



Insurance

The Difference Between Personal and Commercial Auto Insurance

The main difference between personal and commercial auto insurance is the type of driving they cover. While both policies pay for property damage and medical bills after a car accident, personal auto insurance does not typically cover business-related driving, making it the ideal option if your day-to-day operations don't require a vehicle.

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Commercial Auto Insurance vs Personal Auto Insurance at a Glance

	Commercial Auto Insurance	Personal Auto Insurance
Liability	Third-party bodily injury and physical damage	Third-party bodily injury and physical damage
Cost	\$600 – \$2,400 per vehicle annually	\$500 - \$1,700 annually
Limits	\$500,000 - \$1,000,000	\$100,000 per person, \$300,000 per accident for bodily injury protection and at least \$35,000 in property damage coverage
Vehicle types	<ul style="list-style-type: none"> • Most business vehicles, including semi trucks, livery (e.g., taxi, limousine), and fleets • Personal vehicles used for business purposes 	Most personal vehicles (e.g., car, SUV, truck, and more)

The difference between personal and commercial auto insurance is defined by the why and how for driving. Personal auto is usually best if you don't require a vehicle to conduct business operations. Commercial auto

is the better choice if your business owns a vehicle or you and your employees drive personal vehicles for business purposes.

Business owners who infrequently drive their personal vehicle for work may have sufficient liability coverage with a personal auto insurance. Due to the riskier nature of work-related driving, [commercial auto insurance](#) covers higher claims, different vehicle types, and more complicated legal issues than personal auto insurance.

Determining the Difference Between Personal and Commercial Auto Insurance

To determine the difference between personal and commercial auto insurance, you'll need to examine your reason for driving. The reasons you're on the road will influence the type of liabilities you face. Personal auto insurance typically doesn't cover work-related driving because a business has more liability risks than an individual, leading to higher coverage amounts.

Here are some things to consider when determining if personal or commercial auto insurance is right for you:

- **Vehicle ownership:** If your business owns the vehicle, you'll probably need a commercial auto policy.
- **Vehicle usage:** Vehicles used for work-related purposes typically need company car insurance. However, those used for commuting usually only need a personal auto policy.
- **Vehicle weight and type:** Heavy duty vehicles can cause more damage in an accident, so they sometimes require extra coverage. If the vehicle you drive is classified as heavy duty, like a tow truck or semi-truck, your business might need [commercial truck insurance](#).

Personal vs Commercial Auto Insurance Which Do You Need?

Personal Auto Insurance

Picking up morning coffee for coworkers



Driving friends to the movies



Going camping on the weekend

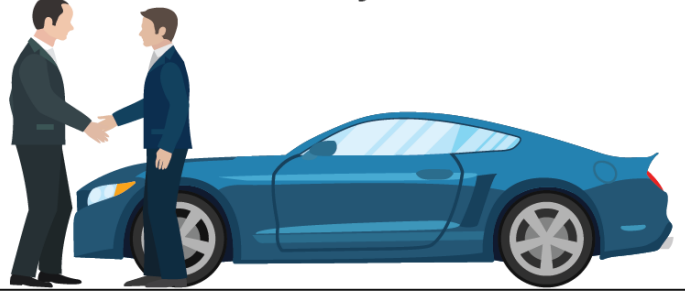


Commuting to your office



Commercial Auto Insurance

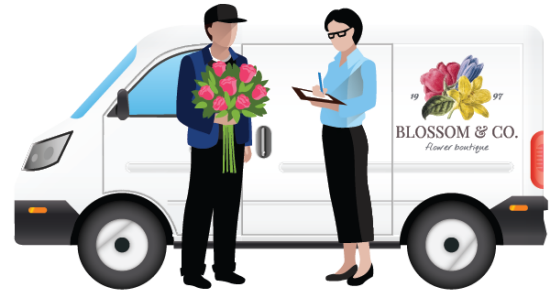
Driving to meet clients or visit a job site



Transporting people as a rideshare driver



Delivering flowers to paying customers



Transporting business property regularly to your work site or office



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Who Needs Commercial Auto Insurance

You should have commercial auto insurance coverage if you or your employees use vehicles for work—including business-owned vehicles and vehicles that are rented, hired, or borrowed for work. Business owners who regularly use their personal vehicles for work purposes should also have business car insurance because personal auto insurance seldom covers those activities.

