

Non-Owned Vehicle Management



Your business's attorney called. She just got off the phone with legal counsel for the family that your employee rear-ended last fall on the way back from a client visit in his personal car. They claim your business was negligent in allowing him to drive as his license was suspended. The employee was allegedly talking on his cell phone at the time of the accident, and they are questioning the roadworthiness of his 21-year-old car, as the brakes and tires were worn. His insurance had lapsed after his license was suspended, so your business's insurance is the only coverage available. To make matters worse, he is still out on disability from an injury occurring during the accident.

Auto accidents are the leading cause of work-related fatalities, accounting for roughly 22% of all deaths.¹ Organizations also have significant liability risk if an employee or a volunteer is operating their personal vehicle on behalf of the organization and are involved in an accident.

A best practice to help minimize auto liability, as well as worker injury and death, when operating personal vehicles is to ensure adequate controls are in place. Generally, non-owned vehicle safety policies and procedures should be similar to those of owned vehicles. An organization's duties are not diminished because they don't own the vehicle. Key risk management steps include:

- **Authorization:** Organizations should designate who has permission to drive for work related purposes. Authorization should be in writing. For example, rather than allow any person to run to a store for office supplies, an office manager or designated assistant, who has been screened and approved, should perform these duties.
- **Rules and Policies:** Clear expectations should be set for safe operation and maintenance of personal vehicles. These rules should be included as part of the authorization/approval process. Sample authorization and rules can be found [here](#).
- **Driver Qualification:** Screening should be conducted to ensure drivers have adequate driving experience, a valid license, and an acceptable motor vehicle record (MVR). If drug and alcohol testing is required of owned vehicle drivers, these same requirements should be in place for drivers operating their personal vehicles.
- **Vehicle Qualification:** Only vehicles owned or directly leased by an employee/volunteer should be permitted. An organization should ensure all vehicles operating on its behalf are in safe operating condition. Many organizations prohibit the use of older vehicles or vehicles with extensive miles as they are more likely to have component failures. Older vehicles are also less likely to have new safety technology. Proof of annual inspection by a qualified mechanic is a best practice, as well as periodic inspections by organization staff.
- **Insurance:**
 - 13% of drivers do not have auto liability insurance and state minimum insurance limits², ranging from \$15K to \$50K, are woefully inadequate to cover an employee and your organization in a severe accident.
 - Organizations should establish minimum auto liability insurance requirements for drivers and obtain proof that insurance is in place. Minimum limits of \$100,000/\$300,000/\$100,000* are standard.
 - Proof of insurance involves obtaining a certificate of insurance (COI) with your organization listed as the certificate holder. Having your organization listed as an additional insured (AI) is an additional step. There should also be no "business use" exclusions on the policy.

- Ask your insurance agent for guidance on these insurance requirements. Most organizations reimburse drivers for using their personal vehicles. This reimbursement covers expenses for operating the vehicle, including insurance costs. Note that higher limits provide added protection to the driver while driving for personal reasons as well. Most personal auto insurers will provide a COI and AI listing at no or a reasonable cost.
- Drivers should be made aware that they can be sued individually, and that their insurance is generally primary, in an accident while working. They should understand the importance of having adequate insurance, without any business exclusions.
- Safe driver training: Many drivers have forgotten safe driving techniques they learned early in life or have developed unsafe driving habits. Education and awareness are key to reducing accidents. Core training should be provided on the hazards and prevention of distracted driving, proper defensive driving techniques and seasonal driving issues. Training should be documented.
- Use this [sample checklist](#) to track the driver and vehicle qualification process.

Rental Cars

When employees rent cars for business travel most of the aforementioned items would apply as well, with the exception of vehicle qualification and insurance. An organization should check with their insurance agent regarding the need to purchase rental car insurance.

Volunteer Drivers

Many health and human services organizations rely on volunteers to use their personal vehicle to further the goals of the organization, such as taking the elderly to doctor's visits or delivering food. Using volunteers does not absolve an organization of the responsibility to ensure these drivers and vehicles are qualified and controlled.

Driver Classification

Use of workers' personal vehicles in a business varies greatly. Some employees may never use their personal vehicle, or rarely. Others may drive daily as part of their work responsibilities. As you look to develop controls for this non-owned vehicle risk, it may be appropriate to classify drivers into groups based on the level of exposure they have to driving; with the level of controls adjusted accordingly. Operations involving transportation of passengers should have higher standards in place and tighter controls. The following is a sample driver classification table.

