

AXIS

Insurance & Risk Management Guide

**Rented, Leased and Non-owned Vehicles
for the Mining and Mineral Exploration Industry**





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Introduction

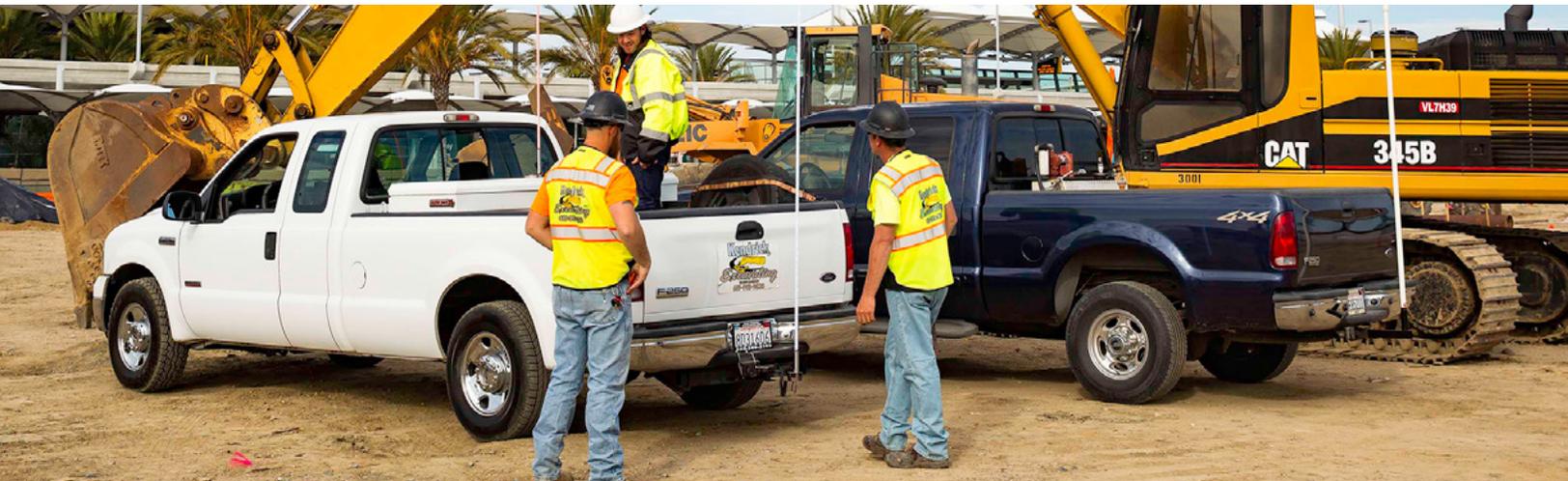
Understanding the importance of rented, leased, or nonowned vehicles is critical for the mining and mineral exploration industry. For many organizations, the most significant exposure to a catastrophic liability claim would be the death or a permanent disability of a third party due to a motor vehicle accident caused by an employee driving their own or a rental vehicle. Judgments of more than \$5 million have been awarded in Canada for a single plaintiff. Claims in the US could easily exceed this. This paper will review:

1. Types of exposures
2. Risk mitigation strategies
3. The role of insurance responding to third party liability claims, first party coverage for employees - workers compensation and extended corporate benefits

What are the potential losses in a motor vehicle accident?

1. First Party losses (i.e. injury to or death of your employee/driver)
2. Bodily injury, including death, to a third party who may be: a passenger in your vehicle, a pedestrian or the driver or passenger of another vehicle
3. Damage to the rental automobile
4. Property damage to third parties, for example, another vehicle, buildings, livestock, etc.

Corporate insurance programs can and should be crafted to address these exposures.



Have questions? We have the answers.

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Coverage Options

Mining and Mineral Exploration companies will, from time to time, rent and lease vehicles. Insurance can be purchased or provided (by rental companies) in multiple places, different jurisdictions, and highly localized requirements or exclusions. There varying degrees of adequacy cause confusion about how to best place to obtain coverage.

