

# Risk Control Bulletin: Non-Owned Auto Exposure

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RISK CONTROL



Many companies know that there are risks associated with managing a fleet of vehicles for company use. However, did you know that you may also be liable for accidents that occur in vehicles that your company doesn't own? This CNA Risk Control bulletin explains non-owned vehicle exposures and how you can protect your company from these risks.

## Ask yourself the following questions:

- Do any of my employees use their personal vehicle to run errands for the company?
- Do my salespeople use their own vehicles for company business?
- Do volunteers use their own vehicle when working for the organization?
- Do you ever send an employee to pick up lunch?
- Are any employees reimbursed to drive their vehicles to attend business meetings, visit customers, and pick up supplies or parts?

If you answered yes to any of these questions, you have a non-owned automobile exposure.

Businesses have a non-owned auto exposure anytime someone uses an "auto" they do not own in connection with their business.

## Possible cost to your company

If an employee causes an accident in their own vehicle, the liability insurance policy on that vehicle is the first policy to respond to and pay for damages. After the limits of liability on the employee's personal automobile policy are exhausted, the injured party may look to the company to pay damages. Your company could be put in this situation under the theories of negligence or vicarious liability.

## The following are steps you can take to protect your company assets from non-owned automobile exposures:

- If possible, don't allow employees to drive their own vehicles for company business. Require that they use company vehicles.
- Allow only designated employees to use "autos" you do not own in connection with your business.
- Review your employees' Motor Vehicle Record (MVR) before they start driving and again each year.
- Require that people driving their personal vehicle for business provide proof of insurance.
- CNA suggests a minimum of \$300,000 combined single limits.
- For employees, who regularly drive on company business, require that the company be named as an additional insured on their personal auto policy.
- Have the employees' vehicle regularly inspected by an Automotive Service Excellence (ASE) Certified Professional to assure it is properly maintained and safe to operate. Keep copies of these inspections and any repairs completed as a result of these inspections.
- Investigate all accidents and provide training to prevent future accidents.

- Establish safety rules for drivers of non-owned vehicles that include, at a minimum, that the driver must not operate the vehicle if they have:
  - Consumed any alcoholic beverages
  - Taken any prescription, over the counter or illegal drug or substance that may impair driving ability
  - Become intoxicated or are under the influence of any prescription, over the counter or illegal drug or substance
- The driver and all passengers in the company vehicle must use passenger restraints at all times when the vehicle is in motion
- The driver must not talk or text on a cell phone, operate a computer or other equipment while vehicle is in motion
- Provide documented training for non-owned vehicle drivers.
- Keep written records of everything you do to control the non-owned auto exposure.

### CNA Suggested Criteria for reviewing Motor Vehicle Records (MVR):

- Anyone with a Type "A" driving violation in the last five years is undesirable for a driving position.
- Anyone with three or more Type "B" violations, or two or more at-fault accidents in a three-year period, is undesirable for a driving position.
- Anyone with two moving Type "B" violations or one driving accident in the last three-year period will be put on warning from a company monitoring standpoint. MVRs will be required to be reviewed more frequently.

**These Type A and Type B criteria are representative samples of CNA Underwriting driver evaluation guidelines and can be used to help you with the development of criteria for your driver selection process.**

Class "A" Violations	Class "B" Violations
<ul style="list-style-type: none"> <li>• Driving under influence of alcohol or drugs</li> <li>• Refusing to take a substance test</li> <li>• Driving with an open container (alcohol)</li> <li>• Reckless / Careless driving</li> <li>• Speeding: In excess of 14 MPH over posted limit</li> <li>• Driving while texting</li> <li>• Hit and run</li> <li>• Fleeing or evading police or roadblock</li> <li>• Speeding in a school zone</li> <li>• Racing / Speed contest</li> <li>• Driving with license suspended or revoked</li> <li>• Vehicular assault</li> <li>• Homicide or manslaughter or using vehicle in connection with a felony</li> </ul>	<p>Moving violations that include:</p> <ul style="list-style-type: none"> <li>• Speeding 1 – 14 MPH over posted limit</li> <li>• Improper lane change</li> <li>• Failure to yield</li> <li>• Failure to obey traffic signal or sign</li> <li>• Suspended license related to moving violations</li> <li>• Accidents</li> <li>• Having license suspended in past-related moving violations</li> </ul>

### Sources

CNA Underwriting Motor Vehicle Record Criteria.

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Spot for Business Owners." The Acorn: Menlo Park Chamber of Commerce.

Snow, Natasha. 2008. "Hired and Non-Owned Auto Liability Coverage. Why Businesses Need It."

**Additional tools and resources from CNA are available to help reduce auto and fleet risks at [www.cna.com/driverperformance](http://www.cna.com/driverperformance).**

