

Tom Judy

From: Mike Hammond <mhammond@mvrma.com>
Sent: Thursday, January 19, 2012 2:07 PM
To: ;@smtp107.sbc.mail.ne1.yahoo.com
Subject: Fw: Use of personal vehicle for city business

----- Original Message -----

From: [Mike Hammond](#)
To: [Nancy Gregory](#)
Cc: [Starr Markworth](#)
Sent: Thursday, January 19, 2012 1:56 PM
Subject: Use of personal vehicle for city business

Nancy,

You asked, if the city should require employees who use their personal vehicle for city business to show proof of liability coverage?

In order to answer that question, I thought it might be helpful to first point out some facts and/or considerations that may impact the recommendation.

1. Auto liability insurance pays for any damage you cause to other vehicles, drivers and passengers on the road and damage to others property for which you are liable, but not your own vehicle or passengers.
2. Ohio law requires minimum liability auto limits in the amount of \$12,500 if one person is injured, \$25,000 per accident for more than one person and \$7,500 to cover any property damage you may cause. These minimum limits required by Ohio law are extremely low and much lower than required in other states.
3. You must be able to prove that you have the state's minimum liability insurance limit any time you are behind the wheel. If stopped for a traffic violation or involved in an accident you will be asked to show proof of liability insurance. However, you will not be required to show proof of insurance at the time of vehicle registration. You do have to sign stating that you have such coverage when you renew your license plates.
4. Only the minimum liability insurance limits is required by Ohio law, but this does not mean you should only purchase the minimum when insuring your personal vehicle. To protect yourself from vehicle theft, acts of God, collision, post-accident medical costs for you and your passenger, or uninsured or underinsured motorist on the road, you should consider upgrading to full coverage and higher liability limits.
5. Penalties for driving without state minimum liability coverage are steep. First time offenders are subject to 90 day license suspension and a reinstatement fee.
6. The primary auto policy that resides with the owner of the vehicle is always the first in line for liability and it is the only policy that will fix the employee's own vehicle. How does this work? The employee's auto coverage will cover the damage to his/her own vehicle. The employee's auto policy will pay for damage to other parties vehicle and for bodily injury to the driver of that vehicle up to the point the policy limits are exhausted.
7. After the employee's own policy limits are exhausted, the non-owned vehicle policy of the city provided by MVRMA will pick up the excess over and above the employee's policy limits for damage to the other parties vehicle or property and for bodily injury to the driver and passenger of that vehicle. No coverage is available to damage or excess damage to the employee's own vehicle.

8. Whenever an employer has its employees drive their own vehicle for city business, the employer should make the employees aware that they are assuming some risk when doing so and they are at risk for some potential unpaid personal auto insurance claim.
9. To minimize the risk to the city, steps should be taken to ensure that an employee who is asked or allowed to drive their personal auto on city business has a valid driver's license, a safe driving record and personal auto liability insurance.

In checking with other members, I found that Miamisburg requires employees who use a personal auto for business related transportation / travel to submit and carry proof of liability insurance in the amount of \$100,000 / \$300,000. The proof of insurance must be submitted to the Assistant City Manager on an annual basis. Englewood's policy only requires that employees carry the state's minimum liability insurance coverage when using their own vehicle on city business. They do not require the employee to show proof of insurance.

These policies demonstrate the two different approaches. The Miamisburg policy is clearly trying to make sure the employee carries more than the state minimum liability limit in order to reduce the city's exposure to excess liability. This is a recommended approach particularly since the state limits are so low. Englewood has decided to make it a policy that employees are required to carry liability coverage but only to the minimum limit specified in the Ohio Revised Code. Thus, they do not require the employee to submit proof of liability coverage since this is already required in Ohio law in order to operate a vehicle.

Recommendation: From a risk management perspective, it is desirable that the city require employees who use their own personal vehicle to carry liability coverage limits greater than the state minimum limits. When this is done, employees should be required to show proof of liability insurance to meet the city's required liability limit. However, if the city does not to require employees to carry higher liability limits, I can see little value in having the employees show proof of insurance. This is particularly the case since the state limits are so low and it is already required under Ohio law to provide proof of insurance when operating a motor vehicle.

Therefore, the city will first need to decide if it will require employees who use personal vehicles on city business to carry higher liability limits than the required state minimums. If the answer is yes, then the employees should be required to show proof of liability insurance in order to meet the limits set by the city. Otherwise, I would not request proof of liability insurance limits from the employees using their personal auto on city business.

It may be desirable to have the employees who use their own vehicle on city business sign an acknowledgement that states: Any person using their personal vehicle for city business must meet the following criteria:

1. Satisfy the city's driver qualification requirement of having a valid Ohio driver's license and a safe driving record.
2. Maintain automobile liability insurance limits of at least \$ xxxxxx/\$xxxxx/\$xxxxxx
3. Vehicle owner is responsible for their own insurance for vehicle damage, including costs and any applicable deductible in the event of a claim or loss. The city does not provide insurance coverage for damage to your personal vehicle.
4. The city's insurance for auto liability while driving on city business is excess the vehicle owner's personal liability insurance and will not apply to any claim or loss until personal auto liability insurance limits are exhausted.
5. The vehicle must be currently licensed by the State of Ohio and be safe to operate on the roadway.

I realize that this may be more than you asked, but I hope this information is helpful.

Regards,
Mike Hammond