

Insurance News

Protect Yourself from the Elements

In Minnesota, the weather can be pretty unpredictable. Even when we know the forecast, it can be difficult to protect all our assets from all of the elements. Recent flooding in southwestern Minnesota, hail in northern Minnesota, and high winds across the state have borne that out. But we can protect our businesses through insurance.

This is the reason MADA has begun working with Arthur Gallagher: to keep garage liability insurance affordable, especially when adverse weather events strike. A typical insurance company will try to get as many people/companies in a region to purchase its policy as it can, exposing it to large liabilities when disaster hits. Arthur Gallagher's strategy is to use different insurance companies in areas that are concentrated with multiple dealerships. This way, the risk is spread, reducing the likelihood of soaring premiums in response to bad weather.

If you would like to learn more, please give Arthur Gallagher a call and find out how they can help you mitigate your risk. You can reach Genevieve Cornish at 952-358-7507, or David Howard at 952-358-7523.

What to do with Damaged Inventory

If your dealership is a casualty of bad storms resulting in damaged vehicles, MADA advises you to remember the mandatory damage disclosure. There is a specific Minnesota statute that requires both a written damage disclosure and an oral disclosure for new vehicles and demos which were damaged and/or repaired.

The law kicks in if your repair costs (subject to certain exclusions) exceed 4% of the vehicle purchase price or \$500 - whichever is greater. There is a common misconception among dealers that this means that \$500 is the disclosure threshold. The statute has been around since the 1980's when it was not uncommon to have new

Protect Yourself... continued on page 3

inside

Helping Consumers with Their Credit Files

Willful Misuse of DVS Data

Boosting Your Margins

upcoming events

oct 9 Title Basics
West St. Paul

oct 10 Employee Engagement & Customer Loyalty
West St. Paul

nov 7 Service Advisor 101
West St. Paul

nov 13 Office Manager Conference
West St. Paul

nov 14 OSHA Recordkeeping
WEBINAR

nov 15 Certified Title
West St. Paul

visit
www.mada.org
for details, registration
and a complete list of
Upcoming Events and
Training

Services News

Coming Soon to an Inbox near You

In the coming weeks, MADA Services will no longer send invoices in the mail. We will be sending all invoices via email. Please call MADA Services at 651-291-2400 or e-mail kim@mada.org with the email address to which you would like all invoices sent. Thanks in advance for your help in making this a smooth transition.

MADA News

Reminder: Sales Volume Survey

Please look in your mail for the annual sales volume survey letter from CliftonLarsonAllen requesting the number of new vehicles sold from September 2017 – August 2018. Your completed survey is due back to CliftonLarsonAllen on Monday, October 15, 2018.

DON'T FORGET TO NOMINATE YOUR DEALERSHIP!



Awards will be handed out for the Half-Century and Century Clubs as well as Community Heroes during the 2018 Main Event!

Nominate a dealership for Community Heroes at http://bit.ly/MADA_heroes

Let DeAnna know if your dealership is 50 or 100 years old by emailing her at deanna@mada.org.



Minnesota Automobile Dealers Association

The Minnesota Automobile Dealers Association is a non-profit trade association dedicated to the progress of the retail auto industry in Minnesota.

Chair

Michael Stanzak, Key Cadillac, Inc., Edina

Vice Chair

Peter Kolar, Kolar Toyota, Duluth

Treasurer

Steve Whitaker, Whitaker Buick GMC, Forest Lake

Secretary

Gary Thibert, Thibert Chevrolet & Buick, Red Lake Falls

President

Scott Lambert, MADA

200 Lothenbach Avenue • West St. Paul, MN 55118
Metro: 651-291-2400 • Toll Free: 800-652-9029
FAX: 651-291-2894 • Web site: <http://www.mada.org>

SAVE THE DATE

THE MAIN EVENT

FRIDAY • 12•7•18

Protect Yourself... *continued from cover*

cars selling for \$12,500. But consider a \$30,000 MSRP new vehicle. Four percent equals \$1,200 which is the disclosure threshold because it is a higher figure than \$500. IMPORTANT: This Minnesota statute is not a safe harbor. In our example where the vehicle has an MSRP of \$30,000, even if the cost to repair was only \$900, which is less than the \$1200 threshold, MADA still recommends that dealers disclose the damage and repair. The law in its entirety can be found at <http://bit.ly/MADA-damage>.

