



October 20 2009 - Industry News

Affiliates and Insurance: How To Get It Covered

Get the answers to Frequently Asked Questions about insuring affiliated vehicles and supplying adequate workers compensation coverage.

If you are thinking about doing affiliate work or if you have been doing it for 50 years, it is essential that you handle insurance requirements properly so that both you and your affiliates are covered in the unlikely event of an accident. We asked **Michael Marroccoli, regional vice president for The Capacity Group**, some frequently asked questions that are on your mind.

What type of insurance should I have if I am doing affiliate work?

If you own a [ground] transportation company, in addition to your own auto liability insurance covering your specific vehicles, you should have coverage for hired and non-owned automobiles. This coverage is usually shown on the declarations page of your policy as Coverage for Vehicles (8 & 9) as opposed to Vehicles 7, which in insurance policy language is only for your specifically listed vehicles. By making certain that you have coverage for hired and non-owned vehicles, you protect your company for liability performed by hired, or non-owned automobiles, like work farmed out to affiliates. I often review a limousine company's insurance policies and I am alarmed when I do not see this coverage included on a policy. Hired and non-owned auto liability is a very basic and inexpensive coverage, but it is critical to protecting a limousine company in today's marketplace. In addition to providing coverage for affiliate work, in states where livery vehicles may be rented and added to an operator's fleet, rental vehicles also are covered for liability. Hired and non-owned auto liability also provides coverage for a limousine company if one of its employees is involved in an accident with one of their personally owned vehicles and the company is sued.

For example, if an employee is driving his own vehicle on company business to run an errand, go to the bank, or to go on a sales call or customer visit, and is involved in an accident, it is likely that the employer would be named in a lawsuit by the other party although the vehicle is not owned by the limousine operation. I review hundreds of policies for limousine companies all over the country, and when I discover that hired and non-owned coverage is not included on a policy, it may mean that the broker is not paying attention to the details. Some companies will not write this type of insurance for fleets smaller than three vehicles.

Why is it important to add an affiliate who is sending work to you as additional insured?

It is important to have the affiliate provide a certificate of insurance as evidence that the operator (farming out the work) has been listed properly. Of course, if the affiliate is sub contracting work back to the operator, they would expect to be added as additional insured on the operator's policy. It is important to request a limit of liability from your affiliate that is equal to the limit of liability that you provide on your own policy. This may not always be possible for owner operators to provide if you as the limousine company have high limits, so a reasonable amount should be expected; the higher of \$1 million combined single limit or your state's mandatory limit.

What happens in the event of an accident if the accord has expired and you didn't get a new one?

By providing a certificate that indicates that the affiliate has listed the operator as additional insured is important because the insurance carrier for the affiliate will automatically renew the certificate unless the affiliate instructs the carrier to remove the additional insured status and delete the operator from their policy. The insurance carrier also will notify the operator if the affiliate's policy cancels during the current policy period.

Who is responsible for workers compensation insurance? I ask my affiliates for it but they often say they are on an independent contractor model and not required to have it. Could I get myself in trouble with this?

It is irrelevant whether or not the affiliate considers itself an independent contractor model. In most states, you are responsible to have workers compensation for all drivers or provide certificates of insurance as proof of coverage for any subcontracted work to affiliates. If the affiliate does not have coverage, then the limousine operator sub-contracting the work may find that it will be charged on its own workers compensation policy for the cost of the insurance for the affiliate. At audit, the workers compensation carrier will require a list of all payments to affiliates and will match up certificates of insurance to be issued that it doesn't have any uninsured sub-contractors.

What type of insurance do I need to get affiliate work?

You need workers compensation and auto liability for all vehicles in your fleet. Liability limits should meet state requirements for livery, and most affiliates carry a minimum of \$1.5 million, which contemplates any out of state work.

If my affiliate does not own the vehicles but runs independent operators, do I need a separate accord from every one of his drivers?

If the affiliate does not own any vehicles, it may have a policy for auto liability for hired and non-owned liability. If this is the case, you can be, and should be, listed as additional insured on this policy. If not, then yes, you will need an accord for each individual company.

Do insurance companies charge for adding additional insured to your policy?

It depends on the carrier, however, most do not charge for adding the additional insured status, and if a charge is incurred, it is usually a minimal amount to cover the processing fee.

Is there any disadvantage to having many additional insured on my policy?

Yes. The insurance company is NOT providing more insurance, they are simply "dividing" the existing insurance limit and now applying it to both the named insured and the additional insured. So in essence, you are potentially reducing your own limits in the event of a loss.

Interview by Linda Jagiela, *LCT Magazine*

Tags: choosing coverage, Fleet Insurance Policies, Insurance Rates, Limousine Insurance Providers

[Request more info about this product / service / company](#)

© Copyright 2009 LCT Magazine. All Rights Reserved.