

How to protect your business when the fleet is not your own.



Even businesses without fleet vehicles need a process to qualify employees as responsible drivers.

Organizations that wish to avoid leasing or owning large numbers of vehicles often decide to either require or incentivize their employees to use their own cars and light duty trucks on the job. At face value, this offers numerous benefits to the company:

- Less capital investment in owned assets and less money spent on financing fees since they are not leasing a fleet of vehicles
- No need to organize and administer a vehicle maintenance program
- Less complicated insurance program to oversee
- Opportunity to limit organizational costs to a simple pay-per-mile driver reimbursement program

However, any business whose employees use their personal vehicles on the job still has an important insurance exposure to address.

What's the risk to your business?

Crashes involving non-owned vehicles that occur on work-related trips can impact a business financially, and that's especially true if an employee's personal auto coverage isn't sufficient to meet the cost of the incident. In such cases, the employer may be responsible for the actions of the employee in what is referred to as vicarious liability.

The Insurance Information Institute advises, "To protect your business from these liability risks, you can add a non-owned auto liability endorsement to your business auto coverage form (BACF). This BACF coverage is excess over the limits provided by the employee's personal auto coverage. If the employee's limits are low — such as only to satisfy state financial responsibility limits — then it is critically important for the business to have this non-owned auto protection."¹

In addition, even companies that don't require a fleet of vehicles need a process in place to qualify their employees as responsible drivers. This applies to staff members driving their own vehicles on behalf of the company, as well as to those using short-term rentals for business travel. All drivers need to carry adequate personal insurance, and those using their own vehicles must keep them roadworthy.

¹ *Business Vehicle Insurance*, Insurance Information Institute, <http://www.iii.org/publications/insuring-your-business-small-business-owners-guide-to-insurance/specific-coverages/business-vehicle-insurance> (downloaded 2/18/16)

Commercial Fleet Safety: Hired and Non-Owned Vehicles



Make sure insurance is in place for any non-owned vehicle, and that coverage limits are sufficient for the employee's driving exposure.

Key considerations to investigate.

Here are several questions that can help to evaluate whether you want a driver to use his or her personal vehicle on your company's behalf:

- How will the employee-owned vehicles be used to support the business (e.g., occasional errands, scheduled deliveries and transporting passengers as a shuttle service)?
- Does the employee have insurance on the vehicle?
- Are the inspection and registration current?
- What kind of driving record does the employee have?
- Does the employee know defensive driving tactics and/or should instruction be given?
- What is the vehicle's condition?
- Is the vehicle suitable for the job that has been assigned?
- Do we have a responsibility to author, communicate and enforce safe driving policies affecting this employee? (This is always a yes.)

As we interview business owners interested in purchasing insurance, we at Nationwide® sometimes find companies where there are no processes in place to:

- Verify that non-owned vehicles are being properly maintained
- Verify that insurance is in place for non-owned vehicles, and that employee-drivers' coverage limits are sufficient for the actual driving exposure
- Investigate the driving history of employees to determine the number of past violations or police-reported crashes
- Validate that the driver's licenses of employees are in-force and have not been suspended or revoked
- Provide any guidance on the safe operation of vehicles while fulfilling job duties (e.g., policies, handbooks and training programs)

Failure to place effective controls around the use of vehicles can lead to dire consequences ranging from serious bodily injuries and fatalities to litigation aimed at the management team for issues like negligent supervision or negligent entrustment.

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Starting your own driver safety program.

