

June 30, 2015

## RISK MANAGEMENT BULLETIN

### Company Furnished Vehicles

The Business Auto policy does not extend coverage to employees and their family members if the company furnished vehicle is operated outside the scope of the employer's permission or if the employee rents or borrows a vehicle on a personal basis which is not owned, rented, or borrowed by the business. Also, even in those instances in which coverage extends to the employee under the Business Auto policy, protection is subject to the policy limits, which must be shared with the named insured (The Employer).

For example, an employer's permission for use of a company vehicle may not extend to employee vacation or other personal activities or to use of the vehicle by members of the employee's family. Even if permission is granted for personal use of the vehicle, the Business Auto policy covers only vehicles owned, rented, or borrowed by the named insured. No coverage extends to vehicles rented or borrowed by an employee on a personal basis.

Individuals who drive a company furnished vehicle must make other insurance arrangements to protect against these coverage gaps in the Business Auto policy. Four alternatives are available:

**Expanding the Business Auto Policy** — Those individuals who operate their business as a proprietorship with all vehicles, both personal and business titled in the business name should add the Individual Named Insured Endorsement to the Business Auto policy. This includes family members of the individual named insured as insureds for the operation of both owned and non-owned automobiles, thus providing the same coverage under the Business Auto policy as is applicable under the Personal Auto policy.

In the absence of this endorsement, coverage still would apply to the individual named insured with the named insured's permission. The recommended endorsement extends coverage to allow family members to operate vehicles owned, hired, or borrowed by the named insured without permission.

**Adding "DOC" to the Business Auto Policy** — Another alternative for providing non-ownership coverage for those persons operating a company furnished car is the Drive-Other-Car Endorsement to the Business Auto policy. This includes listed individuals and their spouses as insureds for the operation of automobiles hired or borrowed by the listed individual.

Depending on premium, coverage applies for liability, medical payments, uninsured motorists, and physical damage. The endorsements should be used when the scheduled individual is not the named insured, thus precluding the use of the Individual as Named Insured Endorsement.

Because of the coverage gaps under the Business Auto policy, it is essential that additional coverage be provided for individuals and their resident relatives while operating a company furnished vehicle.

**Expanding the Personal Auto Policy** – Those employees who own one or more personal vehicles in addition to operating a company-furnished car must insure the personal vehicles under a Personal Auto policy. This normally excludes liability and physical damage coverage for the operation of a vehicle furnished for the insured's regular use, but this exclusion may be eliminated by attachment of an Extended Non-Owned Liability Endorsement. This grants coverage for the insured and spouse for operation of a company furnished vehicle and for operating any non-owned vehicle.

**Named Non-Owner Coverage**– Last, Individuals who own no personal vehicles may acquire a Personal Auto policy with a Named Non-Owner Endorsement. This provides coverage for the named individual and other listed family members while operating a non-owned vehicle, including a company furnished vehicle. Most carriers prefer not to issue the Personal Auto policy with this endorsement on the presumption that the premium is inadequate; no owned vehicle exists to act as the rating basis.