

Don't Get Caught in a Liability Trap

Understanding the difference between Garage Liability and Garage Keepers Legal Liability to ensure the right coverage for your shop.

Garage Liability versus *Garage Keepers* Liability is an issue about which a lot of shop owners have questions. The answers vary based on the insurance agent's experience with providing these two coverages and properly writing the coverage with an insurer who is in the space.

To avoid having this article become a dissertation on insurance, the following is a summary of these two separate and critically important coverages. Any business in which work is performed in and around a motor vehicle, motorcycle or watercraft, should consider liability coverage.

Garage Liability

Garage Liability insurance, simply put, is a general liability policy melded with an auto policy for companies who work on, in and around motor vehicles. Like general liability the intent is to pick up the stereotypical slip-and-fall hazards or other on premise related exposures of a retail or wholesale operation.

With third-party traffic there is an exposure to potential accidents and thus liability. From oil on the ground in a parking lot, to something more sudden and accidental like a promotional banner falling over and hitting someone these actions can create the need for the shop owner to respond to third party medical expense or worse, legal actions for **Compensatory damages**. This is money awarded to a plaintiff to compensate for **damages**, injury, or another incurred loss. **Compensatory damages** are awarded in civil court cases where loss has occurred as a result of the negligence or unlawful conduct of another party.

Coverage is also there for exposures like defamation of character, slander, or even wrongful detainment. The core of the coverage is in in the products and completed operations language of the policy, which is most commonly misrepresented. The intent of the coverage is to stand behind the work of the shop owner should someone get hurt or something get damage as a result of said work. This can be confusing and mislead a business owner into thinking the coverage is a warranty of their work.

To illustrate, let's use an engine builder who specializes in high-performance modification. Upon completion of the engine install Garage Liability is not designed to respond to issues relating to whether the engine isn't putting out the desired horsepower or even if it is or is not running properly upon completion. What it will respond to is critical failure in which consequential damages are caused to the vehicle or bodily injury to the occupants after the work is completed.

In other words, should the engine overheat, the engine wouldn't be covered, but should the paint get damaged as a result of the release of hot coolant, then the paint would be. Another example would be a company installing truck suspension. Should a customer come back months later alleging that their tires are wearing unevenly, coverage would not trigger, but if something wasn't properly torqued, causing a part to become disconnected resulting in damage to the vehicle or injury to its occupants, the policy would need to respond.

Lastly, auto liability is afforded by a garage liability policy through an assortment of symbols as follows:

(21) Any Auto (Responds to any auto liability claim brought against the company and the broadest way to afford coverage.

- (22) All Owned Auto's (Only responds to actions spawning from vehicle owned by the enterprise)
- (23) Owned Private Passenger Auto's Only (Restricts coverage to Private Passenger Vehicles defined in the policy)
- (24) Owned Auto's Other than Private Passenger Vehicles – (Can pick up all other vehicles)
- (28) Hired Auto's (Vehicles rented by the enterprise and used in the enterprise)
- (29) Non-Owned Auto's (Affording coverage for exposure while driving a third party vehicle)
- (30) Auto's left for Service / Repair / Storage (Test drives, moving a vehicle etc.)
- (31) Auto's on consignment and dealer auto's – (Specific to Dealer Plates)

Therefore understanding what symbols to use to properly afford the correct auto liability extension is critical when addressing liability actions derived by the usage of a vehicle within the garage operation.

Garage Keepers Legal Liability

Garage Keepers Legal Liability, also known as GKLL, only picks up the physical damage protection of the customer's car while in the *care, custody and control* of the shop owner. An example would be damage caused to a customer's car due to failing to set an emergency brake, causing it to roll down a hill and become damaged. Or, most commonly, coverage for an employee hitting something while operating the vehicle.

Garage Keepers coverage can be written in two ways:

Direct primary – Garage keepers pays for the loss whether you are legally obligated to do so or not

Legal liability – Garage keepers only pays out if you are legally responsible for the loss

Opinion vary on which to choose. In an example where a vehicle is stored in a secure lot but said vehicle is damaged due to an object being thrown over the fence Direct Primary would repair said vehicle where Legal Liability would not as there is no evidence of negligence of the shop owner. Many see value the Direct Primary approach as goodwill to their customers, others may want the customer to call their personal auto insurer to repair their vehicle which may cause tension. As Direct Primary coverage takes the argument of "if you didn't park my car outside it wouldn't have been damaged" off the table we feel the spirit of good stewardship making the customer whole provides needed peace of mind. In the end Direct Primary delivers a broader extension of coverage and an easier adjustment process.

Something to also consider is the deductibles chosen which can effect premium as follows:

Deductible Per Auto – (Amount of money the shop owner will pay toward a claim for damages to any single auto)

Maximum Deductible Per Loss – (The most the shop owner will pay for all damages to all autos for any single loss)

Although many garage keepers claims fall below a deductible and even more are taken care of by the shop owner as a cost of doing business, understanding when and how coverage is triggered is key.

To recap, Garage Liability protects a shop owner from actions of bodily injury caused by the operation of a vehicle and extends to their work should there be consequential injury or property damage due to alleged faulty workmanship. Garage Keepers Liability merely protects the physical damage of a third party vehicle while it's in the shop owner's custody.

A properly written garage policy should be carefully drafted to ensure coverage is available for cars being operated by the shop owner and / or left for sale, storage and repair. This in addition to property extension for an assortment of property exposures like shop owners tools and equipment, customer's property and or employee tools.

Therefore, be sure and work with an agent who not only understands the type of work you do, but is willing to take the time to ask the right questions to ensure the proposal reflects the coverage needed is there, when you need it most.

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