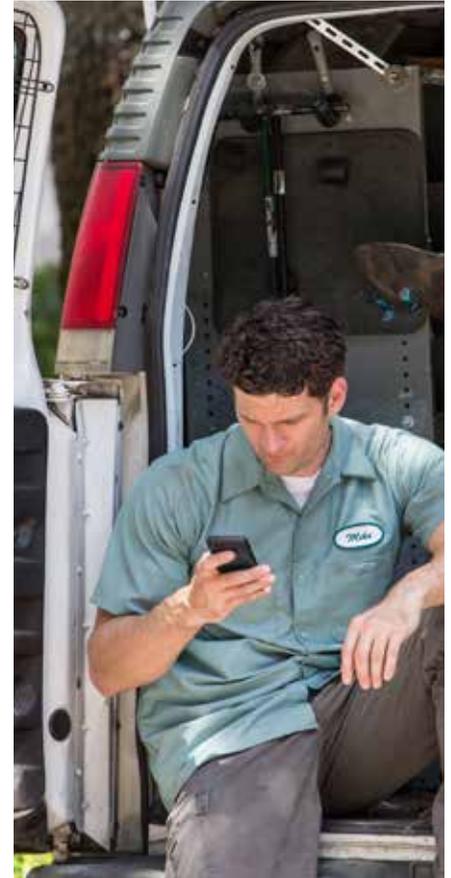
Designing and implementing a basic driver safety program can be done quickly and efficiently in the following way:

- **Create a safety policy statement** that outlines the need to obey traffic laws and adhere to company directives for the well-being of everyone involved
 - Spell out non-negotiable policies that affect safe driving
 - Communicate expectations clearly and provide the opportunity to ask clarifying questions; employees who don't understand your expectations will have a difficult time meeting them
- **Outline a process to identify each job position** and every current employee who will be asked to use their personally owned car or a rental car on the company's behalf
 - Obtain the consent of each driver to purchase and review their motor vehicle record (MVR); this is a history of past tickets and police-reported crashes available through the state that issues the driver's license
 - Obtain MVRs on all drivers at least annually and compare their history against a company benchmark threshold to determine acceptable versus unacceptable drivers
 - Establish a record-keeping system to validate and update the insurance status of each driver; they need at least the state minimum required insurance coverage on their vehicle; consider if the state minimum is adequate to protect your company's interests in the event of a multi-vehicle crash
 - Schedule an inspection of each driver's car or light truck semi-annually to ensure it remains roadworthy with essential systems maintained and in good working order

Topics to consider when developing your safety policy.

You should insist that all company vehicle operators follow basic safe driving practices, and communicate your expectations through clear policy statements on each of the following topics:

- **Distracted driving** should include the prohibition of cellphone use and food consumption, along with other actions that take an operator's focus away from the road.
- **Business and personal use of vehicles** should be outlined clearly along with the use of other business assets.



You should obtain the consent of all company drivers to purchase and review their MVRs.

Questions? Contact
Nationwide Loss Control
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- **Authorized driver and passenger** guidelines should designate who is permitted in the vehicle.
- **Personal insurance** should be required and on record for any business use of personally owned vehicles.
- **Seat belt use** should be mandatory for all drivers and passengers.
- **Alcohol and drug use** should be strongly prohibited.
- **Security measures** should be taken to protect vehicles when parked and/or not occupied by a driver.
- **Adherence to all traffic laws** should be promised by every driver regardless of the vehicle being used.
 - Fines or penalties from moving violations are the sole responsibility of the operator.
 - Accrual of violations may lead to suspension of driving duties, or even termination of employment if the job is dependent on driving duties.
 - All drivers will have their history of violations reviewed as part of their initial and ongoing qualification process.

Additional resources for employers.

You can obtain additional suggestions, templates and ideas from a range of sources:

- **Network of Employers for Traffic Safety (NETS)** — trafficsafety.org/safety
- **Insurance Institute for Highway Safety (IIHS)** — iihs.org
- **Occupational Safety and Health Administration (OSHA)** — osha.gov/Publications/motor_vehicle_guide.html
- **Centers for Disease Control (CDC)** — cdc.gov/Motorvehiclesafety/index.html



Some forms you may find useful.

Nationwide encourages you to incorporate the use of one or more of the following forms into your company's driver safety program:

- Safe Driving Commitment Form (Non-Owned Vehicle Operators)
- Non-Owned Vehicle Driver Safety Orientation Checklist
- Non-Owned Vehicle Authorization and Operation Form
- Vehicle Inspection Report Form

To obtain copies of these documents, contact your Nationwide agent or your Loss Control Services representative.



Providing solutions to help our members manage risk.SM

For your risk management and safety needs, contact Nationwide Loss Control Services: 1-866-808-2101 or LCS@nationwide.com.