

To The Point

Non-Owned Auto Risk Management

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A Commonly Overlooked Risk

In an effort to reduce operating costs, more and more organizations are reducing or eliminating the number of owned or leased cars they provide employees. As a result, the company car goes away but the need to use automobiles for business purposes usually doesn't. To meet the need, companies sometimes reimburse their employees for using their personal 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 the use of their car. Additionally, employers with few- or no-owned autos often don't give much consideration to managing their non-owned auto risk. When combined, these factors can lead to unexpected auto claims for the company as a result of this new arrangement.

A Non-Owned Auto includes any automobile leased, rented, hired or borrowed by the employer that is not owned by the employer, but is nonetheless used in connection with the business of the employer. Some examples

of this business usage could include when employees use their personal autos 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.

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

Risk Engineering Services

Use of Personal Autos is a Business Risk

The practice of allowing employees to regularly use their personal auto for business purposes 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 driving license.

In the event of an accident, the driver's personal-auto insurance is the first layer of insurance, but 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 autos for business purposes presents a significant loss potential for the company, it is recommended that the following controls be established:

- Establish a driver-authorization program that requires each individual driving a non-owned vehicle for company business to be authorized to do so 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 Motor Vehicle Record (MVR) by the company, and an annual review thereafter
 - Be versed in the safe-driving policies of the company
 - Provide proof of insurance by supplying the company a current certificate of auto-liability insurance, or a copy of their current auto-insurance policy Declarations page for the vehicle being authorized for use (with established minimum-acceptable levels of auto-liability coverage)
 - Report all accidents to the employer when they occur while the vehicle is used for company purposes
- The driver-authorization program should also address:
 - 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 an accident 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 inconsequential issue impact your bottom line. Evaluate your non-owned auto exposure based on your operations and the expectation of employees using their personal 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 acknowledgement so that they understand what is expected of them as a prerequisite for driving their vehicles on company business.

Resources

ANSI / ASSE Z-15.1 - 2012 Safe Practices for Motor Vehicle Operations
www.asse.org/shoponline/products/Z15_1_2012.php

National Safety Council - Safety on the Road
www.nsc.org/safety_road/Pages/safety_on_the_road.aspx

Connect With Us

For more information about protecting your business, contact your local Chubb risk engineer or visit us at www.chubb.com/engineering.

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