

MCIT COVERAGE FOR MOTOR VEHICLES

Automobile coverage protects an organization from financial loss in the event of an accident, damage or theft involving a covered auto. In exchange for the member's paying a contribution, MCIT agrees to pay losses as outlined in the coverage document. It is important for members to understand the various ways that coverage applies and when it does not. This allows them to manage risks associated with motor vehicles for their operations.

Regardless of who owns or drives a vehicle, this basic concept applies: Coverage follows the vehicle. This tenet is important in almost all aspects of understanding how coverage responds to specific situations.

For MCIT members, auto coverage is governed by the MCIT Coverage Document. Members should refer to it for complete details about coverage. Prompt reporting of all auto incidents is key to managing the cost of claims and to a timely resolution. *See Chapter 5, Duties After a Loss for additional information.*



AUTO COVERAGE DEFINITIONS

Definitions of key terms frame MCIT auto coverage and determine how coverage applies. Below are four terms of particular importance.

Ownership: MCIT's vehicle coverage varies by the ownership status of the auto. The categories are owned, hired and nonowned. Owned or leased autos, but not short-term rentals, are considered owned vehicles. Hired autos include short-term rentals. Nonowned autos typically belong to employees, volunteers or officials.

Covered auto: To ensure that coverage is in place for vehicles, members must add them to their auto schedule. Covered autos include scheduled autos, which are road-licensed vehicles, trailers and mobile equipment when carried or towed by a covered auto. Members need to remember that if the vehicle is not scheduled, it is not covered.

MCIT's coverage is primary for a loss involving a scheduled vehicle, including physical damage (first-party claims) and liability (third-party claims).

Covered party: The definitions of "covered party" and "member" are closely aligned. They are similar to the term "insured" in an insurance policy. MCIT coverage extends to the covered party and the member named in the MCIT Coverage Document. Covered parties include the member; and the member's elected or appointed officials, employees, authorized volunteers, those officially appointed by the member to a board or commission, any law enforcement personnel of the member, and individuals who use a covered auto with member permission on behalf of or in conjunction with the member.

Coverage extends to acts within the scope of the covered party's employment by or duties on behalf of the member in their official capacity.

Permissive use: Any person's use with member permission of a covered auto on behalf of or in conjunction with the member.

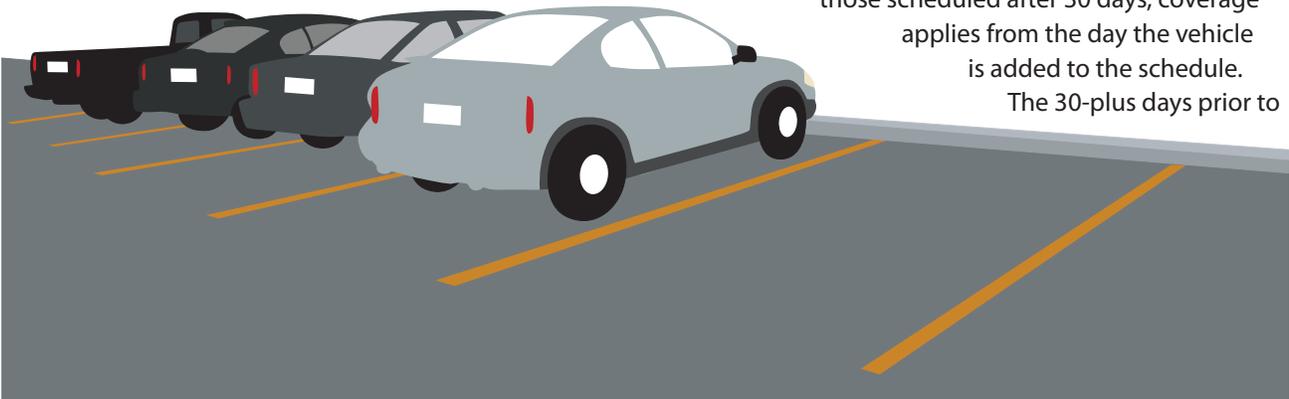
IMPORTANCE OF SCHEDULING VEHICLES

Member-owned and leased vehicles are all considered vehicles owned by the member under MCIT coverage. Owned vehicles need to be listed on the member's MCIT automobile schedule for coverage to apply. MCIT coverage is primary on scheduled vehicles, meaning it pays or responds first to an incident.

