applicant lease the premises? Yes No

If yes, answer the following:

Is there a written waiver-of-rights provision for damages to property?

Yes No

Is there a written waiver of subrogation? Yes No

Is there a written hold harmless agreement? Yes No

Are maintenance responsibilities delineated clearly in the contract?

Yes No

Indicate under which of the following agreements the applicant has assumed liability of others:

Lease agreements for real estate Sidetrack agreements

Lease agreements for signs, refrigerators, etc.

Contracts for electric power, steam, etc.

Easement agreements Elevator maintenance

Other contracts such as construction, installation, compliance certificates, etc.

Attach a copy of each contract and/or agreement indicated above.

Is the applicant's insurance policy required to be primary under any of the indicated contracts? Yes No

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WHY?

Most businesses use lease agreements. These contracts normally involve an indemnification clause. Not all indemnification agreements are equal so they should be reviewed to prevent potential gaps in coverage.

Insureds regularly sign contracts, expecting them to be covered under their liability policy and are then surprised when there is no coverage. It is important that the insured understand that not all contracts or circumstances are covered.

SUBCONTRACTORS

Does the applicant regularly use subcontractors? ___ Yes ___ No

If yes, answer the following:

Describe the type of work the subcontractors perform.

Describe procedures used to monitor the timely receipt of certificates of insurance.

Is there a written contract? ___ Yes ___ No

If yes, attach.

If no, describe the terms and agreements between the applicant and the subcontractor.

WHY?

A written contract prevents the subcontractor from being considered an insured's employee. Subcontractors are hired for their expertise. The insured and the subcontractor should always have a contract that specifies responsibility and clearly defines the role of the subcontractor. Open-ended contracts or no contract at all can substantially complicate a loss.

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Certificates of insurance are necessary for audit purposes and proper risk transfer. Under specific circumstances, lack of a certificate of insurance causes subcontracted work to be rated as if it were performed by the insured. Premium earned as a result of such work will be charged to the insured instead of to the subcontractor.

PERSONAL AND ADVERTISING INJURY EXPOSURES

Does the applicant advertise its products, goods or services?

Yes No

If yes, what media are used and what is that medium's percentage of the overall advertising budget?

% Television % Direct mail % Radio % Signs

% Newspaper % Yellow Pages % Magazine

% Internet % Other

Describe other.

Does the applicant have a web page? Yes No

Does the applicant use an advertising firm and/or outside web designer?

Yes No

PRODUCTS

Describe all of the applicant's products or services.

If the product is a component part, describe the items it might become a part of.

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WHY?

The product exposure and the completed operations exposure is based on the types of services performed and the types of vehicles serviced. A garage that specializes in brake service on over-the-road buses has a greater bodily injury liability exposure than one doing oil changes on private passenger vehicles. Repair garages that specialize in working on exotic vehicles usually have a greater potential property damage liability exposure than a garage that works only on domestic vehicles.

If the product or service is defective or used improperly, describe the possible damage that could occur.

WHY?

The insured is in the best position to describe potential losses. The loss description can aid in evaluating the limits to recommend. The knowledge gained from the insured can be used to properly explain the details of the operation to the insurance company.

Is the applicant named on the manufacturer's policy as a vendor?

Yes No

Does the applicant receive regular training from the manufacturer when new products are being introduced?

Yes No

Does the applicant directly import any product? Yes No

If yes, consider completing the manufacturing GL products questionnaire for that type of product.

Does the applicant recondition used goods to sell? Yes No

If yes, describe the process. _____

WHY?

When a repair garage is named on a manufacturer's policy as a vendor, it becomes an additional insured on that policy. If the manufacturer's product causes bodily injury or property damage to a repair garage customer, the manufacturer's policy is primary coverage for any suit brought against the repair garage.

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Repair garage operations that directly import parts or that reconditions and/or modify parts often lose the protection of the original product manufacture. As a result, these garages must be underwritten and priced more like manufacturer and less like a vendor.

What percentage of mechanics is certified by the National Institute of Automotive Service Excellence (ASE)? _____%

Does any of the equipment used in the garage require certification?

___ Yes ___ No

If yes, how is the certification process verified?

Is there a written quality control procedure? ___ Yes ___ No

If yes, attach a copy of the procedure.

WHY?

Repair garages must stay current with changes in the automotive diagnostics and vehicle enhancements. Mechanics that specialize in particular makes or models should receive regular training from those manufacturers or parts suppliers.

LIQUOR

Does the applicant ever serve, sell, or furnish alcoholic beverages to employees, customers, or the general public? ___ Yes ___ No

If yes, is the applicant in the business of selling, distributing, or serving liquor? ___ Yes ___ No

WHY?

Note: If yes, there is no liquor coverage under the General Liability policy. Consider completing the liquor liability questionnaire.

If no, what precautions does the applicant take to prevent guests from driving when they are intoxicated?

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OTHER PROFESSIONAL SERVICES

Is there any exposure for professional services performed by the applicant's own personnel or through the use of subcontractors (i.e., beauty/barber shops, accounting, notary public, druggists, data processing, etc.)? Yes No

WHY?

Note: If yes, consider completing the Professional Liability Questionnaire.

LIABILITY – EMPLOYEE BENEFITS

Does the applicant provide benefits to employees? Yes No

If yes, describe the benefits offered.

Health Life Disability Stock purchase

Pension 401(k) Other

Describe other. _____

Are the benefits available to all employees? Yes No

If no, who qualifies and how are the qualifications published?

Who administers the benefit programs?

If an outside firm provides services, provide a copy of the contract.

What is the employee turnover rate? _____

Is there an established procedure for termination of an employee that includes an explanation of the benefits along with signed documentation?

Yes No

WHY?

Any employee benefit plan must be clearly written, published and available for all employees to review. Guidelines must be precise as to eligibility and enrollment procedures as well as details concerning termination of plan eligibility.

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QUIZ: GENERAL LIABILITY AND EMPLOYEE BENEFITS

There is a clearly marked entrance and a separate exit to Robby's garage. Customers are expected to park their vehicles in the holding area close to the entrance, next to the office, and Robby's employees move the vehicles to the work area. When completed, cars are moved to a lot on the other side of the office, near the exit, for customer pickup. Customers are not permitted beyond the office area. There is a waiting area in the office building, but very few customers use the area since Robby's offers a transport service to customers.

All garage operations must have the following services:

- a. Oil changes and tire rotation
- b. Mechanic on duty at least 8 hours per day
- c. Engine tuning and repair
- d. There is no standard garage occupancy

Robby's provides donuts, coffee and tea in the customer waiting area. A customer became ill because of peanut contamination, is Robby covered for the ambulance call?

Yes

No

Which employees should provide the transport for customers?

- a. Any employee who is not performing other duties
- b. Employees who have been screened
- c. Only Robby or the office manager
- d. The transport should be subcontracted to others

Who should our agent ask about the potential damage that can occur due to faulty workmanship?

- a. Consult the internet
- b. Robby
- c. The company underwriter
- d. A claim's adjuster

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Robby can lose the liability protections of the original manufacturer if:

- a. He forgets to give his customer the warranty paperwork
- b. He incorrectly installs the item
- c. He salvages and reconditions the item
- d. His is not up to date on his certifications

LIABILITY – ENVIRONMENTAL IMPAIRMENT

Describe all chemicals used in the applicants operations.

Describe waste disposal process used in the applicant's operations.

WHY?

Waste disposal has become a primary consideration. Written procedures outlining the entire waste disposal process must be developed, applied and enforced. This should include written documentation of all disposal activities in the event of an actual or alleged pollution incident.

Describe tank storage on the applicant's premises.

WHY?

Storage tank security is very important! Different regulations apply to the aboveground tanks versus underground tanks that must be met. These regulations explain, in detail, the steps and procedures the insured must utilize concerning periodic inspections and required notification to specific agency of spills, leaks or other incidents. Each location should have a site plan showing the location of all tanks, other structures and roads, including specific information concerning vehicle operations and traffic patterns during the course of normal operations.

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Has there been a recent inspection of the premises for contamination and an environmental assessment of the applicant's operations?

Yes No

If yes, answer the following:

Why was the inspection conducted?

Who conducted the inspection?

When was it conducted?

Attach a copy of the findings.

WHY?

Both governmental regulators and insurance carriers require periodic tank inspections. These inspections can detect slow leaks from tanks that may otherwise go undetected. Early detection means early repairs and minimal environmental damage.

Is the applicant aware of existing pollution problems? Yes No

If yes, describe the situation and any action the applicant has taken to correct them.

Have there been pollution damage or claims during the last 10 years?
Yes No

If yes, explain:

Have any processes or underground tanks been abandoned? Yes
No

If yes, describe what has been abandoned and all precautions taken to prevent pollution.

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WHY?

Previous pollution problems must be identified. Every pollution incident provides clues to problems needing attention, whether it results in a claim or not. Some potential problems are tank leaks or spills, waste disposal issues, and release of airborne contaminants.

When were the underground tanks installed?

Are the tanks inside a cathodic container? ___ Yes ___ No

Describe the procedures in place to control spillage during the filling process. _____

What is the distance between the tanks and the nearest known water source? _____

WHY?

Underground tanks must meet strict federal regulations as well as state requirements. Unfortunately, many businesses ignore these regulations and abandon these tanks only to have pollution incidents and liability claims occur. It is better for all parties to comply with the regulations, identify and resolve tank problems early rather than having to deal with government fines, bad media publicity and lawsuits.

LIABILITY – COMMERCIAL UMBRELLA

List all policies that provide liability coverages for the applicant.

Insurance coverage	Primary carrier	Limits
_____	_____	_____

WHY?

Umbrella coverage is only over the policies that are listed in the underlying coverage section of the umbrella policy. No umbrella coverage applies over an underlying policy that has not been listed.

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List countries where the applicant has locations and/or where employees regularly travel.

WHY?

Umbrella policies have territorial definitions that may differ from those of the underlying policies. Listing the countries helps to identify the possible need for a territorial endorsement.

UNDERLYING GENERAL LIABILITY INFORMATION

List all of the exclusions attached to the underlying policy(s).

List or describe any special amendments to the underlying policy(s).

Check the coverages included.

- | | |
|---|--|
| <input type="checkbox"/> Employee Benefits | <input type="checkbox"/> Care Custody and Control |
| <input type="checkbox"/> Product Recall Expense | <input type="checkbox"/> Employment Related Practice |
| <input type="checkbox"/> Underground Storage Tank | <input type="checkbox"/> Stop Gap |

WHY?

The Umbrella is a separate policy and requires similar endorsements to match the underlying policies and their endorsements.

The Umbrella Policy must be modified with special amendments that match those of the underlying primary policies if coverage is to apply at all limits.

Environmental impairment can be a significant exposure under a general liability coverage because of oil and gas disposal issues. Underground storage tank (UST) exposures can be equally significant. An umbrella policy will have to be expanded to include these exposures. In some cases, a separate excess policy may be needed if the limits desired exceed those provided in the primary coverage.

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Is there owned, hired or leased watercraft exposure? ___ Yes ___ No

If yes, describe watercraft including location and duration of exposure.

Is there owned, hired or leased aircraft exposure? ___ Yes ___ No

If yes, describe aircraft including location and duration of exposure.

What are the total annual receipts? \$ _____

What is the annual cost for subcontractors: \$ _____

WHY?

These are significant exposures that need to be brought to the insurance company's attention. If coverage is not needed, the exposures should be excluded.

UNDERLYING AUTOMOBILE LIABILITY INFORMATION

List all of the exclusions attached to the underlying policy(s).

List or describe any special amendments to the underlying policy(s).

How many vehicles of the following types are owned or leased by the applicant?

___ Private Passenger ___ Small trucks ___ Medium trucks

___ Heavy trucks ___ Extra Heavy ___ Bus

WHY?

The Umbrella Policy is not a following form product so exclusions, extensions and special amendments used on the underlying primary policies must be arranged to apply to the umbrella as well. If the underlying coverages are unique, purchasing an excess policy may be the most effective way to address coverage gaps.

