

Protect Your Business: Selecting the Right Insurance Policies

Having the proper insurance is crucial to any small business. However, when you factor in the very expensive, and sometimes priceless, cars that many rod shops work on, having the right insurance is absolutely mandatory.

By Amy Lillard

There's no doubt that smart shop owners believe in the power of insurance as a necessary and important expense to prevent disaster.

"Insurance is absolutely critical," said **Jim Barber**, owner of **CARS, Inc.** in Belews Creek, North Carolina. "If I had any type of claim at all, any loss at all, I could not afford to stay in business without the protection of insurance. I have 40 to 50 cars underway at any time, and that's a lot of risk. I'm not a gambler, and this is too big of a gamble for anyone."

But how do you even start? How do you choose the insurance that will be a good value, but protect your shop and your peace of mind? To find out, *HRR* talked to experienced shop owners and insurance experts for tips, tales and guidance.

Understanding Insurance

Most shop owners have undoubtedly heard the horror stories of the shops that catch on fire, of uninsured owners who lose everything and get sued by clients who lose property. This specter of total devastation is a strong reason to get insurance. But there are also smaller incidents that can cause big problems without insurance.

"Insurance is an absolute must-have," said **Glenn See** of **The Garaj Mahal** in Knoxville, Tennessee. "If you're building an automobile from scratch, and there's a product failure, the customer will come to you for restitution. In cases of accidents, you'll be at fault. Even just hanging out at the shop, talking and relaxing with friends: if anyone gets cut on a razor blade and gets

tetanus, that's your responsibility. Just like the GMs and other biggies, any noteworthy shop should protect themselves."

So why don't more shops have insurance? For some, it can be a cost issue. Shop owners can spend thousands each year for insurance and never see any return. All of our sources have been paying for insurance for up to 15 years, and none have experienced a large loss or claim. That's great luck, but it's also money spent that will never come back.

The owners acknowledge that, and jokingly lament the pain to their pocket. But it's worth it, for security and some very real business benefits.

"No one wants to pay for insurance," said Barber. "But for me it's a sales and marketing tool to get the higher-end jobs. I honestly think I wouldn't get some of the cars I do if I wasn't insured."

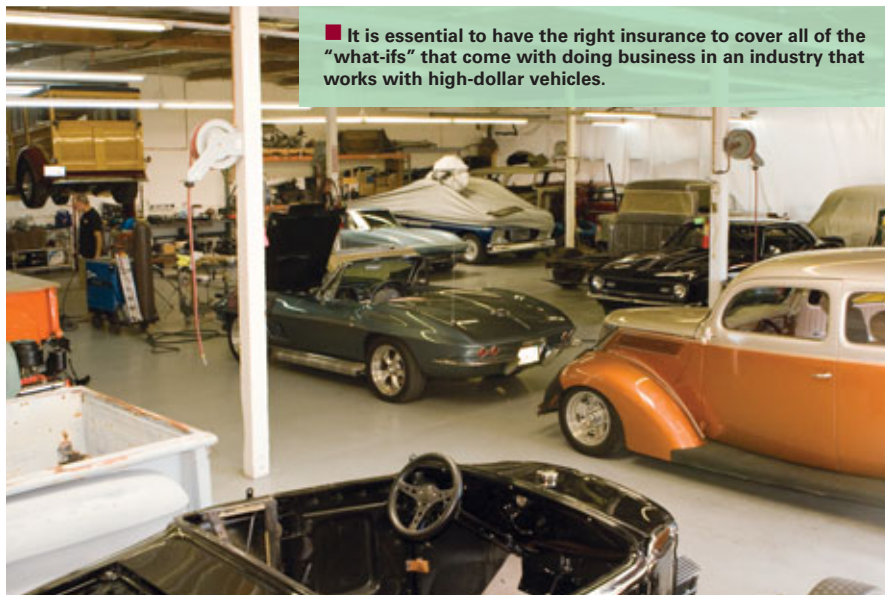
"Plus, the cost of insurance comes from the customer in the end," Barber continued. "My cost per hour to do business includes the cost of insurance coverage. I make sure to tell customers that, inform them that once the car is in my care, custody and control it's going to be taken care of. That increases their comfort level and my business."

Some rod shop owners are anxious about insurance because of the many unknowns. It can seem overwhelming and frustrating to think about insurance. Some owners may forgo the entire process and trust to chance. In reality, getting insurance for a rod shop can be much simpler and less worrisome than many people think.

The Insurance Process

According to **Adam Baillie** of **Hayward Tilton & Rolapp Insurance Association** in Anaheim, California, shop insurance works in steps. Everyone must start with what the government says is mandatory, which is worker's compensation. If a shop has even one part-time employee, it is required by law to have this type of coverage.

