

## Auto Insurance

Community associations should know about the important automobile liability and physical damage insurance coverages that should be considered to protect their financial integrity. A community association must have insurance protection if—

- the association owns or requires the use of automobiles, vans, trucks, etc.;
- association employees drive resident or guest automobiles, as in the case of valet parking; or
- vehicles are rented or leased by the association.

Risks associated with vehicles can be very serious, so community associations should be aware of the

following four types of auto insurance:

- Owned Auto;
- Hired Auto Liability;
- Non-Owned Auto; and
- Garagekeepers' Legal Liability.

### Owned Auto Coverage

Whenever an association owns any vehicles, it is exposed to the possibility of financial loss. This exposure for loss can be either damage to the owned vehicle itself or liability to others for property and/or bodily injuries. For this reason, any association that owns a car, pickup truck, van, bus, or other land motor

vehicle designed for use on public roads should consider purchasing Owned Automobile Liability and physical damage insurance coverage. Among the specific coverages associations should look at are liability, medical payments, uninsured and underinsured motorist, comprehensive, collision, and coverages that may be required by statute, such as personal injury protection.

The coverages for owned autos should be tailored to fit the specifications of the association. For instance, if no-fault benefits are required in the state in which the association exists, the policy should reflect this. The association also needs to be aware of the insurance company's policy on acquisition of autos. Do such vehicles need to be added within a specif-

If your community association owns, rents, or borrows any kind of automobile, truck, van, or other vehicle, it is open to expensive litigation.



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ic time limit, or will they automatically be covered and added at a later audit?

Associations should understand how various coverages might respond to claims resulting from an accident involving an association-owned vehicle. Suppose, for example, while driving an association truck to the hardware store, the building engineer fails to obey a stop sign and the truck collides with another vehicle. Both drivers are injured, and both vehicles are damaged. Collision coverage (subject to the deductible) will pay to repair the association vehicle. Workers Compensation coverage will most likely be the sole and exclusive remedy for the injured employee. Owned Automobile Liability coverage will respond to the claims for property damage to, and loss of use of, the other vehicle. This coverage will also respond to the other driver's claim for bodily injury (including special damages of loss of income and medical bills) as well as general damages, such as pain and suffering, up to the liability coverage limit.

## Hired or Borrowed Automobiles

For various reasons, a community association may need to hire, rent, or borrow a vehicle. Perhaps the association needs to rent a particular kind of truck for a specific project, or it might be necessary to rent a bus to transport members to an association-sponsored event. When this happens, there is always the risk of an accident. If there is even the possibility of needing a hired vehicle, Hired Auto Liability coverage should be purchased. Liability coverage can be procured to protect the association against

third party liability claims for bodily injury or property damage. Physical damage coverage may also be purchased to pay on either a primary or (more usual) excess basis for any damage done to the hired, rented, or borrowed vehicle.

Suppose, for instance, that an association sponsors and arranges a trip for residents and guests to see the Orioles play baseball in Baltimore. A bus is chartered to transport the participants to and from the game. On the return trip, the bus skids and runs into a tree, injuring

**Transportation remains the leading cause of accidental deaths and injuries in the United States.**

—U.S. Department of Transportation,  
Bureau of Transportation Statistics,  
*National Transportation Statistics 2000*

several riders. In addition to the owner and driver of the bus, claims for bodily injuries are made against the association as a sponsor of the trip. If Hired Auto Liability coverage is in place, it would respond to indemnify and defend the association against passengers' claims for injuries, subject to the limits of liability.

## Non-Owned Auto Coverage

It is generally understood that if an association employee is negligent in the performance of his job duties, the association can be held vicariously liable for the negligent act. For example, if an association on-site manager used her personal vehicle to travel to an association meeting, and in the course of the ride, runs a red light and injures a pedestrian, who will pay for any subse-

quent claims? Should the pedestrian file a lawsuit, he might also include the association as a defendant, because the accident happened while the manager was on association business. Subject to the policy limits, the Non-Owned Auto Liability coverage will indemnify and defend the association against the pedestrian's claim.

It is important to understand that Non-Owned Auto Liability coverage will not necessarily provide the employee with any liability coverage for bodily injury or property damage claims. Nor is physical damage for the employee's car part of the coverage. The employee would need to look to her personal insurance company for liability protection and repair costs for the vehicle, even if the accident occurred while on association business.

Naturally, it is possible to procure an endorsement that lists employees as insureds and that will then "insure the employee for liability coverage while he or she is using any covered auto not owned, hired, or borrowed by the named insured on the named insured's business or personal affairs." Such coverage would apply in excess of whatever personal liability insurance the employee might have.

## Garagekeepers' Legal Liability Insurance

Associations also need to consider Garagekeepers' Legal Liability Insurance (GKLL), which is designed to provide coverage for the loss of or damage to automobiles while in the care, custody, and control of the association. This risk occurs primarily when an association uses

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valet parking. In this instance, a driver relinquishes his keys to another person, thereby putting his vehicle in the care, custody, and control of this individual.

