

# COVID-19 NON-OWNED AUTO EXPOSURES CHECKLIST

## COVID-19: Is your business protected?

In light of the COVID-19 pandemic, it's certainly not "business as usual". Your business has likely had to adjust its operations to respond to the challenges. For instance, we've seen companies shift their production to manufacture personal protective equipment (PPE) and restaurants ramp up their delivery operations while their tables sit empty. No matter how a business is shifting in response to this new reality, it's critically important that they review their insurance coverage with their broker to ensure their business remains protected.

### IMPORTANT:

- This bulletin is not a substitute for a thorough risk assessment and is intended to provide information only.
- The following content represents general guidance only.
- The responses below should not be construed as a waiver of any terms, conditions, exclusions or other provisions of a valid policy of insurance issued by Sovereign, nor should they be construed as an extension of coverage not specifically provided for in a policy of insurance issued by Sovereign.
- The responses to the questions below are offered as directional information only.
- Please refer to the terms and conditions of your policy for further details regarding your coverage.
- In the event of any conflict between this general guidance and your policy, the terms of your policy will govern.

## Non-Owned Auto Coverage

If your employees are using their own vehicles to support your business operations, for instance shifting their responsibilities to include driving deliveries of your products to clients, your current insurance policy may not provide appropriate coverage.

Most Commercial General Liability (CGL) policies include an extension of coverage for Non-Owned Auto (NOA) exposures, such as rented vehicles. However, the policy may not have been underwritten to consider NOA exposure for delivery operations if it was not part of the original exposure profile when the policy was written/renewed.

In response to a business' change in operations, underwriters will assess the number of vehicles, ensure driver suitability, ensure primary insurance is in place, and charge additional premium if required. They may also recommend that clients carry a higher limit of liability where a delivery NOA exposure exists.

If you have begun delivery operations that were not present during the underwriting of the policy, you should contact your broker/advisor as soon as possible and provide full details of the NOA exposure; not doing so may leave your business at risk of being involved in a NOA related claim that may not be covered.

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## Do you need non-owned auto coverage?

Most businesses require the use of vehicles to support their operations. Many organizations have their own fleet of vehicles, but others do not. In these situations, your business may require Non-Owned Auto coverage.

Here are a few common scenarios. If you answer “yes” to any of these questions, your business may need NOA coverage.

- Do administrative employees use their own vehicles to go to the post office or bank on your company’s behalf?
- Do you occasionally send an employee to pick up a visiting client at the airport?
- Have you sent employees to pick up lunch, drop off mail or pick up office supplies?
- Do employees use their own vehicle to drive to workplaces at the employer’s direction?
- Have you ever rented a vehicle while on a business trip?
- Do you have employees to which you provide a car allowance for business use of their personal vehicles?

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## What does non-owned auto cover?

S.P.F. No. 6 is the Standard Non-Owned Policy that provides coverage where there is a responsibility for the operation of non-owned vehicles. While the owner’s policy on a vehicle will primarily respond to a loss, the Non-Owned Auto policy will respond in the following circumstances, subject to policy terms and conditions:

- Where the owner’s limit of liability under Third Party Liability is insufficient to pay a judgement or settlement.
- Where the non-owned vehicle is uninsured (i.e.: owner’s insurance lapsed/expired).
- Where a claim against the primary policy is declined (i.e.: impaired driving is excluded for coverage).

In these cases, the Non-Owned Auto Policy, subject to policy terms and conditions, will defend and indemnify the company if named in a third-party claim involving a non-owned vehicle.

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## Non-owned auto checklist

It’s important to ensure that the proper personnel and vehicle is selected for the type of service your business offers. It should never be assumed that an employee who’s competent in his/her area of expertise is also going to be a good driver; if they’re required to drive to work sites or to and from appointments with clients, for example, then competent driving skills are just as important to screen for as their ability to perform the primary tasks they’re being hired for. An employee with poor driving habits can result in significant losses for the employer. That’s why it’s paramount to perform proper applicant screening and provide orientation and training to ensure the candidate’s success.

Use the checklist below to help you screen and onboard employees into driver roles.

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## Applicant screening

- Check driver's license (class of license; date of issue; conditions/restrictions on license).**
  
  - Check driver's abstract for violations such as:**
    - Driving with a suspended license.
    - Careless/reckless driving, driving without due care and attention, distracted driving violations, and any evidence of poor driving practices.
    - Criminal code violations such as driving while under the influence of alcohol or drugs, or leaving the scene of an accident.
    - Accidents – review their record to determine if the accident was preventable against the owner/driver of the vehicle.
  
  - Check work references. Ask about punctuality, behaviour with customers and co-workers, willingness to take direction, etc.**
  
  - Complete application form. Check for similar employment, gaps in employment, etc.**
  
  - Carry out a road test (by a qualified instructor when applicable), prior to hiring, as part of your applicant screening best practices. Review the evaluation and provide feedback on the applicant's driving.**
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## Vehicle screening

- Ensure there's a policy in place regarding expectations for vehicle maintenance.**
  - This policy should include an expectation that the employee's vehicle will be maintained in good working order and be subject to a periodic preventative maintenance check – any defects affecting the safe operation of the vehicle must be repaired in a timely manner.

### **Check vehicle insurance.**

- As the personal auto policy of the employee would primarily respond to collision and third party claims, employers should confirm the employee has advised their personal auto insurer of the intention for the vehicle to be used for business purposes.
- Employees should carry a minimum of \$1,000,000 Auto Liability insurance (preferably \$2,000,000).
- Employees should be directed to provide a copy of the pink card as evidence the policy is in force.
- For non-owned vehicles, check the date of expiry and determine if the insurance policy provides appropriate coverage for vehicle use. An updated copy of the pink card should be requested annually.

### **Ensure proper class of vehicle for performed work.**

- Ensure the vehicle meets the standards for the work to be performed. For example, this could include ensuring that the vehicle is designed to handle the weight and dimensions of the products/cargo the employee is expected to transport.

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## **Driver orientation**

### **Provide and review company policies and highlight any concerns that arose during the pre-hire road test.**

### **Introduce the driver to key personnel.**

### **Demonstrate company procedures, as applicable. For example, communicate entry/exit points in the parking lot for proper flow of traffic, demonstrate the operation of the security gate, and communicate pre-trip vehicle inspection and documentation requirements.**

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## **Driver training (related to driving)**

### **Review customer service expectations.**

### **Provide driver route training, including the use of maps/GPS systems.**

### **Carry out defensive driving/distracted driving training. This can include collision prevention strategies, clear understanding of the causes of distractions (which includes communication/GPS systems) and steps to take to prevent such distractions.**

## Best practice

- **Agree to a driver or owner/operator contract. The contract should spell out terms, conditions, and expectations, as well as cover issues such as vehicle maintenance expectations, safety equipment requirements, specify drivers allowed to operate the vehicle, outline a no passenger/hitchhiker policy during work, and communicate after hours use of vehicle permissions, as applicable.**

The importance of ensuring the employee is a safe driver cannot be overstated. But no matter how competent a driver they are, Non-Owned Auto coverage is essential for businesses that utilize vehicles that are not directly owned by them. Without the appropriate coverage, the impact on a business due to a significant loss can be devastating.

It's vital to discuss your company's commercial auto fleet coverage with your broker to ensure you have appropriate coverage for your unique business operations.