

Personal Automobiles for Business Use



According to the U.S. Census Bureau, there are more than 240 million registered motor vehicles in the United States, and an estimated one-fourth of those are used for business in some way. If you have employees who use personal vehicles for business use, you could be exposing your business to a significant liability risk.

Even if your employees have Personal Auto Policies (PAPs) for their personal vehicles, in the event of a serious accident that occurs during business use, your business could be sued to collect additional damages.

What is “Business Use”?

Activities that constitute general business use include visiting customers, picking up supplies, attending conferences, and commuting to and from work. For activities like this, the general business use of a personal vehicle is usually covered by a PAP. This is because a policy purchased for a specific vehicle is considered the primary insurance, which covers damages before any other policy takes effect.

An exception to general business use is livery, or carrying goods or people for a fee. Livery includes the delivery of items such as food, flowers, or wholesale or retail items to customers, as well as chauffeur services. Carpooling or ridesharing is not considered livery and is covered under a PAP.

Employees that work from home can still pose a risk if they use personal vehicles for business use. It may be more difficult to ascertain the driving habits of employees that work from home or the operational

status of their vehicles. Communicate regularly with these employees concerning your company’s policy for the use of personal vehicles.

Employee PAP Coverage

For employees using their personal vehicles, the primary insurance on the vehicles will likely be their PAPs. You should know how your employees are covered for the business use of their vehicles. Encourage your employees to speak with their PAP carriers to be sure of their coverage and to make it clear to the insurance agents what business activities the vehicles may be used for.

Some PAPs appear to exclude coverage for business use, but they may include broad exceptions for a private passenger automobile, or pickup trucks and vans. However, some policies may be stricter depending on the circumstances. Clarification may prevent complications if a claim must be filed.

Four Ways to Reduce Risk

Though employees’ use of personal automobiles may pose a risk to your business, there are steps you can take to help protect both your employees and your business from liability.

Review driving records and create an approved-driver list: All employees that use a vehicle for business use should be cleared to drive by a manager. This process should include reviewing motor vehicle records and PAP coverages regularly and maintaining records to help reduce risk exposure.

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Establish standards for personal vehicles: Even employees without any incidents on their motor vehicle records can be a risk to your business if they are driving personal vehicles that are not properly maintained. Establish company guidelines for maintaining personal vehicles. If employees are compensated for time spent driving or if they routinely use their personal vehicles for business, consider regularly collecting maintenance reports to gauge the reliability of personal vehicles.

Make the company policy clear: After you create guidelines for the use of personal vehicles at your business, be sure to communicate them to your employees in a clear and timely manner. Although it is common to have policies against the use of intoxicating substances or mobile devices while driving, reminding employees of all of your company policies is an effective way to mitigate risk.

Establish rental vehicle policies: The use of rental vehicles for business also presents exposure to risk. It may be beneficial to establish a relationship with a particular rental vehicle agency to determine which vehicles best suit the needs of your business and employees while traveling. You should also give your employees guidelines on which rental vehicle insurance coverages to accept during the rental process.

Obtaining Appropriate Liability Insurance

Additional coverage may be needed if any potential risks from personal auto use threaten your business. A standard Business Auto Policy (BAP) will protect your business from any additional liability after an employee's PAP has paid for damages related to personal auto use.

Although employees who have personal vehicles should be required to have PAPs, obtaining liability insurance should be a priority to protect your business. In the event of a serious accident, your employees' PAP coverage may not be adequate to pay for all the damages. Be sure to

prepare a list of vehicles that may be used by employees and the type of business they may be used for, and contact Eaton Insurance Services in order to discuss your coverage options.