Four examples when businesses typically need commercial auto insurance include:

- **Your vehicle is being used to pick up or deliver goods:** Businesses that own delivery trucks and vans need commercial auto insurance; however, businesses that allow employees to drive their own cars to deliver good most likely need hired and non-owned auto insurance
- **You transport people:** Driving people introduces greater risk, and that requires higher coverage limits typically found in taxi insurance, limo insurance, or commercial bus coverage; Uber and Lyft drivers have unique operations that may need specialty rideshare insurance
- **Your vehicle has equipment such as toolboxes and ladders, permanently installed on it for your business:** Industries that require specific equipment or business property to conduct operations also require commercial auto insurance for these specialty items. For example, a [painter](#) might have a ladder attached to their van, or a [landscaper](#) has yard tools installed in the back of their truck.
- **You are legally required to have commercial vehicle insurance for your business:** Most states require liability coverage for business-owned vehicles, especially if you own or operate heavy-duty vehicles (e.g., tow truck or semi-truck) that require higher liability limits.

Commercial auto insurance is an essential investment for any business owner using a vehicle for their business. Whether it's a sole proprietorship, microbusiness, or business with employees, every business that owns, rents, or borrows cars needs at least liability coverage.

Who Needs Personal Auto Insurance

You need personal auto insurance to meet legal requirements to be on the road. Most states require minimum coverage to cover any third-party damage or injury you may cause in an accident. In some cases, personal auto might cover business use of your personal vehicle as long as it isn't used primarily for business.

Here are five examples when you need personal auto insurance:

- **You are commuting to and from work:** Unless you're regularly visiting job sites or meeting with clients, simply driving to your workplace doesn't require commercial auto insurance
- **You are running personal errands:** Getting groceries, dropping off dry cleaning, picking up the kids from school—for those everyday personal activities when you're using your vehicle to get from point A to point B, personal auto insurance should do the trick. This even includes running personal errands during the workday.
- **You are taking a weekend road trip:** Packing up the car for a long weekend road trip falls under personal auto insurance. If you're traveling long distances or across state lines for business-related trips, you need commercial auto insurance.
- **You are picking up coffee for co-workers:** Typically, the occasional coffee run is covered by your personal auto policy. If it's in your job description to regularly pick up coffee for the office, you might need commercial auto insurance.
- **You rarely drive your personal auto for work:** Some personal auto policies include limited coverage for business driving. Be sure to check with your agent to see what's covered and what's not.

If you use your personal vehicle frequently for business, you probably need a separate commercial auto policy. However, if you use your personal vehicle only occasionally for business purposes, you might be able to add an endorsement to cover work-based driving.

When to Use Hired and Non-Owned Auto

Hired and non-owned auto insurance (HNOA) covers liability claims if vehicles your business hires, leases, rents, or borrows cause an accident. Businesses that regularly use rented vehicles or that have employees run work-related errands in their personal vehicles should consider hired and non-owned auto insurance.

While similar to commercial auto insurance, a hired and non-owned auto policy only covers vehicles that are hired, rented, or borrowed for business use—not vehicles that are owned by your business. Also, hired and non-owned auto coverage does not pay for physical damage to the non-owned vehicle, only liability associated with accidents.

Here are two cases when hired and non-owned auto insurance might be a good alternative to commercial auto insurance:

- **You or your employees travel frequently and need to rent vehicles:** Say you fly out of town for a sales conference and rent a car at your destination. Hired and non-owned auto insurance provides your business with much-needed liability protection if you get in an accident.
- **Your employees regularly use their personal vehicles for business purposes:** If your employees use their personal vehicles on behalf of your business such as running to the bank to make deposits or meeting with clients, hired and non-owned auto coverage covers your business' liability if they're found liable for an accident.
- **You hire a vehicle for a client:** Say you hire a limo for a client that's in town for a meeting, and the driver has an accident, injuring the client. With HNOA, your business covers your liability.
- **You use rideshares or taxi services:** If you're traveling for work and rely on rideshares or taxis to get around, hired and non-owned coverage protects your business if there's an accident while you're in transit.

Hired and non-owned auto insurance can be purchased as a standalone policy or added as an endorsement to your [commercial general liability insurance](#).

