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# P & C RISK REVIEW

A PUBLICATION OF THE PROFESSIONAL LIABILITY AGENTS NETWORK

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## Do You Have Adequate Auto Coverage?

**FOR MORE  
INFORMATION,  
CONTACT:**



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*The following material is provided for informational purposes only. Before taking any action that could have legal or other important consequences, confer with a qualified professional who can provide guidance that considers your own unique circumstances.*

A basic business auto policy (BAP) covers your company's employees when they are using, with permission, an automobile owned, hired or borrowed by your company (the named insured). When you choose to add coverage for non-owned vehicles, the BAP typically provides liability coverage on an "excess" basis. That is, any other collectible insurance would apply first and the BAP would come into effect if there were no other coverage or there were excess liability losses beyond the limits of the primary coverage.

But what about when an employee uses his or her own vehicle or rents a vehicle in his or her own name and then incurs damage or liability while traveling on company business? Employers – and employees -- are often surprised to discover that a basic BAP will *not* cover the employee for physical damage to the vehicle or for the employee's liability. Basic BAPs only cover the company as the named insured, and an individual employee is *not* the company.

To provide adequate insurance coverage for you and your employees when they conduct company business in autos they own or personally hire, you need to secure specific endorsements to your BAP. Here are options to consider.

## **Employee Hired Autos Endorsement**

If your employees rent autos under their own names and use the vehicles for company business, you need an Employee Hired Auto endorsement to your policy. Known as ISO Form CA 2054, this endorsement adds employees as insureds and, with appropriate coverage symbols, essentially deems the hired auto to be covered for liability and damages as if it were a company-owned auto. As such, the physical damage coverage you have on your BAP would apply to the hired auto assuming the permissive use, course and scope requirements of the endorsement are met. Liability coverage is provided on an excess basis unless made primary by endorsement.

Be aware that for employee-hired autos to be covered, employees must be performing duties related to the conduct of your business at the time the damage or liability occurred. If, for example, an employee rents a car to conduct your business on a Thursday and Friday, but then has an accident on Saturday while vacationing, the employee-hired auto coverage would likely not apply.

## **Employees as Insureds Endorsement**

Known as ISO Form CA 9933, the Employees as Insureds endorsement provides liability coverage for employees who use hired autos or their own autos for company business. This liability coverage would apply when, for example, an employee is using his or her car to make a client visit, drive to the bank or post office on company business, or attend a company-required seminar or conference. The liability coverage is on an excess basis unless made primary by endorsement. The Employees-as Insureds endorsement does *not* provide physical damage coverage.

Individual insurance companies may have their own proprietary forms where auto coverages are bundled or unbundled. For example, you

may be able to find endorsements that provide liability coverage for autos that employees hire under their own names but not physical damage coverage. Other forms may combine coverages of the Employee Hired Autos endorsement and the Employees-as-Insureds endorsement and possibly add additional coverage provisions. We'll be happy to discuss those options.

## **Loss Prevention Tips**

If your employees hire or own vehicles that they use for company business, there are steps you should take to limit your – and their – liabilities:

- Compile a list of all employees who travel on company business.
- For each employee, determine whether they drive company-owned or rented vehicles, employee-owned vehicles and/or employee-hired vehicles.
- Obtain motor vehicle reports on these employees to determine their driving history. You may want to prohibit those employees with poor driving records from driving on company business.
- Determine whether employees who drive on company business have sufficient personal insurance limits. Inadequate limits increase your company's liability exposure.
- Meet with us to review this information and determine your auto insurance needs.

*We may be able to help you by providing referrals to consultants, and by providing guidance relative to insurance issues, and*

*even to certain preventives, from construction observation through the development and application of sound human resources management policies and procedures. Please call on us for assistance. We're a member of the Professional Liability Agents Network (PLAN). We're here to help.*