

CHAPTER 5. AUTOMOBILE LIABILITY INSURANCE
EXPLANATION AND REQUIREMENTS

5-1. AUTOMOBILE LIABILITY COVERAGE (OWNED AND NON-OWNED)

- a. The automobile liability insurance policy affords coverage in the same general terms as other liability insurance contracts, but the "injury" to be covered must arise out of the ownership, maintenance or use of the owned automobile, any non-owned or hired automobile. Coverage is on an occurrence basis.
- b. Automobile liability coverage is excluded from the basic CGL policy. However, if a HA has no owned automobiles, then the non-owned and hired coverage can be provided by endorsement to the CGL policy. The Department requires that HAs insure non-owned as well as owned automobiles since the HA may have significant exposure to loss from accidents occurring when officers, directors, or employees use their personal vehicles on HA business. Under common law, employers can be held liable for the negligence of employees or agents using their cars on behalf of the HA. Although the employee's personal auto policy might provide protection to the HA, there is the possibility that the employee may not have auto liability insurance or that the limit is only the minimum required by state law.
- c. An "Automobile" is defined as a land motor vehicle, trailer or semi-trailer designed for travel on public roads, but does not include mobile equipment. Mobile equipment (yard or garden tractors, fork lifts, back hoes, etc.) is covered under the basic CGL policy.
- d. The Department recommends that limits of not less than \$100,000 each person/\$300,000 each occurrence for bodily injury or death, and \$25,000 for property damage or a combined single limit for bodily injury and property damage of \$300,000 each occurrence be carried on all owned, non-owned and hired automobiles. (A state's financial responsibility statutes may require higher limits.) The HA shall determine if these limits represent an adequate amount of coverage.

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5-2. MEDICAL PAYMENTS.

Although premises medical payments under the CGL policy is generally recommended, automobile medical payments is normally not purchased by business organizations. This is because no coverage is provided for injury to employees due to their injuries while on the job being covered by workers

compensation. If HA-owned vehicles are restricted to use by employees, the premium paid would provide very little coverage.

5-3. AUTOMOBILE PHYSICAL DAMAGE.

HUD does not require HAs to insure owned vehicles for physical damage (comprehensive and collision). This is a decision that should be made by the HA, depending upon the value of the vehicle. For example, if there are relatively new vehicles with a high replacement cost, this coverage may be desirable for those units, but not for older vehicles whose value has depreciated. This coverage is normally written with a deductible, the size of which should be based upon the judgment of the individual HA. If the purchase of a vehicle is financed, the finance company will require purchase of this coverage.

5-4. PARTIES INSURED.

A HA shall be shown as the named insured. The business auto policy also covers as a person insured, anyone using a covered auto with permission of the insured, which would include the executive officers, commissioners, and employees while acting within the scope of their duties. The U.S. Department of Housing and Urban Development should not be named as an insured.