



Employee/Volunteer Use of Personal Vehicles

In a normal week there are instances where an employee or volunteer drives their personal vehicle for purposes related to the employer's business. It could be an errand, like a trip to the bank, or attending a meeting out of the office. There are times when a business (agency) will rent a vehicle for a short time or may borrow a vehicle. In those situations a business needs the protection of Non-Owned and Hired auto liability.

Non-Owned and Hired Auto Liability Coverage

An employer can be held vicariously liable for the actions of its employees and volunteers while driving on the employer's business. Any time an employee or volunteer operating his or her own vehicle on agency business is involved in a serious auto accident, the employer will almost certainly be sued. Employer's Non-Owned Auto coverage protects your company in the event that it is named in a law suit arising out of the use of a vehicle owned by an employee or volunteer driving on behalf of your organization. Hired auto liability coverage provides protection in the case of an accident involving a rented or borrowed vehicle by the company.

This coverage is designed to protect only the employer, not the employee or volunteer operator of the vehicle. It also does not pay for damage to the vehicle being driven by the employee or volunteer. Non-Owned Liability coverage can be written either as part of the automobile policy for the agency's vehicles or as part of the agency's general liability policy, if the agency does not own any vehicles.

Important: Remember that a loss suffered by an employee or volunteer utilizing their personal auto for agency business will be experience rated for their future premium just as it would if they suffer a non-agency related loss.

Recommendations:

- 1) Personal auto use should be restricted where possible. It is better to use company vehicles for errands, medical appointments, deliveries or pick ups and especially when a consumer is transported.
- 2) Employees and volunteers using their personal vehicles for agency business should be reviewed the same as any staff member using an agency vehicle.

- a. MVR of each driver should be checked and analyzed on annual basis
 - b. Annual update of the driver's personal auto insurance policy
 - c. Expose employees and volunteers to appropriate driver training
 - d. Follow agency's standard policies and procedures when using personal vehicles; ie: driver eligibility, use of seatbelts, following speed laws, etc.
- 3) Employees and volunteers using a personal vehicle should provide proof of insurance, confirmation that there are no exclusions regarding vehicle use, proof of inspection, etc. The agency should determine appropriateness of personal vehicle (condition, type, etc.)
 - 4) Agencies should have a policy in place to require both employees and volunteers to maintain minimum liability limits on their personal auto policies. The preferred limits should be at least \$300,000 unless the person is transporting clients, in which case the limit should be \$1,000,000.
 - 5) Insured's can institute periodic checks on employees' and volunteers' personal insurance and require copies of their policy declaration pages showing limit of liability carried.

Summary of Employee/Volunteer Use of Personal Vehicles

1. **Employee using "Agency" vehicle** – Liability coverage is **Primary** and provided for the insured and the employee.
2. **Volunteer using "Agency" vehicle** – Liability coverage is **Primary** and provided for the insured and the volunteer.
3. **Employee using "Own" vehicle on Agency Business** – Employee's Personal Auto Policy is primary for Agency and self, the Agency's policy is **Excess Only** for the agency and the employee. (Employee is included due to "Additional Insured Employee Endorsement"). In most states Uninsured Motorist or Under-insured Motorist coverage is only applicable to bodily injury.
4. **Volunteer using "Own" vehicle on Agency Business** – Volunteers' Personal Auto Policy is primary for Agency and self, the Agency's policy is Excess Only for the agency **NOT** for the volunteer.

Claim Examples

Type of loss:

Bodily injury cases in excess of \$1,000,000

Line of Coverage(s) involved in loss:

Hired and Non-Owned Automobile Liability (HNO) coverage

Description and narrative of the loss:

Four losses involving personal vehicles operated on company business:

- Organization incurred a \$1.3M auto liability loss resulting from over-loading a 15-passenger van with luggage. An employee of the organization was driving the top-heavy van when it rolled, fatally injuring one passenger and severely injuring the other twelve.
- An employee of a social service agency was operating his personal vehicle, struck a middle-aged pedestrian moving in a crosswalk. Liability loss exposed the organization to a lawsuit and damages of \$1.1M.
- Rental vehicle, operated by a policyholder employee, struck a motorcyclist while attempting to execute a left-hand turn. Motorcyclist died and the organization was sued; damages were in excess of \$1M.
- Another motorcyclist was struck by an employee driving to a non-profit business meeting. The driver executed an improper U-turn killing the cyclist. Lawsuit resulted in a loss excess of \$1M.

What controls were missing that would have prevented or lessened the loss?

Organizations often miss or under risk manage exposures related to the use of personal or “non-owned” vehicles for organization or company business.

Whether you have an associate or volunteer “running an errand” to pick up office supplies or staffer transporting a consumer or others in their personal vehicle, the organization is ultimately responsible for the consequences of their driving. Be certain that individuals assigned to the task are screened, trained and have adequate insurance coverage. Errands and rental situations are a part of today’s business world. Let’s look at some of the basic elements of sound loss control aimed at mitigating non-owned auto loss.