

Loss Prevention

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Responding to automobile safety recalls: How to keep your business and your customers protected

When a safety recall is issued by an auto manufacturer, potential risks can extend beyond the manufacturer and affect other automotive businesses.

It's important for automotive businesses to have a plan-of-action in place to help address potential issues arising from recalls that can have an immediate impact on their inventory or fleet. This bulletin will provide recommendations to help auto dealers, fleet managers and service and repair shops respond to auto safety recalls.

When to go public

Many vehicle issues affect non-safety related systems and can be addressed during regular vehicle maintenance service visits. However, when defects affect the safety components or systems on specific models, or models manufactured during specific model years, manufacturers must take action to warn owners and the public of potential safety concerns.

To communicate this information, manufacturers are required file a public report describing the safety-related defect or non-compliance with a motor vehicle safety standard, the corrective action being taken and provide warnings to the public, and any involved or related parties. Manufacturers also need to notify the National

Highway Traffic Safety Administration of any vehicle safety recalls.

Addressing the problem

First and foremost, we encourage you to follow the manufacturers' advice and prioritize the repair of consumer vehicles first, followed by dealer inventory.

If you operate a dealership, you should be prepared to establish a specific action plan on how to implement, check and verify that the repairs were performed correctly and completely. Detailed service and repair records should be maintained, copied and stored electronically with the necessary backup in place to reproduce the records in the event of a fire or other possible physical damage.

A detailed process of service and repair records should include who fixed the car, what procedures and tests were completed and by whom, when they were completed, and a confirmation of the work by the service manager to verify it was done correctly. Documentation of the process will help ensure your dealership is following the manufacturers' instructions.

Recommendations

Due to the quickly changing circumstances and complexities of recalls, business owners should consider the following actions until appropriate repairs can be made:

Franchised Auto Dealers

- Do not sell, rent, loan or lease any of the recalled vehicles, **NEW** or **USED**.
- If you are a franchised dealer not affiliated with the recalling manufacturer, send all used/pre-owned inventories affected by the recall and to an authorized repair facility.
- Suspend the use of recalled demonstrators, service loaners and furnished autos to employees, clients, family members, institutions, sponsored events and any other individual or business.
- Suspend the practice of test drives on affected inventory.
- Recall any rental fleet vehicles in use from the factory or that you independently own and rent as part of a fleet rental program.
- Notify customers bringing recalled vehicles into your business for service that their vehicle is subject to the recall, and make repairs immediately. In addition, you should provide customers with a printed recall notification and ask them to sign a disclosure statement acknowledging receipt.
- Continually monitor the manufacturers' web site for the latest information

Independent Auto Dealers

- Remove all used/pre-owned inventory affected by the recall and send to an authorized repair facility.
- Suspend the use of recalled demonstrators, service loaners and furnished autos to employees, clients, family members, institutions, sponsored events and any other individual or business.
- Suspend the practice of test drives on affected inventory.
- Review past sales records, identify recalled vehicles, then contact the customer and refer them to a franchised auto dealer or other authorized repair facility.
- Notify customers bringing recalled vehicles into your business for service that their vehicle is subject to the recall, provide them with a printed recall notification and ask them to sign a disclosure statement acknowledging receipt.
- Do not attempt to provide an interim remedy of your own or any repairs not specifically directed by the manufacturer.
- Continually monitor the manufacturers' web site for the latest information

Automotive Service & Repair Businesses

- If you are an owner of an independent repair facility, you should follow the advice and direction as provided by the manufacturer.
- Notify customers bringing recalled vehicles into your business for service that their vehicle is subject to the recall, provide them with a printed recall notification and ask them to sign a disclosure statement acknowledging receipt.
- Do not attempt to provide an interim remedy of your own or any repairs not specifically directed by the manufacturer.
- Continually monitor the manufacturers' web site for the latest information

More information

For more information on how you can protect your business, contact your Zurich account executive or call 800-840-8842 ext. 7449. Or visit us online at www.zurichna.com/zdu.

For more information about automotive recalls and safety concerns, visit the manufacturers' web site or the National Highway Traffic Safety Administration, www.nhtsa.dot.gov.

Other automotive-related resources:

www.consumeraffairs.com/automotive

www.nada.org

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