Are vehicles ever hired? ___ Yes ___ No

If yes, describe the vehicles hired along with the annual cost and duration.

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WHY?

Neither individual vehicles or classes of vehicles are listed on the Umbrella Policy. Underwriting and rating need to know this information in order to determine exposures and develop premium charges.

This information is used to evaluate the exposures and price the umbrella. Schedules of vehicles are not normally attached to an umbrella policy. If a repair garage has a towing operation, the underwriter will be particularly interested in the number of tow trucks.

UNDERLYING WORKERS COMPENSATION – EMPLOYERS LIABILITY INFORMATION

List all of the exclusions attached to the policy(s).

List or describe any special amendments to the policy(s).

WHY?

This section is not about Workers Compensation coverage. It is about Employers Liability or the Stop Gap Liability coverage on this part of the underlying policy. Umbrella coverage does not apply to Workers Compensation coverage, since the benefits are set by each state. However, there are limits for Employers Liability coverage and, as a result, a need for Umbrella coverage above those limits.

Provide the number of employees by state.

State ___ # ___ State ___ # ___ State ___ # ___

What is the total annual payroll? _____

WHY?

Monopolistic states are of greater concern. Their plans do not include Employers Liability coverage, so no standard for writing the coverage exists in those states. The underlying Employers Liability provisions can vary considerably from one another in those states.

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QUIZ: ENVIRONMENTAL IMPAIRMENT AND UMBRELLA

Robby's grandfather started the garage as a gasoline station and a garage. As the garage business improved, the gasoline sales became a nuisance so they were discontinued and all pumps removed. Unfortunately, the underground gas tanks were never removed. Robby does not know anything about the tanks and believes they are located underneath the customer pickup parking lot.

Who has the underground storage tank liability exposure?

- a. Robby
- b. Robby's Garage
- c. Robby's grandfather
- d. It depends on the lease agreement

What items must be disposed of in an environmentally safe manner?

- a. Gasoline and oil
- b. Batteries
- c. Tires
- d. It depends on the governmental regulations

Does an umbrella cover environmental or UST exposures?

- a. No
- b. Yes
- c. It depends on the underlying policies' exclusions and amendments
- d. It depends on the umbrella's exclusions and amendments

Are tow trucks covered under the umbrella?

- a. Yes, provided they are scheduled on the umbrella
- b. Yes, provided they are covered by an underlying policy
- c. No, unless they are added by endorsement to the umbrella
- d. No, an excess policy must be purchased due to the exposure

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Robby is located in a monopolistic workers compensation state. Does the umbrella provide employers liability coverage over his Workers Compensation policy?

Yes

No

AUTOMOBILE

DRIVER INFORMATION

List the names of drivers who maintain a Commercial Driver's License (CDL).

Are any officers, partners or employees furnished an automobile for their personal use? Yes No

Do individuals with a furnished automobile purchase automobile insurance on personally owned autos? Yes No

WHY?

Individuals supplied with a company vehicle but who do not carry Personal Auto insurance coverage could be surprised by gaps in coverage if a loss occurs.

Do owned vehicles tow special equipment such as air compressors or concrete mixers? Yes No

Are any automobiles used in parades or other events? Yes No

Are any vehicles laid up for more than 30 consecutive days or more due to seasonal operations? Yes No

If subcontractors are used, are procedures in place to monitor the timely receipt of certificates of insurance? Yes No

No subcontractors

If yes, describe.

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WHY?

Auto repair garage operations may subcontract towing operations. A written contract and certificate of insurance are important. These establish the relationship between the parties and clarify that it is not an employer/employee relationship.

Are any automobiles equipped with cellular telephones, two-way radios, citizens band radios or similar devices? ___ Yes ___ No

If yes, describe.

Unit #	Type	Value (ACV)
--------	------	-------------

WHY?

These devices are generally excluded from coverage. If coverage is needed, it must be added by an endorsement that includes the full description and value of the devices.

How many automobiles are parked at one location overnight?

Location	# of Vehicles	Value
----------	---------------	-------

Describe lot protection.

WHY?

This is a risk management aid. Keeping all vehicles at one place creates the potential for a catastrophic (i.e., tornado or fire) loss. This also affects any recommendations regarding the need for comprehensive coverage and the type and amount of any deductible.

Does the applicant lease or rent vehicles with operators to others?

___ Yes ___ No

Does the applicant lease or rent vehicles without operators to others?

___ Yes ___ No

Does the applicant travel to Canada or Mexico? ___ Yes ___ No

Do vehicles have theft alarms? ___ Yes ___ No

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WHY?

Most auto repair garages do not loan or rent vehicles to their customers. Some may have an arrangement with a rental company so that customers can easily obtain a vehicle when needed. If car rentals or loans are provided by the repair garage operation, they should be underwritten as a car rental agency due to the significant exposure.

Does the applicant tow vehicles? ___ Yes ___ No

If yes, answer the following:

Describe how vehicles are identified prior to tow.

Are all drivers trained in attaching the vehicle securely? ___ Yes ___ No

Are drivers trained in cleanup procedures? ___ Yes ___ No

WHY?

Tow truck drivers should have a commercial license and tow training. All equipment, especially chains, pulleys and hydraulics, should be regularly inspected for wear, corrosion and other signs of stress damage. Tow truck load, weight and capacity limitations must be posted in the cab so that they are never exceeded. No vehicle should be towed without verifiable proof of ownership by the party requesting the tow.

AUTOMOBILE – GARAGEKEEPERS

Locations where customers autos are kept:

Location: _____

Location owner: _____

Maximum # of vehicles: _____ Maximum value of all vehicles: _____

If applicant is not the location owner, is there a contractual relationship between the owner and the applicant?

___ Yes ___ No

If yes, attach the lease agreement.

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WHY?

Coverage is limited to the locations listed on the policy.

Not all repair garage operations have enough room in their parking lot for all of their customers' vehicles. In cases where an overflow lot owned by another party is used, the relationship between the garage operator and the lot owner must be clear. There should be a written contract identifying responsibilities and obligations of each party.

Describe the lot protection at each location (fences, dogs, alarms, video, guards, etc.).

WHY?

Customer vehicle parking lot requirements vary depending on the conditions in the area where it is located and the types of vehicles. In some cases, the lot should be fenced and even have burglar or intrusion alarms. In other cases, chains across access points to the lot are sufficient.

Does the applicant offer valet parking? ___ Yes ___ No

If yes, is the valet parking staffed by employees? ___ Yes ___ No

If no, attach a copy of any contractual agreement with the company providing the valets.

Describe the procedures to protect the customer's keys.

WHY?

Customers' keys must be protected in order to prevent theft. They should never be left in an unattended vehicle. Keys should be kept in a central location and procedures should be in place to limit key use to certain garage employees.

Are vehicles locked when unattended? ___ Yes ___ No

Does the applicant pick up or deliver customer vehicles?

___ Yes ___ No

Note: There is no coverage when a customer's vehicle is not at a described location. Refer to garage insurance for more complete coverage.

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Does the applicant park customer cars on public streets and/or other lots? ___ Yes ___ No

Note: There is no coverage when a customer's vehicle is not at a described location.

Refer to garage insurance for more complete coverage.

WHY?

Garagekeepers coverage applies only when the vehicle is on the lot or while being operated on adjacent access roads.

Are vehicles left overnight? ___ Yes ___ No

If yes, describe any special precautions.

Does the applicant repair and/or service vehicles away from the applicant's premises? ___ Yes ___ No

If yes, answer the following:

How many mobile repair units are available? _____

What hours are the mobile units available? From _____ to _____

What is the maximum radius of operation? _____

Describe the services available from the mobile units.

WHY?

Customers' vehicles should only be parked in the lots described and listed on the policy. Coverage applies only at those locations or when the vehicles are being driven on adjacent access roads.

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QUIZ: GARAGEKEEPERS ENDORSEMENT

One of the reasons Robby called our agent was because of the customer's vehicle not being covered when he drove it home. He was not aware of that limitation in the Garagekeepers coverage. He doesn't want any more surprises. If a vehicle is in his care, he wants the customer to be reimbursed for any damage to that vehicle.

Since Robby wants the best coverage for the customer, our agent should recommend:

- a. Legal Liability
- b. Direct Coverage - excess
- c. Direct Coverage - primary

Does the Garagekeepers endorsement provide coverage if the vehicle is stolen?

- a. Yes, if the theft occurs when the lot is closed
- b. Yes, provided an employee did not steal the vehicle
- c. Yes, unless the keys were in the car at the time of the loss
- d. No, theft is not a covered cause of loss

Which of the following is not a covered cause of loss under the Garagekeepers endorsement?

- a. Comprehensive
- b. Liability
- c. Collision
- d. Specified

What is the applicable coinsurance under the Garagekeepers endorsement?

- a. 0
- b. 80
- c. 90
- d. 100

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If Robby's limit per vehicle is \$15,000 and his per lot limit is \$50,000. What is the maximum payment he could expect if a windstorm destroys 25 vehicles?

- a. \$15,000
- b. \$50,000
- c. \$375,000
- d. It depends on the value of the damaged vehicles

AUTOMOBILE – HIRED AND NONOWNERSHIP

HIRED/BORROWED AUTO

Is the applicant required to provide the primary coverage for any hired or borrowed vehicles? ___ Yes ___ No

If yes, answer the following:

Will the applicant be hiring or borrowing the same vehicle for more than six months? ___ Yes ___ No

WHY?

Note: If yes, the auto should be covered in the same way as an owned vehicle is covered.

Is the owner of the vehicle an employee of the applicant? ___ Yes ___ No

Is an employee hiring the vehicle in his or her own name in order to perform the applicant's business? ___ Yes ___ No

List the states where the applicant may hire or borrow vehicles, and provide the estimated annual cost (put "if any" if unknown).

State: ___ Cost: _____ State: ___ Cost: _____

Is hired auto physical damage required? ___ Yes ___ No

Are vehicles hired with drivers? ___ Yes ___ No

Describe the types of vehicles hired or borrowed and the reason the applicant hires or borrows them.

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NON-OWNED

What is the total number of employees at all locations? _____

If the applicant is a partnership, what is the total number of active and inactive partners? _____

What percentage of employees regularly use their own vehicles in the applicants' business? ____%

Does the applicant want to provide Employees as Insureds coverage?

___ Yes ___ No

Do employees use their personal vehicles to provide "on demand" deliveries to homes and/or businesses?

___ Yes ___ No

WHY?

Employees should never be given a reason to ignore traffic laws and safety issues, such as an incentive or an "on time" delivery guarantee.

QUIZ: BUSINESS AUTO

The fleet consists of four pickup trucks, two passenger vans and two private passenger vehicles. Robby and his wife drive the private passenger vehicles. The vans are used for the customer transport. The pickup trucks are used for errands, to pick up parts and deliveries. They do not loan vehicles to customers.

All towing services are provided by Robby's brother, John.

Chains are placed over all access ways when the garage closes for the night. The lots and buildings are well lit to prevent theft and vandalism.

The vans, pickup trucks and tow trucks all have communication equipment that was installed after purchase. Is it covered if damaged?

- a. Yes, under auto physical damage coverage
- b. Yes, under business personal property coverage
- c. Yes, but only if scheduled under inland marine coverage
- d. No, because they were installed after purchase, they cannot be covered.

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John is a subcontractor providing all towing services for Robby's Garage. If John causes an accident while towing for Robby's, Robby cannot be held responsible.

True

False

What should be done to prevent theft of customer vehicles?

- a. Control access to keys
- b. Disable all vehicles each evening
- c. Don't keep customer vehicles overnight
- d. Keep all customer vehicles inside buildings

Robby drove a customer's vehicle to his home in order to listen to it at high speeds. That evening, vandals damaged the customer's vehicle as it sat in Robby's driveway. Is there coverage under Robby's Garagekeepers coverage for the damage?

Yes

No

Robby's customers want him to supply loaner or rental cars while their vehicles are being serviced. How can Robby accommodate them without raising his insurance premiums?

