

When Does Your Personal Car Become a Commercial Vehicle?

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For small business owners, the line between the personal and their business can be a bit hazy at times. Yet, when it comes to a vehicle that may be used for personal and business-related reasons, it's important to know how your auto insurer is expected to define what constitutes commercial use.



If you own a car and cover it under a personal auto insurance policy, an insurance company may not pay claims for any damages you incur if the insurance company deems that it was used as a commercial vehicle.

Not being on the same page with your insurance carrier may result in financial losses, so it pays to ask yourself important questions about your vehicle's use in order to select the right policy for your car.¹

The key distinction for determining if a personally owned car may need commercial auto insurance coverage is whether the vehicle is used for any business-related purpose.

Defining Business-Related Purpose

Your auto may be defined as a commercial vehicle if you use your vehicle to:

- pick up or deliver any goods,
- provide a service for a fee,

- travel to a remote work location or between work locations, or
- visit client locations.

Additional conditions under which your car may be defined as a commercial vehicle include:

- the owner named on the vehicle title is a business–incorporated, unincorporated or LLC,
- the vehicle is rented or leased by others,
- the vehicle is equipped with a snow plow, has an altered suspension system or other equipment or modification, or driven by you or your employees for both business and personal use on a consistent basis.

If you use your personal vehicle for business reasons only occasionally, it may be covered under your personal policy, but you may need to indicate that on your application for auto insurance.

The wisest course of action is to describe how you expect to use your vehicle for personal and business purposes and let your insurance agent guide to the most appropriate policy for your situation.

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