

# Protecting your garage operation: What's the difference between Garage Liability and Garagekeepers insurance?

So you may be asking yourself, does my dealership need Garage Liability coverage, Garagekeepers coverage or both? If you are an auto or motorcycle dealer engaged in the sale or service of autos or motorcycles, the answer is – you may need both.



## What's the Difference?

Although many people use these terms interchangeably, Garage Liability and Garagekeepers are two very distinct insurance coverages. For dealerships whose business operations involve the sale or service of autos or motorcycles, there can be confusion about where a General Liability policy stops and a Business Auto policy starts (or vice versa). The Garage Liability policy was created and covers both exposures in one policy. Therefore, Garage Liability is a combination of these two distinct policies:

**1. General Liability** – Covers bodily injury, property damage, advertising injury and personal injury resulting from premises, operations, products and completed operations

**2. Business Auto** – Covers bodily injury and property damage resulting from the use of autos

However, Garage Liability policies have a “care, custody or control” exclusion, which states that personal property (specifically targeting customer’s vehicles) in the care, custody or control of the dealer will not be covered by the Garage Liability policy. Rather, there is a separate coverage that can be purchased to cover this exposure – Garagekeepers coverage. Let’s take a closer look at each coverage.

## Garage Liability

Garage Liability policies cover the insured's (usually an auto or motorcycle dealership) legal liability to pay damages to an injured third-party claimant. This liability can result from two high-level causes:

**1. Operation of Autos** – This can include both vehicles owned by the business and being held for sale or any other autos owned by someone else and being used in the business operations. This policy can also cover the test driving of a customer's auto during the service or repair process. For example, one of your managers is driving her demo and is involved in an accident. Or, your parts driver is involved in an accident when making a delivery.

**2. Other Dealership Operations** – This includes a wide variety of perils, including but not limited to bodily injury, property damage, advertising injury, personal injury, possible mental injury and discrimination. These claims can be submitted from the premises (slip and fall) and operations, and also from products or completed operations (the product you sell or work you perform). For example, a customer slips and falls on your parking lot or in the showroom. Or, a repair to a customer's auto malfunctions and damages the car or injures a third-party.

Policies are usually written for high limits (up to \$1 million) and are frequently extended by an umbrella policy above this limit. Garage Liability policies, like the Auto and General Liability policies on which they are based, exist to protect the assets of the insured business against a claim from a third party alleging damages. They also provide defense costs, usually unlimited and in addition to the policy limit.

Most commercial entities buy two separate liability policies – a Business Auto policy and a General Liability policy – but a dealership, whose business operations consist almost solely of the operation of autos, would potentially be in a battle over which policy would respond because of the nature of the business. Thus the garage liability policy was created, combining these two policies into one for this type of business.

## Garagekeepers Coverage

Garagekeepers coverage provides protection only for the customers' autos in the care, custody or control of the insured business. This coverage is separate from the Garage Liability policy, but is usually written as part of the same insurance package. There is a separate limit applicable to the Garagekeepers Coverage based on the number and value of customer vehicles in the custody of the insured at the time of review. Garagekeepers coverage is offered in three levels:

**1. Garagekeepers Legal Liability** – This coverage responds when the dealership is legally liable for damage done to the customer's auto. For example, the dealership's mechanic is test driving the customer's auto and causes an accident. If the accident is the fault of the insured's mechanic, the Garagekeepers Legal Liability will provide coverage.

**2. Direct Primary** – This coverage option expands the Garagekeepers coverage so that it responds whether or not the dealership has been negligent and is legally liable. For example, if a customer's auto is parked and locked on an insurer's lot and is stolen, the dealership has done nothing negligent; however, the Direct Primary Garagekeepers coverage will provide coverage and will pay the theft claim. (Note – many companies restrict coverage for "natural disaster" perils such as hail or flood to the legal liability basis even if the Direct Primary option is in place.)

**3. Direct Excess** – This coverage, also called Garagekeepers Excess Legal Liability, combines the first two. If the customer has coverage on his or her car, it will respond on a legal liability basis, like Garagekeepers Legal Liability. On the other hand, if the customer does not have coverage on his or her car it responds as primary coverage without regard to the negligence of the dealership, like Direct Primary.

The limit of the Garagekeepers coverage is determined by the number of customers' autos in the care of the dealership and the average value of those autos. In some cases the umbrella limit may be excess over the Garagekeepers, but not always – check with your insurer.

## So what coverage does my dealership need?

So you may be asking yourself, does my dealership need Garage Liability coverage, Garagekeepers coverage or both? If you are an auto or motorcycle dealer engaged in the sale or service of autos or motorcycles, the answer is - you may need both. Garage Liability protects you from a claim brought against your dealership by a third-party, whereas Garagekeepers protects you from a claim brought by a customer whose auto is damaged while in your custody. These two coverages are usually written in one package policy, making it easier to be sure you are properly protected.

## Zurich can help you choose the right coverage

Knowing which type of insurance coverage you need for your dealership can be confusing. Zurich is dedicated to helping dealers understand the risks they face and help ensure they have the proper coverage, including risks associated with garage operations. A Zurich Account Executive can conduct a thorough review of your insurance program and help identify coverage gaps where your garage operation might be at risk.

**Contact Zurich today for more information about our products and services or to request a proposal.**  
Call us at 800-840-8842 ext. 7449, email us at [zdm.management@zurichna.com](mailto:zdm.management@zurichna.com) or visit us at [www.zurichna.com/automotive](http://www.zurichna.com/automotive).

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