



Insurance for Carwash Businesses

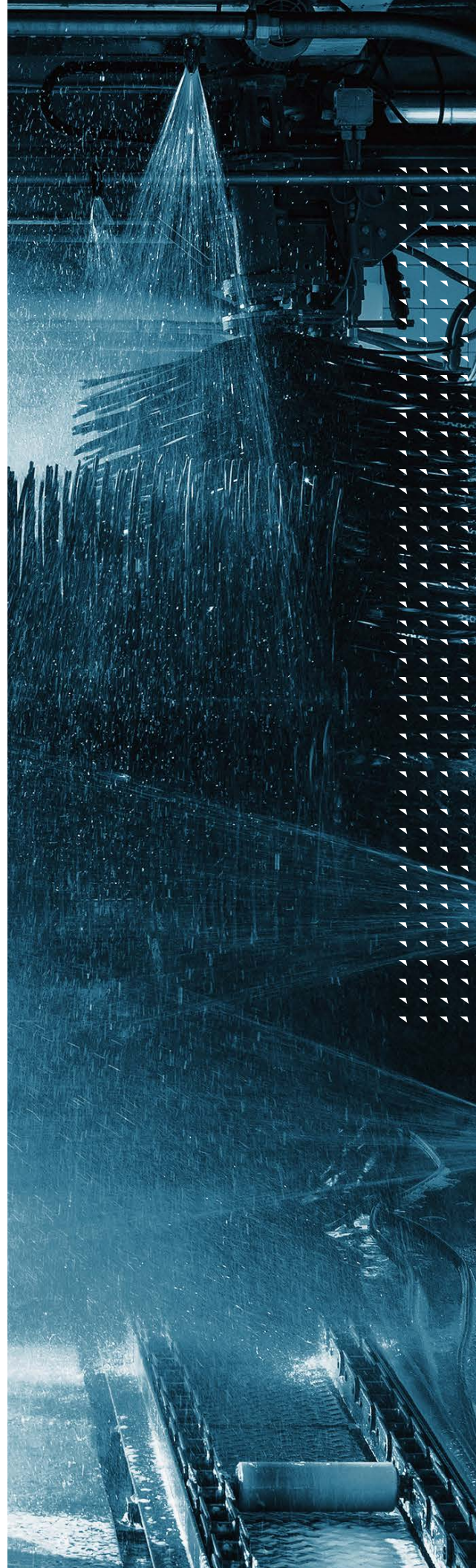




Table of Contents

- Part 1: Introduction
- Part 2: Slips, Trips, and Falls
- Part 3: Common Claims
- Part 4: Typical Carwash Mistakes
- Part 5: Stolen Vehicles
- Part 6: Workers' Compensation Audits

PART 1

Introduction

You can do everything right. Keep your clients happy. Treat your employees well. Have a sound business plan. Risks will always abound. And although these risks are a part of running a carwash business, taking the right precautions and putting the proper insurance program in place can put you on the best path for long-term success.

Don't worry if you don't know where to start. This e-book is a good first step. Read each

chapter and consider the risks and your exposures. The path to peace of mind is education and action.

We'll cover slips, trips, and falls; common claims; top insurance mistakes to avoid; and more. You'll learn how to avoid easy mistakes and further protect your carwash from detrimental claims.

PART 2 | Slips, Trips, and Falls

Understanding and reducing accidents at your workplace

"Carwashes can become virtual breeding grounds for potentially devastating accidents."

According to the University of Wisconsin (UW), slips, trips, and falls account for the majority of general industry accidents in the Unites States. These specific accidents are also among the top five causes for workers' compensation claims in most states.

Carwashes have water, cleaning products, industrial equipment, cars and trucks, leaked oil and automotive fluids, and other hazards—and can become a virtual breeding ground for potentially devastating accidents. And for carwashes operating in colder climates where ice can quickly form, the risk for slips, trips, and falls increases, along with the potential for broken bones, sprains, pulled muscles, head and back injuries, and cuts and lacerations.