Complications particularly arise in jurisdictions outside of North America. More often than not coverage can be obtained through different options, such as the vehicle rental agreement, the credit card that was used to rent the vehicle, your ICBC Rented Vehicle Policy and the Commercial General Liability (CGL) Policy.

The important questions addressed in this guide are:

1. **What is the scope of coverage** offered by each of the various options that are available?
2. What are the **pitfalls and potential gaps** in coverage?
3. **What should you do** to make sure you are adequately protected?
4. **Are employees required to use their vehicles** for company business?

Available Options and Alternatives

Rental Company

Wherever possible maintain as full coverage from the rental Car company. If the rentals are in North America and high frequency ICBC options may be cost effective. A rental company may have exclusions for certain types of roads; i.e. Forest Service Roads or other secondary or tertiary access roads.

Credit Cards

As a back up there is no harm in using credits cards the offer coverage but we do not recommend this as a primary source of coverage. Most credit cards exclude 4x4 vehicles and "off-road" use.

General Liability

Make sure you have the applicable extensions of coverage on your general liability policies. You should consider this to be contingent coverage and not the primary source of protection

ICBC

Coverage options from ICBC can be a cost-effective alternative to the rental company, if rentals are high frequency and coverage may be broader.

Other Provinces and Private Auto Insurance

Coverage terms and options will vary.

Employees Own Personal Vehicle Insurance

If the employee/driver owns an automobile – insured in British Columbia for business use (and this often applies in other Canadian jurisdictions) – their own policy can respond to cover the third party liability and damage to a rental vehicle which was rented in the name of the individual.

Key Considerations

Rental Vehicle Company

- Insurance limits may not be adequate
- Is the Rental Company a reputable brand that can be trusted to provide reliable protection?
- Costs to buy down the deductibles can be high
- Deductibles may be very high
- Significant premiums to purchase collision damage waivers
- In foreign jurisdictions the coverage may not apply to claims brought in Canada or the USA
- It is important to understand the conditions, limitations and exclusions that may apply. For example, some rental companies exclude damage to the roof of trucks due to parking lot claims.
- Rental Vehicle coverage may not apply, in Canada, if the vehicle is rented for more 30 Days or is on a rolling monthly contract, this is because it is deemed to be a lease and hence owned by the Lessee.

Credit Cards

“Gold” or “Platinum” credit cards, and some corporate credit cards, provide cover for own damage to rented vehicles often with no deductible. Please review the conditions of this cover on your corporate credit card provider. The auto rental companies are familiar with placing claims through the credit card cover so this might make filing a claim a bit easier. Broad cover, easy claims and no deductible are attractive benefits of this cover. The concerns are that not all employees have a premium credit card and not all companies will have a corporate card program. Corporate credit card programs are becoming increasingly popular as they also offer opportunities to track and to verify employee expenses to prevent fraud. A corporate program with a mandate to use the card for all auto rentals would assure that the cover offered by the corporate credit card would be in place. Despite a policy requiring use of a corporate credit card for automobile rentals, the employee may forget to use the corporate card and instead rent the automobile on a card without any insurance cover.

Coverage may not:

- Apply outside of North America
- Cover business use of the vehicle
- Provide coverage for third party liability claims
- Cover other drivers
- Cover certain types of vehicles



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Key Considerations (continued)

Standard Comprehensive General Liability Policy

- Coverage limited to North America
- Coverage applies whilst used solely for business
- Claims can significantly impact liability premiums
- Claims administration burden for small first party claims
- Limits can be equal to or less than the commercial general liability policy limit

Axis Mining Exploration Commercial General Liability Insurance

The policy has the same restrictions as above except:

- Coverage options are available in overseas jurisdictions

ICBC

APV281

- Single use for each trip up to 30 days
- Coverage only applies in North America
- This can only be purchased by a BC resident or BC Registered Company
- Maximum gross vehicle weight of the rental cannot exceed 5000 kgs
- Daily cost for the rental cannot exceed \$125 CDN or \$100 USD
- Premium is \$10 per day
- Coverage is \$1,000,000 Third Party Liability,
- Damage to the rented vehicle - \$300 Collision deductible and \$300 Comprehensive Deductible