Insurance News

Dental Rates to Make You Smile

MADA would like to remind everyone that we offer dental insurance, which is available to all new car dealers even if you are not part of MADA's health insurance program. Our dental plans are comparable - if not better - than many other plans. Our prices may even surprise you. Rates for Delta Dental through MADA Insurance are:

- Single basic dental: \$34.22
- Family basic dental: \$88.24
- Single Ortho dental: \$34.22
- Family Ortho Dental: \$95.90

Call or email now to compare policies. Contact Sue Fluegel at 651-789-2937 / sue@mada.org or Sarah Woitalla at 651-789-2938 / sarahw@mada.org.

visit us online at
www.mada.org

Legislative News

State Explores AVs

Last March, Governor Mark Dayton signed an executive order establishing the Governor's Advisory Council on Connected and Automated Vehicles (CAVs). The executive order recognizes that this is a rapidly evolving technology for which the state must prepare.

Since May, the advisory council, comprised of members from the private sector, non-profits, and the government, has been meeting to explore both the opportunities and challenges for transportation, safety, business and broader society. The council has also established a number of subcommittees, in which MADA is

participating, to get broader feedback on the potential impacts of CAVs.

With so much uncertainty about what the technology will ultimately look like and the timeline for when fully autonomous vehicles will appear, the council seems to be struggling with what role the state should take to prepare. A report from the advisory council is due December 1, 2018. MADA is watching to ensure that the report does not advance policy that adversely affects the role of dealerships or makes vehicle ownership burdensome.

Legal News

New Rights for Consumer Credit Files

Freeze, unfreeze, and then freeze again.

Thanks to a new federal law, consumers will be able to contact each of the three major credit reporting agencies and direct them to place a free freeze on their consumer credit file. By restricting access, a credit freeze makes it harder for identity thieves to open new accounts in consumers' names.

But once consumers have a freeze in place, what happens if they want to lift it so they can finance a purchase? That's where another feature of the law comes in.

Not only will it be free for consumers to freeze their credit, but they can also lift that freeze for free. And the law requires the credit reporting agencies to do it in a hurry. If a consumer asks for a freeze online or by phone, the credit reporting agency must put the freeze in place no later than the next business day. If the consumer wants

to lift the freeze – for example, to finance a new vehicle – that must happen within an hour.

What does that mean for dealerships? Once freezes are free, it's likely that more finance customers will have freezes in place; dealers should therefore be versed in educating customers on how to unfreeze their credit files. The law streamlines the process for lifting credit freezes, but there will be an initial adjustment period as consumers get used to the system of freezing, unfreezing, and refreezing their credit file. Under the new law, the FTC and the credit reporting agencies must set up webpages to make it easier for consumers to take advantage of their new rights. As of the date of this article, these sites are not yet operational. Contact MADA General Counsel Dan Louismet with questions: (651) 789-2948 louismet@mada.org.

Legal News

Big Consequences for Impermissible Use of DPS/DVS Data

Effective October 1, 2018, a new state law steps-up the consequences for willful misuse of the Minnesota Department of Public Safety Driver and Vehicle Services (DPS-DVS) record information system. The new law requires DPS to immediately and permanently revoke the authorization of any individual who willfully entered, updated, accessed, shared or disseminated data in violation of state or federal law. Any user with access to the DVS record information system will permanently lose their authorization to access DVS data if they violate the law.

There is no opportunity for an individual to obtain authorization again once access has been

terminated. The law says the access must be revoked "immediately and permanently." The law does not state whether or not the person should be fired or reassigned. That is the decision of the employer. However, if a person needs to access the DVS record information system as a part of their assigned job duties and misuses their access, they will no longer be able to perform that part of their job.

If an individual willfully gained access to data without authorization by law, DPS is required under this new law to "forward the matter to the appropriate prosecuting authority for prosecution."