Strategies and Culture

According to the National Safety Council, 880 workers died from slips, trips, and falls in 2019 and 244,000 had to take time off work because of severe injuries from slips, trips, and falls. Implementing an effective slip, trip, and fall program requires the right tools, people, and communication. Everyone on your team needs to know the policies, procedures, roles, and responsibilities—and they need to feel empowered to speak up when a potential hazard is spotted. This not only requires clearly defined strategies but a workplace culture that centers on safety.

Share with Your Employees

What good is a risk management plan if your employees don't know about it?

Make reviewing the plan and safety process a part of your hiring and annual review processes.

Quick Tips

Here's how you can protect your customers and your employees from slips, trips, and falls:

Customers	Employees
Take the time to identify, control, and eliminate the hazards around your carwash to lower the chances of slips and falls.	Make sure that your employees have the proper clothing and shoes to provide your carwash services.
Walk the path that your customers take when utilizing your services and look for tripping hazards such as uneven pavement.	Walk the path that your employees most often use to provide services and keep the area free of tripping hazards, such as uneven pavement, hoses, etc.
Make sure that all of your walking surfaces are free of loose rocks, potholes, uneven floors, and broken sidewalks.	Individuals working in water in the prep area must have waterproof boots and OSHA-required attire.
Keep the lobby clear of clutter and inventory boxes and mark any areas of the floor that had recent spills, been mopped, or cleaned with water. Be careful not to over-wax or polish your lobby floor.	Make sure that your employees walk and don't run while working at the carwash. It's common for a thin layer of water to exist between the sole of the shoes and the pavement, much like a hydroplaning situation with car tires.
Secure or avoid throw rugs, especially those on wood or tile floors, or those that curl up on the ends that would cause a tripping hazard.	Employees must remain focused on their work and free of distractions.
Do not run any electrical cords over walk areas.	Keep your equipment and chemical rooms clean and free of tripping hazards. Only allow authorized individuals to be in these rooms.
Install a grab bar in the toilet area to assist customers.	Soles and heels of shoes should provide good traction and be slip resistant.
Make sure that all customer-seating areas are safe, level, and secure.	Clean up oily, greasy, or muddy pavement immediately.
Keep young children and pets supervised at all times since obvious dangers are not always apparent to them. Don't let children climb on your tables or jump off stools or benches.	Never allow the use of a "make-shift" ladder in place of a real ladder when trying to wash or dry hard-to-reach areas on a vehicle. Prevent the use of the customer's truck tire as a stepstool.
Make sure that you and your carwash staff are always looking out for the customer by keeping a keen eye on them as they use your services, especially when in the drive-in and drive-off area.	Provide proper lighting throughout the carwash, including the lobby and employees' break room.
Don't forget about being ADA compliant.	It's imperative that all employees are aware of moving vehicles at all times, not just the ones in the drive-on and drive-off areas. A slip or fall involving a moving vehicle could end up being an ugly claim for any carwash.

PART 3 | Common Claims

6 Strategies to reduce claims at your carwash

According to *Insurance Journal*, 40% of small businesses are likely to experience a property or general liability claim in the next 10 years, and carwashes are no exception. Carwashes are vulnerable to common claims, including burglary, theft, property damage, and even reputational harm.



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6 Strategies to Help You Cut Claims at Your Carwash



1. Slips, trips, and falls

Make sure all areas are dry and use slip-resistant mats whenever possible. Additionally, store all tools and hand-held equipment properly to prevent tripping hazards.



2. Car-related property claims

Whenever you have moving cars, workers, and heavy machinery in close proximity, accidents can happen. And when they do, they are likely to be costly. Use precautions to keep vehicles, employees, and customers safe and in their own designated areas.



3. Chemical spills

Know the proper storage, handling, use, and spill response for all the materials in your carwash, especially chemicals. It's also a good idea to develop a worksite response plan that follows all local, state, and federal regulations, as well as OSHA guidelines.



4. Poisoning

When using chemicals, cleaning supplies, and industrial compounds, follow all applicable usage, storage, and disposal procedures and train employees to identify the warning signs of exposure.



