

Business Use Under the Personal Auto Policy

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A recent question posed by an agent pointed out the need to read the auto policy before jumping to conclusions. A co-worker of mine said he wanted to run a coverage question by me before he answered an agent. The situation was that the insured had a personal auto policy (PAP) correctly rated for pleasure use.

This insured flew out of town on a business trip, rented a car, and during the course of the business trip damaged the car in an accident. He turned the claim in to his PAP insurance company, which promptly denied the claim, stating that because the PAP was rated for personal use, the car rented for business use was not covered for physical damage.

Hearing the situation, I promptly stated that the company's position was incorrect because rating on the PAP does not affect coverage for a rental vehicle. My co-worker agreed, and we remarked how "Most likely no one even read the policy before denying the claim." Then ... I was humbled, as was my co-worker. He called from his cell phone saying he had obtained a copy of the policy in question and found this language in the physical damage coverage section:

"Coverage under this part does not apply to a non-owned vehicle rented by you or a relative if being maintained or used by a person



while employed or engaged in any business. However, this exclusion does not apply if you have paid our business use surcharge."

There it was, just as the company stated — no physical damage coverage on a rented auto unless the PAP had a business use rating. This points out how different one company can be from another when it comes to coverage issues. The standard Insurance Services Office (ISO) PAP would clearly cover this claim because there is no such business use exclusion found in that policy.

This insured's company is not alone in using its own policy language. Other carriers have language in their respective forms that excludes coverage for a rental car used for business purposes. And when one considers the thousands of people traveling for business these days, a coverage gap such as this is significant.

The bottom line is: Policies have a unique language that can create serious problems come claim time. Agencies should make certain their PAP clients are asked if they **ever** rent a vehicle for business purposes. If answered affirmatively, and if the policy excludes such usage, this gap needs to be pointed out and **documented** at the time the policy is written and at each "insurance checkup" with the client. If endorsements exist to fill the gap in coverage, they should be added to the policy. While it does take additional time, it's time well invested if it saves a claim denial for a client. ■