

By Charles P. Jones, CFP®

## **Managing Risk in Hired and Non-Owned Automobiles**

Some companies own large fleets of vehicles with drivers hired specifically to operate them. Many more have employees who operate their own personal vehicles on company business. Most companies have occasion to rent vehicles on a short-term basis. These activities can be as limited as an administrative employee who uses a personal vehicle to go to the post office or bank for the company, or as extensive as a large sales or customer service force that receives a monthly car allowance for using their own vehicles. Many companies forget, or do not realize, that their business has an additional and potentially serious exposure to loss that arises from employees or others using a hired or non-owned vehicle on company business. This is a situation in which what you don't know may hurt you.

What is the difference between hired and non-owned? Simply put:

- Hired is the rental of a vehicle, in the company's name, for company business. Because a leased vehicle is rented for a longer duration, it is not typically classified as "hired."
- Non-Owned is the use of a personal vehicle owned by an employee, volunteer or other person (rather than the insured firm) for company-related business.

In either of the above situations, the employer potentially can be held responsible for any liability associated with operating that vehicle, either directly as a result of the employer's own negligence or indirectly through a theory of respondeat superior; that is, in general an employer is responsible for the actions of employees performed within the course of their employment. Although the employee may carry personal insurance to cover his or her own liability, such insurance may be inadequate to cover all damages and a claimant may pursue the employer and the employer's insurance. This could easily happen, for example, if the employee:

- Had allowed any personal automobile insurance to lapse or never carried any such insurance;
- Carried limits inadequate to cover a particular claim;
- Did not properly maintain the vehicle; or
- Had a Motor Vehicle Record (MVR) that is below standard.

To illustrate how hired and non-owned auto exposures could involve a business, consider these two examples.

### **Employee Non-Owned Auto Liability**

Sally Jones worked for ABC Company and drove to the bank each week as a requirement of her job. One day, Sally drove to the bank and made a deposit. On her way back to the office, she ran a red light at an intersection, causing a collision with another vehicle. Both vehicles were totaled, and there were serious injuries to the occupants of the other vehicle.

Sally was charged with failure to yield for a red light. Subsequent investigation revealed that Sally carried only \$50,000 auto liability limits, and had other driving violations on her motor vehicle record (MVR).

As a result of the collision, the other driver's insurance company filed for subrogation under Sally's policy, and that insurer paid the policy limits. However, the total value of the claim was in excess of \$1,000,000, and the other driver's insurance company pursued a claim against ABC Company's policy for the remaining value. Furthermore, the driver hired an attorney to sue ABC Company and Sally, alleging not only that Sally herself was negligent in failing to stop and driving recklessly, but also ABC Company was

negligent for failing to perform due diligence before permitting Sally to operate a motor vehicle on company business, for not reviewing her MVR, and for not properly supervising their employee. In essence, since Sally’s insurer had already paid its limit, ABC Company and its insurer could be held liable for the remaining damages, including any punitive damages.

### **Hired Auto Liability**

Nick Smith worked at HIG Global. At the request of his supervisor, he rented a box truck on behalf of his employer and was driving to a component supplier to pick up some parts. While en route, he accidentally struck a tow truck operator who was assisting a driver of a disabled vehicle on the side of the highway. The tow truck operator died from his injuries, leaving a wife and children.

During the investigation of the accident, Nick admitted that he was uncomfortable driving a truck of this size, and that he had been tired, and may have fallen asleep at the wheel. Additional information revealed that three calls were made to 911 reporting a truck was “swerving all over the road”, prior to striking the tow truck operator. Nick was cited by the police for driving too fast for conditions.

Nick had no insurance, as he did not own a personal automobile. The family of the tow truck operator sued Nick’s employer, HIG Global, alleging wrongful death and negligent supervision. In addition, the state where the accident occurred permits punitive damages. Liability was assessed at 100% adverse to HIG Global, whose insurer has reserved over \$1,000,000 for this loss – a sum that goes beyond HIG Global’s primary business auto policy and into its umbrella excess liability policy.

### **Risk Management Tactics**

In both cases, the exposure to loss was likely underestimated by the employer. Companies often face situations very similar to Sally and Nick’s; they need to acknowledge, understand and protect themselves from losses that may occur as a result of their employees’ driving for company business in hired and non-owned liability situations.

*Source: Mark Frinell- Insurance Partners, LLC, Oregon*

*Concerned about your employees exposing you to unintended risk? Call The Chuck Jones Team at The H Group: Chuck, Sheri, Jill, or Susan, to set an appointment to review your coverage &/or what other options are available to you. 503-291-1313*



**The Chuck Jones Team  
at The H Group**

## Noteworthy

Back by popular demand, our updated valuation list provided by the Salvation Army. List reflects their current prices for donated items in good condition and is intended as a *guide only* when claiming charitable donations. Keep this list handy for donations during the coming year, as well.

