

Understanding Towing & Recovery Insurance

The Business Auto Policy is designed to protect your business in the event of accident, theft, injury and other damages that involve your vehicles and your employees (while driving insured company vehicles). Because the towing and recovery industry is unique, its insurance needs are too. The following will give you an overview of some of the coverages and terminology related to the industry. Because insurance laws vary throughout the United States and because some coverages may not be available in some states, the information may not apply to all situations. This is not an insurance contract and is offered only as an educational aid. You should consult each and every provision of your insurance contract. The terms and definitions in your actual policy govern any claims or questions of interpretation. You may or may not have purchased all the coverages described hereafter. **Check your policy carefully.**

AUTO LIABILITY

Bodily Injury Liability provides protection for your legal liability for “bodily injury” to others arising out of the operation of your wreckers and other owned vehicles that are insured on your policy. This includes such expenses as medical bills and lost wages. The minimum limits of liability required are determined by such things as the state in which you are located, whether you plan to cross state lines, etc. Federal law specifies that if you cross a state line you must carry \$750,000 coverage and have a Form MCS-90 attached to your policy. We can help you to determine the minimum limits legally required for your operation, however, you need to be sure that you purchase sufficient limits to protect your assets. You would be surprised by how little additional cost there is to get higher limits.

Property Damage Liability provides protection for your legal liability for damage to the “property” of others that is not in your care, custody and control. This includes damage to vehicles, houses, buildings, fences and electrical poles arising from the operation of your wreckers and other owned vehicles that are insured on your policy. Damage to the property of others caused by the vehicle in tow is also covered. Damage to the actual vehicle in tow and its contents are not covered. (*That's on-hook/cargo coverage - more on that later*). Coverage is up to the policy limit for each separate occurrence.

Hired Car Liability provides protection against damages when an employee is held liable for negligence while driving a vehicle being used under contract or borrowed by your firm but not autos owned by employees or members of their households. Third party claims are paid up to the stated policy limit.

Non-Owned Auto provides protection for your company in the event of negligence by an employee that occurs while they are driving a non-owned company vehicle (such as their own personal auto) while performing job-related duties. Third party claims are paid up to the stated policy limit.

Uninsured Motorist Coverage provides coverage for bodily injury expenses and/or property damage resulting from an accident caused by a motorist who does not have liability coverage, or, in some states, does not have enough insurance to cover the expenses incurred. Payment is made up to the policy limit and varies from state to state. If you do not want this coverage, you must reject it by signing a form provided by the insurance company.

Personal Injury Protection (PIP) provides coverage in the event an employee and/or his passengers are injured in an auto accident regardless of who is at fault. This covers such expenses as medical and rehabilitation cost, loss of wages, replacement services and funeral expenses. Payment is up to the limit stated in the policy.

Medical Payments to Others provides limited coverage in the event an employee and/or his passengers are injured in an auto accident regardless of who is at fault. This covers such expenses as medical and surgical bills up to the limit stated in the policy.

Limit of Liability is the maximum amount that an insurer agrees to pay in the case of loss under policy contract.

Combined Single Limit provides one single limit for all claims combined per occurrence. For example, \$300,000 single limit coverage would provide coverage for any combination of bodily injury and/or property damage up to a maximum of \$300,000 per occurrence.

Split Liability Limits provides separate limits for bodily injury liability and for property damage liability. For example, \$100,000/\$300,000/\$50,000 would provide up to a maximum of \$100,000 bodily injury coverage per person, up to a maximum of \$300,000 for all bodily injury claims per accident and maximum of \$50,000 for all property damage claims per accident.

AUTO PHYSICAL DAMAGE

Deductible is the amount of loss paid by the policyholder before the insurance policy benefits become payable.

Comprehensive coverage provides payment for loss or damage (other than collision or upset) to an insured vehicle that is caused by theft, wind, fire, vandalism, flood or any other covered peril. It pays to the policy limit or actual cash value minus the deductible chosen.

