

## Business use insurance: are your grey fleet drivers really insured?

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## Business use insurance: Are your grey fleet drivers really insured?

Many businesses think they are. Your grey fleet drivers have signed a statement declaring their vehicle is insured for business use. You assume they have the appropriate cover. But without checking their insurance certificates, can you really be sure? If you do check, does the person undertaking the checks really know what to look out for?

We check several hundred insurance certificates for businesses throughout the UK. Our findings show that over 24% of grey fleet insurance certificates checked by us do not have the appropriate cover. A similar trend is reported by a number of our contract hire partners who confirm that no cover provision exists sometimes in an average of 20% of cases for many thousands of certificates checked.

There are generally five types of cover:

- Social, domestic and pleasure, excluding commuting
- Social domestic and pleasure, including commuting
- Class one business use
- Class two business use
- Class three business use

The first two types do not cover business use but employees do not always realise this. Many people felt that cover including commuting covered for wider business use, but it does not. In other examples, grey fleet drivers are guilty of not checking the insurance certificate in any detail. Most certificates are very clear and some clearly state that cover does not include business use, but drivers often fail to read the small print.

So why the differences? Some of the Insurance companies blame the dot.com companies who all have a different take on business insurance. They consider the internet approach is a licence to price policies differently in the personal lines arena and that 'nature of business use' is not clearly defined. But even the nature of the business isn't always clear-cut.

Len Benson, chairman of ACFO's London West region and associate director at commercial insurance broker Peter Lole & Co, commenting in Fleet News says: "What constitutes commercial travelling is open to debate but my opinion is that if your business appointments are pre-arranged then that is class one or two and if you visit clients on your rounds to see if they need any more product etc. then it's class three."

### Types of business cover

**Class one** covers the vehicle in connection with the driver's job, for example driving to different sites away from their place of work. It may also cover a spouse for the business use, but not another named driver – so it's important to check the insurer's wording. It will exclude commercial use (such as the delivery of light goods) and selling (such as door-to-door).

**Class two** has a number of variations depending on the insurance provider. The policy will usually cover both the policyholder and a named driver for the business use, although some insurers may stipulate that the two must work in the same occupation. Class two will still exclude commercial use and selling.

**Class three** will provide business cover for the transportation of light goods, for example meals or flower delivery, and some selling purposes such as door-to-door sales.

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## Four ways to tackle grey fleet insurance

### 1. Seek clarification from the insurer

Get the driver to contact their insurer and confirm in an email or a letter whether business use is included and what their definition of business use is. But beware, some insurers will charge an admin fee which can cause friction between the fleet manager and the driver.

### 2. Outsource insurance checks

If you have thousands of grey fleet drivers scattered around the country, insurance checks can be an administration burden, particularly as there is no electronic database to confirm what type of insurance a vehicle has.

The only way to check is by looking at the insurance certificate.

It may be easier to outsource to a leasing company or risk management provider that has the manpower to carry out the checks and is familiar with different wordings from different insurance companies.

There are various ways this can be paid for. For example, it might be built into the monthly standard management fee or as part of other grey fleet checks (such as licence checks). Logical can manage these services for clients.

### 3. Improve driver communication

Drivers need to understand the difference between business use and commuting and the type of business cover they need.

This could be explained to them in the driving at work policy, on the company intranet and through their line managers.

Explain business use in your driving at work policy, on the internal notice board and in a weekly newsletter which goes out to the your employee community

### 4. Extend your fleet insurance

Fleet insurance can be extended to include grey fleet drivers. However, this is usually defined as 'occasional business use' and there may be restrictions around how many miles each driver can do (typically 1,000 a year), how many drivers can be covered and the frequency of journeys. So this approach needs to be considered very carefully.

### Take care with hire cars

Insisting that employees use a hire car rather than their own car for business journeys can still create problems with insurance. It is very important to make sure if an employee books a hire car it's hired to the company and not the individual.

### What happens if you take no action?

If one of your employees drives on business without appropriate insurance, there may be implications for the employer if that member of staff is stopped by police or involved in an accident.

Simply requesting that grey fleet drivers sign a mandate stating they have business insurance might not be sufficient. Whilst it's the driver's duty to have business insurance, if there is third-party damage or injury and a solicitor is involved, the authorities will probably go after the driver and the driver's employer for sending them out on business without doing the relevant checks.

A vital point is to remember that a driver using their own car is no different to a company car and the employer has to show it has taken reasonable steps to ensure the car is insured, taxed, etc. ***(Logical can provide these services, please go to [www.logicalvm.co.uk](http://www.logicalvm.co.uk) for more information)***

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Ensuring that the driver signs a declaration that their car is insured for business purposes is not sufficient in isolation. It is better than nothing and one of the basic steps towards good practise. However, if an employer checks the insurance certificate for business insurance but it later turns out to be the wrong type of business insurance, this may be worse than not seeing the certificate in the first place – you saw the certificate, it wasn't sufficient and you let it go.

As yet there is no precedent so it is difficult to know how a judge might view the company's responsibilities. However, it's best not to take this chance. To achieve the 'gold standard' it is best to consider a combined approach to all the factors above to ensure that both the employee and your business is protected not just by insuring the asset, but also any claims of negligence caused through ineffective monitoring, management or weak communication of this important subject.

For further information on Logical's risk management services including insurance certificate checking and other grey fleet controls, **please go to [logicalvm.co.uk](http://logicalvm.co.uk)**.

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