



**No auto doesn't mean no auto liability.**

Most business people have learned from their insurance advisors that auto liability exposure extends beyond simply owning a vehicle. The two common instances of additional liability are “Non-owned” autos and “Hired” autos.

Underwriters address these liabilities specifically by adding to an insurance policy a Business Auto policy and providing coverage for these exposures as symbols 8 and 9 on the policy.

**Non-owned Auto Liability** will protect your company for vehicles that it doesn't own but for which it could be found liable.

A typical example would be an employee using his own vehicle for an occasional errand to get office supplies. Another example would be a salesperson using his vehicle regularly on sales calls.

If the employee were to be involved in an at-fault accident that causes bodily injury and/or property damage to another party, the first line of defense would be the employee's own auto policy. After the employee's policy limits are exhausted, your company would likely be drawn into a suit as a deep pocket. The company's “Non-owned” coverage would protect it for the \$1M limits of the policy and at a higher limit if your company has an umbrella liability policy.

Since the risk of such an event is high and the cost of the coverage nominal, this is essential coverage.

Some steps can be taken to mitigate your exposure. It is wise to check driving records on any employees who may drive on behalf of your company, especially if they will do so on a regular basis.

Some companies have tried to require minimum coverage limits for their employees' personal insurance, but monitoring such coverage is problematic, and an employer may need to subsidize the cost of employees' policies to achieve adequate levels of coverage.

**Hired Auto Liability and Physical Damage** will protect your company for cars rented by employees in the normal course of business. Rental car companies will offer "insurance" at the rental counter, but it tends to be rather expensive.

The first offering is typically called LDW, "Loss Damage Waiver." Its purpose is to insure against any damage done to the vehicle being rented. If you have lower-cost Hired Auto Physical Damage coverage provided by your insurance carrier, you can elect to decline the LDW offered by car rental agencies.

A note of caution: while this protection takes care of the biggest exposure, the full value of a totaled vehicle, there can still be some uninsured arguments with a rental care company for "Loss of Use" of their damaged vehicle while it is being repaired and for "Impaired Value" of the vehicle since its resale value may be compromised in a serious accident.

The second offering is typically called LIS, "Liability Insurance Supplement." This provides additional liability coverage for the damage done to another party, both Bodily Injury and Property Damage. Again, if you have your insurance company provide Hired Auto Liability, you can elect to decline LIS, because the liability protection will cover your company up to the limits of the policy as well as any umbrella limits above the primary coverage.

The third offering is PEC, "Personal Effects Coverage." While there is no coverage for this provided under the Hired Auto policy, employees' personal effects may be covered by their personal homeowners' policies, and their business properties (e.g., laptops) would likely have some coverage from the Business Package policy. In both cases, however, reimbursement is subject to a deductible.

The last offering is PAI, "Personal Accident Insurance." Again, there is no coverage under the Hired Auto policy for this, but your company's workers' comp policy will be involved for physical injuries to employees when they are injured in the course of employment.

We have developed a sample letter that can be adapted and used as a policy statement for company employees to use when renting cars. Please review and adapt this letter for your own specific use.

For further questions regarding this company insurance protection—and all others, please call us.