- a. Allow them to use his personal car
- b. Contract with a car rental agency to supply vehicles
- c. Provide a loaner car if the customer signs a release form
- d. Set up a separate entity to handle all rentals

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WORKERS COMPENSATION OPERATIONS

List all states where the applicant anticipates working during the next twelve (12) months.

WHY?

Workers compensation laws vary by state, so knowing where employees are working, or where they are expected to be working during the policy period, is important.

Are operations performed on public works projects outside the United States? ___ Yes ___ No

If yes, describe.

WHY?

Note: Consider completing the Foreign Operations Supplement.

Does the applicant perform operations on docks, piers, wharves, etc. that are on navigable waters? ___ Yes ___ No

If yes, describe such operations.

WHY?

Note: Consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Does the applicant perform any work on barges, vessels, or bridges that span navigable waters? ___ Yes ___ No

WHY?

Note: If yes, consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Are operations performed on fixed platforms on the outer continental shelf? ___ Yes ___ No

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If yes, answer the following:

What is the closest governing state? _____

Where is the work located?

WHY?

Note: The Outer Continental Shelf Lands Act extends the Longshore and Harbor Workers Compensation Act to apply to employees who work on fixed platforms on outer continental shelves. Consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Working over water may subject an insured to the United States Longshore and Harbor Workers Act. Its benefits are dramatically higher than normal state benefit levels.

Does the applicant perform operations on U.S. defense bases?

___ Yes ___ No

If yes, describe such operations.

WHY?

Note: Consider completing the Defense Base Act and Federal Employers Liability Act Coverages Questionnaire.

Does the applicant perform operations in monopolistic workers compensation states? ___ Yes ___ No

WHY?

Employees working, or operations performed, in a monopolistic state must be covered under that state's workers compensation plan or arrangement. Employers liability coverage must be written separately in monopolistic states.

Note: If yes, consider completing the Employer's Liability - Stop Gap Questionnaire.

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Does the applicant own or jointly own, operate, or lease aircraft and/or watercraft? ___ Yes ___ No

WHY?

Note: Consider completing the Aircraft Ownership Supplement if the applicant has an aircraft exposure. Consider completing the Ship or Boat Ownership Supplement if the applicant has a watercraft exposure.

Describe type of work.

EMPLOYEES

Does the applicant employ migrant laborers? ___ Yes ___ No

If yes, describe the operation, the duties performed and the length of time employed.

Do employees ever travel outside the United States to work?

___ Yes ___ No

If yes, which countries and what is the average length of time out of country?

WHY?

Note: If yes, consider completing the Foreign Operations Supplement.

Are any of the applicant's employees considered exempt from workers compensation statutes in the jurisdiction where they work? ___ Yes ___ No

If yes, identify the types of employees and the jurisdiction where they are exempt.

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WHY?

Not all employees are required to be covered by workers compensation. Each state has exemptions for certain occupations. However, when a worker is not subject to the workers compensation laws, the employer loses the lawsuit protections under that law. An employer may have a significant coverage gap if an employee is not included under the Workers Compensation coverage since the Commercial General Liability coverage excludes all employees whether they are eligible for Workers Compensation coverage or not.

Do any employees telecommute or in other ways work out of their homes? ___ Yes ___ No

If yes, describe the employee job functions and safety procedures for them.

Does the applicant weld on the jobsite or on premises? ___ Yes ___ No

If yes, describe the training provided and the safety precautions required.

Are employees trained to use proper lifting techniques including the use of dollies? ___ Yes ___ No

WHY?

Welding is dangerous to both the welder and to fellow employees. Training and supervision are key components to a safe workplace where this operation exists.

Back injuries are common, occur frequently, and are usually due to improper lifting techniques and working in awkward locations. Employees should be trained in proper techniques for lifting heavy loads. They should know when assistance is needed such as dollies, other lifting devices, and even other employees.

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MANAGEMENT

Does the applicant obtain work permits as local, state, or federal statutes require? ___ Yes ___ No

Does the applicant have an organizational policy that specifies the maximum number of key employees who may travel together?

___ Yes ___ No

If yes, attach a copy of the organizational policy.

If the applicant employs subcontractors, how does it monitor their certificates of insurance and ensure that it receives them on a timely basis?

WHY?

If a subcontractor does not have workers compensation insurance, the organization that hires that subcontractor will be held responsible for injuries to any subcontractor employee injured during his or her work for the hiring organization.

Are all of the applicant's machinery and equipment properly guarded and secured? ___ Yes ___ No

Does the applicant train employees before they operate any machinery and equipment? ___ Yes ___ No

Does the applicant train employees in the proper way to clean machinery and equipment? ___ Yes ___ No

If the answer to the training questions above is yes, attach a copy of the applicant's training manual plus the documentation it uses to ensure that the training is appropriate.

WHY?

Training is the key to effective loss prevention in workers compensation. There should be a formal training program manual that outlines the proper use of all equipment. Employees should be trained and supervised before they begin working with any equipment.

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Are the doors on all walk-in freezers, cold storage boxes, and other automatic locking storage area equipped with a pass-type latch that can be opened from the inside? ___ Yes ___ No

Are first aid kits provided? ___ Yes ___ No

Is at least one employee (on duty) trained in administering first aid?
___ Yes ___ No

WHY?

First aid kits should be strategically placed in the working area, readily accessible and fully stocked. The insured should have written procedures for re-stocking as needed. At least one employee on each shift at each location should be trained in emergency procedures directly related to the type of work being performed. These employees should also know how to contact health care professionals as quickly as possible. First aid is important but should never be treated as a suitable alternative to outside professional care.

Is ear and eye protection required? ___ Yes ___ No

Are masks available in areas of heavy dust production? ___ Yes ___ No

Are first aid areas set up close to stations to handle cuts?
___ Yes ___ No

Is appropriate safety equipment provided for the jobs being performed?
___ Yes ___ No

WHY?

Eye or ear protection equipment is worthless if the employees do not wear it. Employees resist wearing the equipment because it is uncomfortable. The employer must have written procedures and requirements concerning the proper use of the equipment. He or she must uniformly enforce the requirements and have a list of penalties for failure to follow the rules.

Protective respiratory masks or other breathing protection must be supplied and worn in heavy dust atmospheres. The affected work areas should be clearly identified and protective equipment available at all entry points. The employer must have written procedures and requirements concerning the proper use of the equipment. He or she must uniformly enforce the requirements and have a list of penalties for failure to follow the rules.

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QUIZ: WORKERS COMPENSATION

Robby's Garage has a full-time staff of 25 plus four part-time. The major loss problem has been back injuries but there are also a frequency of burns, cuts and scrapes. There is no training manual. Eye and ear protection plus masks are provided but seldom used. Robby would like to reduce his Workers Compensation premium but doesn't know what to do.

Our agent has a problem. Since he is in a monopolistic state, he isn't writing the workers compensation but he would like to give his friend advice on reducing his premium. He knows that Robby has a high workers compensation rating modification and if that could be brought down by reducing the frequency, the premium should drop too.

Robby isn't required to include some of his part-time employees under workers compensation because they are an exempted class in his state, but he does have the option. Should he include them or exclude them?

- a. Exclude them in order to reduce his premium and potential losses
- b. Include them or else he may pay for any injuries they suffer
- c. Include them so that he can get a savings on his group health insurance plan
- d. Exclude them so that he doesn't have to report them on his FICA taxes

Robby's employees seem to have problems lifting. What can Robby do to help them?

- a. Provide training in appropriate lifting techniques
- b. Supply dollies and other lifting devices
- c. Guide them in knowing when to ask a fellow employee for help
- d. All of the above

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Many of the medical injuries are from infected burns, cuts and scrapes. What should Robby have on premises to prevent small injuries from becoming infected?

- a. A nurse
- b. First aid kit
- c. Medical transport
- d. Number for on-call physician

A long-time employee recently filed a claim for lung problems relating to the garage's painting operation. To prevent future problems, what should Robby do?

- a. Stop all painting operations
- b. Buy only paints that do not have damaging side effects
- c. Require employees to wear masks when painting
- d. Allow employees to choose to wear masks

Eye injuries are another problem. What can Robby do to help his employees protect their eyes?

- a. Provide appropriate eye protection
- b. Mandate that eye protection be worn in the garage areas at all times
- c. Only require eye protection during welding and soldering
- d. Provide eye wash area close to the first aid kits

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ANSWERS: RISK OVERVIEW

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz question, the correct answer will be shown.

All of the answers may be found in **Risk Overview** section you just studied. Feel free to go back and search for the correct answer if you have the slightest doubt.

Robby's Garage is owned by Robby Grace III. Robby's grandfather opened the business and when he decided to retire Robby bought it from him. Robby had worked at the garage for over ten years, helping to manage it, and also training as a mechanic during that time.

Which of the following is a workers compensation code used by repair garages?

c. 8380

What is the primary fire exposure for a garage operation?

a. Flammable liquids

What area should be restricted to employees only?

b. Garage area

What added auto exposure is common to many garage operations?

b. Towing services

Which coverage protects a customer's vehicle if damaged?

b. Garagekeepers

ANSWERS: GENERAL INFORMATION AND BUILDING

Robby's grandfather opened the business in 1951 and was the only owner and manager until Robby took over. The business has never moved but the neighborhood has changed from residential to commercial over the years. The garage has always catered to its neighbors so most of their customers are employees of the surrounding businesses. In addition, Robby's is under contract to provide service for the private passenger fleets of these same businesses.

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The business started with one building but it has purchased surrounding property over the years. There are now four buildings connected by a common parking area. The original building is now the office and general storage/parts building, next to it is a six-bay garage, at more of a distance is the body shop and close to the body shop is a flammable liquid storage building.

Who can be listed on Robby's Garage as a named insured?

d. All of the above

Which employee of Robby's could give the best insight of the garage operations?

b. Head mechanic

The corporate base for Robby's continues to grow and with it a demand for personalized services. What type of services may Robby's be expected to provide that might add to his loss exposure?

a. Customer and vehicle pickup and delivery

Robby III owns Robby's Garage but Robert Grace Sr, Robby's grandfather, owns the buildings and leases them to Robby's Garage under a long term lease. Can Robby insure the buildings under his property insurance?

Yes

Which of the following must be specifically designed for the body shop occupancy?

b. Electrical

ANSWERS: PROPERTY – BUSINESS PERSONAL PROPERTY & INCOME

Robby started the body shop because Franklin's Appliances agreed to service all of their vehicles with Robby. They represent 50% of the receipts for the body shop. About one year after the body shop operation started, there was a fire due to the explosion of fumes. After that loss, Robby became very careful in how to dispense flammable liquids and built the separate storage building.

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The office and general storage area includes regular automobile maintenance items such as filters, wiper blades, belts, lights, motor oil and similar high demand items. Other items are delivered by local auto supply stores or are picked up by employees from salvage yards or auto parts wholesalers.

There are three buildings listed on the current policies, but four buildings on the premises map. Since business personal property is blanketed, is there coverage for business personal property kept in the building not listed?

No

How large a supply of paint should there be in the body shop?

b. One-day supply

When welding or soldering a gas tank, what must always be done?

c. Remove, drain and wash the tank

When Robby had the fire nine years ago, it took five months to rebuild and another five months to return to full operations. Is there coverage to help him as the business rebuilds its customer base after the resumption of operations following a covered loss?

c. Yes, extended business income can be purchased

If Franklin Appliances has a loss, Robby will suffer a significant loss of revenue until they return to operations. What coverage can Robby purchase to protect him against a property loss to Franklin?

b. Business Income from Dependent Properties

ANSWERS: INLAND MARINE, EMPLOYEE DISHONESTY AND MONEY AND SECURITIES

Robby's business is 80% corporate and 20% individual accounts. The corporate accounts are billed once a month but he requires immediate payment on all individual accounts. He accepts cash, credit card or check. His office manager has been with the garage for 20 years and controls all aspects of the internal operation. There are three employees in the office to manage the invoicing, collection, ordering and payments. One of those employees is also in charge of controlling the inventory.

