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# Transportation Risk Management and Insurance — Avoiding Gaps and Traps

*Your camp strategy for managing automobile risks needs review and updating on a regular basis. ACA Standards TR 1-19 forms a solid framework upon which to build your plan. Tailoring your camp's risk management plan to avoid gaps and traps requires additional work.*

Here are some facts and thoughts for you and your staff to consider as part of this process:

- Each camp is different, obviously, with some having little or no transportation risk. However, just about every camp either owns a business vehicle, has employees who use their personal vehicle on camp business, or hires vehicles at some point for use in the business.
- Transportation risks at camp develop out of the ownership and use of automobiles, including their maintenance — and typically include liability from negligent actions, which results in bodily injury to people or damage to your property and to other people's property. These risks are typically transferred to an insurance company through the purchase of automobile insurance.

## No Differences

One faulty assumption some insurance buyers make is that there are no differences in insurance protection offered to customers by various insurance companies. The fact is there can be big differences.

These differences are because of a variety of factors, such as their internal systems and procedures and the risk appetite of the insurance company's underwriting department.

For example, if you take a long-term lease on a vehicle or buy a vehicle with little or no money down, you could be exposed to financial loss if you have an accident

that "totals" the vehicle early in the lease, or loan.

This risk of financial loss can be included in the camp automobile insurance policy through the purchase of an endorsement called "Auto Loan Lease Gap Coverage." While this endorsement is universally available, some insurers may be unwilling to provide the protection. If you find yourself in this situation, discuss the matter with your insurance broker. Ask your broker to check with your auto insurer to determine if this additional protection is available through your insurance company.

Another difference may involve the scope of the liability protection provided by automobile policies. Some insurance companies want to limit protection to only those automobiles listed (scheduled) on the policy. Others are willing to provide liability protection for any auto. These differences are not obvious to buyers, but are apparent to insurance brokers and advisors. Assuming your camp qualifies, it is better to purchase a policy providing liability protection for any auto.

## Suspension of Liability and Physical Damage Insurance

Nearly every camp has vehicles, which are "laid up" or suspended at some point during the year. The primary risk management concern here relates to preventing the use of these vehicles when they are not insured. A secondary concern is to protect them against physical damage when they are "laid up."

In some states, license plates must be surrendered before an insurance company will suspend liability insurance. Other states may

not require this. In jurisdictions without a license plate surrender regulation, there is a real risk a vehicle could be operated without liability insurance protection if you have scheduled automobile liability insurance.

To prevent use of these uninsured vehicles, some directors remove the plates from each vehicle, even though the law doesn't require this. Others put signs on the vehicles not currently insured to notify caretakers and other staff that the vehicles should not be used. How do you manage this risk?

Another potential problem involves continuing physical damage insurance on vehicles stored for the winter months. If you aren't sure how you are managing these risks, review the issues with your insurance brokers and advisors.

## Coverage Territory

Some camp directors are under the mistaken impression they have automobile insurance for all of their automobile-related risks wherever their business takes them. This is not so. The automobile insurance policy limits the territory within which coverage is provided as follows:

The coverage territory is:

- a. The United States of America;
- b. The territories and possessions of the United States of America;
- c. Puerto Rico;
- d. Canada; and
- e. *Anywhere in the world, if:*
  - 1) An auto of the private passenger type is leased, hired, rented, or borrowed without a driver for a period of thirty days or less; and
  - 2) The insured's responsibility to pay damages is determined in a suit on the merits, in the United States of America, the territories and possessions of the United States of America, Puerto Rico, or Canada

or in a settlement the insurance company agrees to.<sup>1</sup>

There is no insurance protection for automobile accidents outside this coverage territory. This means no insurance coverage for vans hired with, or without drivers outside the policy coverage territory; nor would there be coverage if you drive your own vehicles into Mexico, for example.

If your camp has programs operating outside of this coverage territory consult with your insurance advisors to determine how your automobile risks outside the coverage territory can be properly insured.

