

# BUSINESS AUTO POLICY (BAP)

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The **Business Auto Policy (BAP)** covers vehicles owned, rented, hired or borrowed by the bank, and those owned or leased by employees being used in the course of business.

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## FEATURES

- A. Bodily Injury and Property Damage (BI/PD)** covers bodily injury or property damage to others and/or their vehicles arising out of negligent acts or liability from the use of company owned vehicles. Standard limits are \$1,000,000 per accident.
- B. Medical payments** covers medical and funeral expenses of passengers who are not employees of an Insured in a covered vehicle that is involved in an accident. It is “no fault” coverage that can supplement existing health insurance for those passengers. Excluded are employee injuries arising out of and in the course of employment, which are covered by Workers Compensation insurance. Typical limits are \$5,000 or \$10,000.
- C. Personal Injury Protection (PIP)** is also known as “no fault” and is required in several states. Coverage is broader than medical payments coverage since, in addition to medical and funeral expenses, it can also cover work loss benefits and accidental death benefits. Benefits and limits vary by state.
- D. Physical Damage: Collision** covers losses that the Insured suffers due to damage to a covered vehicle caused by a collision with another object, including another vehicle, except for animal collision. Coverage is subject to a deductible, typically \$250 or higher.
- E. Physical Damage: Comprehensive i.e. Other Than Collision** covers damage to or loss of a covered vehicle not caused by collision (e.g. fire, theft, vandalism, falling objects, explosion, earthquake, flood, civil commotion); however, animal collision is covered. Coverage is subject to a deductible, typically \$500 or higher.
- F. Uninsured Motorist Coverage (UM)** covers losses that the Insured and others sustain when injured through the negligence of an uninsured or unidentified hit-and-run motorist. The limit usually coincides with the \$1,000,000 Auto Liability limit. Coverage is generally not provided for physical damage because the Insured’s collision coverage would be utilized instead, albeit with a deductible.
- G. Underinsured Motorist Coverage (UIM)** covers losses sustained by the Insured and others when injured due to the negligence of a motorist who has liability insurance, but with limits insufficient to pay for damages. The limit usually coincides with the \$1,000,000 Auto Liability limit. In some states, UIM is part of the UM.
- H. Hired Auto** coverage applies to autos leased, hired, rented or borrowed by the Insured, other than from employees. Coverage is excess over any other collectible insurance, such as a rental car agency policy. The standard liability limit is \$1,000,000.
- I. Hired Auto Physical Damage** provides the same coverage as Physical Damage (as described above) but it applies to autos that are leased, hired, rented or borrowed instead of owned. Coverage is primary, subject to the physical damage deductibles. The maximum limit is \$50,000 but can be waived for an additional premium charge.
- J. Hired Auto Physical Damage Loss of Use** provision provides up to \$1,000 for lost income incurred by a rental car company due to a vehicle being out of service for repairs due to an accident.
- K. Non-owned Auto Liability** coverage applies to vehicles not owned, leased, hired, rented or borrowed by the Insured (i.e. employee-owned vehicles) that are used in conjunction with Insured’s business. Coverage is excess over other collectible insurance (i.e. an employee’s personal auto policy).
- L. Towing** provision provides up to \$1,000 for the cost of labor and towing for a disabled vehicle.

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## OPTIONAL OR EXTENSION COVERAGE

