ZURICH

Customer loaners and rentals



Please route to:

- Dealer principal
- General manager
- F&I manager
- Sales manager
- Service manager
- Office manager

Customer loaners and rentals

Consider a case where a customer brought a vehicle in for service at a dealership. The job required the service department to keep the vehicle overnight and the customer requested a loaner vehicle. The service manager smiled and handed the customer the keys to a dealership loaner. Later that evening the customer picked up two friends and they were off on a "road trip" that included drinking and driving. The loaner vehicle was involved in a collision that paralyzed one person and severely injured several others. The dealership now faces a multi-million dollar settlement. You may ask yourself:

- What about the customer's insurance; isn't it primary?
- Why is the dealer responsible for this accident?
- Could this happen to me?

The answers to these questions are dependent on individual state law. You should consult with your dealership's corporate counsel about your state's law regarding liability exposures arising out of vehicle ownership, negligent entrustment and dangerous instrumentality. Consider the following three guidelines that can help reduce your liability exposure:

Risk avoidance

The first guideline is simple: don't provide loaners. This is known as risk avoidance. Service writers can offer to assist customers with finding a rental car. The dealership should have agreements with local car rental companies to provide vehicles to their customers at a pre-arranged rate. Courtesy vans can also be used to take customers to and from work or home.

Risk transfer

Another guideline to consider is the risk management technique referred to as "risk transfer." The objective is to transfer the risk to someone else. The ideal arrangement is to leave the task of providing loaners to the professionals – car rental companies. Many dealerships furnish on-site space for these companies who then provide vehicles to their customers. Rental companies are accustomed to dealing with important issues such as driver selection, rental contracts, insurance and driver's licenses. They often provide better service to the customer and insulate you from a serious liability exposure in the process. One word of caution – use a reputable, properly insured rental company.

Risk retention

The third guideline is referred to as "risk retention," meaning that you make a conscious decision to retain the exposure yourself. If you decide to retain this risk, there are still some ways to help protect yourself. Some things to consider:

- Take advantage of loaners provided by your manufacturer whenever possible.
- Use written agreements or contracts such as "loaner or borrowed vehicle agreement" or rental contracts. (Sample agreements may be available from local or state dealer associations.)
- The agreements or contracts should transfer financial responsibility of loss (liability and property damage) to the customer.
- Agreements/contracts should indemnify and hold harmless the dealership for any type of loss while the vehicle is in the care, custody, and control of the customer.
- Limit authorized drivers to those persons signing the contract or agreement.
- Obtain a copy of a valid driver's license with photo ID.
- Decline to rent or loan vehicles to customers who are clearly intoxicated or impaired.
- Obtain evidence of insurance (i.e., insurance card or policy) and verify coverage is current by telephoning insurance agent/company.
- Limit the operation of the rental or loaner to a specified radius and time (i.e., 25 miles and five days).

- Refuse to rent or loan vehicles to customers under 25 years of age.
- Inspect vehicles at time of rental or loan and upon return for damage, mileage and missing equipment.
- Maintain loaner vehicles according to manufacturer's recommendations and document all maintenance activities.
- Consult with your dealership's legal counsel about your state's laws relating to ownership and entrustment of vehicles.

Remember, laws on vehicle ownership, negligent entrustment and dangerous instrumentality vary widely and are state-specific. Contact your Zurich representative or consult your state and local dealer associations for additional information.



Not a customer?

For more information about Zurich's products and Risk Engineering services, visit **www.zurichna.com/automotive** or call us at 800-840-8842 ext. 7449.



Already a customer?

Contact your Zurich representative for information about additional Zurich's products and Risk Engineering services.

The Zurich Services Corporation

Zurich Resilience Solutions I Risk Engineering

1299 Zurich Way Schaumburg, Illinois 60196-1056

800.982.5964 www.zurichna.com

The information in this publication was compiled from sources believed to be reliable for informational purposes only. All sample policies and procedures herein should serve as a guideline, which you can use to create your own policies and procedures. We trust that you will customize these samples to reflect your own operations and believe that these samples may serve as a helpful platform for this endeavor. Any and all information contained herein is not intended to constitute advice (particularly not legal advice). Accordingly, persons requiring advice should consult independent advisors when developing programs and policies. We do not guarantee the accuracy of this information or any results and further assume no liability in connection with this publication and sample policies and procedures, including any information, methods or safety suggestions contained herein. We undertake no obligation to publicly update or revise any of this information, whether to reflect new information, future developments, events, or circumstances or otherwise. Moreover, Zurich reminds you that this cannot be assumed to contain every acceptable safety and compliance procedure or that additional procedures might not be appropriate under the circumstances. The subject matter of this publication is not tied to any specific insurance product nor will adopting these policies and procedures ensure coverage under any insurance policy. Risk Engineering services are provided by The Zurich Services Corporation.

©2026 The Zurich Services Corporation. All rights reserved.

A1-P0515815-B (10/26) P1319247

ZURICH®
Resilience Solutions