NEWLY ACQUIRED VEHICLES

Newly acquired automobiles have automatic coverage for 30 days after acquisition, but members must schedule them within those 30 days for seamless coverage to apply. This is true for both liability and physical damage coverages.

For vehicles scheduled within 30 days of acquisition, coverage applies from the day of acquisition. For those scheduled after 30 days, coverage applies from the day the vehicle is added to the schedule.
The 30-plus days prior to



adding the vehicle becomes a noncovered period. This means that members would be responsible for the full cost of any incident during the period when the vehicle was not scheduled.

Members should submit all coverage changes (additions, deletions, corrections, etc.) via the member portal at *MCIT.org*. Members can also view or download schedules, coverage changes and instructions. (See Chapter 5, *Duties After a Loss* for details about submitting a claim.)

TRAILERS

Members must schedule road-licensed trailers for auto liability coverage to apply. Trailers also may be scheduled for physical damage coverage, including comprehensive and collision coverage if members elect that for the units.

VEHICLE ATTACHMENTS

Attached equipment is considered part of the vehicle. It is the equipment, machinery and accessories mounted to and constituting a permanent part of a vehicle, which may include external lighting, computers, video or surveillance cameras, monitors, sound-reproducing equipment, dump boxes, plows and radios.

Members should separately schedule items not attached to vehicles as inland marine. This includes all removable equipment in autos, including laptops, firearms and first-aid kits, and tools and equipment in or on trailers while being pulled by a covered auto. All coverage is subject to the appropriate deductible.

AUTO LIABILITY COVERAGE

MCIT members who have scheduled autos receive auto liability coverage for those vehicles. Auto liability includes damages payable due to the negligent operation, maintenance or use of a vehicle. Members have no deductible for auto liability claims.

These damages are subject to tort liability caps for Minnesota municipalities: \$500,000 per claimant and \$1.5 million per occurrence per Minnesota Statutes, Chapter 466. MCIT auto liability coverage limits for scheduled autos mirror these tort caps (\$500,000/\$1.5 million). These limits apply to situations under Minnesota law.

For claims arising from out-of-state vehicle use or any cases under federal law, the tort liability caps may not apply. The MCIT auto liability limit for claims not subject to Minnesota Statutes Chapter 466 is \$2 million per occurrence.

Although the Minnesota no-fault statute, also known as personal injury protection is intended to limit the recoveries of any injured party, once he or she meets certain thresholds, the injured party may make an auto liability claim against the member. Therefore, a member could be exposed to this additional liability claim when a covered vehicle is involved and the member employee was at fault for the incident.

PERSONAL INJURY PROTECTION (PIP)

In 1974, the Minnesota Legislature passed the Minnesota No-fault Automobile Insurance Act (Minn. Stat. Ch. 65B). As a result, Minnesota became a compulsory insurance state, meaning that owners of motor vehicles in the state are required to purchase insurance policies that at a minimum include personal injury protection (also called no-fault protection), liability insurance and uninsured/underinsured motorist insurance.

The statute exempts vehicles that are not required to be registered, such as squad cars and emergency re-

MOTORCYCLES

The MCIT Coverage Document follows the Minnesota no-fault statute and excludes personal injury protection (PIP) for motorcycles. However, members can purchase a policy outside of MCIT that provides medical payments coverage for member-owned motorcycles.