- A. Drive-Other-Car coverage** is an optional coverage that provides auto insurance protection for people who need to drive a car that is borrowed or rented from a third party. This typically applies to employees or executives of a company who do not own their vehicles, but instead drive cars owned by the company.
- B. Employee Hired Auto coverage** extends the Insured's hired auto liability coverage to employees that are renting cars in their own names in conjunction with Insured's business.
- C. Blanket Additional Insured** extends liability coverage to any entity the Insured has agreed to add in a written contract or agreement.
- D. Newly Acquired or Formed Organizations** extends liability coverage to any organizations that Insured acquires or forms during the policy period, conditional on Insured holding a majority ownership interest.
- E. Subsidiaries-as-Insureds** extends liability coverage to subsidiaries that exist at policy inception in which the Insured has an ownership interest of 50% or greater.
- F. Employees-as-Insureds** extends coverage to employees driving their own personal cars on company business. Coverage is excess over the employee's personal auto insurance.
- G. Lessors-as-Insureds** extends liability coverage to lessors of autos if required by the lease agreement and the auto is leased without a driver.
- H. Primary and Noncontributory coverage** makes the Commercial Auto policy primary instead of excess, and not subject to contributions from related policies if the Insured has agreed to these requirements in a written contract or agreement with an additional Insured.
- I. Fellow Employee coverage** removes the Fellow Employee Exclusion from the policy, allowing the policy to respond on behalf of the at-fault employee following a vehicle-related injury to another employee caused by a covered vehicle. Coverage is excess over any other collectible insurance.
- J. Rental Reimbursement** reimburses the Insured for the cost to rent a replacement vehicle while a covered vehicle is being repaired following a covered loss. Coverage is provided up to \$50 a day for 30 days.
- K. Glass breakage** waives the physical damage deductible if the glass can be repaired instead of replaced. If the glass needs to be replaced, the lesser of \$100 or the physical damage deductible will apply.
- L. Diminution of Value** refers to a vehicle's depreciation in value when damaged in an accident and then repaired. Though normally excluded from coverage, an exception applies for hired autos if rented for 30 days or less without a driver. Maximum payment is the lesser of \$7,500 or 20% of a vehicle's actual cash value.
- M. Loan/Lease Gap** pays the difference between the actual cash value of a vehicle at the time of an accident and the outstanding balance of the loan or lease, in the event of a total loss to a covered auto. The maximum payment is \$1,500.
- N. New Vehicle Replacement Cost** pays the original purchase price of a new vehicle if it is totaled within the first year of purchase.
- O. Blanket Waiver of Subrogation** waives the Insurer's rights of recovery and the Insurer will not subrogate against any entity whereby Insured has agreed to waive those rights as part of a written contract.
- P. Unintentional Failure to Disclose Hazards** will not invalidate coverage due to the Insured's unintentional failure to disclose any hazards that exist on the effective date of the policy.
- Q. Personal Effects Coverage** pays up to \$500 for personal effects that are lost or damaged in a loss involving a vehicle. This coverage supplements coverage provided by a Homeowner's policy.
- R. Extra Expense Broadened Coverage** pays for the expense of returning a stolen auto to the Insured.

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## OPTIONAL OR EXTENSION COVERAGE, continued

- S. **Airbag coverage** waives the mechanical breakdown exclusion if an airbag accidentally discharges.
- T. **Audio, Visual and Data Electronic Equipment** extends coverage to any permanently installed electronic equipment or accessory that receives or transmits audio, visual or data signals and that is not designed solely for the reproduction of sound. Maximum payment is \$1,000.
- U. **Two or More Deductibles** provision refers to a situation where two or more policies are impacted by a single loss, in which case only the larger of the two policy deductibles will apply. The two policy deductibles are not applied separately. For example, if a covered vehicle accidentally damages a covered building, both the Auto policy that covers the vehicle and the Property policy that covers the building would have separate deductibles but only the larger of the two would apply to the loss.
- V. **Hired Auto Coverage territory** extends worldwide coverage to any vehicles hired for 30 days or less.
- W. **Expanded Definition of Bodily Injury** expands coverage to include mental anguish, mental injury, emotional distress, shock or fright, and any subsequent death resulting from these at any time.

## CLAIMS EXAMPLES

- While driving clients in a bank-owned vehicle, an employee rear-ends another vehicle. The policy would pay for:
  - resulting damages to the other vehicle (**Property Damage Liability**),
  - injuries incurred by the occupants of the other vehicle (**Bodily Injury Liability**),
  - damages to the bank-owned vehicle (**Physical Damage—Collision**), and
  - the clients (non-employees) would be eligible for **Medical Payments** benefits.
- A bank-owned vehicle is damaged while being driven by an employee in a hail storm. The cost of the repairs would be covered under the **Automobile Physical Damage – Other Than Collision (Comprehensive)** provision.
- While driving a bank-owned vehicle, an employee is broadsided by another driver.
  - If the perpetrator flees the scene and cannot be identified or found, the employee's injuries would be covered under the bank's **Uninsured Motorists** coverage.
  - If the other driver is identified/known and has inadequate insurance limits to cover the extent of the injuries, the Insured's **Underinsured Motorists** coverage would supplement the difference.
  - UM/UIM benefits may be offset by the paid or allowable **Workers Compensation** benefits, depending on the state.
- An employee rents a vehicle to visit clients. While en route, the employee collides with another vehicle. The Insured's **Hired Auto Liability** would respond, excess over the liability coverage provided under the rental car policy. If the employee rented the vehicle in his/her own name instead of the bank's, the **Employee Hired Auto** endorsement is necessary to protect the employee in addition to the Insured in the event of a lawsuit.
- If a bank employee is driving his/her personal car to visit customers and is involved in an accident, the Insured's **Non-owned Auto Liability** would cover the resulting liability, excess over the employee's personal auto insurance. To protect the employee from a lawsuit under the bank's policy, the employee would need to have the **Employees-as-Insureds** endorsement added to the Insured's policy.