5. Carbon monoxide (CO) exposure

Install an effective ventilation system capable of removing CO from work areas. Maintain equipment, space heaters, boilers, HVAC systems, and water heaters—and promote safe operation. Don't use gas-powered engines in poorly ventilated areas and make sure CO monitors with audible alarms are operating and checked regularly.



6. Safety and coverage

Develop documented safety and security plans and standardize hiring and employee guidelines. Also, talk with your insurance carrier to review your coverages and find out if there are other ways you can lower your risk profile.

Claims happen, but if you follow established best practices, carry the appropriate liability insurance, and successfully defend against illegitimate claims, you can protect your carwash business, your employees, and your customers.

The Right Insurance Protection

General liability and workers' compensation insurance are central components of your risk management program and can help protect you in the event of a claim. But simply having insurance isn't enough. You need to make sure you have the right insurance for your specific needs and risk profile. An important first step is to talk with your insurance provider and request a policy review.

Once the policy review is completed, consult with your legal counsel, local professional services organization, or other groups that might be able to provide insights into ways you can keep your business safe. Then take what you have learned and create a risk assessment and management plan.

Watch Out for These Additional Common Claims

- ▶ **Chemical spills**
Any spill can be a major threat to your operation and equipment and a major cause of slip, trip, and fall accidents. But chemical spills can cause even more problems for your customers, employees, and the environment.
- ▶ **Poisoning**
Spills aren't the only threats chemicals pose; there's also the risk of poisoning. Dangerous exposure can occur through inhaling hazardous vapors, dusts, fibers, and other particulate matter; by contact with skin and eyes; or by swallowing toxic materials. Follow all applicable usage, storage, and disposal procedures and train employees to identify the warning signs of exposure.
- ▶ **Carbon monoxide exposure**
Carbon monoxide (CO) is a poisonous, colorless, and odorless gas that can result from the incomplete burning of natural gas and other materials containing carbon such as gasoline, kerosene, oil, propane, coal, or wood. One of the most common sources of CO exposure in the workplace is a car's engine.

The Power of Documentation

In most small claim situations, the burden of proof rests with the plaintiff. They must be able to prove that the damage was caused by your carwash equipment or employees. For this reason, your best defense is strong documentation. Video evidence can be extremely insightful and compelling. Make sure your video surveillance system is operating properly at all times.

Here are just some of the car-related claims that could impact your operation and your premiums:

- ▶ Vehicles bumping into each other
- ▶ Damage caused by cars moving through the tunnel
- ▶ Employees driving and damaging customer vehicles
- ▶ An improperly set parking brake
- ▶ Cracked windshields, scratches, clear coat paint damage
- ▶ Vehicle theft, vandalism, customer property theft
- ▶ Damage caused by a large vehicle entering the bay
- ▶ Customer injury caused by a carwash operation



PART 4 | Typical Carwash Mistakes

Avoid top 5 insurance mistakes carwashes make

"It never hurts to ask for ways to reduce your insurance rate, and many times, you can get a lower price for bundled policies."

Insurance is a vital part of your business and is crucial to your long-term success. It protects your business, your employees, and your customers against a range of risks. But it can be complicated. And there are seemingly simple things that can be overlooked—and that can lead to a range of costly mistakes.



5 Insurance Mistakes to Avoid

1. Not doing the due diligence

When shopping for insurance, conduct an accurate comparison of benefits, policy limits, and premium. Research your coverage. Many insurance carriers have comparison and pricing tools available online. This can give you a strong baseline of information, but it's also important to speak to an insurance representative.

2. Going cheap vs. looking for value

When it comes to insurance coverage, you often get what you pay for. Or didn't pay for. Although it might seem like a good idea to purchase the most affordable coverage, you could be exposed in the event of a claim. If the claim exceeds your coverage, you could be on the hook to cover it, and that could force you to close your doors.

3. Missing out on the discounts

It never hurts to ask for ways to reduce your insurance rate, and many times, you can get a lower price for bundled policies. It's also a good idea to find out about experience modification rates (EMRs) and how they can lower your premium based on your actual risk profile, rather than a pre-set formula.

4. Under- or over-estimating

Take the time to assess the true value of your buildings, property, and other tangible assets. By knowing the full value of your operation, you can more accurately determine your insurance needs.

