



Large Claims Lessons Learned



Line of Business: Auto Liability Topic: Loaner and Rental Agreements

Claim scenario

A dealer was handling a vehicle purchase transaction late in the day on a Friday. Time did not allow for the customer financing to be completed and the dealer gave the vehicle to customer without obtaining a signed loaner agreement.

The customer was distracted in the car while driving, swerved into the other lane and hit another driver head on. The driver of other vehicle was taken flight for life and later passed away.

Financial Impact:

This claim may have a financial impact of up to **\$1,050,000**.



Lessons learned

A legal agreements or contract must be in place to transfer financial responsibility of loss (liability and property damage) to the customer.

If the dealership had executed a loaner agreement at the time of this transaction, there would not be any financial responsibility to the dealer based on state law.



Action needed to prevent this type of loss

- It is imperative that dealerships execute rental/loaner agreements 100% of the time in order to protect their dealership and increased exposure to financial and reputational loss.
- Written procedures should be implemented, and dealership staff should be trained to review party liability when completing any transaction that results in releasing a vehicle to a customer.



Loss prevention / Risk management Resources

Zurich offers guidance and best practices for mitigating risk related to vehicle loaner and rental practices. A key first step is understanding liability laws in your state regarding vehicle ownership, negligent entrustment, and dangerous instrumentality.

Read Zurich's loss prevention bulletin, [Customer loaners and rentals](#), to learn more about strategies for protecting your dealership from auto liability exposures and visit Zurich's [Automotive Resource Hub](#) to access all of Zurich's loss prevention resources.

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