



NCOSS Insurance Program



September 2005 Update on Comprehensive Car Insurance Policies

Do you use your own car for work or volunteering purposes

This latest update outlines the business use versus private use definitions of five major motor vehicle insurers as well as providing information for workers and organisations concerned about paid workers using their personal cars for work purposes.

Over the past three years there has been considerable concern regarding whether paid workers using their personal cars for work purposes should be insured for private or business comprehensive and/or compulsory third party (CTP) insurances. NCOSS has been providing information to the sector about insurer definitions and now have the 2005 update for your information. As in the past, we have found that some insurers require paid workers who use their vehicles for work purposes to insure that vehicle for business use while others allow them to insure for private use.

Premiums for CTP are calculated solely on whether the vehicle is registered for business use or private use – the insurer does not need to know that your vehicle usage just its registration. On the other hand, comprehensive insurance usage depends on the amount of time the vehicle is being used for business use, whether it is registered as business or private and/or whether an input tax credit is claimed. Individual workers must inform their insurance company of the exact level they use their private vehicles for work and get that level noted on their schedule. 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 for comprehensive cover have been set out below. It is important that individual workers check their actual policy document each year upon renewal as definitions often change. One problem is that sometimes a worker will get five different answers from the same insurer – in this situation ask to speak to a supervisor for a decision as well as checking the insurer's policy definition – so you can determine whether the supervisor provides you with correct information.

All insurers outlined below have stated that volunteers would 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 told by their insurer that they should insure their car for business use please inform NCOSS immediately and we will negotiate with that insurer.

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

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."

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 for 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 in 2004 with the following definition (confirmed verbally Sept 2005):

"Business rates are charged when the customer is:

- *registered or required to be registered for GST, and*
- *has an ITC% [Input Tax Credit percentage] of more than zero."*

QBE

Use of the vehicle: *We cover your vehicle only when you are using it for the type of use shown on the Policy Schedule.*

Private Use means *your vehicle must be registered for 'private use' only in your name and used for the following purposes: social, domestic and pleasure purposes, ... driving to or from work, in connection with your occupation or business as long as it is driven only by you, and the business use does not exceed 20% of the vehicle's usage.*

Business Use means *your vehicle is registered for 'business use' but it is used only for the following purposes: in connection with your business or occupation, social, domestic and pleasure purposes ...*

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 type 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 in 2004 (available on-line) indicated that any requirement by an organisation for its workers to 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 the NCOSS Insurance Program has never heard of a worker having a claim refused for having the wrong cover, if it does occur the worker can obtain free assistance and an independent determination from the Insurance Ombudsman's Scheme on 1300 363 683.

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Disclaimer: While every effort has been taken to ensure the contents of this information sheet are accurate, NCOSS accepts no liability for any loss or damage which may be incurred by any person acting in reliance upon the information. Information provided was correct at 28th September 2005 but is subject to change.

NCOSS Insurance has established a national bulk buying insurance scheme (NCOSS Community Cover) 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 1300 363 764 or email ncoss@aon.com.au.