

## **You Can Lose Everything You Own Just Because Of An Auto Accident. And You Don't Even Need To Be Driving!**

No way how can I lose everything I own just because I let my employee drive his own truck to the hardware store to pick up a few things I needed on the job site? I am only going to say this once. Every time you let someone drive anything for your construction business you are (regardless who is driving or what they are driving) you are risking a law suit that can cost you your house, savings, business and kid's college fund, everything.

Your risk comes from autos you own and autos you DO NOT OWN. As your contractors insurance industry insider I will give you the basics of protecting your self from financial disaster.

### **Autos You Own**

In many states the commercial auto insurance follows the car not the driver. If you own the car you are now responsible for anything that happens to this car, no matter who is driving it for what purpose. Give it to your worker to run an errand- you are responsible. Give it to your brother to move a refrigerator on the weekend- you are responsible. Let your kid drive it to school- you are responsible. If your kid lends it to a buddy to drive- you are responsible. The first step in protecting your financial future is to Avoid problems when ever possible. Just don't own a vehicle. Not real practical if you need to get goods, materials or people to different places. But having your employees leave your vehicle at the shop and taking their own autos to and from work avoids some problems.

The Second Step is to have an Active Safety program in Place. Make sure your Vehicles are in good repair; make sure you hire good drivers with good driving records. Have strict rules as to who can drive and when.

The Third Step is to purchase adequate insurance limits: **How Much Coverage**

### **Should You Carry?**

Make sure you carry high enough limits on your business auto policy to protect you from the major accident and the lawsuit that will follow. How much is enough? Every day you are asked for contractors insurance business liability limits of \$1,000,000. And your business is not rolling down the road at 60 miles per hour. We believe that your contractors insurance Business General Liability and your contractors insurance business auto liability limit should match. WHY? Again your business is not rolling down the road at 60 miles per hour. Do Not Skimp on your automobile liability limits. It is better to take higher deductibles on the comprehensive and collision part of your policy than to take low liability limits. The difference between a 250 and a 500 deductible in a fender bender won't change your life. The difference between \$500,000 and \$1,000,000 of liability limits in a major accident might. Protect Your Business and Yourself.

*\*Tip:* Make sure you tell your insurance agent where your autos spend the night. I'm not kidding - You can use your autos in Los Angeles, San Diego, Orange, or Irvine all day long, but the price you pay for insurance will be based on where they are "garaged", or where they stay at night. If your autos go home to a suburban area at night, be sure your policy shows your garage address as home.

*\*Tip:* If your business is a corporation make sure that your business auto is registered in your corporate name. If the registration is in your personal name and the truck is on your business auto policy under the business name you may not be covered. The legal owner is the business not you. Your business auto policy reads autos owned and operated by XYZConstruction Inc. not John Smith.

Consult your accountant (for taxes) and your attorney (for legal advice) about where and how your business autos should be titled and owned. We can tailor your business auto policy to meet your business needs. But, we need the entire story. Beware business autos on a personal auto policy are not covered. Most personal auto policies exclude business auto risks.

A Commercial Umbrella policy can increase your general liability and auto Liability coverage by \$1,000,000 for less than you may think.

**WARNING!** When you rent a car on your next trip-LOOK OUT! You may be taking on more than you realize. Read the rental agreement and be sure that the "renter" is stated to your advantage! If your auto coverage is corporate- the agreement must be corporate! Write in the name of your business as the renter if all your autos are owned by your business.

*\*Tip:* If you rent an auto in the business name make sure you have the proper coverage on the policy. A business auto does not automatically cover liability losses and physical damage to rental autos.

*\*Tip:* Trailers with a gross weight capacity of more than 2,000 need to be listed on your policy for liability reasons. If not listed NO COVERAGE. Make sure they are listed.

*\*Tip:* With a commercial auto policy you may not have automatic coverage for new vehicles you purchase. That is right, unlike a personal auto policy that gives you coverage for 30 days while you let your contractor's insurance agent know about the new vehicle not all commercial policies have this provision. Better yet Never Assume you have coverage. Advise your agent before you drive any new vehicle.

### **Other Auto Exposures:**

There are three other types of auto exposures to you and your business, non-owned autos, hired autos and borrowed autos.

Non-owned autos are autos that you do not own, but because someone is driving that auto on your behalf than you are responsible. An example is when an employee uses his own truck to run an errand to the local hardware store and he has an accident on way. You are ultimately responsible. The only reason he was on the road was at your direction.

Hired Autos are autos that you rent or lease (short term). These autos are rented by the business for use by the business. Make sure the business name is on the lease or rental agreement. Your personal auto policy does not cover business auto exposures. Business autos are excluded from your personal auto policy. Borrowed Autos are autos you borrow such as

specific equipment for a job or just the truck of a fellow contractor who lets you use it for the day. If the owner of the auto you borrow has little or no insurance then you are responsible. An auto you "borrow" from your employee or family member is usually not a borrowed auto from the perspective of your insurance company. These autos are non-owned autos. A borrowed auto is not owned by you a family member or employee.

*\*Tip:* Coverage for Non-Owned and Hired Auto is a must for any business that has employees or has any exposure to autos at all. Yes even the card shop at the mall needs this coverage. Just in case employees use their own car to pick something up at the post office.

*\*Tip:* Make sure your personal auto policy meshes with your business auto policy! Sit down with your contractors insurance agent and discuss how each auto is used. Do not assume you have coverage just because the auto is listed on the policy. If the company owns the truck, the truck is registered in the company name it will not be covered under your personal auto policy. Like wise if, the family station wagon is owned by you and your wife and it is registered in your and her names than it will not be covered under the business auto policy.

### **Who Drives Your Autos?**

One of the easiest ways to protect yourself when letting someone else drive your autos is to manage who drives your autos. Let your employees know you will not tolerate irresponsible driving of any auto. If you are going to hire an employee check their driving record. We will be happy to run the driving record of a prospective employee for you even if you are not an auto customer. Make sure you let him/her know that a good driving record is important to you. Reward employees for good driving records. It will pay for it's self in the long run.

### **Be up front**

This seems simple. But, you would be surprised how many people think it's okay to not tell to the insurance company everything. Insurance companies will review your entire file-back to the original application-if there is a serious claim. If they can find a Material item that would have lead them to not have offered you a policy, they will try to deny the claim. What does the company consider a Material item? That depends on the company, and what type of claim it is. In my opinion full disclosure about where your car is garaged, who drives the truck, how the truck is used, the weight, size of the auto etc is the best policy.

### **Personal Auto Insurance**

Do not put your personal autos on your business policy. If your kids and the wife drive a car for their use 60% of the time than these autos should be on a personal lines auto policy. If you need a quote or want, more information about personal auto insurance than look at our personal lines web site. You will find several reports and a quote information sheet you can use for this purpose

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