APV 29 & APV27 - Annual Policies

APV 29 Provides Third Party Liability

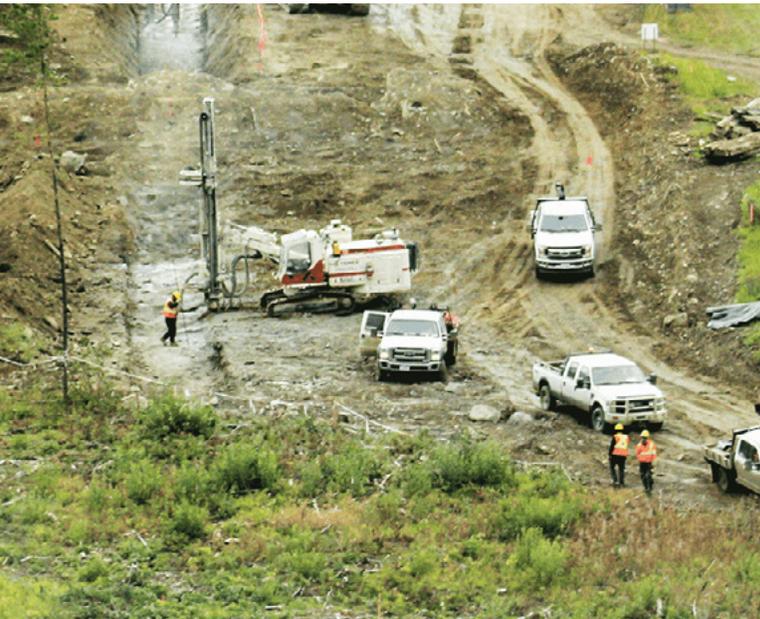
- Coverage is only available for business that originates from the BC based operations of the Insured
- Coverage applies to the insureds business and commercial operations only
- Coverage only applies in Canada and the USA
- No exclusion for pleasure use
- Inexpensive policy

APV 27 Provides Coverage for Damage to the Rented Vehicle

- Coverage is only available for business that originates from the BC operations of the Insured
- Coverage only applies in Canada and the USA
- No exclusion for pleasure use
- Very expensive policy

Private Automobile Insurance and Fleet policies purchased outside of British Columbia

- Terms and conditions may vary
- Coverage likely limited to:
 - Business use
 - Canada and USA only
 - Terms and conditions may be restrictive



Key Considerations (continued)

Employees own Vehicle Coverage

Not all employees will own vehicles and therefore this option is not always available. In addition, some employees feel that driving their own vehicle is work related and should be an exposure for the company and not impair their personal record. Some companies agree with this position, while others suggest that the employee has an option and an opportunity to manage risk and if their own negligence caused the accident, then the employee’s insurance should be in first position.

If an employee is using their own vehicle for company business care should be taken to make sure they are covered for the correct rate class

Axis Mining and Exploration Commercial General Liability Insurance

The coverage provided under the Non-Owned Auto policy and SEF 94 (physical damage extension) is identical to that provided by a standard CGL policy **except the coverage can be broadened to provide coverage in overseas jurisdictions.**

Recommendation

Coverage is typically provided under the CGL policy but because coverage is limited to Canada and the USA, we recommend purchasing Axis Mining and Exploration Commercial General Liability Insurance if you are likely to rent vehicles in covered overseas jurisdictions. Availability of coverage may vary. Regardless of any other available coverage options the full coverage under the CGL should always be in place.

Please refer to the section **Important Considerations.**



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Non-Owned Automobile and the CGL Policy

Note that this policy will respond to suits against the company arising from accidents involving employees driving rental vehicles or where an employee is driving their own vehicle on company business. In addition, if there is an umbrella liability policy and or excess liability policy(ies), these may provide excess limits above the Non-Owned Automobile Liability Policy

Commercial General Liability Coverage Explained

The CGL policy purchased by mining companies protects against physical damage or bodily injury claims arising from your exploration or mining operations. The policy is almost universally extended to include coverage for Non-Owned vehicles. The coverage is added by way of the SPF (standard policy form) No.6. This extension of coverage protects you for your liability to third parties arising out of the operation by you (or on your behalf) of vehicles that you do not own including "Hired Automobiles".

