

Non-Owned Auto Used for Company Business

Employees using their personal vehicles for business purposes can create significant liability for your company. This exposure is defined as “non-owned auto” exposure in a commercial auto policy. Examples of this exposure include employees using their personal vehicles to run errands, visit jobsites, or drive to and from meetings during business hours.

While many businesses focus their fleet safety efforts on mitigating the risks of company-owned vehicle operation, controlling non-owned auto exposures is often left by the wayside. However, particular attention should be paid to implementing policies that govern the safety of personal vehicle users in your company. Failing to do so may present additional risks to your business in the event of an accident, such as underinsured motorist issues or negligent entrustment.

Take for example this real-life scenario which involved a business in the manufacturing industry:

An employee in the course and scope of their employment duties was operating a personal vehicle to run errands for the company. The errands were a normal part of the employee’s routine and job description. The employee’s immediate supervisor was aware of the business use of the personal vehicle for business operations.

While performing the errands the employee failed to stop and yield the right of way and drove into the path of an oncoming vehicle (that had the right of way). As a result of the accident serious injuries occurred to the pregnant driver of the other vehicle, the driver’s unborn child, and a second child in the other vehicle.

In this instance, the accident was determined to be the fault of the company driver. The company driver had minimum personal policy limits on their personal insurance. The business had \$1 million on their business auto limits and \$10 million on their umbrella policy. In addition, the policy contained;

- ▶ *Other Insurance Provisions – insureds policy is excess for non-owned autos*
- ▶ *Employees are an “insured” when using autos the insured does not own while performing duties related to the conduct of their business*

The total claim cost for this accident involving a non-owned auto was approximately \$4 million dollars.

How to Protect Your Business

Protecting your business from non-owned auto exposures can be achieved by having the right policies in place. When developing your company policy, you should consider including the following elements:

- ▶ Define your process for identifying employees who will be allowed to drive their personal vehicles on behalf of your company’s business. This should include occasional drivers as well.
- ▶ Review Motor Vehicle Records (MVR) for these drivers before they are allowed to operate their personal vehicles for work purposes. The driver’s record should meet your company’s driver eligibility criteria, and MVRs for these drivers should be reviewed on at least an annual basis thereafter.
- ▶ Include annual verification of the driver’s personal auto insurance. A current copy of the driver’s certificate of insurance should be kept on file, and limits of liability should be equal to or greater than \$300,000.
- ▶ Have your drivers sign a Vehicle Use Policy that defines the safe and acceptable driving behaviors you expect your drivers to follow.
- ▶ Train your employee’s on safe driving practices, including defensive driving, the dangers of distracted driving, rear-end and backing accident prevention techniques, as well as inclement weather hazards.

Contact your Amerisure Risk Management Consultant for additional fleet safety tips and resources.