

## **Non-Owned Auto Coverage Essential for Any Business**

Even businesses that own fleets of autos sometimes use vehicles that do not belong to them. Often, a company asks an employee to run an errand or visit a customer or vendor using that employee's car.

The business may be legally liable for anything an employee acting on its behalf does while behind the wheel. Lawsuits and accompanying legal costs may confront the business if they have an accident, putting the company's assets at risk.

Many business automobile insurance policies cover this situation, but they do not do so automatically.

The standard Insurance Services Office business auto policy uses numbered symbols to identify covered autos for each coverage the business has purchased. The policy provides liability coverage for non-owned autos only if symbols 1 or 9 are shown on the information page:

**Symbol 1 means "Any auto."** This is the broadest symbol designation and covers any auto, including borrowed, hired, owned or leased.

**Symbol 9 means "Non-owned autos."** The policy defines non-owned autos as vehicles the insured business does not own, lease, hire, rent or borrow and that are used in the business. The term includes autos owned by the business's employees; partners (if the business is a partnership); members (if it is a limited liability company); or members of their households.

However, coverage applies only if the vehicle is used in the business or in the policyholder's personal affairs.

**Scenario:** A consulting firm has run out of paper and a worker is asked to go to an office supply store to purchase supplies, and he drives his personal vehicle to run the errand. On his way back to the office, the employee collides with another car going the opposite direction.

If the firm's auto insurance policy's information page has either symbol 1 or 9 for liability coverage, it will cover this accident, including:

- Cost of damage to the other vehicle (importantly, it does not pay for collision damages to the hired or non-owned vehicle),
- Cost of medical costs for injured third parties, and
- Legal defense costs arising from the accident.

If the policy has another symbol, it will not cover an accident resulting from the use of the employee's vehicle.

For companies that do not own their own vehicles but have employees who drive their own vehicles for work or rent them when on business, this type of coverage is essential.

It is possible that the employee's personal auto insurance policy may provide some coverage for the employer. However, you should not assume that this is guaranteed.

In the event of an accident, you could be found negligent for various reasons, including:

- The employee's insurance has lapsed.
- The employee only carries the minimum limits required by the state, and the amount of damages exceeds this limit.
- The employee's vehicle is not properly maintained.
- The employee's driving record is below standard.
- Your company does not have any fleet controls or policies in place to address these issues with employee vehicles that are used for business purposes.

If the accident burns through the employee's policy limits, the damaged third party will turn to the employer next. With no non-owned auto or "all vehicles" coverage, the company would be on the hook for any damages out of pocket.

### **The takeaway**

Almost every business has situations where it asks someone to use a personal vehicle for business, and an uninsured loss can both financially devastating and easily avoidable.

All autos and non-owned auto insurance protects your business by covering potential coverage gaps that put the company's financial stability in peril.

Call us to learn more about this coverage that every business needs.

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