

## **ASK SAVA: Does a Business Need Non-Owned Auto Liability Coverage?**

**Question:** "An employee of mine rented a car while on a business trip and caused an accident. We understand that the case may go to civil court. If he get sued, who is responsible, him or me as his employer?" S.D., East Hartford, CT

**Answer:** Non-owned and hired auto liability insurance covers injury and property damage caused by a vehicle you hire (including rented or borrowed vehicles) or caused by non-owned vehicles (vehicles owned by others, including vehicles owned by your employees). It usually does not pay for physical damage to the vehicle itself; that's covered by the owner's insurance. Although, sometimes this option is available.

Whether you realize it or not, as a business owner, you at least occasionally find yourself in situations where this coverage is needed. Errands and rental situations always come up, as in this case.

Some examples of this are:

- You send an employee to pick up lunch
- While on a business trip, you rent a car.
- To impress a visiting client, you send a limo to have her picked up.
- An employee runs to pick up office supplies.

Coverage kicks in if there is an auto accident and you are sued. So, in this particular case, your employee rented a car while on a business trip, ultimately it is your responsibility as the business owner.

You don't have to own a business vehicle to have this coverage. In most situations, coverage can be added to your general liability policy.

There is no way to prepare for a car accident. The very nature of an accident implies that you will be surprised by it. The single best way to prepare for a car accident is to make sure you are not the cause of one, driving safely, staying alert, observing the rules of the road, as well as common courtesy. Also, never drive when intoxicated and as we talked about last week, keep distractions like cell phones or cigarette smoking to a minimum.

Another way to prepare for a car accident is by carrying the proper auto insurance. Though most states in the U.S. require you to carry liability of a certain minimum amount, this will probably not cover injuries or pain and suffering if you are responsible for the accident. Also, if your car is damaged beyond repair and you do not carry comprehensive auto insurance, you will be responsible for the cost of replacing your car. If you have a lease or auto loan, most banks will request you carry comprehensive insurance, and even if you own your car outright, comprehensive insurance will give you better coverage should you be in an accident. If you have a number of assets, you may also want to prepare for a car accident by carrying personal umbrella insurance. This type of insurance takes over where your auto insurance leaves off, protecting your assets.

While you can't really prepare for a car accident or predict one, you can help offset the physical and financial results. You can also supply yourself with a few things you might need if you have to wait at the scene. By being a good driver, you are less likely to cause an accident yourself, which reduces your chances of having one.

Car accident liability can refer to your personal responsibility if you cause an accident. It is also a type of insurance you can buy in many states in the U.S. and in many countries that will help make payments to other people involved in an accident that you caused. In most cases, if you cause an accident, you are responsible for the costs that are incurred by this accident. These costs include damage to property (including someone else's car) and damage to people you may injure. When you have car accident liability insurance, you have purchased set amounts of coverage that may help reduce your financial responsibility and instead place this responsibility on the shoulders of your insurance company.

Unless your behavior was criminal, most car accident liability cases go to civil court, if they are not satisfactorily negotiated by insurance companies. These courts can determine who was responsible if there is dispute on this issue. They can also make rulings about the damages the liable party must pay. If you dispute that you caused an accident and want to fight it in court, you should most probably seek representation by an attorney.

In many cases, car accident liability is easy to determine, though some people have 'no fault' rules in states. These mean that instead of assessing car crash liability, insurance companies each pay for damages to their clients in a crash. This is supposed to reduce lawsuits in civil court, though the court may occasionally grant right to sue under extreme circumstances.

If you rent a car and your purchase auto insurance through the rental company, in most cases, the insurance is inadequate. If you borrow from a friend, chances are you will not be included on the policy as a secondary driver and his/her auto liability coverage might not cover you in all cases. The best thing you can do to protect yourself is to cover yourself by purchasing non-owner auto insurance. If you rent cars occasionally, having hired and non-owned auto liability insurance may also save you money, because you can avoid the liability coverage from the rental company. However, we always suggest you purchase collision damage waiver (CDW) protection from them.

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