Drive Other Car Coverage

A very common question posed to FAIA involves a business auto client who supplies an auto to an employee. If the people provided the company car do not have their own personal auto policy (PAP) a serious gap in coverage exists, but can be easily corrected by one of several ways. Consider XYZ Store Incorporated, provided coverage under a standard ISO Business Auto Policy (BAP) and an employee, Bill Smith, who is given a company car for his regular use. Bill lives with his wife, Sue, and son Billy-- none of whom owns a vehicle. Bill is listed as a driver under the BAP with symbols 1 for liability, and symbols 2 and 8 for medical payments, UM, and physical damage. In addition the CA 20 54 – Employee Hired Autos endorsement is on the policy to assure that a vehicle rented by an employee for business purposes of XYZ Store Incorporated is a covered auto and that the employee who rented the vehicle is an “insured” for liability coverages. (For more on the CA 20 54 endorsement see our article titled “Employee Hired Autos” in our on-line Education Library.)

Coverage would be provided for XYZ Store, Bill, Sue and Billy (as well as for damage to the company car) in all of the following situations: 1> Bill is driving the company car on personal business, injures another driver and damages the company car. 2> Sue or Billy, (as drivers of the company car with permission) runs a light, damaging another car and the company car. 3> Bill is sent out of town on business and rents a car, damaging it and another vehicle in an at-fault accident. Thus, as long as Bill, Sue, or Billy occupies the company car there are few coverage gaps since they have access to the coverages provided by the BAP. Additionally, while Bill rents, hires, or borrows an auto for company business he has coverage under the BAP since the symbols used will make those autos “covered autos.” So, where is the problem?

Consider the following situations (all very likely to happen) not covered at all by the BAP. 1> Bill rents a car for personal use on vacation and damages another vehicle. 2> Sue travels out of town and rents a car for business for her employer. 3> Billy borrows a friend’s vehicle, is negligent, and injures a pedestrian resulting is a lawsuit naming Billy, Bill, and Sue. 4> Bill, Sue, or Billy are struck as a pedestrian and injured by an uninsured motor vehicle. In all cases the BAP provides no coverage since there was not a “covered auto” involved in the accident, resulting in a serious gap in coverage for Bill, Sue, and Billy.

The solution is to add two endorsements to the BAP: CA 9910 – Drive Other Car (DOC) Coverage and CA 2201 – Named Individuals Broadened Personal Injury Protection Coverage. With the DOC endorsement coverages available include liability, medical payments, uninsured motorist, and physical damage.

In our example if Bill is named on the DOC endorsement then the entire family becomes “an insured” for medical payments and UM coverage.

For liability and physical damage coverages only the spouse becomes “an insured.” Each “family member” other than a spouse, must be named on the DOC endorsement in order to be provided liability and physical damage coverage. For example, Bill is named
Sue rents a vehicle for personal use on vacation. She is provided liability damage, medical payments, uninsured motorist coverage, and physical damage while renting the vehicle. However, had Billy rented the same vehicle he would be provided only medical payments and UM coverages unless he had been named on the DOC schedule under those two coverages. This points to the importance of determining who coverage is intended for – just the person named and spouse, or the entire family.

Another issue to be aware of is the type vehicle covered by the various different DOC coverages. Liability, medical payments, and uninsured motorist coverage is provided for an “auto” as defined in the policy. The policy defines “auto” as, “A land motor vehicle, ‘trailer’ or semitrailer designed for travel on public roads...” In other words, these three coverages respond for almost any type vehicle that might be seen on the interstate highways… a Ford Taurus, U-Haul truck, flatbed truck, or cement mixer to name a few. However, for physical damage coverage the DOC endorsement applies for “…any private passenger type auto you don’t own, hire, or borrow...” Since “private passenger auto” isn’t defined there is some possible ambiguity about what is and isn’t covered under physical damage coverage. Most authorities clearly see a vehicle such as a Ford Taurus or Chevrolet Corvette falling under the private passenger auto category. Likewise a Ford F-150 pickup truck, Chevy Astro Minivan, or Ford Bronco are considered as “private passenger autos” by most sources. Viewed as not covered for physical damage under DOC should be vehicles such as a Winnebago motor home, U-Haul moving truck, flatbeds, 18-wheelers, and other such commercial vehicles. If there is sufficient doubt about whether a vehicle is a “private passenger auto” it should be referred to the company….prior to the claim.

Of course, adding the entire family for all coverages under DOC creates an additional exposure for the BAP insured and may be an exposure that is not desired by the named insured, agency, or company. Completing coverage for the employee is accomplished by adding the Broadened PIP endorsement. Only the employee needs to be named since all “family members” are covered for PIP. Adding Broadened PIP has the effect of giving all family members PIP while occupying a defined PIP vehicle anywhere in Florida, or as a pedestrian struck by a defined PIP vehicle in Florida. The cost for both endorsements is amazingly inexpensive.

Should the company, agency, or employer be unwilling to add DOC to the BAP then the employee should consider a Named Non-Owner Personal Auto Policy. This policy provides only liability, medical payments, and uninsured motorist coverage for the person named so it’s essential that each family member (and spouse) be named on the policy. Under such policy there is no way to pick up PIP and physical damage coverage, forcing the family to rely on others (vehicles they are occupying) for these coverages. Some companies may be willing to add PIP upon request.

Company cars can be a great benefit to employees. With the benefits come insurance gaps, most of which can be corrected by endorsement.

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