

The DealerZone



Welcome East Coast Insurers Dealer Clients

Coverage Corner



WILL CONSIGNMENT SALES COST YOU?

One way to beef up your inventory without having to invest your money is to sell vehicles for private owners who don't want the trouble of handling the sales themselves. The dealer displays the vehicle on his lot, handles the advertising, shows the vehicle to prospective buyers, arranges for financing and handles all the paperwork. After an agreed on selling price, less your commission and cost of getting the vehicle ready for sale, the profit over and above the agreed on price is yours. What could be wrong with that?

Have you discussed consignment sales with your insurance agent? Does your insurance policy cover consignment sales? Claims involving consignment vehicles may be a nightmare unless proper procedures are followed.

Do you get proof of insurance from the vehicle owner? By Florida Law, during the time that an individual owns a vehicle and has a title registered in their name, the MUST keep property damage liability and Personal Injury Protection insurance on it. It must have a registered plate on it. This is the first rule of consignment sales. You cannot use a dealer plate on the consignment vehicle for test drives.

Second, the DMV requests that dealers have a consignment agreement completed and signed to PROTECT THE DEALER from any claims brought about by the customer if something should happen to the vehicle. Third, The insurance company DOES cover the dealer for autos held for sale for liability purposes, but they DO NOT COVER the owner of the vehicle if they are sued over a claim. That is why the customer must keep insurance on the vehicle.

Fourth, the insurance policy DOES NOT cover the consigned vehicle for damage that may happen to it while on your lot or being driven in a test drive. If something happens, the owner of the vehicle is responsible for it. That is why the consignment agreement requires that the customer keep insurance on the consigned vehicle. The garage liability policy may be extended to cover consigned vehicles. Ask your agent or the cost to you may be more than your profit.

My Dealer Buddy Says



MY DEALER BUDDY SAYS: "YOU DON'T NEED WORKERS COMPENSATION"

Before you take your Dealer Buddy's advice, let's look a little deeper.

Workers compensation is a state required coverage for employers with 4 or more employees. It pays 100% of medical and 66% of lost wages up to a maximum of \$841 per week. No lost wages are paid on claims for the first seven days. When out of work for more than 21 days, the injured worker gets paid for the first seven days retroactively. A death benefit is also paid to the dependents of workers killed on the job.

Here's a common example we hear from employers, "Well, I don't need workers comp because there is just myself and my wife who are owners in an LLC, a salesperson and a mechanic. I only have two employees".

So, you don't buy workers comp and one day your mechanic slips and falls and breaks his ankle. What are you going to do?

"I'll call my insurance agent because my garage liability covers slip and falls on my lot. You find out that the garage liability policy excludes work related injuries.

"Well, the mechanic has health insurance, so he gave his information at the hospital". You find out that his health insurance policy also excludes work related injuries. Now what are you going to do?

"Well, he will just have to make payments to the hospital".

The problem for you is that all officers of corporations and LLC members are considered to be employees by law. It does not matter if they get paid or not. It does not matter if the officer or member is related to you (like spouses and children). All officers, members and employees count, including YOU. So in your example where you have 2 LLC members and 2 employees, the state says you have 4 employees and are REQUIRED to have workers compensation.

What happens now that you did not secure coverage when you were required?

The State will assess a penalty equal to 1.50 times the premium you would have paid for the employees you had during the preceding 3 years. That's a lot of money due all at once.

Maybe even worse than the State's penalty is the liability that you now have because your mechanic was injured and you did not have workers comp insurance when you were required to have it. In that case, YOU become the insurance company for the injured worker. What if your worker is seriously injured and can never work again. You will be personally responsible for his medical bills and lost wages for the rest of his or her life.

What happens if I am not "required" to have it, but a worker gets hurt?

You can be sued by your employee. If this happens, the cost will generally be higher because in workers comp, the amounts an injured worker can collect are limited by law. In liability, there are generally no limits and they can sue for pain and suffering which is not permitted in workers comp. In addition, your liability policy will not cover lawsuits brought for workers comp benefits, so you have to hire your own lawyer.

What can you do?

We recommend that you buy coverage, even if you have only one employee. If you have workers comp, you do not have to worry. Your insurance company then has the worry!

DMV Notes

FLORIDA DMV ISSUING FINES FOR FAILURE TO PROVIDE "PROOF" OF GARAGE LIABILITY INSURANCE

The Florida DMV is issuing fines for failure to have proof of garage liability insurance prior to your license renewal.

The fine is \$250 if you had no lapse in coverage, but your proof of insurance did not reach the DMV before your license expiration. If your policy lapsed and then was renewed, your fine will be \$500.

We are urging all our dealers to renew 30 days or more in advance of your insurance renewal. By renewing early, you ensure that YOU have coverage and that you avoid these costly fines. The DMV does NOT want to fine you. They want you to comply with the law which is designed to protect the public.

Click for a copy of the [Florida DMV Technical Advisory DE14-001](#)

REMEMBER: For information regarding anything in our newsletter contact Margaret Boomer at Margaret@eastcoastinsurers.com or 386-246-2616.

Did You Know?

96.7% of our dealer clients renew with us every year. The only times that dealers usually leave us is when they die or go out of business.

Our dealers know that price is important, but they also know insurance is more than just a quote. It's getting the RIGHT coverage for the risks they face and the CORRECT limits of coverage to protect their assets.

See you next month,

Steve Hall, President, PWCA, CRIS, PHR
East Coast Insurers, Inc

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