

Garage Owners Risk it all without Property Insurance

A rundown of property insurance protection all shop owners should consider to fully protect their business.

When a garage owner decides to secure business insurance, some of the immediate things that come to mind is securing coverage to satisfy a lease agreement, which in most cases is liability-based. For others, they could have a contract not only requesting liability coverage, but a specific dealer demanding [garage keeper's legal liability](#) or auto coverage.

However, what many garage owners tend to overlook is one of the most critical coverages: property insurance, where without it, the company can cease to exist.

We covered [business income](#) last month and suggested that it is the life blood of your enterprise, so let's review the coverages that all garage owners should consider when seeking property insurance protection....

Building Coverage: If you own a building, securing the replacement cost valuation should be the starting point to protect it properly, should it be damaged in a fire, wind, or other calamities. But property coverage should also include Building Ordinance coverage, which will recognize the additional money needed to bring the structure up to code should your city or county impose code upgrades. Without Building Ordinance coverage, any increase in construction could impede the process of recovery and strain your capital. Note: certain lease agreements also require that the lessee secure building coverage, so be sure and have your agent review the insurance requirements of your lease for proper compliance.

Earthquake Sprinkler Leakage can be added to any property policy with overhead sprinkler systems. Coverage is afforded for damages caused by the disbursement of sprinkler water causing damage to your personal property, for example.

Business Contents should recognize all assets that are not permanently attached to the building. Tools and machinery are easily accounted for, but HVAC, alarm and phone systems are commonly overlooked, in addition to tenant improvements to build out the space that may not be picked up by the landlord if damaged, such as a waiting room for customers or counter tops in the lobby.

Electronic Data Processing Equipment coverage, also known as EDP, is designed to protect your computer electronics that can be susceptible to damage due to increase in moisture, or sensitivity to heat, etc. There are many machines and processes driven by computer technology that needs to be evaluated and if written on an EDP form would provide broader coverage than a standard property policy.

Property of Others needs to be considered for items that may be left by a client for install or belongings left in their trunk and this should be a throw-in enhancement on a property policy. Without the coverage a very unhappy customer could bring a lawsuit if those one-of-a-kind parts are not replaced post-loss.

Employee Tools: Many mechanics are treated as independent contractors, so any desire to insure their tools and equipment may not be a primary concern of a garage owner. But for those who have employees and allow them to leave their tools at the garage property to perform work on your behalf need to make sure coverage limits are in line to meet the need should a loss due to burglary or fire occur. If not protected, the result will be you lose a revenue-generating employee and a relationship that may arguably result in a lawsuit due to assumptions of responsibility regarding who is expected to keep safe one's personal assets while within a shop owner's control.

Property in Transit: Many shop owners work with outside machine shops, powder coating and upholsterers and never consider what it would cost if those items are damaged, stolen, or lost while in transit and this coverage can easily be included on your policy.

The above coverages are some of the most important that should be considered when evaluating your property risk associated with your shop. We can't stress enough the importance working with a qualified agent who understands garage business and who is willing to take the time to provide what is needed so your assets and balance sheet are not jeopardized.

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