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Wheelspin

Car Insurance May Not Cover You at the Track

By ROY FURCHGOTT

IT'S no secret that insurance companies don't like the people they cover to drive fast. So it shouldn't be a surprise that the industry has been removing a policy loophole that insured drivers on racetracks.

That has left weekend warriors uninsured if they participate in track days or attend high-performance driving schools. Jerry Kunzman, executive director of the National Auto Sport Association, said that participation at its track events had jumped fivefold since 2003 and that many of those drivers had no idea they were not covered..

“Maybe 25 or 30 percent have done the research, the middle third just assumes they are covered, and the top third just don't have a clue,” he said.

What's happened is that many insurers have redefined the term “racing.” Policies have long had exclusions for racing, but it was defined as a “timed event.”

High-performance driver education neatly avoided that definition. Although cars may take laps at top speed, they aren't timed.

At many schools, including those held by the Porsche Club of America and the [BMW](#) Car Club

of America, students are required to attend classroom sessions. On the track, drivers get one-on-one tutoring from an instructor under controlled conditions. The cars are generally sent around the track in small groups with passing limited to straightaways — and only when the driver being passed signals that doing so is all right. So because these runs were not timed, many drivers were covered by their normal automobile policies.

That loophole did not escape the attention of insurers — some clubs practically taunted them in their newsletters. “There was a period of time when clubs were openly flouting this. ‘Take driver’s education and your insurance will cover you. Drive your car the way it was meant to be driven,’” said McKeel Hagerty, chief executive of the Hagerty Insurance Agency, an automotive specialty insurer.

So the industry began to add a new exclusion to its policies in the late 1990s, with most companies adding it within the last few years. Instead of trying to define racing, policies exclude damage at any location that could accommodate racing, timed or not. That eliminated coverage during high-performance driving schools and track days.

Chris Soignier of Austin, Tex., will not be taking his [Porsche Cayman](#) to the track, which he had done with his previous cars. When he read his renewal notice from Progressive Insurance last November, he found that the Cayman was not covered on the track.

“I don’t feel like I’m that much at risk, but the magnitude of the loss is too great for me to be comfortable,” he said.

Not all drivers got word of the change, or, like Mr. Soignier, read their new policy. Also, because insurance is regulated by the state, exemptions in Michigan, for example, may differ from those in California.

To make matters worse, asking insurers to clarify coverage could result in a nasty surprise. Mike Barr, a dentist from Palm Beach, Fla., called the insurer USAA to see if his policy covered his Subaru WRX STi on the track.

“Some months later I got a letter from USAA saying they were going to discontinue coverage,” he said. “They dropped me because I asked about” performance driving schools. “They confirmed it verbally when I called to inquire further.” A USAA spokesman said Dr. Barr was canceled for “several reasons,” but would not elaborate.

Some drivers reduce their exposure by getting an inexpensive track car. As an insurance underwriter for Chubb insurance in Whitehouse Station, N.J., you’d think Eugene Lim would be averse to risk, and he is. But he is also a driving aficionado who is qualified as a high-performance driving instructor. After 40 track days in his [Acura NSX](#), Mr. Lim discovered he was uninsured on the track. So he bought what is essentially a disposable car. “When I got really serious, I bought a turbo Miata. Six thousand dollars would still hurt, but it’s not my NSX,” which was worth about \$45,000.

Such a growing market would seem to be an opportunity — and it is. Specialty insurers have tried offering high-performance-school insurance.

“It was a difficult program,” said Laura Bergan, vice president for marketing at American Collectors Insurance. “Difficult as in, we were paying a lot of claims.” American phased out its performance-school coverage last year.

American, like other insurers who have tried the insurance, ran into a series of hurdles. To attract a pool of clients and spread risk, the policies were priced low — an average of \$500 to \$750 a year, Ms. Bergan said. The number of claims wasn’t a problem, but the cost of the

claims was. “Most of the claims were total losses,” she said.

Other companies tried higher pricing, but found few takers.

Cost is not the only barrier. Many drivers don’t think they’ll crash, and unlike regular car insurance, track insurance is not mandated by states. Drivers often confuse track insurance provided by clubs, which in most cases covers only liability and injury, with collision insurance.

The growing market still attracts new insurers. **Laura Hauenstein, president of the WSIB Insurance Agency** of Jackson, Mich., which specializes in motorsports coverage, was initially against offering performance-school insurance. She changed her mind three years ago when WSIB found a way to streamline the underwriting process.

“I would say we had 100, the first year or two, but this year we put ads in Porsche Panorama,” she said. “My numbers might be off — it could be 500.”

The WSIB premium is 3 percent of the car’s value. The deductible is \$2,500, or 4 percent of the car’s value, whichever is greater. So an experienced driver on an approved track with a \$100,000 [Porsche 911 Carrera S](#) would pay \$3,000 to cover 10 events in one year, with a deductible of \$4,000. Other companies, like K & K Insurance Group of Fort Wayne, Ind., and Motorsports Insurance Services of Los Angeles, have begun to offer the insurance, but use a more complex formula to price it.

Gene Cottingham, former chief financial officer of Champ Car World Series, which held open-wheel races, knows what track accidents can cost. So he insured his modified 2006 Mustang GT pace car for \$40,000. The \$1,200 premium seemed high at first, but “when you spread that cost over five to six weekends, it’s really not that much money,” he said.

“The purpose of insurance for me,” he added, “is peace of mind.”

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