Reported registrations at the end of 2017 appear to be negatively impacted by implementation of the state's new vehicle titling and registrations system (MNLARS). This has likely resulted in underreporting of registrations during these months and has led to declines in year-over-year new vehicle registrations. Future data updates released by IHS Markit should address the apparent shortfall in reported registrations.

Minnesota Auto Outlook

Released by:
**Minnesota Automobile
Dealers Association**

Covering the Minnesota automotive market

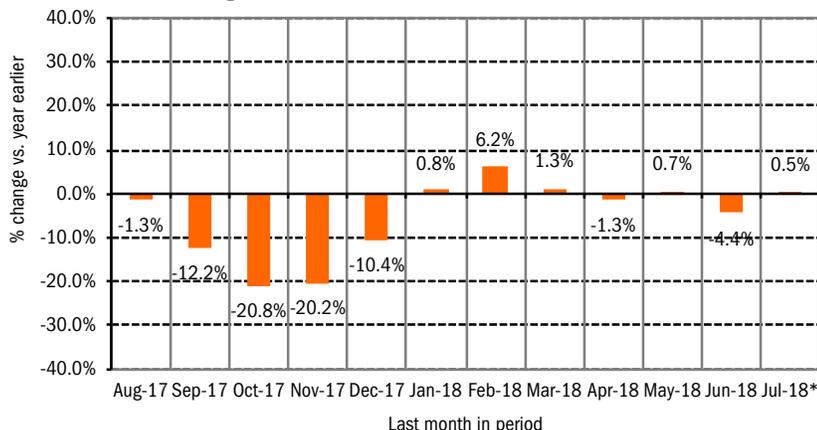
Data thru July 2018

Minnesota New Retail Car and Light Truck Registrations

	Most Recent Two Months			YTD thru July			YTD Market Share		
	6/17 & 7/17	6/18 & 7/18*	% change	YTD '17	YTD '18	% change	2017	2018	change
Industry Total	36,631	35,887	-2.0%	122,000	120,623	-1.1%			
Cars	9,414	7,473	-20.6%	31,998	24,810	-22.5%	26.2	20.6	-5.6
Light Trucks	27,217	28,414	4.4%	90,002	95,813	6.5%	73.8	79.4	5.6
Japanese Brands	13,616	13,209	-3.0%	43,559	42,480	-2.5%	35.7	35.2	-0.5
Honda	3,819	3,706	-3.0%	11,908	11,621	-2.4%	9.8	9.6	-0.2
Nissan	1,786	1,632	-8.6%	6,363	5,332	-16.2%	5.2	4.4	-0.8
Toyota	4,831	4,503	-6.8%	14,802	14,248	-3.7%	12.1	11.8	-0.3
Other	3,180	3,368	5.9%	10,486	11,279	7.6%	8.6	9.4	0.8
Domestic Brands	18,662	18,343	-1.7%	63,951	63,387	-0.9%	52.4	52.5	0.1
FCA (excl. FIAT)	4,633	4,801	3.6%	16,806	17,115	1.8%	13.8	14.2	0.4
Ford	5,946	5,548	-6.7%	19,741	18,901	-4.3%	16.2	15.7	-0.5
General Motors	8,063	7,917	-1.8%	27,210	27,062	-0.5%	22.3	22.4	0.1
Other	20	77	285.0%	194	309	59.3%	0.2	0.3	0.1
European Brands	1,924	2,145	11.5%	7,026	7,463	6.2%	5.8	6.2	0.4
BMW	339	366	8.0%	1,438	1,363	-5.2%	1.2	1.1	-0.1
Mercedes**	351	342	-2.6%	1,172	975	-16.8%	1.0	0.8	-0.2
Volkswagen	994	1,145	15.2%	3,379	3,861	14.3%	2.8	3.2	0.4
Other	240	292	21.7%	1,037	1,264	21.9%	0.9	1.0	0.1
Korean Brands	2,429	2,190	-9.8%	7,464	7,293	-2.3%	6.1	6.0	-0.1