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Robby has all of his diagnostic equipment included in the business personal property limit of insurance. Can he add it to his computer policy?

c. Yes and the business personal property limit should be reduced to reflect its removal

What is the standard coinsurance percentage for Accounts Receivable coverage?

b. 80

Locks and alarms are warranted on all Inland Marine Goods in Transit coverage forms.

False

The employee who can steal the most from Robby's Garage is:

a. Bookkeeper

Robby carried the deposit to his home to deposit the next day. He is robbed as he prepares to leave the house the next day. The coverage for the loss of money and securities is found:

b. Money and Securities – Outside

ANSWERS: GENERAL LIABILITY AND EMPLOYEE BENEFITS

There is a clearly marked entrance and a separate exit to Robby's garage. Customers are expected to park their vehicles in the holding area close to the entrance, next to the office, and Robby's employees move the vehicles to the work area. When completed, cars are moved to a lot on the other side of the office, near the exit, for customer pickup. Customers are not permitted beyond the office area. There is a waiting area in the office building, but very few customers use the area since Robby's offers a transport service to customers.

All garage operations must have the following services:

d. There is no standard garage occupancy

Robby's provides donuts, coffee and tea in the customer waiting area. A customer became ill because of peanut contamination, is Robby covered for the ambulance call?

Yes

Which employees should provide the transport for customers?

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b. Employees who have been screened

Who should Our agent ask about the potential damage that can occur due to faulty workmanship?

b. Robby

Robby can lose the liability protections of the original manufacturer if:

c. He salvages and reconditions the item

ANSWERS: ENVIRONMENTAL IMPAIRMENT AND UMBRELLA

Robby's grandfather started the garage as a gasoline station and a garage. As the garage business improved, the gasoline sales became a nuisance so they were discontinued and all pumps removed. Unfortunately, the underground gas tanks were never removed. Robby does not know anything about the tanks and believes they are located underneath the customer pickup parking lot.

Who has the underground storage tank liability exposure?

d. It depends on the lease agreement

What items must be disposed of in an environmentally safe manner?

d. It depends on the governmental regulations

Does an umbrella cover environmental or UST exposures?

d. It depends on the umbrella's exclusions and amendments

Are tow trucks covered under the umbrella?

b. Yes, provided they are covered by an underlying policy

Robby is located in a monopolistic workers compensation state. Does the umbrella provide employers liability coverage over his Workers Compensation policy?

No

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ANSWERS: BUSINESS AUTO

The fleet consists of four pickup trucks, two passenger vans and two private passenger vehicles. Robby and his wife drive the private passenger vehicles. The vans are used for the customer transport. The pickup trucks are used for errands, to pick up parts and deliveries. They do not loan vehicles to customers.

All towing services are provided by Robby's brother, John.

Chains are placed over all access ways when the garage closes for the night. The lots and buildings are well lit to prevent theft and vandalism.

The vans, pickup trucks and tow trucks all have communication equipment that was installed after purchase. Is it covered if damaged?

c. Yes, but only if scheduled under inland marine coverage

John is a subcontractor providing all towing services for Robby's Garage. If John causes an accident while towing for Robby's, Robby cannot be held responsible.

___ False

What should be done to prevent theft of customer vehicles?

a. Control access to keys

Robby drove a customer's vehicle to his home in order to listen to it at high speeds. That evening, vandals damaged the customer's vehicle as it sat in Robby's driveway. Is there coverage under Robby's Garagekeepers coverage for the damage?

___ No

Robby's customers want him to supply loaner or rental cars while their vehicles are being serviced. How can Robby accommodate them without raising his insurance premiums?

b. Contract with a car rental agency to supply vehicles

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ANSWERS: GARAGEKEEPERS ENDORSEMENT

Since Robby wants the best coverage for the customer, our agent should recommend:

c. Direct Coverage - primary

Does the Garagekeepers endorsement provide coverage if the vehicle is stolen?

b. Yes, provided an employee did not steal the vehicle

Which of the following is not a covered cause of loss under the Garagekeepers endorsement?

b. Liability

What is the applicable coinsurance under the Garagekeepers endorsement?

a. 0

If Robby's limit per vehicle is \$15,000 and his per lot limit is \$50,000. What is the maximum payment he could expect if a windstorm destroys 25 vehicles?

b. \$50,000

ANSWERS: WORKERS COMPENSATION

Robby's Garage has a full-time staff of 25 plus four part-time. The major loss problem has been back injuries but there are also a frequency of burns, cuts and scrapes. There is no training manual. Eye and ear protection plus masks are provided but seldom used. Robby would like to reduce his Workers Compensation premium but doesn't know what to do.

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Robby isn't required to include some of his part-time employees under workers compensation because they are an exempted class in his state, but he does have the option. Should he include them or exclude them?

b. Include them or else he may pay for any injuries they suffer

Robby's employees seem to have problems lifting. What can Robby do to help them?

d. All of the above

Many of the medical injuries are from infected burns, cuts and scrapes. What should Robby have on premises to prevent small injuries from becoming infected?

b. First aid kit

A long-time employee recently filed a claim for lung problems relating to the garage's painting operation. To prevent future problems, what should Robby do?

c. Require employees to wear masks when painting

Eye injuries are another problem. What can Robby do to help his employees protect their eyes?

b. Mandate that eye protection be worn in the garage areas at all times

COVERAGE FORMS

PROPERTY COVERAGES

Property coverage insures the insured's tangible assets against a variety of causes of loss. There are many coverage forms and approaches, beginning with the general and moving to the specific. This range of options allows an agent to work with a customer to develop a specific approach that is customized for that customer.

Building and Personal Property Coverage Form

Four types of property are associated with every structure:

- The building or structure itself
- Business personal property inside the building
- Personal property of others in the building

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- Improvements and betterments added to a building space for the benefit of a named insured tenant

The Building and Personal Property Coverage Form insures all four types of property. Each can be written with its own specific limit or can be combined in various ways on a blanket basis. A separate causes of loss form must be attached. The causes of loss form selected can vary by type of property.

Automotive operations will normally use this form for most property coverage.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis](#)

Building and Business Personal Property Coinsurance

Coinurance is a technique that encourages the named insured to insure to the proper value. The commercial fire rating in the ISO manuals contemplates 80% coinsurance. Higher coinsurance percentages receive a credit. Lower percentages are debited. The insured selects a coinsurance percentage that is entered on the declarations. Failure to carry sufficient limits to satisfy the coinsurance requirement results in a penalty when the loss is settled.

Related Article: [Coinsurance Clause](#)

Building and Business Personal Property Alternatives to Coinsurance:

Agreed value

This approach suspends coinsurance but requires the insured to submit annual signed statements of the 100% value of the property insured. The insured must purchase limits of insurance that equal or exceed 90% of that value.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis](#)

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Functional replacement cost

This approach allows the insured to purchase only the limits it needs to rebuild or replace building and/or business personal property based on utilitarian needs. Examples include replacing a three-story building that occupies only the first floor with a one-story building or replacing wood office furniture with cubicles.

Related Article: [Functional Property Valuations](#)

Peak season

This approach allows the insured to increase business personal property limits at peak times while keeping them lower at other times of the year. The insured picks the time period and the increased limit it needs.

Related Article: [Peak Season Coverage](#)

Reporting forms

This approach allows the insured to pay for only the business personal property limit it needs while still maintaining insurance to value. The insured schedules the highest limit it needs for the year and pays deposit premium based on 75% of that limit. The insured reports the actual values at selected periods. At the end of the year, the insurance company calculates the premium based on the reports and issues either a bill or a refund to the insured. The insured has the exact coverage it needs for the time period.

Related Article: [CP 13 10-Value Reporting Form](#)

Optional Property Coverage Forms

The Building and Personal Property Coverage Form is available for all commercial insureds. However, it may not be the best approach in all cases. The following coverage forms should be considered for certain insureds or when a different approach is in order.

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Commercial or Manufacturers Output Policy

A commercial output policy is a property coverage form originally designed for automobile manufacturers but it is appropriate for any property exposure with large values. The coverage is broader and more flexible than the coverage in standard Property Coverage Forms. There are several built-in coverages but the deductibles also tend to be higher. Most commercial output policies are unique to each company, but both AAIS and ISO have developed their own coverage forms for their members.

Comparing forms is necessary to determine their advantages and disadvantages. Exclusions, property included and excluded, inland marine extensions, property at other locations, and any special limitations must be examined carefully. Rating is unique and a decision on whether the rate can be changed during the year is usually necessary.

This policy could be beneficial to multi-location automotive operations.

Related Articles:

[OP 00 01-ISO Capital Assets Program Coverage Form \(Output Policy\) Analysis](#)

[CO1000-AAIS Commercial Output Program Property Coverage Part Analysis](#)

Condominium–Unit-owners coverage

This coverage form insures business personal property of a unit-owner and personal property of others in its care, custody, or control. The coverage provided is similar to the coverage the Building and Personal Property Coverage Form provides except that there is consideration for the unique features of condominium bylaws and coverage requirements. ISO offers this coverage but some insurance companies have developed their own variations of it.

Related Article: [CP 00 17-Condominium Association Coverage Form Analysis and CP 00 18-Condominium Commercial Unit-Owners Coverage Form Analysis](#)

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Equipment Breakdown Coverage Form

This coverage has ten separate parts:

- Property Damage
- Expediting Expense
- Business Income/Extra Expense
- Spoilage Damage
- Utility Interruption
- Newly Acquired Premises
- Ordinance or Law
- Errors and Omissions
- Brands and Labels
- Contingent Business Income/Extra Expense

Coverage applies to equipment under pressure in addition to mechanical or electrical equipment that generates energy. Communication and computer equipment is also covered. All are subject to certain restrictions. The major carriers that write this coverage use their own coverage forms but the structure is similar to ISO's version.

All building owners and tenants responsible for operating the above types of equipment should seriously consider purchasing this coverage because it resolves a significant gap in coverage in standard Commercial Property Coverage forms.

Related Article: [ISO Equipment Breakdown Protection Coverage Form Analysis](#)

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Legal Liability Coverage Form

This coverage form insures against direct physical loss or damage including loss of use of property of others in the insured's care, custody, and control for which it is legally liable. Coverage is for the property owner's benefit, not for the insured's benefit. That owner must file the claim for damages. A standard ISO coverage form provides this coverage. The insured chooses basic, broad, or special causes of loss. Determining the causes of loss form to use is based on the wording of the contract or agreement between the property owner and the insured. Because this is legal liability only, the causes of loss actually covered are the ones the contract or agreement requires. As a result, purchasing broader causes of loss than what the contract requires wastes money.

Related Article: [CP 00 40-Legal Liability Coverage Form Analysis](#)

Standard Property Policy

This is a limited option version of the ISO Building and Personal Property Coverage Form. Because the causes of loss and the conditions are written into the policy, only a declarations is required to complete this policy. The significant restrictions in this policy place a heavy burden on the named insured. As a result, its use is usually limited to only risks that cannot be insured under a more conventional coverage form.

This may be the only coverage available to some automotive operations. Its highly restrictive conditions should be carefully explained to the policyholder.

Related Article: [CP 00 99-Standard Property Policy Analysis](#)

Optional Property Endorsements

There are a number of endorsements available to modify the commercial property coverage forms. Many of the endorsements are appropriate for specific types of insureds. The ones this list includes could apply to almost any insured.

Related Article: [ISO Commercial Property Program Available Endorsements and Their Uses](#)

THE ULTIMATE GUIDE TO INSURING GARAGES

Additional Debris Removal

Debris is created whenever there is a building or business personal property loss. It must be removed in order for the reconstruction to begin. Payment for debris removal in the ISO Building and Personal Property Coverage Form is limited to 25% of the loss plus an additional \$25,000 if needed.

The \$25,000 may not be sufficient for some insureds so there is an option to purchase a higher limit. Limits are purchased on a per-location basis instead of the standard per-building basis. This allows insureds to consider their entire location and determine potential debris removal considerations.

Unusual construction or places that are difficult to access can contribute to increased debris removal expense.

Automotive operations often have hazardous waste and special debris concerns that could add significantly to the debris removal cost so this coverage should be considered.

