



## Federated Insurance's Claim of the Month — Could it happen to you?

The sales manager of an auto dealership sold a used vehicle to a family member. Two months after the sale, the vehicle was in need of repair. The family member called the manager to say they had plans to go out of town for the weekend and needed to use a vehicle. The manager gave the family member a dealership-owned used vehicle as a loaner.

That weekend, the family member was involved in a single-vehicle accident with the loaner vehicle, in which a passenger was killed. The broken-down vehicle was never brought into the dealership shop for repair, nor did the family member have an active insurance policy. The estate of the passenger has sued the dealership in a wrongful death lawsuit.

*POTENTIAL CLAIM AMOUNT: \$3 million*

Consider these tips to help reduce liability risks your business could face for vehicle loaner situations:

- Creating a policy that includes requiring a signed loaner or rental agreement, proof of insurance with adequate limits, and valid driver's license anytime a dealership vehicle is loaned or rented out.
- Prohibiting loaning a company-owned vehicle to anyone not employed by, or a customer of, the dealership.
- Reviewing your dealership's policies and procedures with your employees regularly, and conducting frequent training sessions.
- Taking necessary actions if employees are not adhering to your dealership's policies and procedures.

Dealerships can be held liable for what happens when their vehicles are in the possession of others. However, when proper policies and procedures are in place and adhered to, and when employees are properly trained, the risk can be minimized.

Federated Mutual Insurance Company is recommended by 19 state and national auto dealer associations for customized insurance programs and value-added risk management services, such as mySHIELD®, the Risk Management Resource Center, and the Federated Employment Practices Network®. Visit [federatedinsurance.com](https://federatedinsurance.com) or [contact your local marketing representative](#) for resources you can use to create or enhance your own risk management program.

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