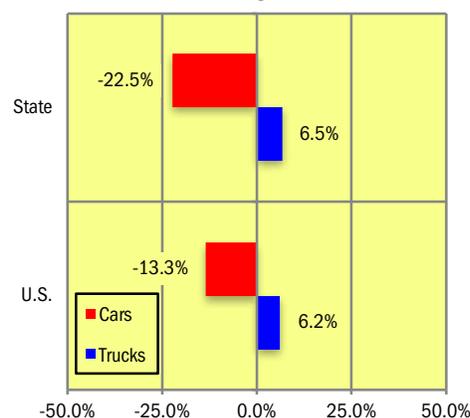
Domestic: GM (Buick, Cadillac, Chevrolet, GMC), Ford (Ford, Lincoln), Chrysler (Chrysler, Dodge, Jeep, Ram). Japanese: Toyota (Toyota, Lexus), Honda (Honda, Acura), Nissan (Nissan, Infiniti) European: VW (Audi, Bentley, Porsche, Volkswagen), BMW (BMW, Rolls Royce, MINI), MB (Mercedes Benz, smart). ** IHS Markit is no longer receiving sales and finance data from Mercedes Benz. This information gave IHS the ability to record lease transactions based on location of lessee. Without the sales and finance data, many lease transactions are now recorded based on location of lessor. This has contributed to the reported decline in Mercedes registrations. Data Source: IHS Markit.

Percent Change in Three Month Moving Average of New Retail Registrations versus Same Period Year Earlier



The graph above provides a clear picture of the trending direction of the state market. It shows the year-over-year percent change in the three month moving average of new retail light vehicle registrations. The three month moving average is less erratic than monthly registrations, which can fluctuate due to such factors as the timing of manufacturer incentive programs, weather and title processing delays by governmental agencies. *Figures for July 2018 were estimated by Auto Outlook. Data Source: IHS Markit.

Percent Change in State and U.S. New Retail Light Vehicle Markets YTD '18 thru July* vs. YTD '17



The graph above compares the change in new retail car and light truck registrations in both the state and U.S. markets. Figures for July, 2018 were estimated by Auto Outlook. Data Source: IHS Markit.

Data Information

All data represents new vehicle retail registrations in Minnesota and excludes fleet and wholesale transactions. Reported registrations at the end of 2017 appear to be negatively impacted by implementation of the state's new vehicle titling and registrations system (MNLARS). This has likely resulted in under-reporting of registrations during these months and has led to declines in year-over-year new vehicle registrations. Future data updates released by IHS Markit should address the apparent shortfall in reported registrations. Data Source: IHS Markit.

