

Loss Prevention

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Don't get personal

Advice on the coverage and use of personal autos

Insurance is our business, commercial insurance that is. Having personal autos on your commercial policy may be costing you more than you think. Sure it seems convenient to place family members and their vehicles on your commercial policy, but this adds additional exposure and increased risk to your company.

Since most commercial policies are experience rated (based on loss history), controlling losses is the best way to keep premiums down. Two ways to control losses are risk control and risk avoidance. Risk controls are measures such as training, checking MVRs and driver screening. These controls will reduce, but never eliminate, the exposure. Risk avoidance is to eliminate the exposure, thereby eliminating the risk. This is hard to do in most cases, but not this one. You can eliminate personal autos from your commercial policy and place them where they belong – on a personal policy.

A few reasons why personal autos increase the risk to your business:

- Youthful drivers: these are the drivers 16 to 25 years old. Statistics point out that this group of drivers causes the most auto accidents. In fact, an estimated 48% of all vehicle accidents involve drivers under the age of 24. Why? Inexperience and unsafe acts are the primary reasons.

- Time and control: personal vehicles can be used any time day or night with very little control.
- Separation of assets: having a serious accident could put your company at risk.
- Overall, this is not an exposure that any insurance company wants to insure on a commercial business policy.

The benefits of a personal policy for personal vehicles:

- These policies are designed for the family and are separate from your business.
- Personal policies have many discounts available to policy holders such as:
 - Discounts for driver education (very important for youthful drivers).
 - Seat belt and air bag discounts
 - Good student discounts
 - Good driving record discounts
 - Multiple vehicle discounts.

These are just a few of the benefits of placing personal autos under a personal policy.

The cost:

Commercial policy premiums increase more quickly for auto accidents than a personal policy. This is due to the cost of the coverage. Since you pay a lot more for commercial coverage, the cost for insurance rises accordingly. For example, let's assume that one

of your children is involved in multiple "at-fault" accidents under your commercial policy. As a result, your insurance company then passes along a 10% increase on a \$100,000 policy; this would equate to a \$10,000 increase. On the other hand, assuming that same 10% increase for accidents occurring under a \$2,000 personal policy, the premium would go up by only about \$200.

Summary

One final thought on personal auto policies. Youthful drivers do expose you, the business owner and parent, to financial loss. We recommend that you purchase a good personal umbrella policy (with sufficient limits) to protect you against catastrophic loss. Your local Zurich account executive is a resource for you and all of your insurance needs. He or she has access to additional markets for your personal autos through our internal insurance agency – UUISI – and can assist you in finding suitable coverage. There is a place for everything. Put personal autos in their rightful place – on a personal policy.

If you have any questions or comments, contact your Zurich account executive or the Loss Prevention Department at 800-821-7803.

This Loss Prevention Bulletin is provided for informational purposes only. Please consult with qualified legal counsel to address your particular circumstances and needs. Zurich is not providing legal advice and assumes no liability concerning the information set forth above.