An employee-owned motorcycle involved in a work-related incident must rely on the employee's personal insurance policy to cover the physical damage to the motorcycle.

sponse vehicles. In the event of an accident, personal injury protection helps pay the cost of the vehicle owner’s injury-related expenses, regardless of who was at fault for the accident.

The primary objective of the law is to ensure that everyone who is injured in a motor vehicle incident within the state has a source of PIP benefits. The law determines which policy is the source of the personal injury protection benefits.

MCIT provides personal injury protection at the required limits of \$20,000 for medical expenses and \$20,000 for economic loss. Higher limits for are not available.

For example, a veterans services officer uses a member vehicle to drive a veteran to his or her medical appointment and is involved in a crash wherein the veteran passenger is injured. The veteran no longer drives, so does not have a personal auto policy. No personal auto coverage is available, resulting in the PIP responsibility reverting to the member vehicle in which the veteran was a passenger.

Other benefits for PIP include income loss, essential services, funeral expenses and survivors’ economic

loss. Maximum payment amounts are \$500 per week for income loss and \$200 per week for replacement services expenses. The funeral expense limit is \$5,000. Injured parties can still sue for damages but only after meeting certain thresholds.

Note: MCIT coverage excludes motorcycles from personal injury protection.

PIP PRIORITY

Members often have questions regarding how PIP coordinates with other types of coverage. PIP priorities for employees and passengers vary depending on the nature of the vehicle involved in the accident (see Chart 1: Personal Injury Protection Priorities).

WORKERS’ COMPENSATION

The employer is responsible for workers’ compensation coverage when the injury arises from the use of a motor vehicle and the employee is acting within the course and scope of his or her employment. After workers’ compensation benefits are paid, typically no remaining PIP claim exists. If a claim does exist, coverage on the member-owned vehicle involved in the collision is the first PIP priority after workers’ compensation.

CHART 1: PERSONAL INJURY PROTECTION PRIORITIES

	MCIT WORKERS’ COMPENSATION	PERSONAL AUTO POLICY	MCIT COVERAGE FOR VEHICLES
MEMBER-OWNED, REGISTERED VEHICLES			
Appointed Official or Employee	1st priority	NA	2nd priority
Passenger	NA	1st priority	2nd priority
MEMBER-OWNED BUT NOT REGISTERED VEHICLES			
Appointed Official or Employee	1st priority	NA	2nd priority
Passenger	NA	1st priority	NA
VEHICLES NOT OWNED BY MEMBER			
Appointed Official or Employee	1st priority	2nd priority	NA
Passenger	NA	1st priority	NA

Minnesota follows the majority rule in treating injuries sustained while traveling to and from work as not compensable under the “coming and going rule.” There are several exceptions to the rule. Generally, however, coming and going to work is not a compensable event, but driving during the work day for work-related reasons may be compensable under the Workers’ Compensation Act.

PIP PRIORITY FOR NONEMPLOYEE PASSENGERS

When a nonemployee passenger is being transported in a covered member vehicle, coverage depends on the nature of the covered member vehicle. In the case of a vehicle that is required to be registered pursuant to Minnesota Statutes, Chapter 168, the first priority for coverage for a passenger would be his or her own PIP coverage.

The passenger’s own coverage is any policy that covers the injured party as an insured, such as a policy on any vehicle he or she owns or on any vehicle owned by a member of his or her household.

PIP coverage would only be available through the member’s MCIT coverage in instances where the nonemployee had no other available coverage (e.g., he or she does not own a vehicle and, therefore, does not have PIP coverage).

A nonemployee passenger in a vehicle that is not required to be registered, such as a squad car or emergency response vehicle, is not entitled to the member’s PIP coverage provided by MCIT.

INJURIES TO FAMILY MEMBER PASSENGERS IN MEMBER-OWNED VEHICLES

Another exception to the general rule that the no-fault law applies to all parties (driver, passengers, pedestrians) injured in an auto incident is when the claim involves an employer-furnished vehicle. Members should consider the following exception carefully.