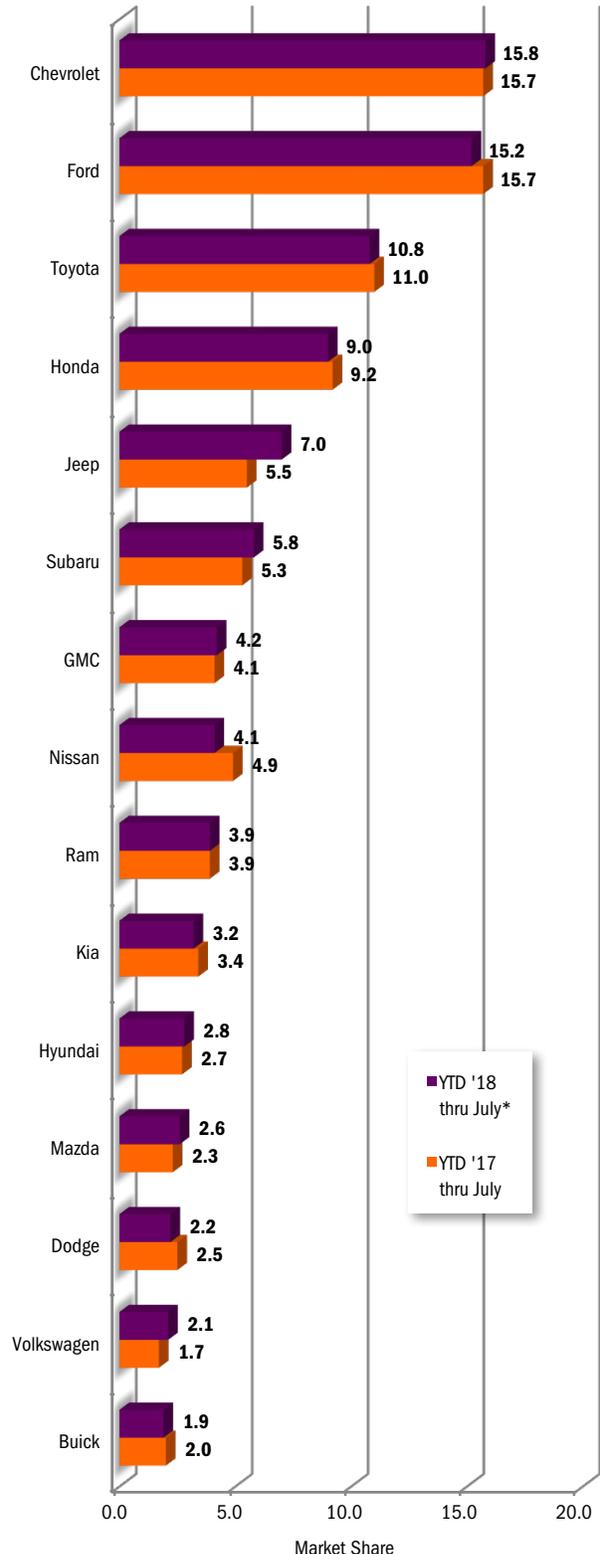
Minnesota New Retail Light Vehicle Registrations					
	Registrations			Market share	
	YTD '17 thru July	YTD '18 thru July*	% change	YTD '17 thru July	YTD '18 thru July*
TOTAL	122,000	120,623	-1%		
Acura	720	731	2%	0.6%	0.6%
Alfa Romeo	44	123	180%	0.0%	0.1%
Audi	1,128	1,147	2%	0.9%	1.0%
BMW	1,213	1,150	-5%	1.0%	1.0%
Buick	2,431	2,323	-4%	2.0%	1.9%
Cadillac	657	617	-6%	0.5%	0.5%
Chevrolet	19,132	19,098	0%	15.7%	15.8%
Chrysler	2,390	1,311	-45%	2.0%	1.1%
Dodge	2,991	2,614	-13%	2.5%	2.2%
FIAT	117	83	-29%	0.1%	0.1%
Ford	19,096	18,292	-4%	15.7%	15.2%
Genesis	57	51	-11%	0.0%	0.0%
GMC	4,990	5,024	1%	4.1%	4.2%
Honda	11,188	10,890	-3%	9.2%	9.0%
Hyundai	3,320	3,368	1%	2.7%	2.8%
Infiniti	446	429	-4%	0.4%	0.4%
Jaguar	123	109	-11%	0.1%	0.1%
Jeep	6,679	8,497	27%	5.5%	7.0%
Kia	4,087	3,874	-5%	3.4%	3.2%
Land Rover	239	293	23%	0.2%	0.2%
Lexus	1,335	1,265	-5%	1.1%	1.0%
Lincoln	645	609	-6%	0.5%	0.5%
Maserati	33	33	0%	0.0%	0.0%
Mazda	2,862	3,096	8%	2.3%	2.6%
Mercedes**	1,159	974	-16%	1.0%	0.8%
MINI	225	211	-6%	0.2%	0.2%
Mitsubishi	1,183	1,161	-2%	1.0%	1.0%
Nissan	5,917	4,903	-17%	4.9%	4.1%
Other	50	34	-32%	0.0%	0.0%
Porsche	203	228	12%	0.2%	0.2%
Ram	4,746	4,693	-1%	3.9%	3.9%
Subaru	6,438	7,020	9%	5.3%	5.8%
Tesla	184	305	66%	0.2%	0.3%
Toyota	13,467	12,983	-4%	11.0%	10.8%
Volkswagen	2,048	2,486	21%	1.7%	2.1%
Volvo	457	598	31%	0.4%	0.5%

Top ten brands shaded green. *Figures for July 2018 were estimated by Auto Outlook. ** IHS Markit is no longer receiving sales and finance data from Mercedes Benz. This information gave IHS the ability to record lease transactions based on location of lessee. Without the sales and finance data, many lease transactions are now recorded based on location of lessor. This has contributed to the reported decline in Mercedes registrations. Data Source: IHS Markit.