Specified Cause of Loss Coverage is similar to comprehensive coverage but is not as broad in coverage. Only losses that result from causes explicitly listed in the policy, such as fire, lightning, flood, vandalism, wind and theft, are covered. Many types of glass breakage are not covered such a rock hitting a windshield. It pays to the policy limit or actual cash value minus the deductible chosen.

Collision coverage provides payment for loss or damage to your vehicle caused by collision with any object or upset of the vehicle regardless of who is at fault. It pays to the policy limit or actual cash value minus the deductible chosen.

Understanding Towing & Recovery Insurance continued

VALUE OF VEHICLE:

Depending on the insurance company used, the value of the coverage on your unit is set one of two ways.

Stated Amount: You state the amount at the beginning and the policy will pay for damages up to that amount but not more than the actual value of the vehicle. You don't want to over or understate the limit on the vehicle. Otherwise, you will pay for coverage that is not there or get less than the unit was worth in a total loss. Your premium is based upon the value you set.

Actual Cash Value or ACV: This pays for the damage up to the actual value of the unit at the time of loss. Your premium is based upon the original cost new of the unit and adjusted downward for older units.

ON-HOOK/CARGO COVERAGE

This covers exposures that involve property and merchandise of others while in transit such as a vehicle in tow and its contents. If your agent is not truly experienced and knowledgeable of the towing industry and if your policy is not written correctly, there can be large gaps in coverage leaving you personally responsible for paying damages.

Some policies limit coverage strictly to "autos or vehicles." There is no coverage for items such as forklifts, boats, equipment or machinery that you may transport because they are not "autos" by definition.

Additionally, most policies that strictly provide coverage for "autos or vehicles" do not provide coverage for the contents of the "auto or vehicle" being transported. Policies like this would leave you paying for the \$100,000 worth of computers and flat screens in the delivery truck that you turned over . . . or the \$25,000 worth of materials in the industrial salesman's car trunk, etc., etc.

Some policies exclude coverage for damages caused by improper hook-up, for failing to hook up both safety chains, for failing to tie down the steering wheel or for being beyond the radius limit set out in the policy.

Most of the policies Travis Barlow Company offers do not contain these restrictions. They would only be used as a last resort when a towing operation does not qualify for our preferred programs and coverages.

GENERAL/GARAGE LIABILITY & GARAGE KEEPERS LIABILITY

General/Garage Liability provides protection against claims that may arise from your daily operations or the services you render. Towing often believe they do not need General/Garage Liability because they don't actually have a garage. There are many claims that can be made against you that have nothing to do with the actual operation of a tow truck. Some examples of protection provided are:

- A customer slips and falls at your shop, lot or office and is injured.
- You or your employee change a tire and the lug nuts come loose and cause injury or damage.
- You or your employee hook-up something wrong in jump-starting a car causing the battery to explode and burn your customer or some bystander.

Garage Keepers Liability provides physical damage coverage for autos of others in your care, custody and control at such places as your garage or storage lot but also elsewhere. For example, you are transferring a new car for a dealer and unload it at his main lot. The dealership wants it parked at their lot across the street. Rather than reload the auto, you hop in it to drive it there and in the process you clip a light pole and do \$3,500 damage to that new Lexus, Lincoln, or Jaguar. Garage Keepers Liability would cover the damage.

There are three forms of garage keepers coverage and will determine how and if a claim is paid.

1. "Legal" provides coverage for damage that you're legally liable for, i.e. you were negligent.
2. "Direct Excess" provides "legal" coverage but also will pay for damages that were not your fault if there is no other coverage on the car.
3. "Direct Primary" provides that your policy pays for damage to the car regardless of fault even if there is other insurance on the car.

Most operators buy the "legal" coverage, not wanting to have their loss history charged for damages that they weren't responsible for.



**P.O. Box 686 – Pooler, GA 31322 • 1002 West Highway 80– Pooler, GA 31322
(800) 537-7152 • (912) 748-6046 • Fax (912) 748-6084**

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