

# Garage Operations and Care, Custody & Control



Automobiles brought to you for service, repair, storage or safekeeping are exposed to a variety of hazards while at your shop. When you accept a car for servicing you are responsible for its **care**, you are considered to have **custody** of it, and are expected to establish appropriate **controls** that will guard against possible damage to it. If you don't, chances are you will have to pay for any repairs. More importantly, your customers will expect you to pay, regardless of how the damage happened, or they will take their (and their friends') business elsewhere.

The damage to these automobiles may be caused by vandalism, theft, weather, fire or explosion, as well as by an accident while you are working on them, moving them or even just storing them.

What can you do to protect yourself from these losses?

## Risk Control Services

*Your Business Insurance Specialists*

THE  
State Auto Group

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## Obtain Applicable Insurance

These risks of damage to your customers' automobiles are called the Care, Custody and Control Exposures. A "Garage" or "Commercial General Liability" policy is not designed to and will not provide coverage for these types of claims. There are, however, other ways for your insurance company to specifically provide care, custody and control coverage. Options available to you include:

- **Legal Liability Coverage** – The owner of the auto must prove more than just the car was damaged. It must be shown that you, as the garagekeeper, failed to properly care for or protect the car from being damaged and that you must have been aware that the damage was likely. The vehicle owner is normally required to collect under their own insurance first. The owner will look to you to recover their deductible and their insurance carrier will want to collect what they paid;
- **Direct Coverage on a Primary Basis** – This form pays claims regardless of who or what caused the damage and there is no requirement that the vehicle owner must first collect from their own insurance company;
- **Direct Coverage on an Excess Basis** – This form also pays claims regardless of fault but only for amounts above the policy limits of (and therefore not paid by) any other insurance.

This article will discuss the benefits of the **Direct & Primary coverage**. This form is widely used to preserve your customers' satisfaction with you, otherwise known as their "goodwill."

## Goodwill Insurance for Garage Operations\*

When a customer's property is damaged or lost they will likely look to you for restitution, regardless of how the damage happened. Failure to keep customers happy will likely lose their goodwill and future business. A disgruntled



customer will urge others to take their business elsewhere. State Auto offers protection against this under an endorsement to your Business Auto Policy. Called Garagekeepers Insurance, we provide coverage under three broad categories that will pay claims for damages to your customers' automobiles regardless of fault or cause, as long as we are certain the car has been left in your care, custody or control.

*For claims regarding equipment, such as the theft of a CD or DVD player, radio or mobile phone, the coverage requires that the CD or DVD player, radio or phone had to have been permanently mounted in the space in the dash or console where such devices would normally be found. There is no coverage for tapes, records CDs or DVDs or other portable music or movie players, radios or scanners. Keep in mind that Garagekeepers insurance does not cover claims involving radar or laser detectors or jamming devices.*

\*The information in this section is a brief description of policy coverage. It is not an insurance policy. Other terms and conditions apply. Please review your policy or consult your agent for a detailed description of coverage.

The form allows you to tailor your coverage to best manage your exposures due to bad weather, the threat of theft or vandalism, your storage limitations or possible damage resulting from your own daily operations. You may choose to elect different limits of insurance and deductibles (including a different maximum deductible amount) depending on how you see each of these risks impacting your business.

*For example, you elect a \$20,000 limit of insurance with a \$500 comprehensive deductible with a \$2,500 maximum; a \$1,000 Specified Causes of Loss deductible with a \$2,000 maximum; and a \$250 collision deductible.*

*Loss – There are seven vehicles left just outside your service bays, all awaiting service. Storm clouds roll in quickly, and all are damaged in an ensuing hail storm. Damages average \$3,126 in estimated repairs and rental of replacement vehicles total another \$924. While total damages add up to \$22,806 the coverage elected will cap your insurer's obligation at \$20,000 less the applicable deductibles.*

You may have noticed that this type of insurance does not provide protection to you in the event you cause damage to a vehicle through your own work on it. The installation of a defective part or use of defective materials or performing a repair or service in error are exposures considered "business risks" and providing coverage for these establishes the insurer as a guarantor of products or your workmanship. These risks are managed through your service warranty program and there is other insurance available to help you absorb the impact of these exposures. However, this insurance does provide coverage for damage to other property (also referred to as subsequent damage) caused by any faulty work or a defective part or product.

## **Implement Adequate Controls**

As the operator of a service or repair shop you can take appropriate steps to limit your exposures to accidents and claims for damage to your customers' vehicles and equipment.

