

The Goodfellow Report

*Risk Management for the Property Management
Profession*



COMPANY OWNED AUTOS

The Levinson family developed, owned and operated millions of square feet of office, retail and apartment properties for nearly sixty years. Originally from Long Island, they had begun with a few parcels in Connecticut, proceeded south and finally “headquartered” in South Florida in the late 1960’s. The family was close, smart and operated in concert as the Board of Directors. Each son and daughter was a corporate officer. A traditional benefit provided to the extended family was corporate owned and insured vehicles – “nice” vehicles.

One of the questions raised by Bennett Levinson, the eldest son, with their agent during the annual insurance renewal, was if they were adequately insured for family member use. Allen Agent said it might be wise to notify each of the families that the business auto policy was more limited than the family auto policy, and if they did not have a separate family auto policy, they should notify him.

The “Drive Other Car” Problem

What Allen was referring to is that the business auto policy covers the “named insured” (Levinson, Inc.), its corporate officers and their spouses for use of the company owned vehicle – but no other vehicles. In other words, if Mrs. Jr. rents or borrows a vehicle, she is not covered by the company insurance – only by the insurance provided by the vehicle owner or, if the family insures another auto through a family auto policy, drive other car coverage is provided.

Since some of the families did NOT have personal autos, Allen suggested they go ahead and add Broad Drive Other Car Coverage to the business auto policy which would include all family members in the household.

Wrong!

When Melanie drove her best friend’s car home from band practice (with five other girls in the car), the resulting accident was an eye opener. She “just didn’t see the light change” and six girls and two ladies ended up in the hospital and both cars were totaled. The “other car” that Melanie broadsided was a brand new Mercedes CLS500.

Insurance follows the car. When all of the lawyers got involved, “best friend’s” limits were soon exhausted. Levinson, Inc. responded to the claims against them, but Melanie’s family only had medical payments coverage within the company policy to cover a little bit of their costs and the cost for the friends. Melanie and her parents were, of course, sued along with the owners of the vehicle and the insurance companies just said “sorry”, you aren’t covered! Levinson, Inc.,

of course, picked up the \$1,000,000 + tab which was declared income to Melanie's family by the IRS, resulting in a \$400,000 tax bite plus interest and penalties.

Why?

Allen Agent made a fatal mistake. It is true that Broad Drive Other Car Coverage includes everyone in the household – for medical payments and uninsured motorists only! Each driving family member must be individually named and a premium paid to include them in the liability and physical damage coverage.

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Dr. Goodfellow is a former professor of Risk and Insurance at Florida State University and has owned and operated three insurance agencies prior to joining IOA in 2007.

IOA is the 11th largest privately held agency in the U.S. and 1st in Florida. Ninety Percent of the premiums written by the National Accounts Division are comprised of Property Management Clients.