This report is sponsored by the Minnesota Automobile Dealers Association and produced by Auto Outlook (800-206-0102). Auto Outlook, Inc. is not responsible for management decisions based on the content of Minnesota Auto Outlook. Copyright Auto Outlook, August 2018.

Reproduction, including photocopying of this publication in whole or in part, is prohibited without the express permission of Auto Outlook, Inc. Any material quoted must be attributed to Minnesota Auto Outlook, published by Auto Outlook, Inc. on behalf of the Minnesota Automobile Dealers Association and must also include the statement: "Data Source: IHS Markit."

State Market Share for Top 15 Selling Brands
YTD '18 thru July* vs. YTD '17



*Figures for July 2018 were estimated by Auto Outlook.
Data Source: IHS Markit.

Member News

Aitkin Motor Company is celebrating 80 years in business! Congratulations!

Lundgren Motors in Eveleth recently built a new Ford-Lincoln facility at their site and moved in while construction was still in process. They held a grand opening on Thursday, September 13.

The new **Walser Polar Mazda Retail Evolution** store in White Bear Lake officially opened in early August and held its Grand Opening on Saturday, September 22.

With over 200,000 respondents, **Krenzen Honda Nissan Lincoln** was voted "Best New Car Dealership" in a contest conducted by the *Duluth News Tribune*.

MADA Vendor Viewpoint LotLinx®

With both new and used car margins declining, the emergence of Artificial Intelligence (AI) to more effectively market inventory and drive down the cost of sale couldn't come at a better time.

DOL is known in our industry as, "Days on Lot" but it might as well be known as "Dollars off List." It's no secret that the longer a car sits on a dealership lot, the lower the margins. For many dealers, the response is to lower the price in order to turn the inventory, which further erodes the margin.

Often the problem with a VIN is not that the price is too high, it is that the car is simply not being shopped - on the lot, on the dealer website, or on third-party listing sites. There are hundreds, if not thousands, of consumers in a dealer's market that are ready to buy the car at the current price - except they do not know the car exists.

This is where AI changes the equation for inventory merchandising. With massive amounts of data available about auto shopper purchase intent and AI's ability to analyze that data in seconds, a new proactive inventory solution emerges. AI identifies those shoppers ready to buy each car, locates them on the internet, then actively presents inventory, VIN by VIN, to those with the strongest interest in your inventory at a more margin-friendly price.

The need to spend thousands of dollars reaching thousands of consumers in hopes of finding a buyer or two is no longer. Using AI instead, recent studies have shown an 80-90% reduction in the cost of sale, compared to NADA's national average for cost of sale at \$629.00 per car.

Margins are made through effective proactive inventory strategies that reach highly-motivated auto shoppers with the least amount of cost. Better shoppers equal better margins.

Kim DePalma, Sr. Vice President Channel Partnerships, LotLinx®



Endorsed Service & Vendors

Check Guarantee/Credit Card Processing
FIS / Certegy

Dealer Bond Program
Ensure Agency

Disability Income Insurance & Section 125 Cafeteria Plans
American Fidelity Assurance

Employee Placement
Hireology

F&I Products
Protective

Fleet Fueling Program
SuperAmerica

Garagekeeper's Insurance
Arthur Gallagher

Group Health Insurance
Blue Cross Blue Shield of MN
Delta Dental
ReliaStar Life

Hole-In-One Insurance
Hole-In-One-USA

Office Supplies
Innovative Office Solutions

Online Marketing Services
Conversica
Dealer 1-2-1
LotLinx
PureInfluencer
Purple Cloud

OSHA, EPA & DOT Compliance/Training
ComplyNet Corporation

Pre-Paid Legal, Jim Gavin
Identity Theft Shield &
Pre-Paid Legal Services

Uniforms and Linen Services
AmeriPride Linen & Apparel Services

Warranty Reimbursement
Bellavia Blatt

Workers Compensation
Ensure Agency



MADA Services sells a wide variety of products directly to the dealers including business forms, clothing and promotional items. For a full review of options, contact your sales representative at 651-291-2400 or go to www.mada.org



MADA NEWS ▪ SEPTEMBER 2018

FAQ

Q: Can I sell a vehicle to someone who is under the age of 18?