Related Article: [Debris Removal Concerns](#)

Ordinance or Law Coverage

The ISO Building and Personal Property Coverage Form does not pay for increases in a loss due to local ordinances that require improvements to a building following a loss. This coverage insures three specific situations when ordinances increase rebuilding costs:

- The first deals with laws that require a building to be torn down if more than a certain percentage is destroyed and the building does not meet current codes. There is no coverage for destruction of the undamaged portion of the building. Coverage A pays for this.
- Second, there is no coverage for the costs to demolish undamaged portions of the building and clear the site. Coverage B pays for this.
- Third, there is no coverage to bring a building up to code in order to obtain permits to build. Coverage C pays for this.

Coverage may be purchased under ISO CP 04 05. Some insurance companies offer this coverage slightly differently.

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Automotive operations may be subject to ordinances about particular businesses in certain areas of town that could result in their having to move following a sizable loss. A partial loss could quickly turn into a total loss with only the partial loss covered. In addition, since the public regularly enters the building there could be American with Disabilities Act considerations that could involve increased cost of construction should ANY loss occur.

Related Article: [CP 04 05-Ordinance or Law Coverage](#)

Outdoor Trees, Shrubs, and Plants Enhancement

The ISO Building and Personal Property Coverage Form excludes outdoor trees, shrubs, and plants. A coverage extension provides a small amount of coverage but for only limited causes of loss and for small limits. CP 14 30–Outdoor Trees, Shrubs, and Plants provides broader causes of loss and higher limits. There is an option to include or exclude vehicle damage.

Vegetated roofs are not subject to the limitations for trees, shrubs, and plants.

Related Article: [ISO Commercial Property Program Available Endorsements and Their Uses](#)

Replacement Cost Valuation

Actual cash value is the standard valuation on insurance coverage forms and policies. Actual cash value is replacement cost on the date of loss less depreciation. While this valuation basis indemnifies the insured and returns it to the same condition after the loss as before, it creates problems because it is virtually impossible to rebuild old for old. Replacement cost valuation provides new for old coverage and is available in many property and inland marine coverage forms as well as some auto coverage forms. It is an important tool but is only effective if the insured purchases sufficient limits.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis](#)

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Utility Services–Direct Damage

When covered property is damaged because a utility service supplied by an off-site provider fails, coverage applies only if CP 04 17–Utility Services - Direct Damage is attached to the policy. The failure must be due to the off-premises utility being damaged by a scheduled cause of loss. The only utility services covered are those scheduled in the endorsement and only the covered property described in the endorsement is covered. The covered utility services can be water, communication and/or power as defined in the endorsement.

Automotive operations cannot function without the utility services. If there are items that would be damaged by a sudden loss of water, power or communication, serious thought should be given to purchasing this coverage.

Related Article: [Utility Services Coverage](#)

TIME ELEMENT COVERAGES

Time Element Coverage Forms cover the intangible economic losses that follow direct damage losses to tangible property. These coverage forms are forward-looking and coverage is based on loss of anticipated future economic benefits.

Business Income With Extra Expense

Business income with extra expense covers the loss of income a business sustains after direct damage to covered property. Coverage also applies to extra expenses that the insured incurs to remain in operation or to resume operations more quickly above and beyond the amount necessary to reduce the business income loss.

Automotive operations will want this coverage because most will have significant downtime with loss of income as they recover from a direct damage loss.

Related Article: [ISO Time Element Coverage Forms Analysis](#)

THE ULTIMATE GUIDE TO INSURING GARAGES

Business Income Without Extra Expense

Business income without extra expense covers the loss of income a business sustains after direct damage to covered property. It covers expenses the insured incurs in order to reduce the business income loss but only up to the amount by which they reduce the business income loss. There is no coverage for extraordinary measures the insured takes to maintain operations without regard to the impact the expenses have on reducing the loss of income.

Automotive operations may want to consider this option if they do not anticipate the need for any extra expense in order to expedite their return to normal following a direct damage loss..

Related Article: [ISO Time Element Coverage Forms Analysis](#)

Extra Expense Coverage Form

This coverage provides a way to pay for funds the insured must spend to continue operations or resume operations as soon as possible without regard to income to be generated by doing so. These include, but are not limited to:

- Transportation fees when using next-day service instead of normal shipping schedules
- Any surcharge to put a rush on a purchase order
- Special set-up fees that may be charged for a manufacturing order

This coverage form also covers money legally spent to continue or resume operations.

This coverage should be considered for risks that do not sustain a business income loss but that incur considerable extra expenses to remain open and operating.

Any automotive operation that will refuse to suspend operations following a direct damage loss should consider this coverage.

Related Articles:

[ISO Time Element Coverage Forms Analysis](#)

[Extra Expense Worksheet](#)

THE ULTIMATE GUIDE TO INSURING GARAGES

Leasehold Interest

This coverage form insures the named insured tenant that has a favorable long-term lease. It covers the difference between the rate in that lease and the prevailing rate in the area. Coverage applies only when the favorable lease is cancelled because a covered cause of loss causes loss or damage to the building. Coverage includes the value of up-front amortized costs. The limit of insurance decreases automatically based on the length of the lease.

The insured can choose basic, broad, or special causes of loss. It is important to review the insured's lease agreement to determine the type of loss that would break the lease and trigger coverage in order to select the appropriate causes of loss form.

Automotive operations with long-term leases should consider this coverage.

Related Article: [ISO Time Element Coverage Forms Analysis](#)

Business Income Coinsurance

Coinsurance is a technique that encourages proper insurance to value. Values that reflect higher coinsurance percentages are subject to lower rates. The lowest rate is at 125% coinsurance. This unusual percentage is used to encourage the insured to cover both the business income and the extra expense that must be incurred beyond the business income loss. Business income coinsurance is based on time and the insured should base limits on the consecutive months that generate the highest income. For example, retailers should consider using winter months instead of summer months. Contractors that do exterior work should use summer months instead of winter months.

Business Income Alternatives to Coinsurance

Agreed value

This approach suspends coinsurance but requires that the insured submit annual signed statements that show both the prior 12 months business income and the anticipated business income for the next 12 months. The insured must then carry a limit that equals at least 50% of the anticipated business income for the next 12 months.

Related Article: [Business Income Alternatives to Coinsurance](#)

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Maximum period of indemnity

This approach suspends coinsurance and pays the least of the business income loss incurred for up to 120 days following the date of loss or the limit of insurance. Coverage ends after the 120th day even if the limits have not been used up.

Related Article: [Business Income Alternatives to Coinsurance](#)

Monthly limit of indemnity

This approach suspends coinsurance and pays the monthly business income loss incurred up to 1/3, 1/4 or 1/6 of the business income limit, depending on the percentage on the declarations. Payment continues until business operations resume or the limit of insurance is used up, whichever occurs first. For example, if an insured chose the 1/3 option with a \$60,000 limit, \$20,000 would be available each month. If there was a loss and the loss in the first month was \$10,000, it would be paid in full. The next month's loss was also \$20,000 and would also be paid in full. The loss in the third month was \$30,000 but only \$20,000 would be paid. The loss in the fourth month was \$20,000 but only \$10,000 was paid because this amount used up the limit of insurance.

Related Articles:

[Business Income Alternatives to Coinsurance](#)

[Business Income-Sample Monthly Limitation Worksheet](#)

Premium adjustment

This approach suspends coinsurance while ensuring that the insured pays only for the coverage needed. It is similar to a personal property reporting option except that the full premium is paid in advance and the insured receives only a refund, never an additional premium. The insured submits a statement of estimated business income at the beginning of the policy period, chooses a coinsurance percentage and limit, and pays the appropriate premium. At expiration, the insured submits the statement of actual business income and the premium is recalculated. The insured receives a refund if the actual business income is less than the estimate. However, there is no additional premium charged if the actual income exceeds the estimate because the most the insurance company pays is the estimated business income limit.

Related Article: [CP 15 20-Business Income Premium Adjustment \(Reporting Form\)](#)

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Optional Time Element Endorsements

There are a number of endorsements available to modify the time element coverage forms. Many of the endorsements are appropriate for specific types of insureds. The ones this list includes could apply to almost any insured.

Related Article: [ISO Time Element Coverage Forms Available Endorsements and Their Uses](#)

Business Income from Dependent Properties

This endorsement covers loss sustained at dependent properties that cause the insured's operations to be suspended. A dependent property can be a supplier or a customer of the insured. It can also be the lead store at a shopping center that draws customers to the insured. This endorsement is attached to the policy that provides business income coverage. Business income coverage on the insured's premises is not a prerequisite to purchasing this coverage.

Any automotive operation that is dependent on a limited number of suppliers should consider purchasing this coverage.

Related Article: [CP 15 08, CP 15 09, CP 15 01, CP 15 34, AND CP 15 02–Time Element Dependent Properties Coverage Forms](#)

Ordinance or Law–Increased Period of Restoration

Standard ISO Time Element Coverage Forms do not pay for increases to the time needed to rebuild following a loss due to local ordinances that require making improvements to a building following a loss. This endorsement provides coverage for that increase in time.

Coverage may be purchased under ISO CP 15 31. Other insurance companies may provide this coverage through extensions of coverage.

This endorsement should be attached when CP 04 05–Ordinance or Law Coverage is attached to the Building and Personal Property Coverage Form.

Related Article: [CP 15 31-Ordinance or Law-Increased Period of Restoration](#)

THE ULTIMATE GUIDE TO INSURING GARAGES

Utility Services

Standard ISO causes of loss forms exclude business income losses due to off-site supplied utility service disruption of communication, power, or water. This ISO endorsement deletes the exclusion but only when the disruption results from damage to property the utility owns by a covered cause of loss. The property damaged can be the physical assets located on the premises of the utility, its power lines wherever located, or on the utility's physical assets on the insured's premises.

Automotive operations cannot operate without utilities. This coverage should be evaluated and the exposure to loss of utilities considered.

Related Article: [CP 15 45-Utility Services-Time Element](#)

PROPERTY AND TIME ELEMENT CAUSES OF LOSS

ISO property policies are assembled form-by-form so they can be customized. Once the insured selects the appropriate coverage form or forms, it must then select the causes of loss form or forms. There are three primary options to choose from. Earthquake and flood coverage also should be considered.

Basic

This causes of loss form insures against fire, lightning, explosion, smoke, windstorm or hail, smoke, damage from aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action.

Sinkhole collapse does not include the cost to refill the sinkhole. Volcanic action is damage that particulate matter, dust, ash, and lava flow causes. It is also the damage caused by airborne shockwaves and blasts but not from any movement of the ground.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms](#)

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Broad

This causes of loss form insures against all of the basic causes of loss plus falling objects, weight of ice, snow, or sleet, and water damage from plumbing, heating, ventilating, air conditioning, or appliances breaking or cracking. It also covers collapse due to any of the causes of loss in the basic causes of loss form and the broad causes of loss form.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms](#)

Special

This causes of loss form insures against direct physical loss or damage except as the coverage form limits or excludes. This causes of loss form provides the broadest coverage of the three forms available.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms](#)

Earthquake

All three primary causes of loss forms exclude earth movement. Coverage for earthquake damage can be provided by any one of three different ways:

- Include this cause of loss by using CP 10 40–Earthquake and Volcanic Eruption Endorsement
- Purchase a Difference in Conditions (DIC) policy that includes earthquake as a covered cause of loss
- Purchase a separate earthquake policy from a nonstandard market

The first two options are the most positive way to obtain this coverage. However, a nonstandard market may be the only place to obtain coverage for this cause of loss in certain earthquake-prone areas and with certain types of properties. Deductibles are a percentage of the limit of insurance and usually range from 1% to 10%.

Related Article: [CP 10 40-Earthquake and Volcanic Eruption Endorsement](#)

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Flood

All three primary causes of loss forms exclude flood. Coverage for flood can be provided by any one of three different ways:

- Include this cause of loss by using CP 10 65–Flood Coverage Endorsement
- Purchase a Difference in Conditions (DIC) policy that includes flood as a covered cause of loss
- Purchase a separate flood policy from the National Flood Insurance Program (NFIP)

When coverage under the NFIP is available, flood carriers usually require that the insured purchase the NFIP policy as primary and it then provides excess limits over it.