Minnesota Statutes, Section 65B.47, subdivision 2 requires that primary PIP benefits for an injured spouse or resident family member of the employee in an employer-furnished vehicle be provided by the owner of the vehicle, namely the member/employer.

UNINSURED/UNDERINSURED MOTORIST COVERAGE

Mandated by statute, uninsured/underinsured motorist (UM/UIM) coverage is provided to members at the required limits of \$25,000 per person and \$50,000 aggregate. Higher limits are not available.

- › Uninsured motorist coverage responds to claims from situations when there is no insurance on the vehicle that caused the incident.
- › Underinsured motorist coverage responds when coverage on the vehicle responsible is inadequate to pay the amount the injured party is entitled to recover. In that case, the appropriate underinsured motorist coverage would pay for the damages awarded above the bodily injury coverage available from the driver who caused the incident.

Two examples help illustrate how UM/UIM coverage works:

- › An employee driving a scheduled member vehicle is involved in a collision with another vehicle, and the driver of the other vehicle is found to be negligent (i.e., at fault). The employee receives workers’ compensa-

tion benefits for his or her injuries but seeks additional compensation for damages from the at-fault driver. If the other driver has no insurance, the MCIT uninsured motorist coverage could apply up to the limit of \$25,000.

- › An employee driving a scheduled member vehicle is involved in a collision, and the driver of the other vehicle is found to be negligent. The employee receives workers’ compensation benefits for his or her injuries but seeks additional compensation for damages from the at-fault driver. If the other driver has insurance, but the limits are inadequate to pay the damages, the MCIT underinsured motorist coverage could apply up to the limit of \$25,000.

UM/UIM COVERAGE PRIORITIES

Whose uninsured or underinsured motorist coverage responds also depends on the nature of the vehicle involved in the incident.

Two issues distinguish coverage priorities regarding uninsured and underinsured motorist coverages from personal injury protection. First, workers’ compensation does not factor into the priority discussion

for UM/UIM. Second, passengers are treated differently in member-owned vehicles. PIP coverage follows the person, whereas UM/UIM coverage follows the vehicle with a few exceptions.

For example, if an individual is a nonemployee covered person for PIP, he or she first looks to his or her own coverage. For UM/UIM coverage, the individual would first look to the vehicle he or she

occupied (e.g., a nonemployee passenger in a member-owned vehicle would look to the member's UM/UIM coverage).

Like PIP, there is no UM or UIM coverage for nonemployee occupants in vehicles that are not required to be registered (e.g., squad cars, emergency response vehicles).

CARE AND CUSTODY OF OTHERS' AUTOS

Members have various reasons to be in the care and custody of others' vehicles. Regularly, law enforcement acquires vehicles and other personal property from confiscations, forfeiture or involvement with criminal activity. This storage is not discretionary. Whereas, agricultural societies (a.k.a. fair boards) and sometimes counties may choose to offer vacant space in buildings to the public to store personal property such as boats, trailers and campers.

As dissimilar as the two situations may be, they share a common risk: responsibility for damages sustained to the property of others while in their care and custody. The MCIT Coverage Document specifically addresses this exposure in the garagekeepers comprehensive coverage endorsement.

This endorsement provides coverage when it is determined that the member is legally liable for damages to an auto left in the member's care (i.e., attending, parking or storing). Garagekeepers comprehensive coverage is excess coverage to any other insurance on the vehicle; therefore, the owner of the auto should carry the primary insurance coverage.

The limit of coverage under this endorsement is \$100,000 subject to a \$1,000 deductible. This is the maximum amount available for any one loss, regardless of the number of vehicles damaged in the occurrence.

When a member is found to be negligent and, thus, legally obligated, this endorsement covers comprehensive damage to a vehicle (land motor vehicle, trailer or boat) stored on member property. Typical comprehensive losses include fire, wind, hail, vandalism or theft.

