

What Is Commercial Auto Insurance and Why Do You Need It?

Vital Coverage Insights Every Business Owner Needs to Know



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Like almost everything today, the cost of auto accidents is going up. The National Highway Traffic Safety Administration (NHTSA) estimates crashes caused by distracted driving alone account for \$46 billion in damages a year. Add to that the steady increase in jury awards over \$10 million (known as nuclear verdicts), and you may understand why your Business Auto insurance premiums continue to rise.

While you trust your insurance provider, it's more important than ever to make completely sure you have the right coverage in place. It can only take one verdict against you—even if it isn't nuclear—to shut down your business for good.

What Does Commercial Auto Insurance Cover?

Whether your business owns a fleet of vehicles or you and your two employees occasionally use your personal vehicles for work errands, it's likely your personal auto insurance won't provide adequate coverage for incidents that occur while you're driving for business purposes. Commercial Auto insurance protects both your drivers and vehicles in crucial ways. Here are some benefits of a Commercial Auto policy:

- **Liability coverage** – Many collisions impact vehicles and property you don't own. Commercial Auto insurance can provide a range of protection for damage caused by your employee or vehicle.
- **Physical damage and collision protection** – Of course, you'll have to pay to repair your vehicle as well. Commercial Auto policies can help cover these costs, regardless of who's at fault. They often also cover underinsured and uninsured motorists—adding another layer of protection.
- **Medical payment and lawsuit coverage** – As lawsuit awards go up, so do the number of lawsuits. Commercial Auto Insurance helps cover expensive medical bills, lost wages, and legal expenses.
- **Comprehensive coverage** – Theft, floods, vandalism, fire...there are many ways your business vehicles can sustain damage. Comprehensive coverage helps pay for repairs.
- **Optional add-ons** – Your Commercial Auto policy can go beyond standard protection with customized additions or endorsements. Common endorsements include roadside assistance coverage, new vehicle replacement cost coverage, towing reimbursement, rental reimbursement, and gap coverage for auto loans or leases.

How Can I Control My Commercial Auto Insurance Costs?

Your Auto insurance rates are based on a combination of factors—some you can control, and some you can't. Rates are determined by:

- Frequency and severity of crashes
- Auto repair costs
- Medical and hospital costs
- Lawsuits and court judgments
- Insurance fraud
- Vehicle type
- Deductibles
- The nature of your business and its inherent level of risk

Investing in newer, safer vehicles may impact your premium prices, but you can have more impact by focusing on claim reduction. Since there are several factors out of your control, we recommend paying extra attention to the factors you can control.

How Can I Reduce Auto Claims for My Business?

Auto accidents expose your business to a long list of risks and expenses. Beyond the cost of vehicle repairs, there are liability risks, legal expenses, lost time, decreased productivity, and increased insurance rates. Not to mention the risk of injury or death for you or your staff—both of which can take tolls on all aspects of your business. While you can never remove the risks completely, there are steps you can take to proactively manage your risk and help decrease the severity and frequency of accidents.

Set driver qualifications

Review motor vehicle records of new hires and continue to review them annually for those who drive regularly. Work with your insurance provider to help determine appropriate standards for your business. These may include limits on driving violations, moving violations, and at-fault accidents in the past few years.

Mandate seatbelt usage

Wearing a seat belt can reduce the risk of injury or death by 50%. Creating a successful seat belt policy can help minimize the size of claims in the event of an accident. Assign a manager to be in charge of overseeing seat belt usage, and use training and monitoring tools to help enforce it. You can also ask drivers to sign a pledge to use their seat belt.

Provide driver safety training

Regular training, including during the hiring process as well as refreshers, helps your staff stay committed to safety. Here are some education topics to consider adding to your curriculum:

- Dangers of driving while intoxicated
- Defensive driving
- Tips to avoid drowsy driving
- Handling seasonal hazards

Monitor drivers

If you manage a fleet, many technological options exist to help monitor driver safety. In-vehicle telematics and dashboard cameras can also help you analyze fleet data to increase productivity and cut costs. Laws surrounding driver taping vary by state, so make sure you're aware of local privacy laws.

Minimize driver distractions

Everything from texting to eating can make a driver's risk of crashes two to six times higher. Prohibit cellphone usage, install voice-controlled GPS units, and limit the number of passengers allowed in work vehicles to help minimize distracted driving.

Educate drivers about accident protocols

Good reporting and proper procedures can help minimize the costs of an accident. Make sure drivers know what to do immediately after a crash:

- Pull vehicle to the side of the road
- Assess injuries
- Remain at the scene
- Collect as much information as possible
- Call the police
- Begin the claims process with your insurer

Prevent theft

Vehicle theft is covered under comprehensive Business Auto policies, but you can take steps to minimize the risk of auto theft. Park all vehicles in a secure location, and make sure doors and windows are always locked. Do not store company laptops, cellphones, valuables, or confidential information in company vehicles. Finally, use anti-theft devices such as those built into newer vehicles.

Commercial Auto Coverage Solutions

Your own efforts to manage risk can go a long way toward controlling your auto insurance premiums and protecting your business against loss. And, with the right coverage in place, you can rest assured that your business is protected from the risks associated with commercial vehicle usage.

To learn more about managing business auto risk, and to ensure you're properly covered, reach out to your VGM Insurance Account Manager, or contact us today at info@vgminsurance.com or **800.362.3363**.

