



Risk Management Considerations for Lending Municipal Vehicles

The inter-municipal sharing of resources can be useful when a Municipality attempts to reduce costs or expand services. Lending vehicles between Municipalities is mutually beneficial if the intentions of the parties are clearly contained and risks and responsibilities transferred to the borrower in a written agreement that includes, at a minimum, the following:

- a. A description of the vehicle being loaned, including the V.I.N., and the vehicle's intended use.
- b. Who is responsible for verifying the vehicle is in good condition?
- c. Who will conduct maintenance or repairs?
- d. If the vehicle is damaged, who is liable?
- e. The borrower will advise immediately if the vehicle is damaged when they receive it.
- f. During what time period will the vehicle be loaned?
- g. Is a damage deposit required?
- h. Who may drive the vehicle? Drivers must be of a certain age, licensed and insured.
- i. Who will be liable for injury caused by the operation of the vehicle?
- j. An indemnification and hold harmless clause in favour of the owner.
- k. Minimum insurance requirements including limits and deductibles that the borrower must carry

that are appropriate to the vehicle being loaned. For example, multi-passenger vehicles require adequate road and passenger hazard limits.

Municipalities should advise their insurer of their intention to lend vehicles and provide them with a copy of the agreement. If a vehicle loan is intended to be for regular use, this could be considered a material change in risk and may result in a denial of coverage if the exposure is not disclosed to and accepted by the owner's insurer in advance.

In order to minimize risks, a Lending policy should be created and all employees who will be involved should be trained to follow the policy every time vehicles are loaned out. The policy should include an inspection and maintenance log to ensure vehicles are maintained in good condition.

Creating and following a policy and using a written agreement, will help to ensure the process of lending between Municipalities will go as smoothly as possible. The lending of vehicles is not something that should be undertaken casually because ultimately, liability rests on the owner of the vehicle. The Municipality's lawyer should always be involved in the drafting of these agreements to ensure the lending Municipality is protected to the greatest extent possible. Intact Public Entities, Risk Management Services, would also be happy to review the insurance requirements.

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