

# Is Your Product Liability Policy Correctly Classified and do You Need it?



**GUEST EDITORIAL**  
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To an upfitter, the Product Liability portion of the General Liability policy is of utmost significance. This is the portion of coverage that can protect you from lawsuits for bodily

injury or property damage caused by your product. Once a vehicle leaves your facility, your product represents your name, your reputation and your livelihood. So, it's important to be sure that your insurance policy is correctly underwritten and that your agent and underwriter understand exactly what you do. That way, there are no surprises at the time of a claim or an audit.

While reviewing policies for companies in the work truck industry, JD Fulwiler has found an alarming amount of misclassification on General Liability policies, of which Product Liability is a part. The two most common misclassifications are incorrectly rating upfitters as either auto/truck repair facilities or as vehicle dealers.

The *correct* classification for an upfitter is ISO<sup>1</sup> classification 51250, which is defined as follows:

### ISO GL Classification Code 51250 – Auto & Truck Body Manufacturing

*Automobile, bus or truck body manufacturing includes the following process to suit customer's need. Unit can be built either as special or stock body to fit chassis. Metal is received. Templates are laid out to mark size and shape. Material is cut by burning or shears. Shaping is done by heating and hammering, power brakes and rollers. Fabricating includes clamping, dogging, heating, hammering, tacking, welding, grinding, cleaning and painting.*

The frequent misclassification that occurs is to classify upfitters as ISO classification 10073, which is defined as follows (definition has been abbreviated for space).

### ISO GL Classification Code 10073 – Auto Repair or Service Shops

*This classification includes automobile repair work that ranges from the changing of a tire to a complete engine overhaul. Skilled mechanics are employed by these repair centers to repair ignition systems, mufflers, brakes, automatic and manual transmissions, and other mechanical repairs. These repair centers may operate as a specialty repair shop dealing primarily in one type of repair, such as transmissions, radiators, mufflers, brakes, etc., or if large enough, may offer a variety of mechanical repair services, as well as vehicle inspections.*

*This classification also contemplates automobile paint shops, body shops as well as specialty risks performing rustproofing operations including those risks applying spray-on*



*bedliners to pickup trucks.*

*Code 10073 contemplates those risks, which are not trailer dealers that perform trailer repair work including the installation of trailer hitches on vehicles.*

While the auto repair classification may describe a few operations in an upfitting shop, it does not contemplate the essence of the work performed by an upfitter, which is the manufacturing of bodies/equipment and/or installation of the equipment on the chassis. In fact, the auto repair classification doesn't contemplate chassis work of any kind.

The second common miscalculation is to classify an upfitter with a dealer's license as solely a dealer. This is a common error because a typical dealers' policy automatically includes the incidental repair facility within the dealership. But, as stated above, upfitters are not properly classified as a repair facility. In this scenario, the dealership and the upfitting operation should be rated separately.

You may wonder how this misclassification can impact you. First, most General Liability policies have a clause for "misrepresentation." This allows the insurer to cancel your policy mid-term in the event they were not adequately informed of your operations, either by you or by your agent. (The only other time an insurer has the right to cancel mid-term is for non-payment of premium.)

Second, in the event of a claim, an adjuster would likely note that the operations described on the policy and/or application for coverage differ from your actual operations. In this situation, the claim would likely be paid, but could result in subsequent problems. If, for

example, your policy shows you as a repair facility and you have a claim regarding a body you installed onto a chassis, the insurer would be made aware of the discrepancy. This could mean non-renewal, a very sizeable increase in premium or even mid-term cancellation.

As the U.S. moves away from the soft insurance market it has enjoyed for the past decade, and toward a hardening market, the need for proper classification becomes more important. Insurers are reviewing risks with more scrutiny, agents are required to provide a clearer picture of the client's operations and pricing is increasing to reflect these changes.

The current insurance climate is one that encourages you to understand your policy and to review it thoroughly with your agent for accuracy. This can prevent a possible problem which could not only cause unnecessary frustration, but cost additional premium dollars.

*As the preferred insurance agency of the NTEA, JD Fulwiler developed the Protection Plus program to provide the industry with underwriting, risk assessment and loss prevention services. JD Fulwiler will shop among many top insurance carriers with which it does business to find a coverage solution that best meets your needs. For more information on the Business Insurance Program, visit NTEA.com or call 1-800-441-6832. ♦*

<sup>1</sup> Insurance Services Office (ISO) is a provider of, among other things, regulatory and underwriting data which is used by insurance companies across the United States. Nearly all insurers use ISO classification data when underwriting a risk.

## PROTECTION PLUS

INSURANCE PROGRAM FOR THE WORK TRUCK INDUSTRY

At JD Fulwiler & Company Insurance we are dedicated to serving NTEA members and affiliates with our specially designed **Protection Plus** program. This NTEA-preferred program has availability for all companies, regardless of how small or how large. We provide consistent underwriting guidelines you can count on from underwriters who are experts in the work truck industry. Protection Plus Program Coverages Include:

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- Workers Compensation
- Crime/ERISA
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- Dealers Open Lot
- Garage Liability
- Garage Keepers
- Personal (home, auto, etc)
- Employee Benefits
- Employment Practices Liability

Contact Our Work Truck Industry Insurance Specialist Today!

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