The policy provides the following definition of "Hired Automobiles": The term "Hired Automobiles" as used in this policy means automobiles rented or leased from others with or without drivers, used under the control of the Insured in the business stated in Item 3 of the application but shall not include any automobile owned in whole or in part by or licensed in the name of the Insured or any partner, officer or employee of the Insured.

The application is automatically added to the policy and the business will follow the same named insured listed on the CGL policy.

There are several exclusions to the coverage, some of which are worth noting here:

- Liability which arises from the use or operation of any automobile while personally driven by the Insured if the Insured is an individual
- Liability imposed upon any person insured by this policy: by any workmen's compensation law or by any law for bodily injury to or the death of the Insured or any partner, officer or employee of the Insured while engaged in the business of the Insured
- Liability assumed by any person insured by this policy voluntarily under any contract or agreement.
- Long term leased vehicles (over 30 days)

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Non-Owned Automobile and the CGL Policy (continued)

Contractual Liability

When you rent a vehicle, you engage in a contractual relationship with the rental company where you assume liability for the operation of the automobile with the car rental company. It is therefore important that contractual coverage is added to the policy by way of an endorsement known as SEF (standard endorsement form) No. 96.

If this coverage is granted by the policy - and it ordinarily should be, the policy will probably contain an exclusion for Long Term Leased vehicles. This is called an SEF No. 99. This endorsement excludes coverage for vehicles hired or leased for longer than a certain period such as 30 days. This is because these vehicles should have 'owned' auto insurance purchased by the owner, either the company or individual.

Damage to the Rented Vehicle

Coverage for damage to the vehicle that you have hired or rented can be added to the policy by way of another endorsement known as an SEF No. 94. The endorsement will state the limit of coverage (typically \$50,000) and the deductible amount applicable.



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Important Considerations

CGL premiums are often a significant part of your insurance costs and the policy is sensitive to claims; premium increases may result. If the CGL premium is quite large the additional premium may well be significantly more than the costs of purchasing the coverage elsewhere. Claims particularly for damage to Hired Automobiles are easily avoided by looking at the other options outlined herein. We highly recommend exploring these alternatives to find coverage you need. That is not to say the coverage should not be included in you CGL policy, however, we recommend you view it as a policy of last resort or contingent coverage should other options not apply.

You should also keep in mind:

1. The policy may have territorial restrictions
2. Coverage only applies if you are using the vehicle for the business of the insured named in the policy



Photo Credit: Enterprise

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Risk Management and Loss Scenarios

Loss Scenarios

To illustrate the exposure and to provide a basis for further comments on mitigation and insurance we will look at two potential scenarios.

1) Close to Home

ABC Inc. is in final preparations of a public offering. The president and the CFO are scheduled to commence a three-week road show to investors on the Eastern Seaboard and Europe in one week. It is mid-November. The CFO has a final meeting with investment bankers this afternoon and is running late. She grabs her coat and briefcase and rushes down the parking lot. As she gets into her vehicle she remembers that she should have already had snow tires put on her car and plans to get to it on the weekend. Exiting the garage, she commences a cell phone conversation and accelerates to the freeway. It is cold, light rain begins to fall and within minutes it is sleeting. She swerves, strikes a school bus, and crashes into the guardrail. Several children on a bus are seriously injured; the CFO will be in intensive care for two weeks with a broken hip.

2) Far Away

Your senior Vice President has flown to New York to make a major presentation to a very large prospective partner organization in upstate New York. The success of your product launch relies on closing the new deal. This is the SVP's first trip to the area. The plane lands just after midnight. It has been a long and exhausting day. He appears at the auto rental counter and secures a mid-size vehicle. The counter staff is very helpful with directions and within 20 minutes he is on his way. His destination is a two-hour drive from the airport. He proceeds uncertainly towards the town where a hotel room had been pre-booked for him. He takes a wrong exit and then doubles back and recovers, feeling more confident that he is on his way again. He begins to relax and 20 minutes later, his head nods. He crosses the center line and is involved in a head-on collision. Your VP plus the driver and passenger of the other vehicle are airlifted to a local medical center. All three are in critical condition.

