

## Insuring What You Don't Own?

Sometimes it seems hard enough to get your customers to purchase all the coverage they need for the property they own, so getting them to consider coverage for something they don't own can be even more challenging. That is, however, just what they might need to do if they ever use a vehicle for their business—even if the vehicle is not owned by the company.


There are two types of exposures that a business can have in regards to autos that it does not own: hired or non-owned vehicles. If your agency places business or commercial policies, it is a good idea to recommend that your customer consider these coverages, even if the business is not currently or regularly using a hired or non-owned vehicle.

The first exposure is for "hired" autos. It comes into play when a business leases, hires, rents or borrows a vehicle and an employee of the business causes bodily injury or property damage due to his or her negligent operation of the hired vehicle. This does not just include when it hires vehicles to do the core business of the job (i.e. hauling). Does your customer rent cars to travel to meetings? Any time a company employee rents a car from a car rental company on business travel, leases a car or borrows someone else's vehicle (that is not owned by another employee or partner) for use in the business, there is a liability exposure.

If the employee gets into an accident with the rented, leased or borrowed vehicle and causes bodily injury or property damage as a result of the negligent operation of that vehicle, then there could be such an exposure. This exposure could possibly be excess over any primary policy provided by the rental car company, the leasing company or the owner of the borrowed vehicle's policy. Even if there is another primary policy that applies, the primary policy limits might not be enough to cover the loss. Also, a rental or lease agreement could contain a hold-harmless provision, requiring the business to reimburse the owner of the vehicle under certain circumstances, which could create an additional hired auto exposure.

The second exposure is for "non-owned" autos. It comes into play when an employee, partner, limited liability member or household member of the limited liability member drives his own vehicle in connection with the business and due to negligent operation, causes some type of bodily injury or property damage. It is important for the agent to not only analyze his customer's exposures associated with the use of automobiles that the business owns, but also any automobiles or vehicles that are used in his customer's operations. It is a good idea to understand your customer's operations and whether vehicles are used to conduct those operations. The agent needs to have a clear understanding of who is driving cars for the business and who owns the cars being driven. Does your customer have sales representatives who use their own cars to make sales calls? Does your customer ever have her employees make deliveries or run errands for her using their own cars? Is your customer a home health nursing organization whose nurses use their own cars to visit patients? In all of these situations, non-owned auto coverage would be a necessity.

In addition, any time an employee, partner, limited liability member or household member of the limited liability member operates their own vehicle in the course of your customer's business, there is an exposure for non-owned autos. The amount of the exposure to your customer under non-owned auto coverage could depend on the limits of the personal auto insurance policy that was obtained by your employee, partner or limited liability member. If the limits on these personal auto policies are low, then the exposure under the non-owned coverage is obviously greater. Also, a personal auto policy might be found to be inapplicable if the vehicle is being used in the course of your customer's business and the personal auto policy contains a business-use exclusion.

If your customer does not actually own any autos, you may be able to obtain these coverages for him by endorsement under the BOP policy. If your customer owns vehicles but also needs coverage for hired or non-owned vehicles, getting this coverage for him might be as simple as adding symbol 8 (hired) and symbol 9 (non-owned) under his standard ISO commercial auto policy. Either way, it is prudent to recommend hired and non-owned auto coverage for most businesses and get something in writing from your customer if he rejects your recommendations. 

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## Digging Deeper on Hired and Non-Owned

For more information relating to hired and non-owned vehicles, check out the following articles at

[www.iiaba.net/vu](http://www.iiaba.net/vu):

- More Rental Car Issues
- Insuring Physical Damage on Employee Autos
- The BAP and Temporary Substitutes
- BAP Coverage for Loaner Cars...Or Lack Thereof

—C.M.