

# Risk Control Bulletin: Policy on Personal Use of Company Vehicles



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The primary reason for implementing a written policy on the personal use of company owned vehicles is to establish and document rules on when and how employees may or may not use the company vehicle for non-business purposes. Company vehicles are given to employees to take home for a variety of reasons. In most cases, however, employees' use of company vehicles is not intended to exist without limitations. Personal use of a company vehicle should be restricted to the employee assigned to the vehicle, and non-employees, such as spouses or children, should not be allowed to drive company vehicles.

Policies covering personal use of company vehicles should be in writing and signed by the employee to verify their comprehension of, and agreement to comply with those policies.

## What is the cost for a company that provides personal use of its vehicles?

Allowing employees personal use of company vehicles is costly. Every mile a company vehicle is operated for personal use shortens the number of business miles a company will get from that vehicle.

AAA reported in May 2014, based on driving 15,000 miles annually, it cost 59.2 cents per mile to own and operate an average sedan and 73.6 cents per mile for an SUV 4WD. Using these figures as a baseline personal use of 10,000 miles annually will cost your company between \$5,920 and \$7,360 a year.

In addition, allowing personal use of company vehicles has administrative costs. The IRS requires businesses to report personal use of company vehicles as compensation or income for the employee.

These are only a few of the costs associated with personal use of your company vehicles. The company may also be responsible for any property damage or injuries that occur during the employee's personal use of the vehicle. As the owner of the company, you need to understand the true cost and exposures of allowing personal use of company vehicles.

## Unassigned Vehicle Personal Use

Personal use of a company vehicle may occur when an employee asks to borrow or use a company vehicle for a reason unrelated to your business, for example, the employee is moving something and wants to use the company pickup or van.

**Should you let them use the company vehicle? No.** If they need to use a truck for moving, the employee should go to a car or truck rental company.

**If you allow an employee to borrow a vehicle for special use, here are some suggested steps you should take.**

1. Review the employee's Motor Vehicle Record (MVR) to assure it is acceptable. The MVR must be held to at least the same standard and you do for drivers of company vehicles.
2. Complete a documented road test of the driver in the company vehicle to ensure they can operate it safely.
3. Conduct and document a safety inspection of the vehicle before the employee takes it.
4. Have the employee review and sign a copy of the company fleet safety rules that include, at a minimum, the following:

The driver must not operate the company 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 shall not talk or text on a cell phone, operate computer or other such equipment while vehicle is in motion.
- All accidents will be reported to the company immediately.

**Have the employee complete a written request stating:**

- The employee will be the only person to drive the vehicle.
- How and where the vehicle will be used.
- The number of miles they expect to drive the vehicle.
- Dates when they expect start using and end using the vehicle.
- The cargo being transported and how it will be secured in or on the vehicle.
- How many passengers they expect and that everyone will use the vehicle restraints when the vehicle is in motion.

Have the employee sign and date the written request.

**Attach to the request:**

- A copy of the employee's driver's license.
- A copy of the employee's personal automobile insurance card. Make sure the coverage has not expired.

**Do Not** let them use the vehicle; if the employee cannot provide a valid driver's license for the type of vehicle they want to borrow.

**Do Not** let them borrow the vehicle; if the employee does not have personal automobile insurance.

**Sources:**

Market Trends: The Hidden Cost of Personal Use.

<http://www.fleetfinancials.com/Blog/Market-Trends/Story/2009/09/The-Hidden-Cost-of-Personal-Use.aspx>

Owning and Operating Your Vehicle Just Got a Little Cheaper According to AAA's 2014 'Your Driving Costs' Study.

<http://newsroom.aaa.com/tag/driving-cost-per-mile/>

**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).**



## Sample Personal Use Policy

(Company Name) \_\_\_\_\_ will permit personal use of the company vehicle assigned to (Employee Name) \_\_\_\_\_ under the following conditions:

Only the employee is allowed to drive the company vehicle. Spouses, children, other relatives or friends are not authorized to drive the company vehicle.

1. Personal use will be within \_\_\_\_\_ miles of the employee's home, unless the employee has written consent from the company at least one week in advance.
2. The driver must not operate the company vehicle if they have:
  - a. Consumed any alcoholic beverages.
  - b. Taken any prescription, over the counter or illegal drug or substance that may impair driving ability.
  - c. Become intoxicated or are under the influence of any prescription, over the counter or illegal drug or substance.
3. The driver and all passengers in the company vehicle must use passenger restraints at all times when the vehicle is in motion.
4. The driver must not talk or text on a cell phone, operate a computer or other equipment while vehicle is in motion.
5. The following uses are not allowed with company vehicles:
  - a. Towing of trailers, campers or boats
  - b. Transporting of hazardous materials
  - c. Traveling into any foreign country (Canada or Mexico)
  - d. Attaching equipment such as luggage carriers, winches, or plows
  - e. For hiring to others or transporting others to generate income
  - f. Giving rides to hitchhikers
  - g. Using for any other purpose not approved by the company
6. Any accidents during personal use must be reported to the company immediately.
7. The company will consider unauthorized use of the vehicle by someone other than the employee as the equivalent of theft, and the driver may be held responsible for the consequences.
8. The company may restrict or withdraw this personal use policy at any time.

I understand and agree to comply with this policy.

Employee Signature \_\_\_\_\_

Employee's Driver's License Number \_\_\_\_\_

Employee's Personal Automobile Insurance Provider \_\_\_\_\_

Employee's Personal Automobile Policy Number and Expiration Date \_\_\_\_\_

Description of Company Vehicle and Vehicle Identification Number \_\_\_\_\_

Company Vehicle License Tag Number \_\_\_\_\_

Date \_\_\_\_\_