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Risk Management and Loss Scenarios (continued)

The Opportunity to Mitigate Risk

Motor vehicle accidents happen every day but the probability of accidents happening can be reduced by prudent management of risk.

Whatever the analysis suggests as Best Practice for your company, it is important that it becomes part of your corporate policies and procedures. Employees should know what cover to accept and which to decline and how to make payment when they are renting a vehicle. There should also be a standard process for reporting claims.

1. Companies should review the risks to employees renting vehicles to ensure that employees are not put in potentially dangerous situations. Examples:
 - a. Taking a flight that is arriving late at night and then renting a car for an extended drive
 - b. Driving in remote areas alone at night or in poor weather conditions
 - c. Driving in areas prone to carjacking or car theft
 - d. Driving when the trip is packed with meetings and visits and the itinerary is particularly stressful causing the employee to be distracted and at greater risk of an accident.
2. Is there an opportunity to take a taxi or hire a driver? When considering the cost of alternative transport, consider the total cost, including the potential losses noted above.

Companies and individuals always have choices to make on how business is conducted, for example: the amount of time allotted and the mode chosen to get from point A to point B. When considering these scenarios, some questions can be asked:

1. Are there other options to meetings that place our employees at less risk, are just as effective and are a more efficient use of time?
2. Can we plan better so that, if an employee must rent a vehicle, they are well rested, able to drive and fully prepared with a preplanned route, itinerary, etc.?
3. If an employee must travel tired, do we explore an option of hiring a driver or staying at the airport hotel until morning?
4. Are there particular countries or cities where we would not permit an employee to rent/drive a vehicle?
5. What are the variables we should consider when we look at the total cost to rent a vehicle?

Injury to Employees

First party injury to the employee: provincial medical plans, workers compensation, Corporate Programs medical benefits, short-term or long-term disability. In the event of death, CPP and corporate programs such as death benefits and life insurance, etc.

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Mining Team

Clive Bird



Clive is an insurance risk specialist, investor, entrepreneur, and product developer for bespoke insurance risks. For over 15 years Axis Insurance enjoyed a reputation for quality, innovation, creativity and relationship building.

Clive began his Insurance career at Lloyd’s of London, renowned for its technical underwriting expertise and a creative approach to risk, providing him with opportunities to push the boundaries of product innovation. Moving to the West Coast of Canada, he has expanded his broad Insurance knowledge and London market relationships to produce products for Canadian clients working across the globe.

Clive has worked extensively with public companies with a strong focus on mining and mineral exploration industry, addressing the broad range of risk exposures they face worldwide. Dynamic business enterprises are starved for the innovation and market relationships Clive can deliver. As an entrepreneurially-minded investor himself, he is embracing new technology and the shifting business landscape to stimulate new market capacity and technically efficient insurance products for the new business era.

