

To The Point

Non-Owned Auto Risk Management

CHUBB®



A Commonly Overlooked Risk

To reduce operating costs, several organizations are reducing or eliminating the number of owned or leased cars they provide employees. As a result, company cars are no longer available, but the need to use automobiles for business purposes still remains. To meet the need, companies sometimes reimburse their employees for using their vehicles on company business. Employees usually don't give much thought to this, especially since they are reimbursed for mileage and/or receive a monthly stipend for using their vehicle. Additionally, employers who do not own vehicles, or own very few, often don't consider managing their non-owned auto risk. When combined, these factors can lead to unexpected auto claims for the company due to this new arrangement.

A Non-Owned Auto includes any vehicle that is rented, hired, or borrowed by the employer; or the use of a personal vehicle by the employee in connection with business operations and activities. Some examples of this business usage

could include when employees use their vehicles to pick up office supplies, make sales calls, run to the post office to get the company's mail, or go to the bank to make a deposit for the business.

It is imperative that you identify, understand, and manage your non-owned auto risk to minimize the potential for losses. To properly manage this risk, your company should make a concerted effort to implement controls similar to those you would for a fleet of owned or leased vehicles.

A business use policy for non-owned vehicle best practices should be developed to accomplish these controls. This could include specifics as to who is approved to drive for business purposes, how the company will qualify them (e.g., driver license verification, motor vehicle record (MVR) review), and the type of vehicles used. It should establish policies regarding seat-belt usage, as well as distracted driving that can result from cell phones, smartphones, texting, and inputting data in GPS units while driving. Crash reporting procedures should also be detailed.

Risk Engineering Services

Use of Personal Vehicles is a Business Risk

The practice of allowing employees to use their vehicle for business purposes regularly creates increased liability for the company. The company has little or no control over who the legal owner is or the type and condition of the vehicle being driven. The type of auto liability insurance carried by the employee may include low limits of liability, high deductibles, and/or adverse terms. The company may also have increased exposure if the employee has a poor driving record or an invalid driver's license.

In the event of a crash, the driver's personal-auto insurance is the first layer of insurance. However, depending on the circumstances, the company's commercial or business auto policy may also respond once personal auto policy limits are exhausted.

Non-Owned Auto Controls

Because the use of personal vehicles for business purposes presents a significant loss potential for the company, it is recommended that a driver-authorization program be implemented.

Establish a program requiring each person driving a non-owned vehicle for company business to be authorized by management or a designated responsible person.

Authorized drivers should be required to:

- Provide a valid driver's license for the type of vehicle to be operated and proof of registration in the employee's name.
- Be 21 years of age or older and have a minimum of three years licensed driving experience.

- Have an acceptable driving record as determined through an initial review of the driver's MVR by the company and an annual review after that.
- Be versed in the safe-driving policies from the company.
- Provide proof of insurance by supplying the company with a current certificate of auto-liability insurance or a copy of their current auto insurance policy's declarations page for the vehicle being authorized for use (with established minimum acceptable levels of auto liability coverage).
- Report all crashes to the employer when they occur while the vehicle is used for company purposes.

In addition to the points above, a driver-authorization program should also address the following:

- The type of vehicle that is acceptable to be driven for business purposes.
- Regular defensive-driver training.
- Rules addressing impaired driving, seat belt use, etc.
- Procedures to follow when a crash occurs.
- Rules regarding the transport of non-business related passengers while driving for business purposes.
- A distracted driving policy that addresses common distractions such as phone calls, texting, computer or tablet use, GPS use, etc.
- Providing the driver a company vehicle for business use or renting an appropriate vehicle instead.

Prepare Now

Don't let this often hidden, overlooked, or seemingly minor issue impact your bottom line. Evaluate your non-owned auto exposure based on your operations and the expectation of employees using their vehicles on company business. Develop a plan to address the risks you identify and implement a formal policy to mitigate these risks. Train affected employees and get their acknowledgment to understand what is expected of them as a prerequisite for driving their vehicles on company business.

Resources

ANSI/ASSP Z15.1 - 2017

Safe Practices for Motor Vehicle Operations

<https://store.assp.org/PersonifyEbusiness/Store/Product-Details/productId/25652900>

Connect With Us

For more information about protecting your business, contact your local Chubb Risk Engineer, email us at RiskEngineeringServices@chubb.com, or visit us at www.chubb.com/engineering.

Chubb. Insured.SM