



# The Reciprocal

Insurance, Financial & Business Solutions

## Driving Personal Vehicles on Company Business – How is Your Company Covered?

There are occasions when it may be necessary for an employee to use his or her own vehicle or a leased vehicle while performing company business. When this happens, you may wonder what insurance comes into play in the event of an accident. Non-Owned Automobile Liability Insurance – part of the MEARIE Comprehensive Liability insurance program – is the endorsement that potentially provides coverage. Common questions about this coverage include: **What does it cover and what doesn't it cover? Who does it cover?** This issue of the Reciprocal News will help clarify the coverage offered.

### **What is Non-Owned Automobile Liability and what is its purpose?**

As a part of the MEARIE Comprehensive Liability insurance program, the policy automatically includes Endorsement No.1 – Non-Owned Automobile Liability. This endorsement provides coverage for compensatory damages resulting from an incident involving a vehicle owned by a person/entity other than the MEARIE Liability Subscriber (the company) while doing company business.

### **What Coverage is provided?**

In Ontario, the Insurance Act stipulates the vehicle owner's insurance is primary and responds first. The MEARIE endorsement is designed to pay liability claims in excess of the insurance carried by the vehicle owner; and it does not cover physical damage for the vehicle. Liability coverage is provided for the MEARIE Liability Subscriber (the

company) against liability imposed by law (compensatory damages) for the loss or damage arising out of the use or operation of an automobile not owned or leased by the company, being used on company business. It potentially provides coverage for damage to a third-party over

### **Consider this scenario...**

An employee is using their personal vehicle on company business, such as driving to the bank for the daily deposit. While using their personal vehicle, they are involved in an accident which damages the car and critically injures a pedestrian. The accident results in \$8,000 physical damage to the employee's vehicle; and a liability claim for \$5,500,000. The employee carries \$1,000,000 in liability coverage under their personal automobile policy.

In the above scenario, the employee's insurance would be primary and (and subject to the terms of their policy) cover the physical damage to the vehicle and the first \$1,000,000 of the liability claim settlement. If the company (the MEARIE Liability Subscriber) were named in the claim, the MEARIE Non-Owned Automobile Liability insurance may respond to cover the remaining \$4,500,000 of liability settlement if the courts were to award compensatory damages and require the company to pay.

See over...

and above the vehicle owner's policy limit in the event of a lawsuit where the company is named. (This coverage also applies to car rentals as outlined below.)

### **Does Non-Owned Liability Insurance cover the driver and vehicle?**

The coverage does not apply to the vehicle owner's losses for physical damage to their vehicle. This coverage protects the MEARIE Liability Subscriber (the company) in the event of being sued resulting from a vehicle accident when an employee is driving their personal vehicle or a rental vehicle on company business. Coverage does not provide the individual employee personally or their vehicle with any coverage. Their personal Ontario automobile policy provides insurance to the employee and their vehicle for physical damage and liability, subject to the terms of their policy. Their personal auto policy is primary and responds first.

### **Does Non-Owned Liability Insurance cover the external damage caused by an auto accident?**

If the accident resulted in physical damage to something other than to the employee's vehicle and the loss was greater than the limit of the vehicle owner's policy, the MEARIE Non-Owned Auto Liability potentially provides coverage for the damage. This coverage is potentially provided to a third-party over and above the vehicle owner's policy limit in the event of a lawsuit where the company is named. (This coverage also applies to car rentals as outlined below.)

### **How does Non-Owned Liability Insurance coverage work with a rental vehicle?**

As part of this endorsement, there is coverage for rental vehicles that indicates, subject to a \$500 deductible, the MEARIE Non-Owned Auto policy becomes primary. It will cover both the liability and the physical damage for the rental car. For this endorsement to apply, the rental vehicle must be

for company business, for less than 30 days and the rental must be in the name of the MEARIE Liability Subscriber. Unless the rental company requires proof of insurance there is no need to have MEARIE provide a certificate for each rental as the coverage is automatically included as part of your MEARIE Liability policy.



### **What forms are included in the MEARIE Liability policy which make up this coverage?**

Endorsement #1 – Non-Owned Automobile Liability includes four standard Ontario forms which fit together to provide the different parts of the MEARIE Non-Owned Automobile Liability:

- S.P.F. 6 Standard Non-Owned Automobile Policy – provides policy wordings
- S.E.F. 94 Legal Liability of Damage to Hired Automobile Endorsement – provides coverage for vehicle rentals
- S.E.F. 96 Contractual Liability Endorsement – provides coverage assumed under a vehicle rental agreement
- S.E.F. 99 Excluding Long Term Leased Vehicle Endorsement – limits vehicle rentals to thirty (30) days or less

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