

# RiskTopics

## Temporary storage of dealership inventory

During economic downturns, temporary service interruptions or emergency situations (hurricanes; floods, civil unrest, wildfires, etc.), some dealerships may choose to move portions of their inventory to offsite storage. Care needs to be taken to ensure that these vehicles are safe from harm while in storage and ready to be brought back once the situation returns to normal.

### Introduction

Many circumstances could lead a dealership to put all or part of its inventory in storage. Typically, these circumstances are temporary, and those vehicles will be needed when conditions return to normal. These vehicles should be properly protected to prevent losses due to fire, theft or other damage. Careful consideration should be taken when selecting a site and parking arrangement to ensure the vehicles are protected and ready for sale when needed.

### Discussion

Regardless of why the vehicles are being moved, management needs to consider the following exposures:

- Fire
- Theft
- Malicious damage
- Natural catastrophe (hail, flood, high wind, etc.)

The decision to move inventory offsite is a difficult one for most dealerships as it has many implications for the business. To ensure your business is protected during unusual changes to your operation, talk to your broker or underwriter about the insurance implications of moving your vehicles to a storage area.

Multiple parking areas may be needed to store all or most of your inventory. In general, try to keep the accumulated values at risk as low as possible. Also, parked vehicles should be emptied of stock and tools to the extent possible to reduce the threat of theft. High-value hard-to-replace or

attractive vehicles (luxury brands, rare or high-performance vehicles, etc.) should receive special attention when placed into storage and indoor (protected) storage should be considered.

## Guidance

### Location

- Evaluate the site characteristics:
  - Is the site in a floodplain?
  - Are there low-lying areas where localized flooding could occur?
  - Are there structures, trees or debris that could collapse or be picked up in strong winds?
  - Is the site free from brush, trash or grasses that could propagate a fire?
  - Is the parking surface in good condition and designed to accommodate the weight of the vehicles?
  - Is a local fire department able to access the site in case of a fire?
  - How long would it take for the fire department to respond to a fire?
  - Is there a source of water for the fire department to use to extinguish a fire?
- If parking in a structure, in addition to the above:
  - Is the structure equipped with an automatic fire sprinkler system?
  - Is the fire sprinkler system designed to protect vehicle storage?
  - Is the fire sprinkler system in working order? Maintained? Tested?
  - Is the structure engineered to accommodate the potential fire load represented by the vehicles?
  - Is the building envelope structurally sound? Weatherproof?
- What other items are stored in or near the storage area?
  - What is the proximity to other buildings?
  - What is the proximity to storage of:
    - Flammable liquids
    - Combustible materials (e.g., pallets)
  - Other vehicles? (are they attractive to thieves and/or vandals?)

### Arrangement

Separation between the vehicles can reduce the speed at which a fire could propagate and will allow for safe parking of the vehicles. Separation will also make it easier to tow or transport service vehicles when they are brought back into service.

- Park vehicles nose out to facilitate access to the engine compartment and batteries.
- Park vehicles in clusters, maintaining at least 15 feet (5m) distance between the clusters of vehicles.
- Park vehicles 50 feet (15 m) away from buildings if using surface-level lots.
- Park vehicles away from perimeter fencing to discourage “smash-and-grab” thefts and vandalism.

### Security

Vehicles in storage are attractive to thieves who may attempt to strip parts from the vehicles or take the vehicle itself.

- Physical barriers
  - Is the storage area fenced with a single entrance/exit?
  - Is the fence in good condition?
  - Is the fence permanent and sufficient to prevent unwanted entry?
  - If in a parking structure or building, is it arranged with a single entrance/exit?
  - Is entrance/exit equipped with bollards or gate to prevent unauthorized exit?
- Lighting
  - Is lighting provided to illuminate the entire storage area?
  - Do lights automatically turn on at night?
  - Is lighting sufficiently bright?
- Cameras
  - Is storage area equipped with recording cameras?

- Does camera system cover entire parking area?
- Do cameras have sufficient acuity to provide recognizable pictures to police, even if pictures are taken at night?
- Is camera footage recorded off-site?
- Can recordings be accessed remotely (via internet or smartphone application)?
- Guards
  - What hours do guards work at storage area?
  - Is entrance/exit monitored/operated by on-site guards?
  - Do guards patrol storage area? Are the patrols recorded?
  - Do guards monitor cameras?
  - Is an emergency alarm system provided for guards to alert police?
  - Do guards monitor the weather (e.g., hail) so vulnerable vehicles can be protected?

### **Mechanical**

Work with your employees or vendors to determine a regular schedule for maintenance of the vehicles while in storage. For example, running the engines occasionally will keep the batteries charged and circulate oil and other fluids.

- Utilize engine/battery isolators to reduce fire inception potential and inhibit drive-away thefts.
- Use passive theft-deterrent systems.
- Store vehicle keys in a secure area, away from the vehicle storage location.

## Conclusion

While painful, sometimes placing their inventory into temporary storage may be the best decision a dealership can make. Taking steps to protect the safety and security of these vehicles will help to ensure they can be returned to your lot when operations return to normal.

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The Zurich Services Corporation  
Risk Engineering  
1299 Zurich Way, Schaumburg, Illinois 60196-1056  
800 982 5964 [www.zurichna.com](http://www.zurichna.com)

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