Related Articles:

[CP 10 65-Flood Coverage Endorsement](#)

[Overview of the National Flood Insurance Program](#)

INLAND MARINE COVERAGES

Inland marine traditionally has been less regulated than other types of insurance because of the unique nature of the property covered. In order to be consistent in treating it, insurance regulators adopted the Nationwide Marine Definition in 1933. While the basic definition has not changed, amendments have been added over the years that recognize changes in technology and the economy. Inland marine coverage can be provided by standard ISO coverage forms and by independent coverage forms from various inland marine carriers. While there are many common forms, inland marine insurance is known for recognizing and insuring unique exposures. When "it has never been done before" and needs to be insured, the inland marine market comes into play.

Related Articles:

[Nationwide Inland Marine Definition](#)

[Who Needs Inland Marine Coverage?](#)

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Accounts Receivable

This coverage protects against loss resulting from an inability to collect accounts receivable due to the loss, damage or destruction of books or records of accounts. This coverage may be written using a standard ISO or AAIS Inland Marine Form.

This coverage is very important to any automotive operations that carry accounts for customers.

Related Articles:

[.ISO Accounts Receivable Coverage Form](#)

[AAIS Accounts Receivable Coverage](#)

Difference in Conditions (DIC)

Difference in Conditions (DIC) coverage is occasionally referred to as umbrella coverage for property lines of insurance. It does not provide excess coverage for existing insurance coverages; instead, it provides coverage that is not in underlying coverage forms and policies. Its name derives from the difference in coverage provisions between it and the underlying coverage forms and policies. The greater the number of differences in coverage between the underlying coverage and the DIC, the greater the coverage the DIC provides. It is used primarily to provide earthquake and flood coverage and then insureds are pleasantly surprised to discover that the DIC covers certain perils that their underlying coverage forms and policies exclude.

DIC insurance coverage is designed to close specific gaps in standard insurance policies and is usually available only for larger industrial or commercial risks. DIC coverage is usually provided by a separate coverage form or policy but in some cases is available as an endorsement to the underlying coverage form or policy.

There is no standard form to provide this coverage, but generally it is offered through both inland marine and property markets. The keys to comparison are the limits, deductibles, exclusions, territory, and method of capping.

The broad aspects of the DIC can prove helpful for the unforeseen.

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Automotive operations that are located in unusual buildings could have exposures that are not anticipated. The broad aspects of the DIC can prove helpful for the unforeseen. In addition, there are the added causes of loss of flood and earthquake that may be needed.

Related Articles:

[AAIS Difference in Conditions Form-Property Coverage Part](#)

[ISO Difference in Conditions Coverage Form](#)

Electronic Data Processing

Covers loss to electronic data processing equipment, software and media owned, leased or used by the insured. Computerized production equipment may be insured as well as conventional computer equipment. Coverage may include or exclude breakdown and power interruption. This coverage is available through the inland marine markets and coverage is not standardized. Comparisons must be made as to exclusions, on- and off-premises coverage, and transit. Valuation basis is a consideration because most computer systems will not be replaced with like and quality due to changes in technology.

This coverage is vital for not only the office computers but also diagnostic equipment and salespersons' equipment.

Related Articles:

[AAIS Electronic Data Processing Equipment and Business Computer Coverage Forms](#)

[ISO Computer Systems Coverage Form](#)

Equipment Dealers

The Equipment Dealers coverage form insures the named insured's stock of mobile agricultural and construction equipment along with and similar property of others in its care, custody or control. It may be written on a reporting or a non-reporting basis and covers on the named insured's premises inside and outside buildings, in transit, and at other locations. Risks that are sell farm equipment will need to purchase this coverage for their stock.

Related Articles:

[AAIS Mobile Equipment Dealers Coverage](#)

[ISO Equipment Dealers Coverage Form](#)

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Fine Arts

Property coverage forms either exclude fine arts or limit payment to their utilitarian value. This coverage provides a valuation clause based on a piece of art's specified value. The art including paintings, etchings, statuary, stained or etched glass windows are covered against risk of direct physical loss. The key for comparison is the on-premises limit, off-premises limit and transit. The breakage exclusion is common but can be bought back for a significant surcharge.

Automotive operations with antique tools, special art pieces or other items that are considered art or collectibles will need this coverage in order to prevent coverage gaps.

Related Articles:

[AAIS Fine Arts Coverage Forms](#)

[ISO Commercial Fine Arts Coverage Form](#)

Goods in Transit

There are many types of policies that cover product being transported. The product may be owned by the insured and being transported by the insured. It may be owned by the insured and being transported by a hired firm. It may be non-owned and the insured is the hired transporter. In all cases coverage can be purchased to protect the product through a number of inland marine carriers. The coverage may be called motor truck cargo or transportation insurance but the policies should be similar. Key comparisons are causes of loss covered, travel territory restrictions, and warranties on security, alarm systems, locks, and unattended circumstances.

Most automotive operations have significant in-transit exposure as they pick up items from various suppliers or ship items between multiple locations.

Related Articles:

[AAIS Motor Truck Cargo Legal Liability Coverage Forms](#)

[AAIS Transportation Coverage Forms](#)

[ISO Motor Truck Cargo Carriers Coverage Form](#)

[ISO Motor Truck Cargo Owners Coverage Form](#)

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Signs (Neon and Electric)

Neon, fluorescent, automatic or mechanical electric signs are covered against a risk of direct physical loss or damage. This is offered using standard AAIS or ISO Inland Marine Forms. If regular wooden sign coverage is needed, the Building and Personal Property Coverage Form must be used.

Automotive operations often have significant signs and will need this coverage.

Related Articles:

[ISO Signs Coverage Form](#)

[AAIS Sign Coverage Form](#)

Valuable Papers and Records

The policy insures on a risk of direct physical loss basis, including misplacement or mysterious or unexplained disappearance. It covers the costs to research and replicate damaged important documents, books, and records or to replace them. Coverage is provided using standard ISO or AAIS Inland Marine Forms. There is a limited amount of coverage provided in property forms, but it is not as broad as the Inland Marine Form.

There can be many types of valuable paper in an automotive operation. The exposure should be carefully considered especially if titles are held on customers' vehicles.

Related Articles:

[ISO Valuable Papers and Records Coverage Form](#)

[AAIS Valuable Papers and Records Coverage Form](#)

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CRIME COVERAGES

The need for crime coverages is due to exclusions in commercial property coverage forms and policies. Most risks of physical loss of commercial property forms cover theft of merchandise and business personal property by other than employees. Theft of money, computer fraud, and employee dishonesty are usually excluded except for minimal amounts in Businessowners Policies and similar products. Crime coverage forms fill in the gaps in coverage.

Money, Securities and Other Property

The coverage forms in this section provide coverage for securities, other property, and in all but one coverage, money.

Computer Fraud

Money, securities, and other property are covered when any computer is used to fraudulently cause a transfer of the insured's property to another person located off the premises. The ISO Commercial Crime Coverage Form provides this coverage.

Any automotive operation that regularly transfers funds through the computer should consider this coverage.

Related Article: [Commercial Crime Coverage Analysis](#)

Destruction of Electronic Data or Programs

This coverage applies to loss or damage when a computer virus is introduced or a person who is not authorized to access the system damages the insured's electronic data or programs within the computer.

Related Article: [CR 04 13-Destruction of Electronic Data or Computer Programs](#)

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Employee Dishonesty

Most property coverage forms exclude employee dishonesty. As a result, this coverage is very important because employees have the potential to cause the most damage to an insured. They have access to all of the money, products, and information about the company. Employees who have more authority and access have greater potential to cause loss or damage. Coverage applies to loss of money, securities, and property that the insured owns or leases, or to property of others in its possession. Coverage may be provided under either standard ISO coverage forms or Surety and Fidelity Association of America forms. Automotive operations provide multiple opportunities for employee dishonesty, starting with the ordering of supplies and parts, continuing with the cash register and ending at the back door as monies, services and items are disbursed. This coverage is a must.

Related Article: [Commercial Crime Coverage Analysis](#)

Employee Dishonesty Including Customer's Property

Most property coverage forms exclude employee dishonesty. As a result, this coverage form is very important because employees have the potential to cause the most damage to an insured. They have access to all of the money, products, and information about the company. Employees who have more authority and access have greater potential to cause loss or damage. Coverage applies to loss of money, securities, and property that the insured owns or leases or to property of others in its possession. Coverage also applies to loss of money, securities, or property situated on a client's premises caused by an employee of the insured but only if that employee can be identified.

This coverage may be needed if employees operate on customer's premises for any reason especially if pick-up and delivery of vehicles is a service offered.

Related Article: [CR 04 01-Client's Property](#)

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Extortion

Money, securities, and other property that is lost because of an extortion demand is covered by this coverage form. The definition of territory is very important and the insured can select the countries that are included within the definition. Coverage applies to threats of bodily harm to directors, officers, employees, and any of their family members. Threats of damage to the insured's property or premises are also covered. Coverage is available through standard ISO coverage forms and from specialty markets if the territory(ies) are especially dangerous.

Automotive operations often have owners as part of their TV and radio commercials, who then can become local celebrities. This could make them a target for kidnap and extortion.

Related Article: [CR 04 03-Extortion-Commercial Entities and CR 04 04-Extortion-Government Entities](#)

Forgery or Alteration

Covers when someone – not an employee or owner – forges a signature on a check or other monetary instrument in order to obtain money that belongs to the insured. Forgery caused by an employee is covered as part of employee dishonesty.

Coverage may be provided using either a standard ISO form or a Surety and Fidelity Association form.

Automotive operations are very busy places with many people milling around. Even with the best of intentions, doors are left unlocked or ex-employees may enter with a key. There are many opportunities for checks to be taken and then forged. This protection could be very important.

Related Article: [Commercial Crime Coverage Analysis](#)

Identity Fraud Expense

The cost to restore a company or individual to normal after its identify is stolen can be very high. This coverage pays nine specific types of expenses for both the insured business and its employees, directors, officers, trustees, and their family members.

Related Article: [CR 04 15-Identity Fraud Expense](#)

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Lessees of Safe Deposit Boxes

This coverage insures property the insured keeps in a safe deposit box. Theft, destruction, and disappearance causes of loss apply to securities. Burglary, robbery, or vandalism causes of loss apply to all other property. This coverage form does not insure money.

Automotive operations that use safety deposit boxes, particularly for securities, should consider this coverage.

Related Article: [CR 04 09-Lessees of Safe Deposit Boxes](#)

Telephone Toll Fraud

When an unauthorized person accesses a phone system and uses it to make outgoing calls, that person is not charged any toll. Instead, the telephone system's owner must pay the bill. This can be very expensive so this coverage is available to pay those fraudulent charges. There are two important conditions. The first is that protective measures must be in place to prevent such fraud. The second is that coverage applies for only 30 days after the initial fraudulent call.

Related Article: [CR 04 16-Telephone Toll Fraud](#)

Unauthorized Reproduction of Computer Software by Employees

Software manufacturers have the right to collect penalties and fines from any company that uses its computer software without authorization. If an employee of the insured adds software that the insured does not know about, this coverage pays those penalties and fines.

Related Article: [CR 04 14-Unauthorized Reproduction of Computer Software by Employees](#)

Money and/or Securities Only

The coverage forms in this section insure only money and/or securities. There is no coverage for other property.

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Theft, Disappearance, and Destruction

Money and securities inside the insured's premises or at a banking premises is covered for theft, disappearance, or destruction causes of loss. Similar coverage is provided outside the premises when money and securities are in a messenger's custody.

Automotive operations should consider this coverage since it is the broadest money crime coverage available.

Related Article: [Commercial Crime Coverage Analysis](#)

Robbery and Safe Burglary

Money and securities inside the insured's premises or banking premises that are in a safe or vault are covered against robbery and safe burglary. Money and securities are also covered against robbery while outside the premises and in the care of a messenger.

Automotive operations may want to consider this coverage as an alternative to the more expensive theft, disappearance and destruction coverage.