The next step is the building. Many business owners don't own the building



“Your shop isn’t a hobby, but a business. You need insurance to protect it.”

that houses their shop, so general liability insurance is needed to protect the landlord in case a customer slips and falls or a more serious accident occurs. With these two basic policies, owners can then add on additional plans for different things, including garage coverage, inventory coverage, tool and equipment coverage and more.

Shop owners can make a good start on full coverage with these guidelines in mind. But there are a few landmines to navigate, the trickiest of these being how to determine limits.

“The most common mistakes owners make are with limits and valuing inventory,” said Baillie. “A shop owner can estimate their inventory at \$500,000. If the inventory is actually closer to a million, some companies will penalize you in the case of a loss.

“Even if the loss damage from a fire is only \$100,000, because you’re under-insured by 50 percent, the company will penalize you by that amount. These limits and penalties can apply to all property coverage, inventory and business interruption policies.”

Making sure that you’re covered for any eventuality, enough to prevent tricky situations like under-insuring, can be tough if you go it alone. That’s why owners who attest to the power of insurance recommend relying on an expert you trust.

“Talk to someone who knows what they are talking about,” said **Steve Dennish** of the **Limeworks Speed Shop** in Whittier, California. “For what it costs, you want to make sure you’ll never be one of those horror stories where one accident wipes you out. Getting a good insurance agent gives me peace of mind, which I can pass on to my customers.” How do you find this elusive expert that can guide you through the options, won’t try to sell you things you don’t need, and can be relied upon for advice in the years to come?

Seeking out an insurance agency that deals specifically in rod shops and restoration has become a challenge in recent years. For the third time in 10 years, Barber of CARS, Inc. received notification this month that his insurance carrier is dropping him, for the reason that they are no longer underwriting the industry. Barber and Baillie both think that many

companies are increasingly leery of the priceless cars that come in and out of shops, and the risk represented by so many of them in one place. Baillie also believes many companies get stuck trying to find one policy that will cover all the body work, engine work, parts manufacture and retail that may occur in one place.

As a result, the best bets for rod shop owners may be smaller companies that are used to customization, and personal referrals.

“I recommend the small regional companies that are good at giving a nice simple product,” said Baillie. “Throughout the Midwest and the East Coast in particular, there are many insurance providers that are smaller, stick to their region, and provide very inexpensive and broad coverage. It’s probably the best option for many owners.”

The business owners interviewed for this article all found their insurance agents by another simple means: contacting the insurance agent responsible for their health, life and home insurance and asking for a referral. Through networks and personal connections, their agents were able to guide them to the appropriate people.

“I went to my local insurance agent and it was a no-brainer,” said See of The Garaj Mahal. “Getting insurance sounds scary, but it’s actually easy. You just answer a few questions or fill out a questionnaire, which takes a few minutes of your time. It doesn’t cost anything to talk to a broker and get a quote.”

To make sure you get the best quote, and to sleep better at night, honesty is critical.

“Be honest and get what you can afford,” said See. “Don’t try to hide stuff, or think you can’t tell them everything you do. Never underestimate your liability and risk, thinking you can’t afford full coverage; the difference between a \$200,000 and \$300,000 liability plan, for example, is only dollars. The risk of not being complete and honest is huge lawsuits.”

At most companies you approach, the process will likely be similar. The broker needs to gather key information from you,



■ A shop that is properly insured will help to ease the mind of potential high-dollar customers. “I honestly think I wouldn’t get some of the cars I do if I wasn’t [properly] insured,” said Jim Barber of CARS, Inc. (shown here.)

and they will send it to their insurance company for a full quote. Baillie advises shop owners to talk to a few agents to compare service and quotes, and not to make a final decision on price alone.

“You don’t always want to go with cheapest price,” said Baillie. “You can spend \$10,000 on a Kia, but it’s not the same as a \$50,000 Lexus. Just like cars, insurance policies are not built the same, so you want to judge plans based on price, quality and your comfort level.”

Finding a good insurance agent, someone you trust, will pay off tremendously down the road. Before making business operation changes, a good insurance agent can advise you on changes to insurance cost. In the event of a loss, a good agent will guide you through the process. When you need advice in any business area, a good agent will be able to provide expertise and referrals.

“Don’t be afraid of insurance,” said Barber. “Be honest and open, and you’ll be protected. Plus, use it to your advantage as a marketing tool.”

“Insurance is for peace of mind as much as anything, but it’s also about taking your company seriously,” added Dennish of Limeworks Speed Shop. “Your shop isn’t a hobby, but a business. You need insurance to protect it.”