Driver Classification			
	<u>Drive Rarely</u>	<u>Drive Periodically</u>	<u>Drive Regularly</u>
	<ul style="list-style-type: none"> • 1-6 local trips a year • No long distance trips • No passengers 	<ul style="list-style-type: none"> • 6-24 trips a year • Co-worker passengers only 	<ul style="list-style-type: none"> • 24 or more trips a year • Transporting passengers as a service
Examples:	<ul style="list-style-type: none"> • An employee required to attend an offsite training class • Special requests 	<ul style="list-style-type: none"> • Inside sales staff required to make customer visits periodically • Shop mechanics required to make repairs in the field • Maintenance staff required to periodically pick up parts • Office manager periodically picking up office supplies 	<ul style="list-style-type: none"> • Delivery persons • Outside salespersons • Technicians visiting customers • Staff driving between jobsites • Volunteers transporting clients • Anyone receiving a stipend for use of their vehicle

Risk Management Requirements			
	<u>Drive Rarely</u>	<u>Drive Periodically</u>	<u>Drive Regularly</u>
	<ul style="list-style-type: none"> • 1-6 local trips a year • No long distance trips • No passengers 	<ul style="list-style-type: none"> • 6-24 trips a year • Co-worker passengers only 	<ul style="list-style-type: none"> • 24 or more trips a year • Transporting passengers as a service
Authorization and Review of Policies	<ul style="list-style-type: none"> • Written approval to use personal vehicle obtained in advance • Basic rules/policies signed by driver • See Sample Authorization to Use Personal Vehicles 	<ul style="list-style-type: none"> • Same as Rarely 	<ul style="list-style-type: none"> • Same as Rarely
Driver Qualifications	<ul style="list-style-type: none"> • Three years driving experience • Valid driver's license — copy on file 	<ul style="list-style-type: none"> • Five years driving experience • MVR run prior to initial authorization and annually thereafter — meets guidelines • Drug and Alcohol testing equivalent to organization — owned vehicle drivers 	<ul style="list-style-type: none"> • Same as Periodic
Vehicle Qualification Exceptions for age and mileage requirements may be made if inspection made by qualified mechanic annually.	<ul style="list-style-type: none"> • Must be owned by employee/volunteer — review CAB/insurance card • Less than 15 years old and less than 175,000 miles • Exterior inspection by manager (tires, lights, visible damage/defects) 	<ul style="list-style-type: none"> • Must be owned by employee/volunteer — review CAB/insurance card • Less than 10 years old and less than 150,000 miles • Annual proof of inspection by qualified mechanic 	<ul style="list-style-type: none"> • Must be owned by employee/volunteer — review CAB/insurance card • Less than 7 years old and less than 125,000 miles • Annual proof on inspection by qualified mechanic • Quarterly inspection by organization
Insurance	<ul style="list-style-type: none"> • Copy of active insurance card • State insurance limits met 	<ul style="list-style-type: none"> • Copy of certificate of insurance with organization named as certificate holder. • Min. limits of \$100,000/\$300,000/\$100,000 • No business exclusions 	<ul style="list-style-type: none"> • Same as Periodic • For additional protection the organization can request to be listed as an additional insured on the driver's policy
Safe Driving Training	<ul style="list-style-type: none"> • Annual review of driving rules 	<ul style="list-style-type: none"> • Annual review of driving rules • Annual defensive driver training • Annual distracted driving training 	<ul style="list-style-type: none"> • Annual review of driving rules • Annual defensive driver and distracted driving training • Periodic safety awareness communications • Similar training as provided/required of drivers

Motor vehicle record (MVR) guidelines

The following is an example of MVR guideline. For more information on obtaining and using MVRs see our Resources section below.

#	Moving violations and preventable accidents combined**		Major violations	Drug- or Alcohol-Related
	Last 12 months	Last 36 months	Last 36 months	Last 60 months
0	Acceptable	Acceptable	Acceptable	Acceptable
1	Acceptable	Acceptable	Unacceptable	Unacceptable
2	At-Risk	Acceptable	Unacceptable	Unacceptable
3	Unacceptable	At-Risk	Unacceptable	Unacceptable
4+	Unacceptable	Unacceptable	Unacceptable	Unacceptable

** A violation received because of an accident would be considered one incident.

Major Violations	Minor Violations / Accidents
<ul style="list-style-type: none"> Excessive speeding — 15 mph or more over the posted speed limit Racing or exhibition driving Careless/reckless/imprudent driving Attempting to elude a police officer Failure to stop/report an accident Making a false accident report Failure to stop for a school bus Vehicular homicide, manslaughter or assault resulting from a vehicle-related incident 	<ul style="list-style-type: none"> Any moving violation not listed under major violations Non-moving violations are not typically included but should be reviewed individually as some may indicate a disregard for safety. All accidents, except: <ul style="list-style-type: none"> Verifiable not-at-fault accidents Animal collisions Broken windshields

Resources

- [Authorization To Use Personal Vehicle \(includes rules\)](#) (Editable – MS Word)
- [Non-owned Vehicle and Driver Qualification Checklist](#) (Editable – MS Word)
- [Sample daily and weekly vehicle inspection forms](#) (Editable - MS Word)
- [The MVR: An essential risk management tool for qualifying drivers](#)
- [Driver training best practices](#)

¹13% of drivers nationally do not have liability insurance even though it is required in most states. Top states with uninsured drivers: MS -29%, MI - 26%, TN - 24%, NM - 22%, FL - 20% Insurance Information Institute, Facts + Statistics: Uninsured Motorists. 2019.

*Bodily Injury per person/bodily injury per accident/property damage

Providing solutions to help our members manage risk.®

For your risk management and safety needs, contact Nationwide Loss Control Services: 1-866-808-2101 or LCS@nationwide.com.