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Consumer Article:

“The Personal Auto Policy & Company Cars”

Question: "I am supplied a car by my employer and am permitted to use it for both work and pleasure. My employer told me I need my own insurance to cover me when I use the car off duty. How can I do this under my personal auto policy?"

Under the personal auto policy (PAP), an exclusion states that there is no coverage for the use of an auto furnished or available for your regular use. It sounds like this person fits this exact situation; thus, when he drives the employer-owned auto (for business or personal use) his PAP does not protect him. The same can be said for his spouse or other family members if they drive the auto. Normally the policy written in the name of the business would protect the employee but, in this case, the employer told the employee he was not protected off duty.

This being the case, the employee faces a huge gap in coverage. The solution is easy though: simply add an endorsement commonly referred to as the Extended Non-Owned Coverage for Named Individuals to the policy for about \$20 per six months and the exclusion disappears with regard to liability and medical payment claims. Make sure to add each person in the family by name to the endorsement if there is a chance they will ever drive the employer-owned auto.

However, a coverage problem does arise with regard to damage TO the company car. The same "furnished or available for your regular use" exclusion pops up under physical damage and the bad news is there is NO endorsement to fix the gap. So, if you take the car to the store at night to pick up milk and wreck the car, your auto policy does not pay for the damage...coverage lies solely with the business auto policy, which opens up a can of worms if the business auto insurance carrier seeks a subrogation claim against the employee. Subrogation is where an insurance company assumes their insured's legal rights to pursue recovery from a negligent party. In this case, if the employer has a legal right to require the employee to pay for the damage, the business' insurance company can pay for the damage to the auto, then pursue recovery against the employee.

So, there you go. This situation is very common today. Whenever an employee is furnished an auto for his regular use (or even has one available for his regular use), the endorsement fixes the problem...except for physical damage to the auto.

BUT...what if your PAP carrier won't add the Extended Non-Owned endorsement to your personal auto policy? If your company won't (or can't) add the endorsement (or a similar one if they are a non-ISO company), you have a huge coverage gap. If this is the case, the best option (and maybe only option) is to buy a "Named Non-Owner policy" to fill the gap. In general, that policy provides options to include liability, medical payments, and uninsured motorist coverage, but not no-fault or physical damage coverage. It, in effect, accomplishes about the same thing as the Extended Non-Owned endorsement does, but a price that's much more expensive.

Whereas the "Extended Non-Owned" is going to cost perhaps \$50 in most cases, the "Named Non-Owner" is going to run into the hundreds of dollars most likely...typically about 50% of the "owned" premium. With the Named Non-Owner policy, you must be careful in that every person to be insured must be named. That means,

for example, that you'll have to name dad, mom, and each kid to be covered. It's not enough to name just one parent. For such a Named Non-Owner policy you may be looking at a specialty auto insurance market or the residual market in many cases.

So there you have it. First try the Extended Non-Owned route and, if you hit a brick wall, fall back to the Named Non-Owner route. Either way, fix that gap in coverage!

P.S. Confused? NOW you know why the advice of a good, professional insurance agent can be invaluable!

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