5. Skipping the annual review

Your business changes every year, and so do your insurance risks. That's why it's important to make reviewing your insurance policies a part of your annual business planning process. Work with your insurance provider, your legal counsel, and other risk management experts to make sure the coverage you have meets your current and future needs.

PART 5 | Stolen Vehicles

How to prevent stolen vehicles checklist

"There were 873,080 auto thefts in 2020."

According to the National Insurance Crime Bureau, there were 873,080 auto thefts in 2020. The amount of auto thefts increased by 9.2% from 2019 to 2020—that's an increase of more than 73,000 stolen cars. What's more, thieves are becoming more innovative. Automobile theft is a crime of opportunity, and a carwash can provide thieves with just the opportunity they are looking for.

Here are two common scenarios:

Scenario 1

A woman dropped off her car at a carwash in Simi Valley, California. When the carwash was done, her car was picked up by someone posing as the owner. The theft took place during daylight and business hours.

Scenario 2

While vacuuming her car at a self-service carwash, a central Arkansas woman's car was stolen. A car pulled up next to her, and two men got out. When the woman was hanging up the vacuum, one man ran up, jumped into the driver's seat of the woman's car, and took off.

Follow These Steps to Prevent Theft at Your Carwash

- ☒ **Put procedures in place**
Once a customer has released their vehicle to be washed, detailed, or serviced, it's now in your care and custody. That's why it's essential to establish procedures for every vehicle that enters your property—and to make sure those procedures are followed at all times and by all employees.

- ☒ **Make a show of security**
Visible security cameras serve more than one purpose. They will be able to record someone making their way onto your property, can help you identify trespassers, and can serve as proof if any trespassers are prosecuted. Security cameras also can be deterrents against thieves. Criminals usually look

- for easy targets, and most will think twice about breaking into a carwash if they notice security cameras.
- ☒ **Watch out for common hazards**
There are places at your carwash where the risks are higher because of the work being done—the vacuum, hand wash, or drying areas, for example. Never leave the vacuum area unattended when a vehicle is present, and all employees stationed in the drive-on area should be aware of every vehicle.
- If you vacuum before the tunnel entrance, do not leave the car door open with the keys in the car before it is secured onto the conveyor in the staging area. If you're worried about the vehicle's door locking system, leave the driver's side window down a few inches until you're ready to wash the vehicle.
- Do not leave the keys in the car while drying it off. Put the keys somewhere accessible yet safe.
- If a customer needs to retrieve items from their vehicle, always have a carwash attendant assist them. Keep control of the keys; do not just hand them over and wait for the customer to return them to you.
- ☒ **Keep the area clear and controlled**
Make sure all non-employees are kept out of the tunnel and conveyor area. No customers, friends, family members, or any other non-work-related personnel are to be allowed anywhere other than the customer seating area of the carwash. It only takes a second of distraction for a vehicle to be stolen, and distracted employees are also more at risk for injury.

- Ensure that only a designated driver is operating the customer's vehicle when driving it off from the tunnel. Have the individuals who are allowed to drive these vehicles wear distinctive shirts or uniforms. Such consistency will help minimize the risk of a stolen vehicle.
- If a vehicle needs to be moved for any reason while in the dry-off area, don't let just any carwash attendant do so. Have a set procedure of allowing only supervisors and drive-off personnel move the vehicle.
- ☒ **Check in and check out**
Never release a vehicle without looking at the receipt and cross-referencing it with the receipt that was attached to the vehicle by your service writer. If you use license plate numbers on your receipt, make sure that the characters match the license plate. If no receipt, then send the customer back inside to get a duplicate receipt. Follow this procedure for each vehicle, even if you know the customer. If a customer has left your property, then the vehicle must be moved to a safe parking spot. Remove the keys and place them in a safety box that's only accessible to designated individuals.
- ☒ **Review and reassess**
Take the time to review your procedures. Study the transfer processes, such as how your employees hand over the keys to the customers. You may identify weaknesses in your operation that can be corrected or improved. You may also identify better ways to conduct business. It's also a good idea to contact local law enforcement. Many offer free assessment services to review your security measures and systems.