## International Staff

If you plan to use international staff to drive at camp this summer, you better consult with your insurance company first. Some underwriters are refusing to allow international staff to drive camp vehicles unless they have acceptable driving records and can prove this by bringing a copy of their driving record with them from their home country.

The other concern is the risk of accident because international staff are unfamiliar with driving in the U. S. — especially driving in the right lane. It takes time to adapt to U. S. traffic patterns, and there is of course the concern about their instincts in emergencies, all of which have been developed driving in the opposite lane of our normal traffic flow. Under these circumstances, we recommend using outside driver training resources, with specifically developed training modules to address these and other concerns, such as the instability of fifteen-passenger vans for example.

## Fifteen-Passenger Vans

Some insurance companies are no longer insuring fifteen-passenger vans and others have new guidelines — which must be followed if you want to continue using this type of vehicle.

For example, one company requires directors to agree that fifteen-passenger vans will be operated at a maximum speed of fifty-five miles per hour regardless of the posted speed limit. Other recommended risk reduction actions include restricting the weight to 75 percent of the vehicle capacity, eliminating the use of roof racks, and trailers, and seating everyone in front of the rear wheels. Other insurance companies may have additional requirements or recommendations to increase safety and improve the stability of the vehicle in emergency maneuvers.

Concern over the use of fifteen-passenger vans has grown to the point where it would be advisable for camp directors to consider other options and begin planning to reduce dependency upon them as soon as possible.

How does your insurance company feel about the use of fifteen-passenger vans in your programs? Check with your insurance brokers and advisors to determine if there are new requirements for 2005. Be prepared, not surprised!

## Non-Owned and Hired Automobiles

Most camp automobile insurance policies include liability protection for the use of non-owned and hired automobiles. But, don't assume your policy includes this protection.

The liability risk of non-owned autos typically involves employees using their personal vehicles on company business. The liability is vicarious, or imputed to the camp, because theoretically the accident might not have occurred except for the employee being at the place and time where the accident occurred on your business.

The typical camp automobile policy provides liability insurance for the camp — and does not automatically provide any insurance protection for the employee. The first line of protection for the employees in this situation is their own insurance. This applies to liability as well as to any physical damage to the employee vehicle.

Employees' interests — and in some cases volunteers who regularly drive their vehicles on your business — may be insured on your policy on a secondary basis. Including employees and volunteers as insured requires an endorsement. When included, the endorsement makes your camp automobile liability coverage in excess of the employee's or volunteer's policy when they are on your business. These endorsements are for liability insurance only.

Camp hired automobile exposures usually involve renting vehicles from major rental companies for short periods — often while owners, staff, or volunteers are away on business. There is liability and physical damage risk in these situations, too.

Each state has different laws, which govern short-term rentals of automobiles. Some states make the renter primarily responsible for the liability and physical damage insurance on the rented vehicle.

This is okay if the individual renting the vehicle owns a vehicle that is insured under a personal auto policy with liability and physical damage insurance. If you don't own and insure a personal auto, there could be a coverage gap.

One solution to this gap is to purchase an endorsement to your business automobile policy called "Employee-Hired Autos." This endorsement extends the liability insurance in your business automobile policy to individual employees who rent a vehicle in their own names while on your business. Damage to the rented vehicle while in your care and control may also be provided by your business auto policy by purchasing hired car physical damage insurance.

There are other noninsurance solutions to this physical damage risk, such as renting the vehicle with a credit card that includes collision damage waiver benefits. These should also be explored as part of your risk management process. Choose the risk control and risk financing methods that work best for your business.

This discussion was intended to increase your awareness of some potential gaps and traps in transportation risk management. To get the most out of this information, plan to spend some time before next summer reviewing your risk management plans. Talk with your insurance advisor about these issues and any other issues you may uncover. Remember that the management of risk is never finished, because risk is constantly changing. ■

### Footnotes

<sup>1</sup> CA 00 01 10 01, ISO Properties 2000; General Conditions, paragraph 7.

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