If, for example, an employee parking a guest's car sideswipes another vehicle while attempting to maneuver the car into a spot, GKLL would respond to damage done to the car being driven by the employee, subject to any deductible. Damage to the vehicle hit by the employee would be addressed by the

Non-Owned Liability coverage. Should the employee be injured, Workers Compensation would provide the remedy, and if the owner of the damaged car should decide to sue the association for bodily injury, the Non-Owned Liability coverage would indemnify and defend the association.

Sometimes guests and residents park their cars themselves in community association parking lots. At no point are drivers relinquishing care, custody,

and control of their vehicles. Should a car become damaged after being parked in an association lot, the association's comprehensive, general, and umbrella liability policy would respond. In this situation GKLL would not be necessary.

GKLL would be necessary should employees of the association decide to tow a vehicle that had been abandoned, for instance. However, most associations would call a towing company to do this, and the towing company, as an indepen-

**“Ask the Expert” is a regular column in *Insurance Focus*, featuring an interview with an expert about an important insurance issue facing community associations. This month, instead of an interview, we are featuring “Fleet Safety Best Practices” from Travelers Insurance. The following information is an overview of some of the essential points of fleet safety best practices that the Vehicle Safety Unit of Travelers Loss Prevention & Engineering has identified over many years of successful fleet safety consulting. These best practices represent the actions of companies that have been able to control their fleet operating exposures to minimize loss revenue from workers compensation claims, automobile liability, and physical damage claims and increased insurance costs based on adverse loss experience.**

## ASK THE EXPERT

### Fleet Safety Policy

- Is written and widely distributed.
- Communicates management's support.
- Reflects the company's vision, values, and mission.
- Is simple and explicit.

### Fleet Safety Program

- Is written.
- Establishes the fleet safety organizational structure.
- Establishes accountability and defines responsibilities.
- Establishes the safety review and improvement (audit) process.
- Contains the fleet safety policy statement.
- Contains the fleet safety rules.
- Contains accident reporting and investigation procedures.
- Contains vehicle selection, inspection, and maintenance procedures

### Fleet Safety Rules

- Are current and widely distributed.
- Are reasonable and easily understandable.
- Mandate safety belt use.
- Prohibit speeding and the use of radar detectors.
- Prohibit drug and alcohol abuse.
- Specify personal use restrictions of company vehicles.
- Prohibit unauthorized passengers or drivers.
- Establish emergency procedures.

### Accident Reporting & Investigation Procedures

- All accidents are reported and investigated.
- Solutions are generated and implemented to prevent recurrences.
- Accident investigators are trained.
- Periodic review of accidents to identify trends.
- Disciplinary procedures for preventable accidents are written, widely distributed, and consistently applied.

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dent contractor, would be responsible for any damages to the towed vehicle. In order for a GKLL policy to kick in, the association must be proved legally liable for any damages to cars parked on its property.

GKLL is usually written on a per occurrence basis. For example, if a community association had a \$250,000 limit of GKLL coverage, the association would have to have 17 vehicles in its care, custody, and control, all with an actual cash value of \$15,000, all totally destroyed as a result of one occurrence in order to exhaust the limit of liability. The coverage can be written on a direct basis making the insurance primary regardless of fault or liability or an indirect basis whereby the preponderance of evidence must establish that the damages were the proximate result of negligence on the part of the association.

## In Conclusion

All community associations face risks in one way or another. The risks associated with vehicles are perhaps among the most serious. If your community association owns, rents, or borrows any kind of automobile, truck, van, or other vehicle, it is open to expensive litigation. It is important to understand the exposures posed by vehi-

cles and to have auto coverage that fits the specific needs of your association. Should you have any questions about any of these coverages, please contact Steve Dickerson (703-739-2346 or [sdickerson@usisoutheast.com](mailto:sdickerson@usisoutheast.com)) or Doug Thompson (703-739-2341 or [dthompson@usisoutheast.com](mailto:dthompson@usisoutheast.com)).

## TRAFFIC SAFETY FACTS

In 2000, there were an estimated **6,394,000 police-reported traffic crashes**, in which **41,821 people were killed** and **3,189,000 people were injured**; **4,286,000 crashes involved property damage only**.

The **economic cost alone of motor vehicle crashes** in 1994 was more than **\$150.5 billion**.

An average of **115 persons died each day in motor vehicle crashes** in 2000—**one every 13 minutes**.

**Vehicle occupants accounted for 87 percent of traffic fatalities** in 2000. The remaining 13 percent were pedestrians, pedalcyclists, and other nonoccupants.

The National Highway Traffic Safety Administration estimates that **11,889 lives were saved in 2000 by the use of safety belts**. If passenger vehicle occupants over age 4 wore safety belts, 21,127 lives (that is, an additional 9,238) could have been saved in 2000.

**Alcohol-related traffic fatalities** rose to 16,653 in 2000—**40 percent of all traffic fatalities** for the year.

In 2000, **speeding was a contributing factor in 29 percent of all fatal crashes**, and 12,350 lives were lost in speeding-related crashes.

**Males accounted for 68 percent of all traffic fatalities**, 68 percent of all pedestrian fatalities, and 89 percent of all pedalcyclist fatalities in 2000.

—Traffic Safety Facts 2000,  
National Highway Traffic Safety Administration's National Center for Statistics and Analysis

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