



MCS INSURANCE

Insights

Business Best Practices "Non-owned and Hired Auto Liability Insurance."

It's snowing heavily outside, but you've got deadlines to meet and customers to serve. Closing your enterprise is not an option. Staff is filing through the door and operations are humming warmly inside. As is routine, when it's time to run mail to the post office, one of your employees dutifully fires up their vehicle to make the mail run. Unfortunately, today they don't make it to the Post Office, instead, hitting an icy patch they spin out in a 360 slamming into another vehicle. Your employee sustains serious bruising due to the air bag deploying. The other driver is trapped in the vehicle and must be extricated utilizing the Jaws of Life and is then life flighted to the regional hospital. Thankfully, they recover but not without expensive medical intervention.

How are medical payments handled in this case? Under PA law, each insured driver must carry a minimum of \$5,000 for First Party Medical payments. This amount covers the insured on their own policy. The life flighted driver carried the minimum coverage of \$5,000 and it was applied to their care. Life flights and intensive medical care are not cheap. Who pays the remainder of the bills?

Next, your employee's personal auto policy will respond under the Bodily Injury protection limits they've selected. The state of Pennsylvania mandates that drivers must carry a minimum of \$15,000 protection ("for the other guy") and \$30,000 per accident (to cover more than one person). Your employee carried minimum protection. Therefore, there is an additional \$15,000 paid out on behalf of the life flighted driver. It still isn't enough to cover all the medical bills.

Could you as an employer be dragged into this scenario? The not so shocking answer is yes. In Pennsylvania, vicarious liability will apply to an employer if the injured party can show that the damages they suffered were caused by an employee who was acting within the course and scope of their employment. You "authorized" your employee to be out on the road and will likely be brought in to make the injured party whole.

Is here coverage on your business owner's policy to protect you and your business from this type of claim? Yes and no. There is a coverage called Non-owned and Hired Auto protection which is available but often it is not automatically included in your policy and must be added. Typically, you'll find it on your commercial auto policy. If you don't have a commercial auto policy, it can be added to your business owner's policy. This coverage would respond in the above scenario to make the injured party whole and protect your business' assets.

We recommend that you carry Non-Owned and Hired Auto Coverage for your business in an amount equal to your general liability limit in addition to screening drivers to ensure those driving on your behalf are responsible behind the wheel.

With these best practices in place, your business has a much better chance of proceeding through such a calamity with minimal impact to operations.

Mark Ostrowski, President and Principle Agent

100 Commerce Drive
Milroy, PA 17063

Phone: 717-363-4020

Fax: 717-248-6602

mark.ostrowski@mcs.bank

www.mcs.bank

