

Client Bulletin – Risk Management

USE OF EMPLOYEES' OWN VEHICLES ON COMPANY BUSINESS – The risks involved



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Shortcomings in vehicle inspections

While the majority of firms regularly inspect their company cars, hardly any conduct checks on the roadworthiness of their employees' privately owned vehicles used for work purposes, despite the fact that this is "critically important" according to a leading motoring organisation.

In its "Report on Motoring (2003)", the RAC revealed that 86% of fleet managers said their firm checked all its company cars on a regular basis for general roadworthiness and safety, but that only 2% regularly checked any employee owned and employee insured cars used for work-related journeys.

The RAC claimed that under existing health and safety and road traffic laws "it would be possible for an employer to be prosecuted if an employee's private car used for work-related journeys was found to be unroadworthy."

The report highlighted the Provision and Use of Work Equipment Regulations (1998) and the UK Road Traffic Act 'Construction and Use of Vehicles and Equipment' and said these placed "a responsibility on companies as well as drivers to ensure their vehicle (used for work purposes) is technically safe and roadworthy".

Significant problem

The RAC Report on Motoring added that a lack of roadworthiness checks meant that potential problems were "significant". It said that 20% of private car owners (owning around 5 million cars) drive on company business, accounting for 36% of all corporate mileage.

The RAC said the problem was compounded by the fact that privately owned cars were, on average, significantly older than company cars and serviced less often.

Reacting to the RAC's findings, Mike Wear, director of fleet operations at Ford, said: "What is perhaps astonishing is that in some companies even the most basic practices, such as checking an employee has a valid licence, go overlooked. In these instances, how can they be sure that the safety of a driver and their passengers are not at risk?"

Corporate responsibility

Simon Cashmore, RAC's managing director corporate services, also highlighted potential insurance difficulties arising from a lack of awareness concerning private car use at work, in particular the assumption that all privately owned vehicles were automatically insured for work-purposes.

He said: "Not only are employees driving in vehicles that can be mechanically below par, but they are often uninsured for this purpose as well. Five million employees use their own car for business trips yet are unaware of the insurance implications. In addition, more than half of all fleet managers believe - incorrectly - that insurance policies for private cars cover work trips, and this will increase as a problem as more employees opt out of company car schemes." Further, an increasing number of insurers offer restricted levels of cover such as 'Social Domestic and Pleasure only' or 'SD&P including Commuting (to and from the normal place of work) only'

Mr Cashmore added that work-related road safety had been driven up the agenda recently by possible changes to health and safety legislation - namely corporate killing law.

He said: "What it means is that companies should be acting now to make sure that private vehicles used for work purposes have regular safety checks, and should also be making sure that the driver has the appropriate licence and insurance. At the heart of our research lies the question of how seriously fleet managers need to take their corporate responsibility, whether it be the use of mobile phones in the car, driver training or the longer term implications of the health and safety legislation.

"No matter what the fleet size, companies should consider introducing policies that define the maximum number of hours their employees spend on the road each day and adequate breaks, as well as a practical schedule that can realistically be met."

Vehicle checklists

A good example of poor health & safety risk management is one case where a vehicle had been allowed to travel 90,000 miles over 3 years without a single service. When it became apparent that the engine, tyres and brakes were in a sorry state of repair and that the employees' dog had pretty much demolished the back seat, it really brought it home to the company concerned that regular checks are essential for both safety and asset management reasons.

Simple non-technical checklists may be used in order to highlight potential problems with drivers and their vehicles.

Assistance from Rowlands & Hames Insurance Brokers

Rowlands & Hames would be pleased to provide further information and advice on this and other risk management and insurance topics.

Rowlands & Hames would recommend that regular licence checks of all drivers, as well as vehicle checks are conducted and most importantly, recorded. This is not only vital in the management of a company's health and safety policy but will assist in the control of a company's fleet insurance costs.

Fleet policies can often be extended to include "Occasional Business Use" – an extension to the policy providing the Insured with contingent cover should employees' own insurances turn out to be invalid following an accident. A small charge per driver is usually incurred.

Please contact your usual Account Director at Rowlands & Hames for further information.

The information provided should be taken as general guidance only.

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