EXCLUSIONS TO COVERAGE

The endorsement specifically does not cover damage caused by:

- › Flood
- › Earthquake
- › Collision
- › Overturn of the auto

As such, the member should not drive any of these autos. If it is necessary for the member to operate the vehicle, it should be endorsed on the member's MCIT auto schedule.

The endorsement does not apply to contractual obligations assumed by the member. Specifically, there is no coverage for liability resulting from an agreement in which the member accepts responsibility for loss.

MCIT recommends that members not enter into an agreement that would require primary coverage for an auto that is in their care, as MCIT's garagekeepers comprehensive coverage is provided only on an excess basis (see *Risk Management Recommendations* section).

EXPOSURES FOR LAW ENFORCEMENT

Most of the vehicles that are owned by others and are in the care and custody of law enforcement are kept in a county lot and are subject to exposures such as wind, hail, vandalism and theft. The county is responsible for the reasonable care of the auto until the owner is able to take possession of it.

Reasonable care means providing precautions against vandalism and theft, such as locking the vehicle, securing the impound lot and monitoring an open lot. Reasonable care does not mean that the member is responsible for wind or hail damage. If

the auto is damaged from wind or hail while in the member's care, the owner must present the damage claim to his or her personal auto insurer, as the owner's auto insurance is primary in the event of this type of loss.

EXPOSURES FOR VEHICLE STORAGE

When someone chooses to store his or her vehicle on a member's premises, exposures to the member include such situations for which the member could be found negligent. This might be due to a fire as a result of the member's negligence or a roof collapse because the member did not clear snow buildup from the roof. These situations could potentially result in damage to multiple units.

Depending on the circumstances, the member could be held legally responsible for the items stored in the building (i.e., others' vehicles).

GARAGEKEEPERS RISK MANAGEMENT RECOMMENDATIONS

Members should not drive confiscated or stored vehicles because the garagekeepers coverage endorsement does not include coverage for collisions or auto overturns. If driven, the vehicle must be included on the member's auto schedule.

For confiscated autos, members should provide reasonable care:

- › Remove keys.
- › Keep windows rolled up at all times.
- › Keep doors locked at all times.
- › Lock equipment not permanently attached to the vehicle in the trunk.
- › Post signs such as "Off Limits to Unauthorized Personnel" or "No Trespassing" at the impound lot.
- › Keep the impound lot well lit.
- › Monitor the area on a regular basis.

For stored autos, members should:

- › Use a rental agreement with a waiver of liability when renting space to others. The rental agreement should contain a waiver that will excuse the member in advance for any fault or damage to property.
- › Not agree to a contractual obligation that accepts responsibility for loss.
- › Keep storage buildings locked and secure.
- › Inspect and maintain storage buildings, paying special attention to fire hazards and excess snow accumulation on building roofs.



PHYSICAL DAMAGE COVERAGE

Auto physical damage coverage includes comprehensive and collision coverage for property damage to a member's vehicle and to equipment permanently attached to it (e.g., light bars, push bars, cages, plows), subject to a deductible. This is optional coverage, and members may elect comprehensive coverage, collision coverage, both coverages or no coverage on any one vehicle.

COMPREHENSIVE COVERAGE

Comprehensive coverage includes:

- › Fire
- › Windstorm
- › Theft
- › Hail
- › Vandalism
- › Malicious mischief
- › Animal strike
- › Glass breakage

For covered glass breakage, the member has the option to repair or replace the glass with MCIT approval. When glass is repaired, the deductible that applies solely to glass breakage is waived.

MCIT pays up to \$50 per day to a maximum of \$1,500 for a replacement rental vehicle because of the total theft of a covered auto with comprehensive coverage.

The member chooses the comprehensive deductible, and that same deductible applies for any vehicle in a member's fleet where the member has

elected comprehensive coverage. The member may want to consider the age and value of the vehicle and how many vehicles could be damaged in one occurrence when electing comprehensive coverage and choosing a comprehensive deductible. The standard comprehensive deductible is \$500 with other options available.

