

REFERENCE GUIDE

A Loss Control Service from Donegal Insurance Group



Personal Use of Company Vehicles

History

Permitting employees to use company vehicles for personal use may be perceived as a benefit of the job and can promote good morale; however, employers must understand their exposure to loss. If not properly managed, this practice can prove to be very costly and possibly threaten the existence of your business.

Types of accidents involving employees using company vehicles for personal use range from typical 'fender benders' to those involving intoxicated drivers, reckless driving and vehicle misuse. In some instances, this personal use of company vehicles is not known by the employer, but in most cases, it is permitted activity.

Should I Allow Employees to Use Company Vehicles During Non-Working Hours?

Every employer with company vehicles needs to make this decision, and there is no simple answer to this question. Your decision needs to be based upon your type of industry, type of vehicles, licensing requirements, employee roles and responsibilities, and appetite for risk. From a management perspective, allowing personal use of company vehicles increases the potential for an accident based on the following:

1. The more the vehicle is used, the greater the potential from an accident.
2. It is more difficult to manage and monitor personal use than business use.

In making your decision whether or not to allow personal use of company vehicles, consider the following potential risks:

- Loss of work or customers as a result of a damaged vehicle, equipment, or injured worker(s).
- Damage to someone else's property or bodily injury to others.
- Indirect costs such as overtime needed to make up a loss, rental of a new vehicle/equipment, loss of business.
- Adverse image to your customers, or potential customers, when your driver arrives on the job with a damaged vehicle.
- Adverse publicity if a vehicle accident results in a fatality.
- Potential higher insurance premiums and surcharges resulting from vehicle accidents.

How Can You Best Manage Personal Use of Company Vehicles?

If you decide to permit personal use, controls must be documented for your protection. The following list is a guide to assist you in identifying your own rules and regulations:

- Obtain a copy of the employee's valid driver's license on an annual basis for driver files.
- Obtain the employee's Motor Vehicle Record (MVR) and compare it to written criteria at least annually.
- Ideally, only the employee should be the driver of the company vehicle. If a spouse is permitted to drive, license and MVR information should be obtained also on that individual. It must be clear (in writing) that other family or friends are prohibited from operating the vehicle.

- A policy prohibiting the use of drugs and alcohol needs to be established. Employees operating company vehicles found to be intoxicated, under the influence of drugs, or any other substance that impairs driving performance should be terminated. Vehicle accidents involving alcohol or drug impaired drivers will not be tolerated and disciplinary action must be taken.
- Establish written rules regarding personal use of company vehicles. For example, basic rules could forbid:
 - ✓ Towing of other vehicles or equipment
 - ✓ Overloading vehicles
 - ✓ Abuse by speed, off-roading and similar recreational uses
 - ✓ Transportation of hazardous materials or prohibited substances
 - ✓ Giving rides to hitchhikers
 - ✓ Providing transportation to others for a fee
 - ✓ Loaning, subleasing, renting, otherwise utilizing the company vehicle to generate income
 - ✓ Travel out of state or other countries without written authorization
 - ✓ Permitting drivers other than the employee or spouse (if authorized by the employer)
- Require a signed statement by the employee that they understand and agree to comply with the company policies. The statement should include notice of disciplinary action, including termination or loss of driving privileges, for failure to abide by these policies. This statement should be maintained on file as long as the driver is in your employ..
- Require vehicles to be returned in the same condition (appearance and fuel) as when loaned to employees. Make it clear that privileges may be suspended for those who do not comply.
- Document that authorized employees understand company on-scene accident procedures and what to do in the event of an accident. Accident reporting kits should be provided in each vehicle.
- Require completion of a pre-trip and post-trip inspection checklist to be completed by a designated management representative to verify the physical and mechanical condition of the vehicle.

Some employers permit drivers to take vehicles home so that the transportation is available for emergency service or travel to jobsites. If personal usage is **NOT** permitted in such instances, drivers should sign an acknowledgment that they understand this policy.

References & Additional Information

[*Federal Motor Carrier Safety Administration \(FMCSA\)*](#)

[*National Safety Council: Employer Resources*](#)

[*National Safety Council: Safety for All Roadway Users*](#)

[*National Safety Council: Employers are Making a Difference*](#)

[*OSHA: Motor Vehicle Safety*](#)

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