How Commercial Auto Insurance Works

Commercial auto insurance comes with third-party liability coverage for bodily injury and property damage when you or an insured employee is at fault in an accident. Business owners can also add first-party coverage such as medical payments and collision for added protection at an additional cost.

Commercial auto coverages typically include:

- **Liability:** Liability covers your business for third-party injuries if you or an insured driver are at fault in an accident. If your business is found liable for a collision, this coverage helps pay for third-party repair costs and medical bills as well as your accident-related legal expenses (such as attorney fees or settlement costs).

- **Medical payments:** After an accident, medical payments, or med pay, helps cover medical expenses for you, your insured driver, and your passengers, including doctor visits and special medical services. Med pay is a no-fault coverage, meaning your insurer pays for a covered loss up to the insured amount no matter who is liable for the accident.
- **Uninsured and underinsured motorist (UM/UIM):** Uninsured and underinsured motorist coverage pays for you or your insured driver's losses (i.e., bodily injury or property damage to your vehicle) when a driver with little or no auto insurance is responsible for the accident.
- **Collision:** Collision coverage helps pay to repair or replace your business vehicle after an accident, whether the damage is caused by impact with another car or an object like a tree or pothole.
- **Comprehensive:** Comprehensive coverage helps pay to repair or replace your damaged business vehicle if it is caused by something other than a collision. Covered instances might include vandalism, theft, fire, natural disasters, falling objects, hitting or being hit by an animal, and windshield damage.
- **Roadside assistance:** When your insured business vehicle requires roadside assistance such as towing, fuel, or lockout, this coverage can reimburse your business for incurred expenses to get you back on the road. Typically, roadside assistance is available 24/7, 365 days a year.

Commercial auto insurance only covers business-related driving and does not typically cover personal vehicles or personal use of business vehicles. However, according to John Espenschied, Owner of [Insurance Brokers Group](#), not every business requires a commercial auto insurance policy.



“If you are primarily in the sales business and don’t use your vehicle for delivery purposes, you can request an endorsement on your auto policy for business use. The premium is slightly higher, but it assumes you are driving more than the normal commuter. If your vehicle is driven for any type of delivery, including things like pizza delivery, you will need a commercial insurance policy. The same thing would apply for the transportation of individuals for a fee (e.g., rideshares), commercial exposure, and risk. Make sure to discuss with your insurance adviser what type of business and how all vehicles will be used in the business to determine the right policy for your needs.”

How Personal Auto Insurance Works

Personal auto insurance is legally required by most states, and in case of an accident or theft, it provides protection against financial loss. An insurer pays your losses as outlined by your policy in exchange for a premium. Highly customizable, most insurance companies allow you to select coverage amounts that suit your budget and needs.

Most states require personal auto insurance policies provide basic coverage for at least:

- **Property damage liability:** This coverage reimburses third parties for damage that you or another driver using your car causes to their vehicle or other property.
- **Bodily injury liability:** This covers costs stemming from injuries or death that you cause while driving your car. This might include the cost of treating injuries and medical care for third parties, and in some cases, their lost wages and funeral expenses.
- **Legal expenses:** If a third party decides to sue you for damages, a personal auto policy can help cover your legal fees as well as settlements or judgments.

In addition, personal auto insurance may include optional coverage for:

- **Medical payments or personal injury protection (PIP):** This coverage pays for medical expenses for injuries to you or your passengers as well as lost wages and other related costs.
- **Uninsured and underinsured motorist (UM/UIM):** Uninsured and underinsured motorist coverage reimburses you when an accident is caused by a driver who has little or no auto insurance.
- **Collision:** Collision coverage pays for damage to your vehicle after you hit another vehicle or object such as a telephone pole or pothole.
- **Comprehensive:** Comprehensive coverage pays for loss due to theft or damage caused by incidents unrelated to a collision with another object or vehicle. Covered events may include falling objects, fire, natural disasters, severe weather, vandalism, or contact with animals.
- **Glass:** Glass coverage reimburses you for windshield damage.
- **Roadside assistance:** Roadside assistance reimburses your costs when you need help getting back on the road, including towing, lockout services, jump-starts, and refueling. Roadside assistance is usually available any time, day, or night.

