

Managing Non-Owned and Hired Auto Exposures

Did you know that your company or organization can be held liable for injuries and property damage as a result of a vehicle accident whether it owns the vehicle, borrows a vehicle or has employees and volunteers who may use their own personal vehicles for company business?

What is non-owned insurance?

Under the business automobile policy, non-owned auto refers to automobiles that your company does not own, rent, or borrow, but that are driven by employees in connection with company business. This insurance also covers part time and temporary workers, as well as volunteers, board members and employees assigned a vehicle as well as family members who are allowed to drive a company car.

What is hired auto insurance?

Hired auto provides coverage for those employees who rent a vehicle for company business travel. A leased vehicle is not rented because of the longer duration of use and therefore is not considered a hired auto, but falls under the non-owned auto classification.

Doesn't the employee's own auto insurance policy cover an accident?

First, it is not uncommon for employees to maintain the state required minimum liability limits, which depending on the state can be as low as 10/20/10. The first two numbers refer to bodily injury liability limits and the third number refers to the property damage liability limit. The first two numbers in 10/20/10 would mean that in an accident, each person injured would receive a maximum of up to \$10,000 with only \$20,000 allowed per accident. The last number refers to the total coverage per accident for property damage which in this case would be \$10,000.

Typically an employee's auto insurance will respond as the primary carrier to any auto claims or subsequent lawsuits. However, depending on the severity of the auto accident and limits of the employee's auto coverage your company is at a greater exposure to loss and may be named in the claim as a secondary source for financial compensation.

The following are two real-life automobile claims that represent how non-owned auto insurance coverage applies.

- A salesman was using his personal auto making sales calls in Arizona and 'ran a red light' hitting the other vehicle that was being driven by a 67-year old with his wife as the passenger. The retired couple was taken by ambulance to an area hospital and suffered various fractures with the husband having complications that required long term care assistance. The claim was settled for \$1.5 million.

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- A caseworker is employed by a nonprofit agency that specializes in providing family counseling services to farm laborers who reside in rural Arizona. The caseworker receives nominal reimbursement for the use of her personal car. She leaves a client's home for her next appointment and becomes distracted running a stop sign and hitting another vehicle. There are injuries and because management never conducted a MVR check on the employee it is discovered by the plaintiff's attorney that the caseworker had a poor driving record with a DUI and speeding ticket. Although the caseworker incurred both tickets during nonworking hours the attorney is able to prove negligence by the employer for not obtaining an MVR as part of the pre-hire screening process. The claim was settled for \$900,000.

7 simple loss prevention measures to minimize your company's risk potential:

1. Obtain Motor Vehicle Records (MVR's) for all employees operating a company vehicle and for those driving their own personal vehicles for company business. MVRs should be obtained on all new hires and annually thereafter to ensure that an acceptable driving record is maintained by the employee so they may continue to operate a vehicle as part of their job duties.
2. A copy of the drivers' license should be obtained on all new hires and annually for employees operating a company vehicle and for those driving their own personal vehicles for company business.
3. Management should require that employees maintain adequate liability limits on their personal auto policies and that a copy of the declaration page indicating limits of insurance should be retained on file. Minimum liability insurance limits should be established as a standard operating policy of \$100,000/\$200,000 or a combined single liability limit of \$300,000.
4. Management should have the employee verify that "business use" is not excluded from the employee's personal automobile liability insurance policy.
5. All employees operating a company car or those who use their own personal vehicles for company business should be included in driver safety training programs.
6. Conducting road tests of all employees who are assigned company cars or those who use their own vehicles on company business provides management a means to determine if the employee is a safe driver.
7. Employees with personal vehicles should be required to regularly inspect their vehicles and provide documentation to management.

The bottom line is that if an employee of your company has a serious auto accident in their own vehicle or in a rented vehicle while on company business and their personal insurance is not enough to cover the claim, your company can be held financially responsible. The above loss prevention procedures are not all inclusive, but provide a framework for identifying potential areas within the fleet safety program that can be strengthened thereby reducing the potential for a serious loss. Such risk management tactics serve to formalize the program and reinforces your company's commitment to safety.

The loss prevention information and advice presented in this brochure are intended only to advise our insureds and their managers of a variety of methods and strategies based on generally accepted safe practices, for controlling potentially loss producing situations commonly occurring in business premises and/or operations. They are not intended to warrant that all potential hazards or conditions have been evaluated or can be controlled. They are not intended as an offer to write insurance coverage for such conditions or exposures, or to simply that Great American Insurance Company will write such coverage. The liability of Great American Insurance Company is limited to the specific terms, limits and conditions of the insurance policies issued.
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