

# NON-OWNED AUTOMOBILES

Company-owned vehicles are not the only ones used for business purposes. In many businesses, employees use their own vehicles as well. Employees who operate their own vehicles for business purposes create liability exposure, just as if they were driving a company-owned vehicle.

## EXPOSURE TO YOUR BUSINESS

When an employee is driving their own vehicle in the course and scope of their employment, your business could be liable for any damages or injuries sustained because of an accident. It may only take one accident that results in a claim to spiral into a significant loss.

## COVERAGES AVAILABLE

Non-owned auto liability coverage is available to protect businesses from claims caused by their employees while using their personal auto for company business. This coverage is typically excess over the employees own coverage and will cover the business for its liability to pay damages that exceed the employee's personal auto policy limit.

## CLAIM EXAMPLE

An engineering firm required its employees to use their personal autos for driving to various job sites to check on existing projects. The firm had no employee safety guidelines in place or any requirements that their employees carry adequate limits of insurance on their personal auto.

An employee, in a rush to get to the next job site, attempted to pass a vehicle and hit an oncoming vehicle head-on, causing extensive injuries to the other vehicle occupants and property damage to the vehicle that was hit.

The injured party sued both the employee and the engineering firm. The employer discovered that the employee only carried the state minimum \$15,000 in liability limits. The employer was found liable for the remaining damages to the injured party.

## NON-OWNED GUIDELINES TO HELP REDUCE YOUR EXPOSURE

- Identify all employees, including owners and officers who may use their personal auto for business purposes, even if they use their vehicle infrequently.
- Require anyone who uses their personal auto in your business to maintain a minimum of \$100,000 per person/\$300,000 per accident for their personal liability insurance.
- You as an employer pay mileage to the employee when they use their vehicles. This reimbursement includes covering these types of expenses.
- The cost to the employee for purchasing higher insurance limits over the state minimum is generally inexpensive as compared to the additional protection they gain when driving for both personal and business purposes.
- Obtain proof of insurance limits from your employees annually by requesting a copy of their automobile declaration page.
- Review your employees' motor vehicle records (MVR) annually to look for any signs the employee may be a high-risk driver.
- Driver safety guidelines should be a part of your employee safety manual, and a company manager should ensure that employees are following the established guidelines, including having the employees maintain proper personal automobile coverage and limits.