Personal auto insurance only covers personal driving such as commuting to work, running errands, or taking a trip. It does not provide coverage if you regularly use your personal vehicle for business purposes. Additionally, personal auto insurance does not provide coverage if you use your personal vehicle to transport other people as a rideshare driver. Rideshare insurance is available from some insurance carriers for vehicle owners providing ride-sharing services.

Commercial Auto Insurance Example

Say you own a bakery that specializes in custom cakes for special events and you make deliveries in the bakery's cargo van. Because the cargo van is owned by and registered to your business, you get commercial auto insurance.

On a busy weekend, your assistant baker is out delivering a wedding cake when they get into a fender bender. The other driver complains of a sore neck and points out the physical damage to their car, and they decide to sue your business. Your commercial auto policy helps address their claim with its liability protection, paying for the injured party's medical bills and repairs to their vehicle.

You might not need commercial auto insurance if your business doesn't own a vehicle and you only accept pickup orders. If you occasionally made deliveries in your personal vehicle, you may have sufficient coverage in your personal policy or you might be able to add an endorsement that covers business-related driving.

Personal Auto Insurance Example

Now let's say you own an accounting firm that offers services online only, so you primarily work from home. All your customers interact with you via your website and email, and you don't need to travel anywhere to meet clients.

You own a car and frequently run personal errands during the day when your workload is light. One day, you go to the grocery store to pick up supplies for dinner. While pulling out of a parking spot, you back into another driver. You exchange insurance information with the other driver. In this case, your personal auto insurance pays for the cost to repair the other driver's damaged car.

If you decided to expand your business and began regularly driving in your personal vehicle to meet clients locally, you might need commercial auto insurance to cover these work-related trips. In some cases, you can add a commercial auto endorsement to your personal auto insurance, or conversely, some insurers allow you to add a personal driving endorsement to a commercial auto policy.

Hired & Non-Owned Auto Insurance Example

Now say you're an interior designer with three employees. Your business doesn't own any vehicles, but you and your employees regularly drive personal vehicles to meet with clients. To make sure you're covered, your insurance agent recommends a hired and non-owned auto insurance policy.

One day your employee drives to go meet a client in their personal car. Your employee's cellphone distracts them, and they sideswipe another car. Because your employee is driving for a work-related task, your business can be liable for the accident. Your hired and non-owned auto insurance pays for any damages or bodily injuries for the other driver, but it doesn't cover damage to your employee's car or their medical bills if they're injured.

If your employees cause an accident while picking up coffee on their way into work or leaving the studio for lunch, then they need to file a claim with their personal auto insurer. These activities are personal errands and are not covered by hired and non-owned auto insurance.

Commercial Auto Insurance vs Personal Auto Insurance: Liability

There isn't a large difference between personal and commercial auto insurance liability in terms of liability coverage. Both policies cover third-party physical damage and bodily injury in the event of an accident; however, the why and how of your driving matters.

Commercial Auto Insurance Liability

Commercial auto insurance covers claims arising from accidents involving business-owned vehicles or personal vehicles used for work purposes. Coverage includes third-party liability for property damage and bodily injury, and policies can also include first-party coverage such as medical payments and collision.

Personal Auto Insurance Liability

Personal auto insurance provides coverage for claims if you or your insured driver were responsible for an accident that caused physical injury or property damage. Like commercial auto, coverage pays repair costs and medical bills and can provide first-party coverages like med pay, collision, and comprehensive. Accidents are only covered by a personal auto policy if you weren't driving your personal vehicle for work-related purposes.

Commercial Auto Insurance vs Personal Auto Insurance: Cost and Limits

Typically, commercial auto insurance carries a higher cost and limits than personal auto insurance because businesses tend to face more claims. Cost and limits are influenced by vehicle type, reason for driving, cargo, and distance traveled. Commercial auto insurance typically starts at \$600 per vehicle annually, and personal auto policies generally start at \$500 annually.

Commercial Auto Insurance Cost and Limits

Businesses often deal with more vehicles, drive farther, drive more often, and transport cargo. These factors mean a higher risk of exposure. To cover these risks, commercial auto insurance has higher premiums to meet higher limits.

For small business owners, commercial auto insurance costs \$600 – \$2,400 per vehicle annually. Typically, insurers recommend a commercial auto coverage limit of \$1,000,000 with \$500,000 as the minimum.

