

# Understanding Non-owned and Hired Automobile Liability Coverage



Does your business have potential automobile loss exposures that you are not aware of? You've taken all of the necessary steps to ensure that your own fleet operation is properly covered in the event of an accident. But what about the potential loss that arises from individual employees who operate their own personal vehicles for company business?

There are many situations that present a potential for you to be held accountable for the actions of your employees while they are driving their own vehicles:

- Do administrative employees use their own vehicles to go to the post office or bank on your company's behalf?
- Do you occasionally send an employee to pick up a visiting client at the airport?
- Have you sent employees to pick up lunch, drop off mail or pick up office supplies?
- Have you ever rented a vehicle while on a business trip?
- Do you have a sales force to which you provide a car allowance for business use of their personal vehicles?

If an employee has an accident under any of these situations, your business can be held accountable and sued for damages. Basic business automobile policies only cover employees while they operate company-owned vehicles to perform company business. Your best protection: non-owned and hired automobile liability coverage. This type of coverage will kick in if there is an accident and your company is found legally liable. Typically, an employee's personal automobile insurance will provide primary insurance to both the employee and the business if the employee is using their own vehicle on company business. However, there is the chance that charges will exceed the employee's policy limit and would then be passed on to the company. Without non-owned and hired automobile liability coverage you may be vulnerable to a potentially costly exposure.

Non-owned and hired automobile liability insurance covers bodily injury and property damage caused by a vehicle you hire (including rented or borrowed vehicles) or caused by non-owned vehicles (vehicles owned by others, including vehicles owned by your employees). This coverage is typically added to your business automobile policy; however, it can be added to your general liability policy if you do not have a business automobile policy. It protects your company if it is found legally liable as a result of an automobile accident that you or your

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employee has in a hired or non-owned vehicle while on company business. Hired automobile coverage replaces or augments the liability coverage offered by automobile rental agencies.

## Non-owned and Hired Automobile Coverage: The Basics

Here are the first things you need to know about non-owned and hired automobile coverage:

- Who needs non-owned and hired automobile coverage?

If you or your employees ever drive vehicles not owned by your business for business purposes, then you need non-owned and hired automobile coverage.

- What is non-owned automobile coverage?

Non-owned automobile insurance provides liability protection when an employee occasionally has to drive his or her personally owned vehicle for business purposes. It assumes that the vehicle is not owned, registered or contracted in your name or on your behalf.

- What is hired automobile coverage?

Hired automobile insurance provides liability protection when you or an employee is driving a rented, hired or borrowed vehicle.

## Next Steps

If you do not already have this type of coverage and your employees occasionally use their own vehicles for business purposes—even quick errands—consider adding it to your business insurance package today. Consult with Hanson & Ryan Inc. to review your business automobile and general liability policies to ensure you have adequate coverage and liability limits for non-owned and hired

automobiles.

Any type of loss exposure, no matter how small, is too big to ignore. Call us today at (973) 256-6000 to ensure that your automobile coverage meets your needs.