

January 21, 2020

Municipal Automobile Insurance Frequently Asked Questions

Automobile usage questions are among the most common enquiries from RMA Insurance members. Below are answers to five of the most frequent.

Q: How does the auto liability work if there is a claim that exceeds the \$5,000,000 auto liability limit?

A: In most cases once the Primary Automobile Liability limit is reached, the excess or umbrella liability will kick in (when the \$5,000,000 primary limit is reached).

Q: What is included in third-party liability?

A: Bodily injury or property damage caused to a third party by the insured is included.

Q: Can anyone drive a municipal vehicle?

A: A municipality can allow anyone to operate a municipal vehicle, as long as they are legally able to do (i.e. have the appropriate class of licence). However, third-party automobile liability follows the vehicle (not the driver). If a municipal-owned-and-insured vehicle is at-fault in an accident, then all liability will be under the municipality's auto and umbrella liability policies. While any municipal employees involved in the accident are insured under the municipality's WCB coverage, any non-employees (in either vehicle) are not, and may need to sue the municipality.

Q: Does third-party liability extend to include individuals who are not municipal employees riding in a municipal vehicle, such as a family member or member of the public?

A: Yes, it does.

Q: Does RMA recommend that individuals who are not municipal employees ride in municipal vehicles on a regular basis?

A: No.

To help reduce or minimize the liability exposures to the municipality, RMA Insurance and the auto insurer Aviva recommend that only municipal employees operate and ride in municipal owned / leased vehicles. This means no family members, the general public / ratepayers, contractors, etc. Furthermore, there should be no personal use of the vehicle, such as running out to the grocery store, towing holiday trailers, boats, taking garbage to the dump, general hauling, and so forth.

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This is not only important from a liability perspective, but can also affect or impact the public's perception of the municipality, its operations, and employees.

If a municipal employee is on the clock, then they would likely be covered under WCB and / or the municipality's benefits plan. The occupants who are not municipal employees would not be and may have to sue the municipality to receive compensation for their injuries. This can prove to be very contentious if the person injured in the accident is a family member or a ratepayer.

However, non-employees riding in municipal vehicles can be a common occurrence for a variety of reasons. For example, departments such as agricultural services or emergency services will transport individuals from time to time out of necessity. Though common, it is recommended that this practice be kept to a minimum and that it be addressed in an official policy.

We recommend our municipalities create an official vehicle operation and usage policy that addresses:

- who can operate and ride in municipal vehicles,
- driver records and abstracts,
- personal vehicle usage by employees,
- taking municipal vehicles home,
- and, other allowed usage.

Though municipal vehicles are part of a large fleet program, vehicle rates / premiums are dependent on claims history, just like personal vehicles. Higher claims means higher premiums; lower claims means lower premiums.

Every municipality has a responsibility to the other members in the program exercise effective risk control practices. For any questions or more information please contact our risk management team:

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