*Avoid accepting responsibility for any damage under any agreement you may make with a customer, especially those with multiple vehicles or fleets for whom you perform regular services. Check to see that you use parts and materials from companies and suppliers that stand behind them, providing valid warranty language that will protect you in the event the product is defective. Clearly identify and direct customers to designated parking areas and provide appropriate traffic controls such as stop signs to manage the movement of vehicles in and out of the service bays and across the entrances. Keep your service areas clean and clear of clutter. Keep tools and materials at a safe distance from the vehicles. Maintain accurate records of your work to include the customer's name, the date and time of service, the make, model, year and license plate number of the vehicle serviced and the services performed, including the supplier & brand of any parts and materials used.*

The shop managers and supervisors should lead employee discussions on how to prevent accidents and subsequent loss and/or damage to their customers' property. The following information should be covered with all newly hired auto service employees and periodically covered on a rotating basis during your Auto Shop Meetings.



## On-Site Controls:

YES NO

Are signs posted where customers are to park? .....	<input type="checkbox"/>	<input type="checkbox"/>
Is the parking area well lit at night or early dawn? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do you have security cameras monitoring the shop and adjacent areas? .....	<input type="checkbox"/>	<input type="checkbox"/>
Is the parking lot clear of oil or lubricants and debris? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do customers leave their vehicle before work hours? .....	<input type="checkbox"/>	<input type="checkbox"/>
If yes, is there an outside, secure key drop? .....	<input type="checkbox"/>	<input type="checkbox"/>
Are keys to customer vehicles kept on a keyboard or a locked drawer until the customer picks up their vehicle? .....	<input type="checkbox"/>	<input type="checkbox"/>
If yes, have all shop employees been trained in proper key control methods? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do you conduct a walk around damage inspection of the vehicle? .....	<input type="checkbox"/>	<input type="checkbox"/>
If yes, is it documented and signed off by the customer and the shop manager or supervisor? .....	<input type="checkbox"/>	<input type="checkbox"/>
Are customers requested to remove all loose valuables and equipment from their vehicles? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do all garage door openings give your employee drivers an unobstructed view of the entrance drive and parking area? .....	<input type="checkbox"/>	<input type="checkbox"/>
If not, are convex mirrors or other devices utilized to provide a clear view? .....	<input type="checkbox"/>	<input type="checkbox"/>

## Shop Employees – Hiring, Periodic Review and Training:

Do all shop employees have a valid driver's license? .....	<input type="checkbox"/>	<input type="checkbox"/>
How often does management validate? (This should be done at least annually) .....		
Do all shop employees have an acceptable driving record? .....	<input type="checkbox"/>	<input type="checkbox"/>
How often does management review? (This should be done at least annually) .....		
Are shop employees with poor driving records allowed to drive a customer's vehicle? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do managers periodically observe the employees operating the customers' vehicles? .....	<input type="checkbox"/>	<input type="checkbox"/>
Are shop employees able to drive vehicles with either manual or automatic transmissions? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do all shop employees have training and experience levels to perform this type of work? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do all shop employees receive training updates on new vehicles, products and services? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do shop employees keep their work clothes free of dirt and grease? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do shop employees utilize temporary seat and floor protectors? .....	<input type="checkbox"/>	<input type="checkbox"/>

## Vehicle Driving/Backing:

Do all new employees receive initial training in vehicle familiarization? .....	<input type="checkbox"/>	<input type="checkbox"/>
Does it include starting the car? .....	<input type="checkbox"/>	<input type="checkbox"/>
Putting the car into drive or reverse? .....	<input type="checkbox"/>	<input type="checkbox"/>
Operating the car's windshield wipers and head lights? .....	<input type="checkbox"/>	<input type="checkbox"/>
Putting the car into park and using the parking brake? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do employees accelerate and stop smoothly? .....	<input type="checkbox"/>	<input type="checkbox"/>
If on an incline, does the vehicle roll backwards after a complete stop? .....	<input type="checkbox"/>	<input type="checkbox"/>
Before backing, do employee drivers exit the vehicle and check entire area, including overhead? .....	<input type="checkbox"/>	<input type="checkbox"/>
When backing, do the employee drivers ask for assistance from a co-worker when there is limited visibility? .....	<input type="checkbox"/>	<input type="checkbox"/>
Does the employee driver use the mirror(s) properly? .....	<input type="checkbox"/>	<input type="checkbox"/>
Do the employees remove accumulations of dirt, ice, frost or snow that may obstruct the driver's visibility prior to moving the vehicle? .....	<input type="checkbox"/>	<input type="checkbox"/>

## Accident Reporting:

Are employees trained in reporting accidental damage to a vehicle? .....	<input type="checkbox"/>	<input type="checkbox"/>
If yes, who completes the accident report and who receives the report? .....	<input type="checkbox"/>	<input type="checkbox"/>
Does management review accident reports with employees to help determine how to prevent similar accidents from recurring? .....	<input type="checkbox"/>	<input type="checkbox"/>