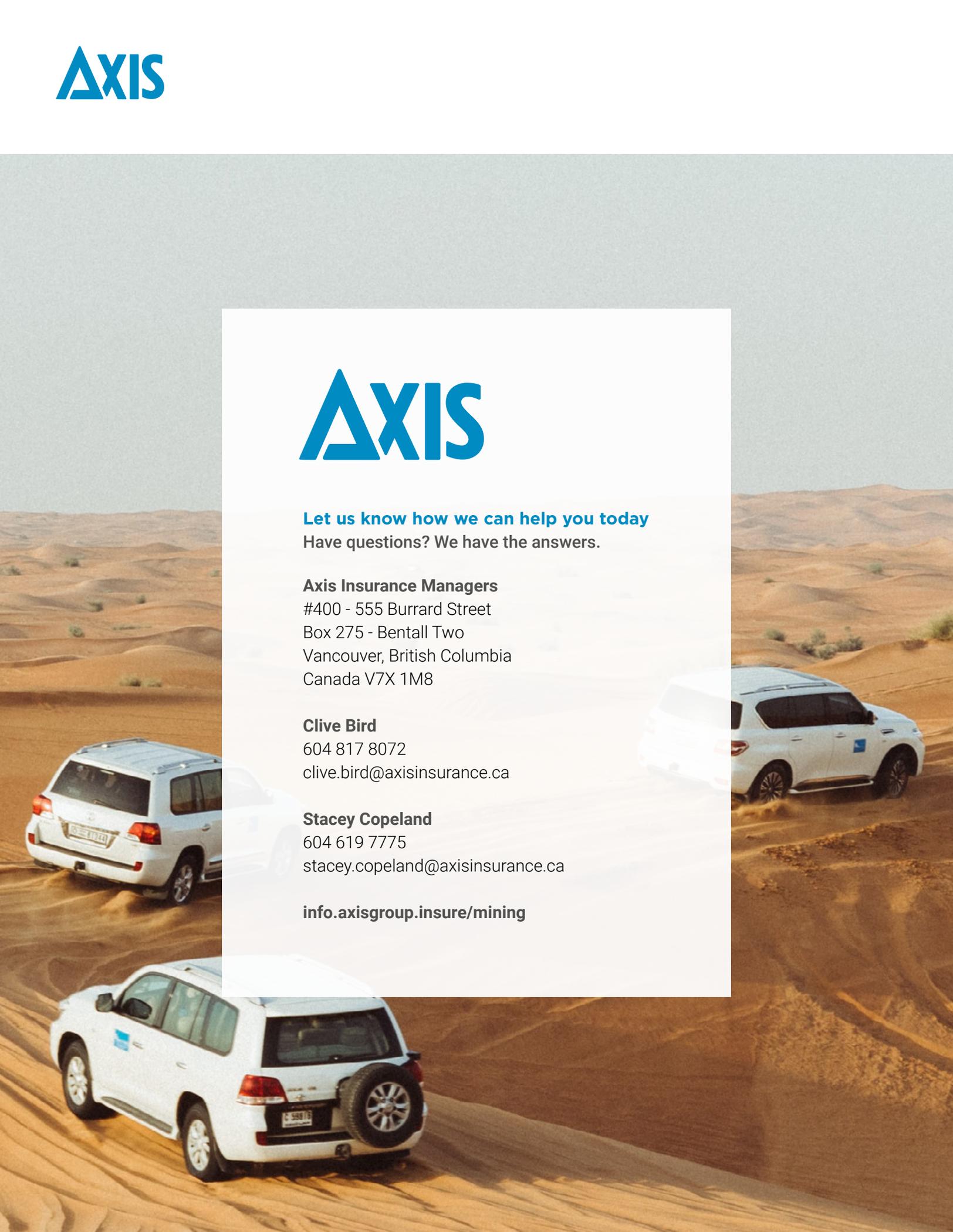
Stacey Copeland



Stacey is an account executive with 30 years of experience focused in the resource-based industry in Western Canada. Stacey joined Finning International in 1997 after 7 years at AON, and was quickly promoted to a management position with a mandate to build a highly competitive insurance facility for Finning customers. A combination of high service excellence, successful claims management, and expanded insurance offering meant a fivefold increase in net profitability.

Stacey joined Axis Insurance in 2005 as a senior shareholder and partner, immediately helping the company grow through a series of strategic acquisitions and partnerships and was instrumental in the sale of the company in 2016 to the Vertical Group, now renamed the Axis Group. Although specializing in mining, mineral exploration, forestry and energy sectors, Stacey has expanded her knowledge to include construction, transportation, cryptocurrencies, blockchain and other emerging markets and technology risks.

She aligns herself with clients that are best in class and embraces their technical challenges, meets their high service expectations and considers it the ultimate success to place the broadest coverage, at competitive pricing with A+ rated insurers.



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Let us know how we can help you today
Have questions? We have the answers.

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