



ASAE-Endorsed Association Office Package Program

EMPLOYERS' NON-OWNED AND HIRED AUTO LIABILITY COVERAGE

Brief Overview

Employers' Non-Owned and Hired Auto Liability protection is often misunderstood. First, it does not take the place of any other form of auto insurance. It is a supplementary coverage that fills in some gaps in other auto insurance, so it should not be regarded as primary protection.

Employers' Non-Owned Liability coverage is designed to protect the employer when vehicles the entity does not own, rent, or borrow are driven on the business of the employer. Anyone driving their own personal vehicle on company business could be involved in an accident. In such an event it is likely that the employer would be named along with the driver or the owner of the car once it is learned that a business or organization is involved. Employers' Non-Owned Liability coverage steps in and protects the employer and the employer only. The driver or owner of the car must look to their own insurance to protect themselves.

There is a natural tendency for people to think that because they are driving on business of their employer, that the business' insurance will provide the protection. This, of course, is not the case. It is important that the employer make this clear to anyone so involved, as well as to stress the importance that such individuals maintain their own personal insurance with adequate limits.

What happens when a car is rented from a car rental company? Car rental agreements vary from company to company as well as from state to state, but in general when an employee rents a car, a designated amount of Bodily Injury and Property Damage Liability insurance comes with the agreement as well as Physical Damage Comprehensive and Collision insurance. The latter usually comes with a large deductible.

If the car is rented in the name of the employer organization, the Hired Auto Liability coverage is in excess of limits provided by the rental car company if the limits are selected at the time of renting a vehicle. However, note that there is no Physical Damage protection provided.

The Collision Damage Waiver that rental car contracts offer as an option simply buys out the \$2,500 or \$3,000 deductible. We recommend that this option be purchased. Otherwise, you may end up getting a bill for a dent in the rented car that is discovered long after it has been returned to the rental company. The per diem charge for this buy out, however, is expensive. Therefore, many organizations which frequently rent cars often choose to self-insure for this exposure.

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