



Corporate Exposure: Auto Exposures

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The privilege or permission granted to an employee or friend to operate a company car can create a significant exposure to the corporation. The protection most companies seek is through the purchase of a standard business auto policy. We believe that before purchasing any insurance policy, the corporation should do all it can to reduce auto exposures.

Initial Checks

The first step is to be certain every employee who may be operating a vehicle, even on short errands, possesses a valid driver's license. Motor vehicle record (MVR) checks should be done through your insurance agent or carrier or directly through the state motor vehicle department. These record checks typically provide an abstract detailing any driving infractions of the operator or suspension of driving privileges. A pattern of speeding tickets, for example, should obviously signal a red flag. Many will argue that those employees who abuse their personal vehicles (speeders, for example) are more likely to operate a company vehicle recklessly. MVR profiles should be obtained, at a minimum annually, to be certain the individual's record has not deteriorated or that driving privileges have not been suspended during the course of the year.

Another step is to provide high-risk employees with defensive driving training and education as a means of reducing the corporation's risk.

Another necessary risk strategy is for the company to develop a policy regarding vehicle operation and have all operators sign the policy document. The policy can be as broad or as restrictive as the company desires. Forbidding operation of the vehicle by anyone except the employee (no spouses or children) and not allowing

the unit to be taken on vacation are standard operating rules.

Finally, the company should, to the best degree possible, match the vehicle to the task. Some units perform more safely on certain terrain and under specific weather conditions than others. Knowing when, why, and how the vehicle will be used should clearly be considered when purchasing or leasing any unit.

These strategies may appear fundamental, but our experience with clients has been that they neglect to implement the basics.

Exclusions in Standard Policies

The standard auto policy can contain a number of exclusions and may not provide the level of protection perceived. For example, there is an exclusion in most policies that prohibits an employee from receiving damages if injured in an auto accident while the vehicle is driven by another employee. In other words, if two employees are traveling together in a company car and the driver runs a traffic light and both parties are injured, the passenger may not be covered under the automobile policy. This exclusion can be waived for an additional charge and the corporation should always ask the agent or carrier to provide a quote for this waiver. Naturally, both the driver and the passenger are covered by workers compensation and should seek relief of their losses (medical bills and injuries) through that policy. However, often employees would rather collect under the auto policy where the awards are far more lucrative and not nearly as restrictive as the worker's compensation policy.

Another standard provision under the physical damage portion of the auto policy states that if the employee operates the vehicle negligently, the carrier may seek to recover the cost to

repair the vehicle directly from the employee. This exclusion can also be waived for a price.

Other Options

All exclusions must be understood and carefully analyzed. Conversely, there are a number of endorsements to the policy the company should consider. Uninsured or even underinsured coverage is available depending on the state in which you are located. Some states require uninsured motorist coverage to be included in every policy issued within the state. The limits are often minimal, however, but you can purchase higher protection.

Many drivers will operate without insurance or with the minimum amount of protection; thus, it is incumbent upon the company to protect itself accordingly. For example, the minimum limits in New York are \$20,000/\$10,000. In other words, the maximum amount of insurance available under these limits to cover any accident is \$20,000 and no one person may receive more than \$10,000 from a particular accident. Clearly these limits are not adequate given today's standards.

As noted above, the company should do all it can to reduce its exposure to risk and to be certain the standard business policy has been properly constructed to protect the organization. We have developed a driver profile that, upon completion, will help identify those drivers at high risk. For your free copy, call Applied Risk at 914-365-2444 or FAX 914-365-2478.

Harry P. Mirijanian is president of Applied Risk, an independent risk management services firm established to assist the business community in reducing exposure to business loss and insurance costs. He is a frequent speaker at AMA seminars.