Related Article: [CR 04 07-Inside the Premises-Robbery of a Custodian or Safe Burglary of Money and Securities](#)

Securities Deposited With Others

This coverage insures securities against loss caused by theft, disappearance, or destruction while inside a custodian's premises, while transported by a custodian, or while on deposit in a depository. The custodian must be named and the depository must be specifically scheduled. Coverage is provided by entering a limit, a custodian, and a depository on the declarations.

An automotive operation with securities that are kept outside the premises should consider this coverage.

Related Article: [CR 04 10-Securities Deposited With Others](#)

Property Other than Money and Securities

The coverage forms in this section insure only property. There is no coverage for money or securities.

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Premises Burglary

Covers property **other than money and securities**, inside the premises, against loss caused by robbery of a watchperson or by burglary. This is covered using the ISO Standard Crime Form.

Any automotive operation that has purchased Business Personal Property Special Cause of Loss Form would not need to purchase this coverage, but if the special Cause Of Loss Form is not available, this coverage could provide some necessary coverage.

Related Article: [Commercial Crime Coverage Analysis](#)

Premises Theft

Covers for loss by theft of property, **other than money and securities**, while it is inside the premises. This is covered using the ISO CR 04 05. This should not be attached if property coverage is provided using the CP 10 30–Causes of Loss Special Form because it would provide duplicate coverage.

Automotive operations should consider this coverage when the Special Cause of Loss Form is not available.

Related Article: [CR 04 05-Inside the Premises–Theft of Other Property](#)

Robbery and Safe Burglary

Covers **property other than money** from actual or attempted robbery or safe burglary. Coverage inside the premises may be written to cover both robbery and safe burglary or be limited to either robbery or safe burglary. Coverage outside applies to robbery of property other than money in a messenger's care and custody.

Automotive operations will need this coverage if the theft coverage is not desired and the Special Cause of Loss Form was not purchased on the Business Personal Property Form.

Related Article: [CR 04 06-Inside the Premises-Robbery of A Watchperson or Burglary of Other Property](#)

THE ULTIMATE GUIDE TO INSURING GARAGES

LIABILITY COVERAGES

Liability coverages include both commercial general liability coverage and common liability coverages that relate to the business's premises or operations.

Commercial General Liability–Occurrence Basis

This coverage pays for damages the insured becomes legally obligated to pay due to bodily injury, property damage, or personal and advertising injury that arises from its premises, operations, completed operations, and products. The occurrence basis means that occurrences that take place during the policy period are covered, regardless of when a claim for injury that results from the occurrence is presented.

Related Article: [CG 00 01 and CG 00 02-Commercial General Liability Coverage Forms Analysis](#)

Commercial General Liability–Claims-Made Basis

This coverage pays for damages the insured becomes legally obligated to pay due to bodily injury, property damage, or personal and advertising injury that arises from its premises, operations, completed operations, and products. The claims-made basis means that only claims presented during the policy period are covered regardless of when the occurrence that resulted in injury took place. A retroactive date often limits the time the occurrence could have taken place.

Related Articles: [CG 00 01 and CG 00 02-Commercial General Liability Coverage Forms Analysis](#)

[Compare: ISO Commercial General Liability Coverage Forms-CG 00 01 \(Occurrence Basis\) To CG 00 02 \(Claims-Made Basis\)](#),

Optional Liability Coverages

The ISO Commercial General Liability Coverage Forms cover bodily injury, property damage, and personal and advertising injury from operations, premises, completed operations, and products. This may be sufficient for many insureds but others have liability exposures that these coverage forms exclude. The coverages described in this section are options that should be discussed with most insureds.

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Cyber Liability

This is the most rapidly changing liability area today. The growth in the number of persons who use the Internet regularly has led to businesses promoting and marketing their products and services online. Most companies have home pages and communicate with others via text, email, chat, blogs, Facebook, and other social media. Exclusions are being added to liability coverage to restrict coverage for many cyber liability-related activities. A number of carriers are responding to the need for this cyber liability coverage. Comparing coverage forms is important because there is no standard coverage form. The following coverages should be part of any cyber liability coverage:

- Security and privacy liability
- Website content coverage/intellectual property and domain name coverage
- Virus coverage
- Civil regulatory actions
- First-party coverage for breach notifications, forensics, and credit monitoring expenses
- Cyber extortion
- Loss of data
- Loss of income due to loss of network resources

Almost all automotive operations need this coverage because of their extensive use of online services to purchase product and to sell and communicate with clients.

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Directors and Officers

This coverage insures corporate directors and officers against claims usually brought by stockholders that allege loss that arises from mismanagement. Claims may also be made against the corporation for mismanagement by other than stockholders, which is also covered. An Outside Directorship Liability Policy Form is available as supplementary protection to insure that there are sufficient limits for the exposure created when a company's director, officer, or employee serves in an outside director position at the company's request. This coverage is not standard and may vary significantly between carriers and by type of business - i.e., for-profit, not-for-profit, closely-held, or publicly-traded.

Related Article: [Directors and Officers Liability Insurance Overview](#)

Employee Benefits

Mistakes by the insured in administering its employee benefits program can cost employees. This coverage insures those situations. This DOES NOT INCLUDE fiduciary responsibilities or any situations that involve discrimination or harassment. A simple example is when the insured does not provide the employee with the appropriate COBRA information following termination that results in the former employee losing benefits. Most carriers provide this coverage on their own filed forms by either a separate coverage form or as an endorsement to the commercial general liability coverage. Comparisons should address the types of benefits covered, claims-made versus occurrence, and the employer's contribution. ISO provides a standard endorsement to attach to the Commercial General Liability Coverage Forms.

Any automotive operation that provides employee benefits should purchase this coverage.

Related Article: [ISO Commercial General Liability Coverage Forms Available Endorsements and Their Uses](#)

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Employment-related Practices

Commercial General Liability Coverage Forms do not insure lawsuits that past, present, and prospective employees or governmental entities bring against the insured employer that allege wrongful discharge, discrimination, or certain types of harassment. A separate coverage form that insures employment-related practices is available. ISO developed its own coverage form but many insurance carriers have their own versions. Using the ISO standard as a starting point to compare coverages can help agents advise their customers on the best coverage form to use for their particular situation.

Automotive operations have experienced many claims of harassment. It is often difficult to draw the line between innocent fun and malicious abuse. This coverage is important along with regular procedures and processes to help everyone understand what can and cannot be allowed.

Related Article: [Employment-related Practices Liability Coverage Form Analysis](#)

Owners and Contractors Protective

This liability coverage is designed to protect either a property owner or a general contractor for the potential liability exposure that results from the hired contractor's negligent acts to perform work on the property owner's or general contractor's behalf. The contractor actually purchases the coverage, but the insurance is for the property owner or general contractor for whom the work is being done. Coverage is limited to a specific location and project.

An unusual feature is that the named insured is the property owner or general contractor who hired the contractor but the contractor pays the premium. Only the named insured property owner or general contractor can cancel.

Using this separate policy instead of being added as an additional insured to the contractor's Commercial General Liability Coverage Form allows the building owner or general contractor to better control the policy and ensure that other claims against the contractor do not dilute the limits.

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Any automotive operation that is having extensive work done on their premises may want to consider requesting a contractor obtain an OCP policy in their name rather than just requiring a certificate of insurance. The cost may be slightly higher, but the added protection may prove invaluable.

Related Article: [CG 00 09-Owners and Contractors Protective Liability Coverage Form-Coverage for Operations of Designated Contractor Analysis](#)

Railroad Protective

This liability coverage protects a railroad against potential liability exposures that result from negligent acts of a designated contractor that any party hires to perform work on or near a railroad. The contractor actually purchases the coverage but it protects the railroad. Coverage is limited to a specific location and project. Commercial General Liability Coverage Forms exclude construction or demolition projects that are at or near railroad properties including railroad tracks, beds, trestles, tunnels, and similar property. This is a limited liability coverage form that buys back coverage.

Automotive operations close to a railroad track MAY be required by the railroads to purchase this coverage.

Related Article: [CG 00 35-Railroad Protective Liability Coverage Form Analysis](#)

Special Events

Special events generate many exposures an underwriter does not anticipate when covering a particular business. A business that participates in special events may need special coverage during that event. In other cases, businesses may sponsor special events and be exposed to unexpected hazards that must also be addressed. Commercial General Liability Coverage Forms can insure special events. The insured may decide to purchase separate coverage in order to participate in the event and to avoid diluting its limits.

Automotive operations that sponsor special events should consider purchasing a special policy to protect the limits on their regular policy.

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COMMERCIAL AUTO COVERAGES

These forms provide all of the coverages the insured needs for its owned, leased, or hired vehicles. They also cover the insured for non-owned use of a vehicle when an employee or volunteer uses his or her vehicle on company business. The insured can customize the coverage it needs by entering symbols on the schedule. Coverage can apply to all owned, leased, hired, and non-owned autos or just on selected vehicles.

Related Article: [ISO Business Auto Coverage Form Overview](#)

Liability

This coverage applies to bodily injury and property damage to others that an insured vehicle causes.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Physical Damage

This consists of two different coverages.

Collision

This coverage applies to covered vehicles damaged by impact with another vehicle, object, or animal.

Other than collision

This coverage applies to covered vehicles damaged by any cause of loss other than collision, unless specifically excluded.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Hired Car

This coverage applies to bodily injury and property damage caused by any vehicle the insured hires. Physical damage coverage may also be purchased. Vehicles hired for less than six months are considered hired vehicles, not leased vehicles. This coverage is available with owned auto coverage or as stand-alone coverage.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

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Non-Ownership Automobile Liability

This coverage insures the employer when its employee or volunteer causes bodily injury or property damage to others while using their vehicle on the employer's business. Coverage is only for the insured's benefit, but it may be extended by endorsement to also benefit the employee.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Personal Injury Protection/No-Fault

This coverage is designed to meet the requirements of state-mandated "no-fault" coverage laws.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Optional Automobile Coverages

The Business Auto Coverage Form can be used for any insured. However, ISO has designed coverage forms that more precisely cover specific types of insureds.

Automobile Dealers

The Automobile Dealers Coverage Form replaced the Garage Coverage Form in 2013. It provides comprehensive liability coverage to protect both the insured's general liability and automobile liability exposures under a single coverage form. This eliminates overlaps and gaps in coverage because general liability and auto liability exposures in dealerships are closely intertwined. This coverage form contains premises liability, products liability, and automobile liability coverages. It can also provide physical damage coverage for both owned vehicles and vehicles that belong to customers.

Related Article: [CA 00 25-Auto Dealers Coverage Form Analysis](#)

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Garagekeepers

Garagekeepers coverage insures against loss or damage to customers' vehicles. Coverage may apply on a legal liability basis or without regard to legal liability. It may be offered as direct coverage that is excess over insurance carried by customers or as direct primary coverage. It is a standard part of the Auto Dealers Coverage Form or can be endorsed to the Business Auto Coverage Form.

All automotive operations that work on customers' vehicles should carry this coverage.

Related Article: [CA 99 37-Garagekeepers Coverage](#)

Medical Payments

This coverage pays the medical expenses of an insured injured in a motor vehicle accident. It follows the insured inside any vehicle and when struck by another vehicle when he or she is outside the vehicle. Coverage also applies to family members and any other persons who occupy a covered vehicle at the time of an accident.

Related Article: [CA 99 03-Auto Medical Payments Coverage](#)

Uninsured Motorists

This is coverage for the insured that is struck by an uninsured motorist. It is a mandatory coverage in many states. It extends to family members and passengers in the covered vehicles. This coverage is usually restricted to bodily injury but some states also require property damage coverage. The limit should be the same as the bodily injury liability limit on the coverage form.

This coverage does not respond if the other driver is underinsured.

Related Articles:

[CA 00 01-Business Auto Coverage Form Analysis](#)

[CA 21 Endorsements-Uninsured and/or Underinsured Motorists \(UM/UIM\) Coverage](#)

[Auto Uninsured/Underinsured Motorists Coverage Requirements](#)

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Underinsured Motorists

This is excess coverage provided to the insured. It applies when the party that causes the accident does not carry adequate limits to fully cover the insured's injuries. The limit should be to the same as the bodily injury liability limit on the coverage form. This coverage does not respond if the other driver is uninsured.

