



Large Claims Lessons Learned



Line of Business: Auto Liability Topic: Demo Vehicles

Claim scenario

A Dealer Principal was driving a demo vehicle and hit 3 individuals – including 2 children. All three individuals were transported to the hospital, two sustained significant head injuries.

The MVR on the driver was clear and there was no evidence of operating under the influence. There was a vehicle parked (potentially illegally) which impaired the vision of the driver as he approached the crosswalk. In addition, there is some discussion about the lights at the intersection not working correctly.

Financial Impact:

This claim may have a financial impact of up to **\$11,000,000**.



Lessons learned

It is a common practice for dealers to drive demo vehicles. This is a reminder about the increased exposure a dealership takes on when driving company-owned vehicles. While there are questions about the “illegally parked” vehicle and the streetlights that potentially were not functioning, there will still be liability for our dealer customer. Ultimately, he was driving the vehicle and struck the three pedestrians. Any type of subrogation against a city or municipality is typically very difficult.



Action needed to prevent this type of loss

As dealers think about who takes possession of a demo, always consider the increased exposure for the dealership, including reputational risk. Evaluation of driver experience and ability can factor into decisions. In addition, determine whether there are alternative solutions to a demo vehicle that the dealer can take to still provide a benefit, but reduce the exposure at their dealership such as a Personal Auto Policy.



Loss prevention / Risk management Resources

Vehicle accidents are common loss leaders among claims made by dealerships. Zurich offers a variety of risk management insights to help you minimize your risk. Start with Zurich's loss prevention bulletin, [Hitting the Brakes on Demos](#) and visit Zurich's [Automotive Resource Hub](#) to access all of Zurich's loss prevention resources.

Exposures are still present even when strict processes and protocols are in place, however, these actions and a commitment to diligence in driver training and skill assessment can reduce the propensity for losses.

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