

# COMMON EXPOSURES

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## Auto Dealers

While owning and operating an automobile dealership can be a very rewarding experience, owners face a number of exposures that they will need to contend with on a daily basis in order to successfully run their business.

In addition to risks common to every industry, such as theft and natural disasters, auto dealers face unique risks due to test driving, vehicle repairs, loaning of vehicles to customers and the presence of toxic and flammable chemicals. The list below provides an overview of these auto dealer industry risks and more—helping you identify potential blind spots in your risk management and insurance programs.



Significant **property** exposures are present in auto dealerships due to the presence of toxic or flammable chemicals and welding materials used for repairs, as well as the constant moving of vehicles around the property. Vehicles, tools and equipment, office supplies and the building itself are all at risk of being damaged during day-to-day operations.



Auto dealerships are at risk from **errors and omissions** exposures, which can come from customers who feel that there was a problem with a purchase, vehicle repair or other service from the dealership. Customers may claim that they were misled by an advertisement or lied to about the condition of a purchased vehicle, or that an employee made an error on the loan or lease papers. Additionally, customers may allege that the odometer was rolled back for a sale or forward after maintenance.



**Crime** can be of particular concern to auto dealers because they often keep many for-sale vehicles sitting on an outdoor lot, which may be valuable on their own or contain parts that are of significant value to thieves. Dealers are also at risk of computer fraud, forgery or alteration, cash theft and employee dishonesty. In some cases, a dealer's location and the type of vehicles they sell can increase their crime exposures.



You may not realize it, but **inland marine** exposures for auto dealers are vast. In fact, any property that's unique or valuable, in transit, in your temporary care, stored at fixed (but movable) locations or used to transfer information represent an exposure. Following an incident that leads to property damage, vehicles held for sale, accounts receivable, computer equipment, vehicles stored in off-site lots, and data and records related to vehicle manufacturers/customers represent potential losses for your business.



**Liability** exposures at automobile dealerships can directly affect customer safety and, when injuries occur at your business, you could be held responsible. Accidents related to slips, trips and falls are a source of concern. Slippery or uneven surfaces, under-lit exteriors and poorly inspected vehicles can lead to accidents.



Due to the presence of fuel tanks and toxic or flammable chemicals such as oil, grease, hydraulic fluid and other substances, auto dealerships must contend with the possibility of **environmental liability** in the event of a spill, fire or similar incident. Environmental incidents are particularly concerning for auto dealers because they can cause harm to the surrounding community, involve costly cleanup and often cause damage to a business's reputation. What's more, businesses that cause harm to the environment are at risk of incurring fines that can exceed hundreds of thousands of dollars.

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Continuity is critical in business, and there are few things more important than continuous revenue and cash flow, particularly for small to medium-sized organizations. In fact, just one brief **business interruption** can be incredibly costly for an organization, often leading to serious reputational damages or long-term closures. Common interruptions for automobile dealers can include natural disasters, fires, vehicle recalls, cyber events, staff shortages and issues with vehicle manufacturers.

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Because auto dealers allow customers to test-drive vehicles, transport vehicles between dealerships and lend vehicles to customers who are having their vehicles repaired, **automobile** exposures are abundant. While vital for operation, the improper use of a vehicle can lead to potential property damage and liability concerns for the dealer.

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## For More Information

Proper risk management practices can reduce certain exposures, but no system is 100% effective in ensuring an incident-free workplace. As a result, it's all the more crucial to work with a trusted insurance professional to assess your unique exposures. To learn more, contact us today.