Related Articles:

[CA 21 Endorsements-Uninsured and/or Underinsured Motorists \(UM/UIM\) Coverage](#)

[Auto Uninsured/Underinsured Motorists Coverage Requirements](#)

WORKERS COMPENSATION COVERAGES

Workers compensation coverage is standardized but what benefits employees receive vary considerably from state to state because coverage refers directly to each particular state's workers compensation statutes. In addition, certain locations and activities allow non-federal employees to avoid state statutes and instead come under various federally mandated programs.

Workers Compensation and Employers Liability

Part A covers all injuries and diseases that individual state workers compensation statutes require be covered. Benefits are paid according to schedules each state provides. Part B covers liability that an employer may have imposed on it beyond the state statutes. The National Council of Compensation Insurance (NCCI) provides a standard form that is a model for all member companies to use. Certain states have alternatives to NCCI but all are fairly similar. Part A is compulsory with benefits the state mandates. Part B is liability coverage and is subject to standard tort liability.

Automotive operations should always carry this coverage if they have any employees.

Related Article: [WC 00 00 00 B-Workers Compensation and Employers Liability Insurance Policy Analysis](#)

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Stop Gap or Employers Liability Coverage

There are gaps in coverage between workers compensation and commercial general liability coverages that can leave an insured uncovered. Part B of the Workers Compensation and Employers Liability Insurance Policy fills the gaps in most states. However, the state covers only Part A in monopolistic states. Another mechanism must provide the equivalent of Part B. Coverage may be offered on a monoline basis, as a stand-alone policy through a workers compensation carrier, or as an endorsement to the commercial general liability coverage.

If the automotive operation is located in any of the monopolistic states they should purchase stop-gap liability. All other workers compensation policies should include the employers liability as Part B of the policy.

Related Article: [Stop Gap-Employers Liability Coverage](#)

Federal Employers' Liability Act (FELA)

This coverage ensures employees who work for or on railroads that cross interstate lines who are not subject to state workers compensation coverages. This coverage is provided by an endorsement to the Workers Compensation and Employers Liability Insurance Policy.

Related Article: [The Federal Employers' Liability Act \(FELA\) Of 1908](#)

Longshore and Harbor Workers Coverage

This endorsement to the Workers Compensation and Employers Liability Insurance Policy covers workers or maritime employees such as longshore workers, harbor workers, shipbuilders, ship-breakers, ship repairers, or other employees engaged in loading, unloading, repairing, or building vessels. It also covers employees who work on navigable waters, adjoining piers, wharves, dry docks, terminals, building ways, and marine railways. Masters, captains, or crews of vessels are not covered because they are subject to the Jones Act.

Automotive operations that operate on the water, especially on navigable waters, such as rivers and oceans, may be required to purchase this coverage.

THE ULTIMATE GUIDE TO INSURING GARAGES

Related Articles:

[The United States Longshore and Harbor Workers' Compensation Act \(USL&HWCA\)](#)

[The Merchant Marine Act Of 1920 \(The Jones Act\)](#)

Voluntary Compensation

Each state defines who must be covered and who is exempt under workers compensation statutes. The employer then has the opportunity to include the exempt employees using the voluntary compensation endorsement.

Automotive operations should consider including all exempt employees by using this form in order to eliminate coverage gaps.

Related Article: [Voluntary Compensation Insurance](#)

EXCESS LIABILITY COVERAGES

Excess liability coverage supplements the limits of an insured's commercial general liability, commercial automobile liability, and employers liability coverage. Excess liability coverage is triggered when the limits of the underlying insurance are used up. Also it covers an underlying loss that the underlying coverage excludes, subject to the self-insured retention.

Excess Liability Policy

In its purest form, excess liability policies do not have any exclusions or coverage. They track 100% with the scheduled underlying coverages and simply extend limits. Excess policies never provide additional coverage. Many carriers use their own coverage forms and add exclusions and language that make them look more like restricted umbrella policies instead of excess liability policies. Key areas to compare are exclusions and following-form terms.

Automotive operations should carry either an umbrella or an excess policy. If unusual terms have been negotiated in the underlying policy, the excess liability could provide the most complete coverage; but if the underlying is standard, the umbrella may provide some gap coverage not available in the excess.

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Related Article: [What Is The Difference Between Umbrella Policies and Excess Policies?](#)

Umbrella Policy

These policies serve two purposes. First, they provide excess liability limits over the limits in scheduled underlying policies. Second, they fill some gaps in coverage in the underlying coverage. ISO and AAIS have developed standard liability umbrella coverage forms, but many carriers use their own independently filed forms to provide coverage. As a result, comparing coverages is essential. Key areas that should be compared are exclusions, deductibles, whether a follow-form is offered over unusual underlying exposures, limits, and defense costs (included inside or outside the limits).

Automotive operations should carry either an umbrella or an excess liability policy because of the potential for catastrophic loss due to the potential for injury if service or repairs are not carried out appropriately.

Related Article: [CU 00 01-Commercial Liability Umbrella Coverage Form Analysis](#)

AVIATION COVERAGES

Specialty markets provide aviation coverages. Any operation that utilizes aircraft in its business needs these coverages. The applications are extensive and coverage is unique and more closely related to Ocean Marine Insurance than other types of coverage.

Aircraft Policy

Aircraft policies are business auto policies for vehicles that fly. Four coverages are available:

- Liability for bodily injury or property damage to parties the aircraft injures
- Passenger liability for bodily injury or property damage to parties in the aircraft
- Medical expense coverage for the aircraft's passengers and crew
- Hull coverage or physical damage coverage on the aircraft itself

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Aircraft coverage is very specialized. The marketplace is limited and there are few standardized forms.

Automotive operations with multiple locations over a wide geographic area may find that a small airplane is more convenient than commercial airline flight.

Related Article: [Aircraft Insurance Coverage Analysis](#)

Passenger Liability

Bodily injury to passengers on aircraft is written on a per seat/aggregate basis. All aircraft coverage is written by non-admitted carriers on forms they developed. Key points to compare are the limits by type of coverage and exclusions.

This coverage should be purchased when an aircraft is owned to protect any passengers who may be aboard.

Related Article: [Aircraft Insurance Coverage Analysis](#)

SPECIALTY COVERAGES

These are unique coverages for particular types of insureds. The coverage forms used to provide the coverage are not standardized and are usually written with excess and surplus lines markets.

Electronic Data Liability

Electronic data liability occurs when businesses that supply computer and technology-related services cause electronic data to be damaged, deleted, or unusable. The loss must be due to an error, omission, or other type of accident or negligent act.

Related Article: [Electronic Data Liability Insurance](#)

Environmental Impairment Liability Policy

Standard liability insurance policies exclude most damage that pollution causes. This coverage form insures a business's pollution exposure associated with its property and operations. It can also cover cleanup costs and remedial action a third-party demands or a governmental entity orders.

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Coverage varies by carrier, and comparing coverage forms based on items covered, exclusions, definitions, and defense costs inside or outside the limit is important.

Automotive operations produce significant amounts of hazardous waste. Any resulting liability will be excluded under the standard forms but coverage could be provided using this coverage..

Fiduciary Liability Insurance

A fiduciary that manages a pension or employee benefit plan faces substantial liabilities that are primarily framed by the Employee Retirement Income Security Act (ERISA.). Private pension and employee benefit plans are subject to ERISA, whether sponsored by single employers, multi-employers, unions, or joint labor-management trusts.

The insured is a trust or employee benefit plan, any trustee, officer, or employee of the trust or employee benefit plan, employer who is sole sponsor of a plan, and any other individual or organization designated as a fiduciary. The coverage provided uses nonstandard forms. The most important information to obtain in any coverage form is that it conforms to current pension law.

Related Article: [Trustees and Fiduciaries Liability Insurance](#)

International/Foreign Operations Insurance

Policies written in the United States usually define territory to include only the United States of America, its territories, Puerto Rico, and Canada. Some provide limited worldwide coverage for incidental travel and some products liability losses.

Many companies have international exposures that exceed the limited coverage that standard policies provide. Companies that have physical assets outside of the United States need international coverage for property, liability, automobile, appropriate workers compensation, and inland marine. Many major insurance companies have facilities to provide international coverage or can assist in placing the coverage.

There are two kinds of policies for property located and land operations conducted abroad. Non-admitted insurance policies are written in English in the United States or a branch office of the company abroad. Protection may apply to more than one country and premiums and losses are paid in dollars.

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Admitted insurance policies are products of the insurance market of the country involved with which the American underwriter has a working agreement. They are written in that country's language and premiums and losses are paid in the local currency. American businesses that do not establish facilities abroad but still import or export products require international coverage for risks that arise from using certain of their products. Many major carriers have developed the international equivalent of Businessowners Policies to cover these risks.

Related Article: [International Insurance](#)

Rain or Weather Insurance

There are often nonrefundable fees and other expenses that must be paid up front when someone sponsors a special event, come rain or shine. Sponsors of such events need some hedge against the weather. Rain or weather insurance may be purchased from various specialty markets to cover a variety of expenses associated with a special event. They are very precise with respect to the type of weather and/or amount of rain or snowfall that must occur.

Related Article: [Weather Insurance](#)

Terrorism Insurance

Standard ISO coverage forms do not specifically exclude terrorism. However, many companies exclude both domestic and foreign terrorism by endorsement. Terrorism coverage must be offered. An endorsement is issued if the insured rejects coverage. When terrorism coverage is accepted, the insurance company that provides the other coverage also provides terrorism coverage.

The terrorism coverage most carriers offer was initially based on the 2002 federal legislation called T.R.I.A. It is now based on the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) that extends federal backup coverage until 2014.

Related Article: [Terrorism and Insurance](#)

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Underground Storage Tank Liability (UST)

The United States Environmental Protection Agency (EPA) requires property owners or business operators with underground storage tanks on their premises that contain petroleum products to prove that they are financially responsible. It requires that the owner of the tank be able to pay for any bodily injury or property damage that may result from the tank leaking as well as the expenses to take corrective action. Covered underground storage tanks include ones designed to store fuel for the insured's motor vehicles as well as heating fuels.

ISO designed the UST Policy with the EPA's approval to meet those financial responsibility requirements. Other carriers have developed their own forms that should be examined carefully to ensure they meet or exceed EPA standards and requirements.

Automotive operations with underground tanks must secure this coverage.

Related Article: [CG 00 42-Underground Storage Tank Policy Analysis](#)

BONDS

The surety market offers many types of bonds. The two primary categories are Contract and Non-contract bonds. Contract bonds include bid, contract, and payment bonds and are used when there is a contractual obligation with respect to a specific contract. Non-contract bonds include license, permit, and judicial bonds and relate to obligations and performances that must be met that are not due to a contract.

Related Article: [Surety Bonds Overview](#)

Bid Bond

The bid process can take a long time. When it is complete, the customer expects the contractor or supplier to deliver as promised. In many cases, a bid bond is required that obligates the surety to honor the bid bond either by issuing a contract bond if the contractor or supplier receives the contract or paying a penalty that offsets the cost of reopening the bid process.

Automotive operations may enter into contracts with governments for services and supplies when a bond is required.

Related Article: [Construction Contract Bonds](#)

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Contract Bond

Contracts are a way of doing business. One way to guarantee that a contract will be performed is to require posting a bond that guarantees its successful performance. The bond provides a level of security beyond the signature on the contract. The purchaser of the services is assured that the surety will either carry out the contract or provide compensation.

Automotive operations may enter into contracts with governments for services and supplies when a bond is required.

Related Article: [Construction Contract Bonds](#)

License and Permit Bond

Most municipalities and states require that businesses provide license or permit bonds to a governmental entity as part of their application to obtain needed permits or licenses. The bond guarantees that the entity will abide by the conditions of the license or permit. If the business violates the conditions, the surety pays the bond penalty to the governmental authority and then collects the penalty from the business.

Related Article: [License and Permit Bonds](#)