



# Hired or Rented Vehicles Insurance Guide

The Axis Insurance Group is a leading Canadian insurance broker, specializing in providing insurance solutions for commercial clients. Many clients rent and lease vehicles, often resulting in confusion as to how or where these vehicles should be insured. This confusion sometimes results in gaps in coverage.

More often than not coverage can be found in multiple places such as the car rental agreement, the credit card that was used to rent the vehicle, your ICBC Road Star Policy, and the Commercial General Liability (CGL) Policy.

The important question answered in this paper is the scope of coverage offered by the corporate CGL Policy and whether or not this is the most appropriate place to look for coverage. We will also review the alternatives and make general recommendations based on the options available. There are two areas of coverage to consider: liability to third parties, and damage to the hired or rented vehicle itself.

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## Liability

### Liability to third parties

The CGL policy is purchased by most commercial clients and it is almost universally extended to include coverage for non-owned vehicles. The coverage is added by way of the standard policy form No.6. This extension of coverage protects you for your liability to third parties arising out of the operation by you (or on your behalf ) of vehicles that you do not own including "Hired Automobiles".

The policy provides the following definition of "Hired Automobiles":

*The term "Hired Automobiles" as used in this policy means automobiles hired or leased from others with or without drivers, used under the control of the Insured in the business stated in Item 3 of the application but shall not include any automobile owned in whole or in part by or licenced in the name of the Insured or any partner, officer or employee of the Insured.*

The application is automatically added to the policy and the business will follow the same named insured listed on the CGL policy. There are several exclusions to the coverage, some of which are worth noting here:

*Liability which arises from the use or operation of any automobile while personally driven by the Insured if the Insured is an individual; or Liability imposed upon any person insured by this policy: by any workmen's compensation law; or by any law for bodily injury to or the death of the Insured or any partner, officer or employee of the Insured while engaged in the business of the Insured; or Liability assumed by any person insured by this policy voluntarily under any contract or agreement.*

### Contractual liability

When you rent a vehicle you engage in a contractual relationship with the rental company where you assume liability for the operation of the automobile with the car rental company. It is therefore important that contractual coverage is added to the policy by way of an endorsement known as the standard endorsement form (SEF) No. 96. If this coverage is granted by the policy – and it ordinarily should be, the policy will probably contain an exclusion for Long Term Leased vehicles. This is called an SEF No. 99. This endorsement excludes coverage for vehicles hired or leased for longer than a certain period such as 30 days.

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## Damage to Hired or Rented Vehicle

Coverage for damage to the vehicle that you have hired or rented can be added to the policy by way of another endorsement known as an SEF No. 94. The endorsement will state the limit of coverage (typically \$50,000) and the deductible amount.

### Important considerations:

Even if you have a CGL policy that provides worldwide coverage, the Non-owned automobile policy and the associated endorsements noted above will be limited to Canada and the United States of America. Therefore coverage will not apply beyond the territorial borders of Canada and the U.S.

CGL premiums are often a significant part of your insurance costs and the policy is sensitive to claims and premium increases may result. If the CGL premium is quite large the additional premium may well be significantly more than the costs of purchasing the coverage elsewhere. Claims particularly for damage to hired automobiles are easily avoided by looking at the other options outlined below.

We highly recommend exploring these alternatives to find coverage you need. That is not to say the coverage should not be included in your CGL policy, however, we recommend you view it as a policy of last resort or contingent coverage should other coverage options not be in place.

Coverage only applies if you are using the vehicle for the business of the insured named in the policy.

### What are the options?

- You may have coverage from your ICBC RoadStar policy.
- You could have coverage from your credit card company.
- You can purchase insurance from the car rental company.
- You can purchase a policy from ICBC for rented vehicles known as an APV 281.
- This option may be less expensive than purchasing coverage from the car rental company



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## ICBC Road Star

RoadStar Policy (optional add on to ICBC auto insurance)

- \$21/per annum: for those with a 40% discount or better, and 'full insurance coverage' (ie: extended liability, collision, and comprehensive coverage).
- \$42/per annum: for those with less than a 40% discount, or less than 'full coverage'
- Rental Policy (APV 281): all coverage offered by APV 281.
- Loss Of Use: \$500: provides a substitute vehicle in the event of an insured ICBC claim for your personal vehicle.
- Vehicle Travel Protection: in the event of an insured ICBC claim for your personal vehicle while on holidays or business trip, coverage offers:
  - Additional Living Expenses: (for lodging & meals) \$500 for one to two people, \$1,000 for three or more.
    - Return Trip Home: (most direct route) \$1500 for one to two people, \$3000 for three or more.
    - Towing Expenses: \$100 max. Cost of bringing your vehicle home for repairs - \$750 max.
    - Lock Re-keying: (\$500 limit on stolen keys including remote keys)

## ICBC APV 281

There are two ways to purchase an ICBC Rental Policy (APV 281):

- Single Policy Purchase - for a one time rental period (from 1 day to 30 days max.)
- Annual Rental Policy - (Blanket for 1 year, on a year end reporting basis. Max rental period is also 30 days).

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## Single policy

This is purchased by an individual or a company. The number of days are declared, and a premium of \$10/day is charged. Max rental period: 30 days per policy.

## Annual rental policy

An estimated number of days is declared initially at time of application and \$10/day premium is charged. This policy is then issued on a blanket 1 year, 30 days prior to the annual expiry and ICBC requests a report on the actual number of rental days used. Based on the initial days declared and premium charged, either an additional premium is charged, or a credit is applied.

A minimum \$100 retained premium is applied.

A BC resident (individual) or a BC corporation can purchase this policy. Non BC residents do not qualify.

If a corporation purchases this policy for employee use, the rental agreement/contract must be in the corporation's name, rather than the employee's name. Existing Auto Policy is not a prerequisite to purchase and AVP 281.

There is no ACV limit on the value of vehicles rented. Any vehicles with \$125 CDN/day or a \$100 US/day value is excluded from this policy.

*Interested in learning more? An Axis Insurance Group team member would be happy to answer any additional questions you may have.*



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