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Auto Insurance? But I Don't Own a Fleet of Vehicles!

Kevin Sayler, CIH | Risk Control Specialist

Driving is a high-risk activity that can create significant exposure for businesses, even if transportation is not a core component of operations. Non-owned vehicle exposure is an often-overlooked risk that can be managed in various ways.

EMPLOYER LIABILITY FOR NON-OWNED VEHICLES

To manage costs, many businesses have stopped providing company vehicles and instead reimburse employees for work-related usage of their personal vehicles or pay their employees a monthly vehicle stipend. However, this shift to employee-owned vehicle usage does not eliminate employer liability.

Exposure is raised whenever a staff member drives a personal vehicle for work. In addition to employees who regularly drive their personal vehicles for work purposes, such as sales staff, there are many other similar circumstances that may be overlooked. For example, anytime an employee runs a quick work-related errand, they are driving on company business. A quick trip to the store for emergency office supplies, dropping off a package to be shipped, or a rare midday visit to a job site all count as work-related driving.

We've detailed some key risk management steps for this often-overlooked, non-owned vehicle exposure.

EMPLOYEE'S PERSONAL AUTO INSURANCE POLICY

Insurance coverage follows the vehicle; therefore, even if driven on company business, an employee's personal auto policy provides primary coverage.

However, it is important to note that many drivers maintain only the state-mandated minimum coverage, which can be very low. In fact, about 1 in 8 drivers were uninsured in 2019.

In Washington State, the minimum policy is 25/50/10. This means, in the event of an accident, the policy provides $25,000 in medical coverage per individual, $50,000 aggregate, and a total of $10,000 for property damage.

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Costs from an auto accident can easily exceed low, state-mandated minimum insurance limits. Considering the use of personal autos for company use, if an accident cost exceeds the personal policy limits, the excess can go against the commercial auto policy.

To help prevent this occurrence, businesses can require employees who drive for company business to carry higher limits, such as 100/300/100. Many commercial insurance companies expect their policyholders to have this coverage requirement in place.

THE IMPORTANCE OF A FLEET SAFETY POLICY

Implementing a fleet safety policy is a critical component of managing driving risk, even if the business doesn't own a fleet of vehicles.

A formal program is key for communicating consistent expectations to employees. Additionally, commercial insurers expect a fleet safety policy covering all driving-related activities to be in place.

Below are some key components to include in your company's fleet safety policy, whether for company-owned or non-owned vehicles.

Motor Vehicle Record (MVR) Review

First, an internal standard should be developed for what constitutes an acceptable driving record. A good practice is to review three years' worth of an employee's driving record and compare it against that standard to determine if the driver is an acceptable risk.

These reviews must occur before driving assignments and at least annually thereafter. The reviews can be important in preventing a negligent entrustment lawsuit in the event of an accident.

Driver Training

Most drivers develop bad habits over time, and training provides an opportunity to remind employees of best practices and company expectations and policies. Topics might include defensive driving techniques, the hazards of distracted driving, post-accident procedures, proper mirror adjustment, and more.

Vehicle Maintenance

Maintaining a personal vehicle driven on company business is the employee's responsibility. The fleet safety policy should describe expectations for maintaining the vehicle in a safe operating condition. Periodic reminders can be given to employees, such as in the fall, reminding employees to check the condition of their windshield wipers, headlights, and tires as roads can more regularly be wet, icy, or snow-covered.

Accident and Infraction Reporting

Drivers should be required to report all citations and accidents that occur during work-related driving to their supervisor or another designated individual. Ideally, any citations received during non-work-related activities should also be reported when they occur before the annual Motor Vehicle Records (MVR) review brings them to light. This helps ensure the risk is appropriately managed throughout the year and not just during an annual review of driving records.

SUMMARY

Non-owned auto exposure is an often overlooked or forgotten risk for businesses. However, with careful review, employee training, and clear communication, the risk can be managed well. The ANSI/ASSE Z15.1 voluntary standard is a great resource for a more detailed guidance review.

Reach out to your Parker, Smith & Feek service team for support on fleet safety or other risk areas.