

## Hired and Non-Owned Auto Coverages

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### Coverages

It is easy to look at our personal Automobile policy and ask the question “What is important in writing this coverage” and find three answers:

1. What is the vehicle?
2. Where is the car garaged?
3. Who are the drivers?

If we rent or borrow a car our private passenger auto insurance automatically covers us. If we let someone else drive our car, we have coverage. The coverages are automatic and we don't even discuss them with our agent.

But commercial auto is different. Every coverage is ala carte and must be endorsed and charged for. If we drove a company car and did not own a personal car, we would have to buy a policy to cover us if we rented or borrowed someone else's car or we could have the corporate policy endorsed to include these coverages:

1. Use of Other Car
2. Hired Auto
3. Non-owned auto.

The “**Use of Other Auto**” coverage allows the person named in the endorsement to drive a car other than one registered to the company. This coverage is underwritten on a driver by driver basis and is a flat charged coverage.

The **Hired Auto** coverage extends liability coverage to a rental unit or a truck hired to haul something for the company. In either case coverage exists while the vehicle is being used in be half of the company. It doesn't cover a company car driver that rents a car to go on vacation.

The **Non-Owned** coverage extends coverage to a vehicle owned by company employee when driven for company business (i.e.: going to the bank, post office or supply store)

While all three can and usually are added to the automobile policy, we see Hired and Non-owned added to General Liability or Package policies of those companies that don't have a fleet but still need the coverage. When added to a liability policy the coverage is still auditable and should not be missed at audit.

### How to Audit the Coverages

#### Use of Other Auto

There is a flat charge associated with a specifically named driver and is not auditable.

#### Non-Owned Auto

Non-owned auto is typically based on the number of employees a company has. This is stated on the policy in the form of an array (i.e.: 1-25). Don't count only the employees who regularly operate their vehicles on the behalf of the company – **all** employees and officers should be included in the count.

### Hired Auto

Hired auto often poses a challenge since finding the true cost of hire in the insured's books is often difficult, if not impossible. There are basically two costs we are looking for and each presents its unique challenge. The first cost is the amount spent on rental units (other than long term leases), used by employees on company business. These are the cars and trucks rented from companies like Hertz, Avis, Budget, Alamo, Enterprise and other rental companies.

When employees travel on company business and rent a car, the rental will often show up on an expense report that is coded to a Travel & Entertainment account, without the rental costs being separately tracked. This means the auditor would have to go through all expense reports to develop this exposure. Since this is impractical, it is up to the auditor to determine the most effective way to audit the exposure, based on the advice of the insured.

The auditor should always ask the insured two questions:

1. Do you rent cars or truck for short terms? If the answer is, yes. Explain that you need to know the amount of those rental and
2. How is the best way to find those costs?

Also, there is a cost of hire that often disguises itself as "Sub-Contractor" cost. The insured will have costs coded to subcontractor or vendor accounts that are actually hired auto exposures. These would be companies that haul material or even act as taxis for employees (which is common among Amish-owned entities).

Don't be tempted to check the certificates of insurance and lump these in with your adequately insured subs class. This group should be separately classified as hired auto.

Remember, just because the contracted hauler has a certificate of insurance, that doesn't mean the policyholder is immune to liability. If an accident occurs when the vehicle is being operated on behalf of the insured, liability follows. Also, there is no credit given for mobile equipment (as there could be with Worker's Comp).

When auditing you should find the type of work performed by all subs, especially those with names like ABC Trucking, XYZ Hauling, Charlie's Debris Removal and those that list an individual name like John Jones as these are often truckers. If the "subs" that do trucking for the insured have a certificate of insurance, it should be checked for Automobile Coverage. Remember that loading and unloading of a truck is covered by the Auto Policy not the Liability Policy. If the "sub" doesn't have a Certificate we should inform the insured that an auto certificate is needed and list those 'subs' separately and make a note to the underwriter.

While auditing these coverages can often be confusing, it is the auditor's job to understand how they apply and what is needed to properly underwrite the risk.