



CLIENT ADVISORY

Non-Owned Automobile Liability

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Non-Owned Automobile Liability Coverage:

Who's in Your Driver Seat?

Most businesses and non-profit entities are highly conscious of the liability exposures created by their operations and most do their best to minimize the potential for injury to employees, customers and the entity itself. However, many businesses overlook one major risk exposure that can potentially cripple their organizations: *the liability created when employees use their own vehicles to conduct business.*

ACTION:

Develop a list of employees who drive personal cars for company business. Obtain MVRs on these "incidental" drivers annually to determine who should drive vehicles for your organization.

As insurance brokers, we frequently encounter clients who assume commercial automobile coverage is not necessary if the entity does not own any vehicles. In reality, most organizations routinely use non-owned automobiles, i.e. automobiles owned by their employees or volunteers, and therefore are highly likely to be sued by a third party in an event of an accident.

INCIDENTAL DRIVERS NOT A CONCERN? THINK AGAIN.

In many cases, the use of non-owned vehicles is incidental and not recognized as a serious liability risk. Everyday situations involve using non-owned vehicles for business purposes, such as asking an employee to pick up bagels for a meeting, sending sales staff to deliver orders, or having a volunteer drop off a package at the post office.

As incidental or infrequent as these situations may be, each use of a non-owned vehicle exposes your organization to a potential lawsuit in the event of an accident. Unfortunately, accidents are more common than most of us realize: according to the United States Department of Transportation, most drivers have a near motor vehicle accident once or twice per month and the average driver is involved in a collision approximately every six years.

To protect your organization against this very real risk exposure, make sure your commercial automobile policy includes an endorsement for Non-Owned Automobile Liability coverage. This feature provides liability coverage for accidents caused by an employee or volunteer while driving their own vehicle for business purposes.

ACTION:

If your organization does not own cars or trucks, your General Liability policy should include a Non-Owned Auto Liability endorsement.

Standard personal automobile liability policies automatically cover anyone named in a covered lawsuit, including the vehicle owner's employer or any organization for which the individual is serving as a volunteer. Non-Owned Auto Liability therefore is excess coverage, designed to respond only when the employer or not-for-profit is named in a lawsuit and the damages are higher than the vehicle owner's policy limits, or when the vehicle owner has no personal auto liability insurance in force. Note: the commercial policy does not provide any coverage for damage to the employee or volunteer's vehicle.

If your organization does not own any vehicles and therefore does not have a commercial automobile policy, Non-Owned Automobile Liability coverage can be obtained by adding this endorsement to your Commercial General Liability policy.

COST CONSIDERATIONS

The cost for non-owned auto coverage is typically based on the number of employees a company has and is nominal. When providing underwriting information to your insurance agent, count every employee and officer, not just those employees who regularly operate their vehicles on the behalf of the company. A proper headcount will eliminate potential disputes between you and your insurance company in the event the coverage is needed.

A word of caution: some insurance companies may require all vehicles driven on your behalf to have personal auto liability limits of at least \$300,000 or higher. However, many employees or volunteers may carry substantially lower liability limits thereby putting you at odds with underwriters in the event of a claim.

DRIVER SCREENING IS GOOD MANAGEMENT

Underwriters may also require an annual review of Motor Vehicle Records for all drivers. For businesses that do not currently conduct annual MVR reviews, this requirement may seem burdensome and even intrusive, yet it is a highly effective risk management practice. While this strategy may not eliminate accidents and lawsuits, MVR reviews will certainly provide evidence of your entity's efforts to minimize the potential for such accidents. You may be surprised (*or shocked*) to find those employees whom you trust to run the occasional errand may be habitual speeders, DUI offenders or may even be driving with a suspended license. If one of these employees were involved in an accident while conducting business on your behalf, the repercussions could be more than your business could withstand.

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