Personal Auto Insurance Cost and Limits

Like commercial auto, your personal vehicle use, vehicle type, accident history, and other factors determine the cost of personal auto insurance. Unlike a business, you're probably not driving as often or as far, but you still face plenty of risks.

Personal auto insurance generally costs \$500 – \$1,700 annually. It's recommended you purchase at least \$100,000 per person, \$300,000 per accident for bodily injury protection and at least \$35,000 in property damage coverage.

Commercial Auto Insurance vs Personal Auto Insurance: Vehicle Types

The type of vehicle your business owns or operates influences the types of risks you face, which in turn impacts your premium. Heavier commercial vehicles like trucks and vans often have more costly accidents because of their weight class. But vehicle type also affects the cost of insurance for personal vehicles as well.

Commercial Auto Insurance Vehicle Types

Businesses generally use larger, heavier vehicles for delivery and transport, and these vehicles typically need more coverage. Heavy-duty vehicles, like a [semi-truck](#), can cause more damage if they're in an

accident. Additionally, vehicles that require a special license to own and operate can mean higher coverage costs.

Personal Auto Insurance Vehicle Types

Personal auto insurance cost and coverage is often dependent on your personal vehicle type. Insurers might consider your vehicle's retail price, cost of parts, and safety features. These factors can help you decide exactly how much coverage you need (aside from the minimums required by most states).

Commercial Auto Insurance vs Personal Auto Insurance: Distance

Whether you're driving for business or leisure, the distance traveled can influence your insurance policy. Miles traveled can mean different things for commercial auto insurance and personal auto insurance.

Commercial Auto Insurance Distance

Business vehicles tend to take more trips, more frequently. They may also travel farther distances than personal vehicles on a regular basis. Generally, they're on the road more often and for longer periods of time per trip. These factors can mean higher risk exposures because they allow greater opportunity for more costly accidents.

Personal Auto Insurance Distance

Personal driving is typically limited to day-to-day errands and commutes, creating less risk than business driving. Of course, there's an occasional long road trip, but most personal vehicles travel shorter distances. If you use a personal vehicle for business purposes, you most likely need to obtain commercial auto insurance.

Commercial Auto Insurance vs Personal Auto Insurance Frequently Asked Questions (FAQs)

Many small business owners aren't familiar with the difference between commercial auto insurance and personal auto insurance, so they may have questions about which policy is right for them. There can be gray areas in terms of coverage, so here are some frequently asked questions to help you navigate these two types of auto insurance.

What's the difference between personal and commercial auto insurance?

While both personal and commercial auto insurance pay for medical bills and vehicle damages after an accident, commercial auto insurance typically covers different types of vehicles and heftier claims. Personal auto insurance typically excludes business-related driving, so business owners likely need business car insurance—especially if they use a personal vehicle for work-related trips.

How much does commercial auto insurance cost?

Commercial auto insurance costs depend on a number of factors, including how much coverage you need and the number of vehicles your business uses. Most business owners can expect to pay an annual premium of \$600 to \$2,400 per vehicle. Talk to your insurance agent to learn about potential discounts on commercial auto insurance.

How can I save on commercial auto insurance?

If you qualify, your insurer might offer discounts on commercial auto for a safe driving record or if you're insuring more than one business vehicle. You might also be able to keep your commercial auto costs down by increasing your deductible, paying your policy in full, and paying by electronic fund transfer to reduce processing fees.

Bottom Line

While personal auto and commercial auto insurance both offer liability protection, business-related driving carries higher risks and higher limits. Business owners probably need commercial auto insurance if they frequently use a vehicle for work purposes such as transporting goods and driving to meet clients. Work with an agent to ensure you have adequate coverage.

[Progressive Commercial](#) offers small business owners customized coverage with multiple discounts to help you save on commercial auto insurance. Work with their experienced representatives for a seamless customer experience and get a free, fast quote online.

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Jaclyn Moriarty is a writer with our finance team focusing on insurance. Prior to joining Fit Small Business, Jaclyn worked in content marketing for financial services. She holds a Bachelor of Arts degree in journalism and English from Bradley University and has written for a number of finance and insurance companies, including Insureon and Amica.

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