LADIES' CLOTHING	Low range	high range
Blouse	3.00	14.40
Bathrobes	3.00	14.40
Boots	2.40	6.00
Bras	1.20	3.60
bathing suits	4.80	14.40
Coats	12.00	48.00
Dresses	4.80	22.80
evening dresses	12.00	72.00
fur hats	8.40	18.00
fur coats	30.00	480.00
Foundation garments	3.60	9.60
Handbags	2.40	24.00
Hats	1.20	9.60
Jackets	4.80	14.40
Nightgowns	4.80	14.40
pant suits	7.80	30.00
Socks	0.48	1.50
Suits	7.20	30.00
Shoes	2.40	30.00
Skirts	3.60	9.60
Sweaters	3.00	18.00
Slips	1.20	7.20
Slacks	4.00	14.40

<b>MEN'S CLOTHING</b>	<b>Low range</b>	<b>high range</b>
Jackets	9.00	30.00
over coats	18.00	72.00
Pajamas	2.40	9.60
Pants – shorts	4.20	12.00
Raincoats	6.00	24.00
Suits	18.00	72.00
Slacks	6.00	14.40
Shirts	3.00	14.40
Sweaters	3.00	14.40
Shoes	4.20	30.00
Swim trunks	3.00	9.60
Tuxedo	12.00	72.00
under-shirts	1.20	3.60
under-shorts	1.20	3.60
belts – ties	3.60	9.60
<b>CHILDREN'S CLOTHING</b>	<b>Low range</b>	<b>high range</b>
Blouses	2.40	9.60
Boots	3.60	24.00
Coats	5.40	24.00
Dresses	4.20	14.40
Jackets	3.60	30.00
Jeans	4.20	14.40
Pants	3.00	14.40
Snowsuits	4.80	22.80
Shoes	3.00	10.50
Skirts	1.80	7.20
Sweaters	3.00	9.60
Slacks	2.40	9.60
Shirts	2.40	7.20

Socks	0.60	1.80
Underwear	1.20	4.20
<b>DRY GOODS</b>	<b>Low range</b>	<b>high range</b>
Blankets	3.00	9.60
Bedspreads	3.60	28.80
chair covers	18.00	42.00
Curtains	1.80	14.40
Drapes	7.80	48.00
Pillows	2.40	9.60
Sheets	2.40	9.60
Throw rugs	1.80	14.40
Towels	0.60	4.80
<b>FURNITURE</b>	<b>Low range</b>	<b>high range</b>
air conditioner	24.00	108.00
Bar	36.00	90.00
bar stools	12.00	24.00
bed (double) complete	60.00	204.00
bed (single) complete	42.00	120.00
Bicycles	18.00	78.00
Chest	30.00	114.00
clothes closet	18.00	60.00
China cabinet	102.00	360.00
Convertible sofa (w/ mattress)	102.00	360.00
crib (w/ mattress)	30.00	120.00
Carriage	6.00	120.00
chair (upholstered)	30.00	90.00
coffee table	18.00	78.00
dresser w/ mirror	24.00	120.00
Desk	30.00	168.00
Dryer	54.00	108.00

electric stove (working)	90.00	180.00
end tables (2)	12.00	60.00
figurines (lg.)	60.00	120.00
fireplace set	36.00	108.00
floor lamps	9.00	48.00
folding beds	24.00	72.00
gas stoves	60.00	150.00
Heaters	9.00	25.40
high chair	12.00	60.00
hi riser	42.00	90.00
kitchen table	30.00	72.00
kitchen cabinets	30.00	90.00
kitchen chair	3.00	12.00
mattress (double)	42.00	90.00
mattress (single)	18.00	42.00
Organ console	90.00	240.00
Piano	90.00	240.00
pictures and paintings	6.00	48.00
ping pong tables	18.00	48.00
play-pens	18.00	36.00
pool tables	24.00	90.00
record player (stereo)	36.00	108.00
record player (components)	36.00	240.00
Rugs	24.00	108.00
Refrigerator (working)	90.00	300.00
Radio	9.00	60.00
Secretary	60.00	168.00
Sofa	42.00	240.00
TV b/w (working)	30.00	72.00
TV color (working)	90.00	270.00

Trunk	6.00	84.00
Wardrobe	24.00	120.00
washer (working)	60.00	180.00
waterbed (frame)	18.00	48.00
waterbed headboard	36.00	108.00
waterbed (complete)	180.00	390.00
<b>Sporting goods</b>	<b>Low range</b>	<b>high range</b>
Bicycles	18.00	78.00
fishing rods	6.00	30.00
ice / roller skates	12.00	48.00
Skis	18.00	120.00
Sleds	6.00	24.00
tennis rackets	6.00	48.00
Toboggans	18.00	108.00
<b>Miscellaneous</b>	<b>Low range</b>	<b>high range</b>
adding machines	24.00	90.00
Christmas trees	18.00	60.00
broiler ovens	18.00	30.00
Copier	120.00	240.00
Home computer	180.00	600.00
mimeograph machine	120.00	240.00
Mixer	6.00	24.00
Mannequins	30.00	240.00
mower (riding)	120.00	300.00
mower (auto)	12.00	120.00
power edger	6.00	60.00
Rototiller	30.00	108.00
sewing machine	18.00	90.00
Snow blower	60.00	180.00
telephone answering machine	30.00	90.00

Typewriter	9.00	42.00
vacuum cleaner (working)	24.00	72.00
Wigs	6.00	30.00

Source: [www.salvationarmysouth.org/valueguide.htm](http://www.salvationarmysouth.org/valueguide.htm)

### **Truth & Consequences**

For those who attended our **Truth & Consequences** event last month, we thank you for your participation and your strong positive feedback!

If you missed it, please save the date of March 4<sup>th</sup>, from 6-8 pm in Lake Oswego. Some previous attendees have requested to attend *again* and bring family members or friends that they truly feel need to hear this information.

You should have already received an invitation to this event either by mail or by Evite.

If you have not received your invitation, know someone who could benefit from hearing more about this event, want additional information, or to send additional invitations, please call Susan Tinker at 503-445-1913 or Jill Smart at 971-285-5211. Attendance will be limited to 50 persons. See you there!