PART 6 | Workers' Compensation Audits

5 steps to ensure a smooth audit

Workers' Compensation Audits: More Common and Costly Than You Think

Audits can cause anxiety and discomfort. And although you may be fully aware of the pain and tedium associated with an IRS audit, there is another, more common type of audit that should demand your attention: workers' compensation audits.

Many states, California in particular, require insurers to audit workers' compensation premium greater than a certain amount. This means the chances of a workers' compensation audit are much greater than one by the IRS, and it can be just as serious. In a worst-case scenario, a workers' compensation audit can result in a lien against a business or even prosecution.

How Workers' Compensation Audits Work

Workers' compensation premiums are based on a business's payroll, which

can vary over time. The main purpose of an audit is to determine if the payroll reported by a business on its application is approximately the same as its payroll at the end of the policy term. If the payroll is considerably different, the insurer will adjust the business's premium.

For example, let's say a certain carwash, Super Duper Clean, has:

- ▶ An initial estimated payroll of \$200,000
- ▶ A rate of \$0.15/\$100 of payroll
- ▶ A conditional premium of \$300 ($200,000 \times 0.15/100 = 300$)

However, thanks to a number of factors, Super Duper Clean had a banner year and hired more help. An audit showed that its payroll at the end of the policy term was actually \$350,000. Super Duper Clean's insurer then billed it for an additional \$225 ($350,000 \times 0.15/100 = 525 - 300$). On the

other hand, if the annual payroll were actually less than originally estimated, it would have received a refund.

For most carwash operators, whose business success depends on the weather, it's difficult to accurately project what the final payroll will be and when the workers' compensation policy expires. Insurers, however, use payroll to reflect the amount of risk they assume

and will often audit a business to ensure that they've collected the appropriate premium.

An audit provides an insurer with the information it needs to determine your final premium.

A workers' compensation audit is serious business, but there are several steps you can take to ensure that everything goes smoothly.

5 Best Practices to Ensure a Smooth Audit

- 1. Do some legwork.** It's easier to manage your workers' compensation costs if you provide an accurate estimate of your payroll at the start of your policy. Lowballing payroll can mean a hefty premium on the back end of an audit, which can be disruptive to a carwash operator.
- 2. Respond to an audit request in a timely manner.** An insurer's right to audit is a part of your insurance contract. Failure to respond to an audit request is a breach of contract.
- 3. Gear up for an audit early.** Ask your insurer what information it needs. This information often includes tax returns, payroll records, job classifications, accounting statements, and certificates of insurance, among other documents.
- 4. Attend to the details.** Failure to provide accurate information can mean you could be prosecuted by the state.
- 5. Make sure your CPA works with your insurance broker.** Audits are complicated. Some payroll-like severance pay or a portion of overtime pay can be deducted from your payroll, which could lower your final premium. Deductions vary from state to state. It's important to work with an insurance broker who knows the ins and outs of the process.

An insurer can conduct a workers' compensation audit up to three years after a policy expires, so it's important to maintain a relationship with your insurance broker. Working with a broker who knows your carwash operation can greatly increase the chances of seeing that an audit runs smoothly.

About the Western Carwash Insurance Program

The Western Carwash Insurance Program has been the carwash industry's insurance partner of choice since 1994. Endorsed exclusively by the Western Carwash Association, the program is custom designed to cover the unique and wide-ranging risks facing carwashes throughout the west. Built by carwash operators for carwash operators, we provide a comprehensive barrier of coverage for all aspects of the business, whether self-service, automatic, express, flex, or full-service. Our depth of experience, strong carrier relationships, and VIP service enable us to provide the highest possible standard of insurance excellence at the most competitive rates in the market.

About Alliant Insurance Services

Alliant Insurance Services is one of the nation's leading and fastest growing distributors of diversified insurance products and services. In the face of increasing complexity, our approach is simple: bring on the best people and invest more deeply in the industries and clients we serve. We operate through a network of specialized national platforms and regional offices to offer a comprehensive portfolio of services to our clients. Our goal is to ensure that they get the most innovative products—and innovative thinking—in the industry.

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