

INDIVIDUALLY TITLED AUTOS ON CORPORATE BUSINESS AUTO POLICY (BAP)

By Insurance Brokers of MN, Inc.

Autos that are titled in individuals' names can create significant coverage problems and exposures on a corporate business auto policy.

The most basic principle of insurance is insurable interest. When a corporation insures a personally owned auto and pays the premium under their corporate BAP, **there is no insurable interest for the insured corporation.** In addition, this practice may run afoul of states' Financial Responsibility statutes, since the owner of the vehicle must show that he or she is financially responsible for injury or damage. This obligation for the titled owner is best satisfied by coverage issued in the owner's name, most often by a personal auto policy. Some states have statutes that only licensed vehicle leasing companies may lease autos, so a "paper" lease between the owner and a corporation to create an insurable interest may create other legal problems. The other situation we see is autos titled in the corporation and insured under the owner's personal name in a personal auto policy. This creates significant coverage gaps for the corporation.

Taking care to review the titled ownership of each vehicle on a corporately insured policy, especially private passenger autos and recreational vehicles, will head off potential coverage and legal problems for you and your corporation. The best way to insure one's interest properly is an appropriate coverage form in the owner's name.

Contact Insurance Brokers of MN, Inc. for a comprehensive review of your commercial and personal auto coverages.