



MJ INSURANCE
SORORITY DIVISION

NON-OWNED AND HIRED AUTOMOBILE LIABILITY INSURANCE

Non-Owned Automobile Liability is the most commonly misunderstood coverage in the SorORITY Book of Business. Non-Owned Automobile Liability is designed **to protect the organization** for the risk of being named in a lawsuit involving an automobile. It does not protect individuals who are driving on behalf of the SorORITY/Fraternity.

Non-Owned and Hired automobiles are automatically covered under the organization's Automobile Liability policy.

Hired Autos: Autos you lease, hire, rent or borrow; except autos from your employees and members (for example, vehicles you rent from Avis, Hertz, etc.). When you are renting an automobile on behalf of the organization, there is no need for you to purchase the physical damage coverage for the automobile from the rental car company. Hired Automobile Physical Damage coverage is provided subject to the policy deductibles.

Non-owned Autos: Autos you do not own, lease, hire, rent or borrow that are used in connection with your organization. This includes autos owned by your employees and members but only while used in your organization.

Provides coverage for sums you legally must pay as damages because of bodily injury or property damage caused by an accident and resulting from the use of a covered auto.

It is important to note that the Hired Automobile Physical Damage coverage extends to direct damage or theft of a rented automobile and operates for the benefit of the insured, which is the fraternity/sorORITY. Automobile rental agreements, therefore, should always be executed in the name of the fraternity/sorORITY, rather than an individual's name.

Any Named Insured using a non-owned or hired auto is an insured, **except:**

1. The owner or anyone else from whom you hire or borrow a covered auto.
2. Your employee – if the covered auto is owned by that employee or a member of his/her household.

Non-Owned Automobile Liability coverage does **not** provide coverage for someone who is driving their personal automobile to or from Sorority/Fraternity events. This coverage is designed only to protect the organization, not the volunteer, member, officer, etc. who is driving their own vehicle on the organization's behalf. Any volunteers, members, officers, etc. who choose to drive their personal automobiles on behalf of the organization need to rely on their own personal automobile coverage in case of an accident.

Individuals who use their own vehicles to drive to/from a sorority event must look to their own automobile insurance for protection should they be involved in an automobile accident.

The exposures associated with the Non-Owned Automobile Liability coverage are particularly concerning from a risk management perspective because of the vast number of personal automobiles that are driven to and from Sorority/Fraternity events at any given time that expose the organization to a Non-Owned Automobile Liability claim.

Further exacerbating the sheer exposure issue with non-owned autos is the number of members, volunteers and third-party individuals who only carry the state minimum automobile liability limits, which are woefully inadequate for accidents involving even minor injuries. For their own protection and fiduciary stability, we recommend that all volunteers and members of your organization carry at least a combined single limit of \$300,000. Higher automobile liability limits are marginally more expensive than the state minimum limits, and the higher the limit, the less likely you are to suffer long-term financial consequences to an automobile accident.

Even in situations in which the organization was not negligent in causing the accident, plaintiff attorney's often use the "deep pocket" mentality when it comes to automobile accidents involving even minor injuries, meaning that the Sorority/Fraternity is seen as the "deep pocket" in the situation. Accordingly, in many of the examples listed below, the organization was brought into the lawsuit because they were seen as having more money and/or higher insurance limits to pay for the cost of lengthy litigation and judgment.

Over the last ten years, under the MJ Sorority Book of Business, the insurance company has paid out over \$3.7M in automobile-related claims on behalf of our clients. With the potential for one accident (see examples below) to wipe out ten or more year's worth of an organization's Non-Owned Automobile Liability premium, the non-owned automobile exposure is quite disturbing.

Clearly the Non-Owned Automobile Liability exposure is an uncontrollable one, which is what makes it so concerning for our clients. The most important risk management tool in attempting to limit your Non-Owned Automobile Liability exposure is to encourage your members and volunteers to have a minimum combined single personal automobile liability limit of \$300,000. In addition, we do not support designated driver programs that are not held in conjunction with an official sorority event (see this [position paper](#) on our website for more information). Finally, it is important that the chapter and sorority/fraternity leadership educate their members and volunteers as to how this coverage operates, so that they are aware of the exposure to their personal insurance coverage when they drive to/from any sorority/fraternity event or activity.

The following claim examples are real-life examples of how the Non-Owned/Hired Automobile Liability coverage responds when an incident occurs:

Example #1

Several chapter members were driving to a regional conference together in a member's personal automobile. The vehicle swerved off the interstate in a single-vehicle accident, and one of the chapter member occupants was killed and another chapter member occupant was severely injured. The families of the killed and injured chapter members sued the driver and the Sorority for damages. The driver of the vehicle only carried the state minimum insurance limit of \$25,000, which were quickly exhausted. The organization's insurance policy settled with both families for a total of \$740,000. *The sorority was brought into this lawsuit because the driver's limits were so low and the families of both women felt that someone (i.e. the Sorority) should pay for their loss. In addition, the Sorority's policies stated that sisters driving vehicles in "official sorority capacity" were doing so as agents of the Sorority, which further hurt the Sorority's defense.*

Example #2

An officer was involved in an automobile accident in a rental car while attending a Leadership Conference. The officer failed to yield the right-of-way in traffic and struck another vehicle, injuring the two passengers in the other vehicle. The insurance company, on behalf of the organization, paid out \$252,000 in settlement to the claimant and defense costs and \$13,000 in property damages to the rental car company. *The insurance company, on behalf of the organization, settled this claim because the officer was driving a rental car, and all cars rented for sorority purposes are covered under the insurance policy.*

Example #3

A chapter advisor was driving a few members to the chapter house after a philanthropic event in her personal automobile. She ran a red light and severely injured two people riding on a motorcycle. The advisor's personal automobile insurance limit was only \$100,000, which was exhausted immediately. The total cost of the claim was \$2,385,000. *The insurance company settled this claim on behalf of the organization because of the deep pocket theory. In addition, the insurance company was unwilling to take the claim to court and risk the jury ruling in favor of two young people with severe injuries.*

Example #4

A chapter member's personal automobile was vandalized during the middle of the night in the chapter's parking lot. The member's personal automobile policy will need to pay for the repairs because the organization was not negligent in causing the damage, and the member had signed the housing agreement, which holds the organization harmless when personal property is damaged. *The organization's Non-Owned Automobile Liability does not cover property damage to individual's personal automobiles.*

Example #5

A "sober sis" program on a random Friday night led to a claim that cost the organization and the automobile driver's family nearly \$1M. For more information, check out our [Position Paper on Sober Sis/Designated Driver programs](#). *A chapter-sponsored "sober sis" program implies that the chapter will put in place proper safety guidelines and have some control over the transportation safety; however, the chapter has little control over an individual driving their personal vehicle and has even less control over the other drivers on the road.*