

Business Auto Insurance

by Charles H. Cox

The Business Auto Policy provides coverage for damages the insured must legally pay for because of bodily injury or property damage caused to third parties by an accident resulting from the ownership, maintenance or use of a covered automobile. Coverage for damage caused to a covered automobile can also be provided by the Business Auto Policy.

Businesses with owned or leased autos must purchase automobile liability insurance. Sometimes overlooked, however, is the need for liability coverage with respect to the maintenance or use of non-owned or hired automobiles. A company can become liable for the maintenance or use of any automobile in the course of its business, even if it doesn't own or lease the automobile. Liability coverage is needed for automobiles rented by the company or owned or rented by employees acting on behalf of the company. Consequently, Non-Owned and Hired Automobile Liability coverage is essential for all businesses.

The Business Auto policy's Liability coverage protects the Named Insured and anyone else while using a covered auto owned, hired or borrowed by the Named Insured. Note, however, that no coverage is afforded to the owner or anyone else from whom the Named Insured hires or borrows a covered auto. In addition, no coverage applies to the Named Insured's employee if that employee or a member of his or her household owns the covered auto. These restrictions leave employees to look solely to their own Personal Auto policy as the sole source of protection when driving their personal car on company business unless the company's Business Auto policy is broadened by endorsement.

When an employee uses his or her personal auto within the scope of their employment, the employer's and employee's first available coverage for liability claims resulting from such use will be that which is available under the employee's Personal Auto policy. If the limits are not sufficient, the employer's Business Auto policy will provide excess coverage above the Personal Auto policy for the employer only, but no excess coverage will be available for the employee. In order to provide that same excess protection for employees using their personal autos in their employer's business, an endorsement to the Business Auto Policy is necessary.

The Insurance Services Office has an endorsement called the Employees as Insureds endorsement (CA 99 33). This endorsement amends the Who Is Insured provision to include, as insureds, employees of the Named Insured while they are using their own auto in the Named Insured's business or personal affairs. The protection afforded to the employee by this endorsement is excess over the insurance provided to the employee in his or her own Personal Auto policy, which will apply on a primary basis.

In addition to Liability coverage for owned or leased, non-owned and hired autos, companies owning or leasing autos will likely need to insure them against loss from physical damage. Collision insurance will cover the cost of repairs for damage done to a company car in the event of an accidental collision. Comprehensive insurance covers non-collision losses involving such things as theft, vandalism, fire, hail, etc. When purchasing Comprehensive and Collision coverage, it typically applies to owned or specifically described autos.

Physical Damage Coverage can, however, be extended to cover hired autos (those obtained through rental agencies). This coverage can be purchased on a primary basis and applies to vehicles rented in the company's name. The cost to purchase such coverage from the rental agency can be \$7 to \$10 per

day or more, making this Hired Auto Physical Damage coverage a more cost effective alternative.

Business Auto policies for companies owning or leasing autos also provide statutorily required coverages such as Personal Injury Protection insurance (PIP or “No-Fault) and Uninsured Motorists coverage. No Fault insurance covers drivers for their own protection and places limitations on their ability to sue another driver who may have negligently injured them. This insurance typically includes payments for medical expenses, lost wages, funeral expenses and death benefits. Uninsured Motorists Coverage provides a means to recover (from your own insurer) needed compensation for bodily injury caused by uninsured drivers, including hit-and-run drivers.

State laws set minimum limits for these coverages, although higher limits are available. Nevertheless, if company owned or leased automobiles are used exclusively by employees acting within the scope of the company's business, paying for higher limits may not be cost effective. Worker's Compensation coverage will pay medical expenses and lost wages resulting from employment related injuries; such benefits will be paid before No-Fault or Uninsured Motorists coverage benefits are paid. Consequently, in many cases, purchasing the state mandated limits for these statutory coverages may be a way to reduce insurance costs.

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