



# Council of Social Service of New South Wales Insurance Program

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## Important Update on Car Insurance for Paid Workers and Volunteers

### Do you use your own car for work or volunteering purposes?

Two years ago considerable concern arose regarding whether paid workers using their personal cars for work purposes should be insured for private or business comprehensive insurance. NCROSS approached the major motor vehicle insurers and obtained definitions on private vs business use. **These definitions have now changed for most insurers.**

We recently checked with the same insurers to get an update on their definitions and found that most insurers have changed their definitions with several insurers now requiring paid workers who use their vehicles for work purposes to insure that vehicle as business use.

Individual workers must inform their insurance company of the exact level they use their private vehicles for work and preferably get that level noted on their policy documents. If a worker has not informed their insurer they are using their vehicle for work purposes, some insurers may refuse a claim although most insurers will just charge an extra premium or reduce the claim accordingly.

Relevant definitions from the main insurers have been set out below. It is important that individual workers check their actual policy document each year upon renewal as definitions have changed considerably over the past two years and may change again.

All insurers outlined below have stated that under these definitions volunteers need only insure for private use; however they should inform their insurers that they are using their cars for volunteering purposes and that they are reimbursed for expenses. If any of your volunteers are informed by their insurer that they should insure their car for business use please inform NCROSS immediately.

#### **AAMI**

AAMI's policy states: *"Private Use: Use of your car for social, domestic and pleasure purposes and incidental business use where you are not using your car during your full-time, part-time or casual working period as an integral means of earning your income.*

*Business Use: Use of your car during your full-time, part-time or casual working period as an integral means of earning your income that you have told us about and we have agreed to cover. Business Use also includes social, domestic and pleasure use."*

The term *earning your income* is defined as being required to use your private vehicle as part of your employment conditions.

#### **Allianz**

Allianz's policy states: *"Vehicle usage" means the use of your vehicle, which you have told us about. This is shown on your current schedule. Vehicle usage may be either:*

- *"business" which means any vehicle which is registered as a business vehicle, or is used for income earning purposes.*
- *"private" which means any type of use other than business use.*

Income earning purposes was loosely defined by Allianz as: it is a condition of employment that you have or use your personal car for work purposes, e.g. to visit clients or attend meetings etc.

## **GIO**

GIO's product disclosure statement shows a definition for vehicle use as: "Use can be:

- *private - if not used in connection with earning an income, or if the only such use is driving to and from work and/or occasional use in connection with work*
- *goods carrying/trade - if used in connection with a recognised trade*
- *business - if used in connection with an occupation or business in a way not listed above."*

GIO advise that occasional use in reference to paid workers means irregular non-scheduled use. If a vehicle is used regularly for planned/scheduled work related activities then that vehicle should have business use cover.

## **NRMA**

NRMA responded to an email request with the following definition:

*"Business rates are charged when the customer is:*

- *registered or required to be registered for GST, and*
- *has an ITC% of more than zero."*

## **QBE**

*"use" means use of your vehicle for one of the following:*

- *private use, which means for social, domestic, pleasure purposes and travel to and from work; plus a small amount of time being spent using your vehicle for business or work purposes;*
- *business use, which means for private use; plus the majority of normal working hours being spent using your vehicle for business or work purposes;*
- *commercial use, which means for: private use; plus use in a business: where your vehicle is licensed for the carriage of goods; or as a primary producer.*

**What else can be done?** NCOSS Insurance suggests not for profit organisations develop written workplace policies covering the use of private vehicles for work including issues such:

- the level of insurance required for private vehicles being used for work purposes;
- the degree to which the organisation reimburses workers for the upgraded cost of business insurance; and
- the organisation's policy on reimbursement of out-of-pocket expenses in the case of an accident (eg payment of excess and loss of no claims bonus) (a special motor vehicle non-owned insurance policy can be purchased for this purpose).

Pro bono legal advice received recently indicates that any requirement by an organisation that workers use their private cars for work purposes must be written into the employment contract, along with any requirement for compulsory comprehensive insurance. This cannot be written in after the contract has been signed without both party's consent. The advice also suggested that under vicarious liability, organisations can be held responsible for damage committed by a worker to another party's property; therefore it is prudent to ensure that if your workers use their cars for work purposes they at least hold third party property insurance.

Although NCOSS Insurance Program has never heard of a worker having a claimed refused for having the wrong cover, if it does occur the worker can obtain free assistance and an independent determination from the Insurance Enquiries and Complaints Service on 1300 363 683.

Sandra Handley, **NCOSS Insurance Project Officer**

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Please note information provided was correct at 28<sup>th</sup> September 2004 but is subject to change.

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NCOSS Insurance has established a bulk buying insurance scheme and provides information and education on insurance and risk management for the not-for-profit sector. To obtain a quote for NCOSS Community Cover contact Aon Risk Services on 02 92537000, toll free 1800 806 584 and mention NCOSS. To obtain further information on insurance contact Sandra Handley, ph: 02 9211 2599, ext 104, email: [sandra@ncoss.org.au](mailto:sandra@ncoss.org.au), or visit our website: [www.ncoss.org.au/insurance](http://www.ncoss.org.au/insurance).