A: Technically, the answer is yes. However, that's not the full story. It is true that a minor can purchase and own a motor vehicle. But, in the eyes of the law, a minor lacks the capacity to enter into a contract, which any vehicle purchase would require. If a dealership does enter into a purchase agreement with a minor, the agreement is voidable at the option of the minor. So what does all this legal speak mean in the real world?

Let's say a 17-year-old comes in, buys a car with cash, and you sign them out like any other cash deal. Even though the customer signed all the proper paperwork, the customer could, solely at their option, come in the next day, a week later, or even a year or two later and demand all their money back in exchange for the return of the vehicle. They could do so under the claim that the contract to purchase the vehicle was not valid in the first place, and the courts would likely agree with them.

To form an enforceable contract where a minor is purchasing the vehicle, a parent or legal guardian must consent to the minor doing so. The simplest way to accomplish this is to have the parent sign the contract as well.



Upcoming Classes Register Today!

Register online at www.mada.org/training
OR contact Alice Morse alice@mada.org

	Class Options	Date	Location
Title Basics	West St. Paul 9:30 a.m. - 11:30 a.m. \$199 per person	October 9, 2018 December 11, 2018	MADA Headquarters 200 Lothenbach Ave West St. Paul, MN 55118

	Class Options	Date	Location
Recruitment and Retention Series: <i>The Road to Employee Engagement and Customer Loyalty</i>	West St. Paul 9:00 a.m. - 11:00 a.m. \$199 per person, \$179 for additional attendees from same rooftop	Wednesday, October 10, 2018	MADA Headquarters 200 Lothenbach Ave West St. Paul, MN 55118

	Class Options	Date	Location
Service Advisor 101	West St. Paul 10:00 a.m. - 2:00 p.m. \$199 per person	Wednesday, November 7, 2018	MADA Headquarters 200 Lothenbach Ave West St. Paul, MN 55118

	Class Options	Date	Location
Office Manager Conference	West St. Paul 9:00 a.m. - 4:00 p.m. \$209 per person	Tuesday, November 13, 2018	MADA Headquarters 200 Lothenbach Ave West St. Paul, MN 55118

	Class Options	Date	Location
WEBINAR: OSHA Recordkeeping	West St. Paul 10:00 a.m. - 11:00 p.m. \$59 per person	Wednesday, November 14, 2018	WEBINAR A link to access the webinar will be provided 48 hours prior to the webinar.

	Class Options	Date	Location
The Certified Title & Registration Program	Sales Tax 9:00 a.m. - 10:00 a.m. \$129*	November 15, 2018 January 17, 2019	MADA Headquarters 200 Lothenbach Ave West St. Paul, MN 55118 *\$387 for all classes
	New to Fleet 10:30 a.m. - 12:30 p.m. \$129*	November 15, 2018 January 17, 2019	
	Minnesota Titles and Transfers 1:00 p.m. - 3:00 p.m. \$129*	November 15, 2018 January 17, 2019	

For Information on these classes or to register online go to www.mada.org/training



EXPLORE. ENGAGE. EMPOWER.

2018 OFFICE MANAGER CONFERENCE

NOVEMBER 13 / 9AM-4PM / MADA HEADQUARTERS

This special one-day conference will focus on the role of office managers and the impact this role has on the overall profitability of the dealership.

This is your opportunity to:

- **EXPLORE** the key areas and related duties in your role to enhance your bottom line.
- **ENGAGE** with your peers and the experts of Baker Tilly.
- **EMPOWER** yourself with knowledge, skills and the confidence for success in your role.



REGISTER TODAY AT WWW.MADA.ORG/TRAINING