COLLISION COVERAGE

Collision coverage is for colliding with another vehicle or other object and vehicle overturn.

ROADSIDE ASSISTANCE

MCIT coverage does not include a roadside assistance plan. These plans often provide towing, battery service, flat tire service, fuel delivery, lockout assistance and roadside mechanical breakdown repair. Service plans for a commercial fleet may be available through a third party.

The member chooses the collision deductible, and that same deductible applies for any vehicle in a member's fleet where the member has elected collision coverage. The member may want to consider the age and value of the vehicle and how many vehicles could be damaged in one occurrence when electing collision coverage and choosing a collision deductible. The standard collision deductible is \$1,000 with other options available.

TOTAL LOSS VEHICLES

When members elect to retain a vehicle after MCIT has paid a total loss claim, the vehicle—provided it is road worthy—will only carry liability coverage. Comprehensive and collision coverages are not available for such a vehicle unless damages are repaired.

SHARED, BORROWED AND HIRED AUTOS

Members may have a need to share, borrow or hire a vehicle. When that is done, coverage may apply differently as compared to a typical owned auto.

SHARED AUTOS

When a member loans a scheduled auto to another party, MCIT defends and indemnifies the member for auto liability claims arising out of the vehicle's use. Coverage is subject to the terms, conditions,

limitations and exclusions of the MCIT Coverage Document. In other words, if the member is sued in response to an accident involving a scheduled auto, MCIT would defend and indemnify the member. It is important to understand that for MCIT coverage to extend to the individual driver, that person must meet the definition of a "covered party."

For this purpose, "covered party" means officials,

employees and volunteers of any public entity while using, with the member's permission, a covered auto on behalf of or in conjunction with the member. If the driver fails to meet that definition, he or she is responsible for responding to claims made against him or her, and must look to his or her own insurance.

Physical damage coverage, including comprehensive and collision coverage, for a scheduled auto loaned to another party remains with MCIT. If the member loans a scheduled vehicle to another MCIT member, the receiving member is provided automatic physical damage coverage when the auto is used for no more than 30 days in a calendar year. This coverage is discussed further in the Borrowed Autos section.

Although MCIT adjusts the underlying physical damage and liability claims, MCIT reserves the right to pursue subrogation (reimbursement) against the at-fault party.

BORROWED AUTO

As noted previously, coverage follows the vehicle. Generally, when a member borrows a vehicle from another entity, the coverage on that vehicle will be the first to respond to any claim.

An MCIT coverage enhancement provides members automatic physical damage coverage for autos bor-

rowed from another public entity without having to schedule it. This coverage applies to autos borrowed for 30 days or less and is subject to the member's standard physical damage deductibles.

The intent of this enhancement is to streamline the coverage process and assist municipalities in the common practice of sharing autos.

A borrowed auto does not include an auto in an impound lot. Autos that have been abandoned, seized, confiscated, etc. are not available for use until the forfeiture is complete and the title has been transferred to the member. MCIT recommends checking with the county attorney or other legal counsel regarding the status of the title on such vehicles.

HIRED AUTO (SHORT-TERM RENTALS)

Hired autos are short-term rentals, not long-term leased vehicles. Hired autos need to be rented in the name of the member and scheduled by the member for physical damage and liability coverage to apply.

For hired autos or short-term rentals not in the member's name, only MCIT auto liability would apply and may be excess to other coverage. Physical damage coverage would need to be purchased from the rental company or provided by the individual renter's personal auto coverage.

PERSONAL USE OF MEMBER-OWNED VEHICLES

Sometimes employees, volunteers or officials use a member-owned vehicle for incidental personal purposes. Members should understand the statutory authority for incidental personal use of vehicles owned by members (Minn. Stat. § 471.666), as well as how MCIT coverage responds.

Typical questions about personal use of member-owned vehicles include:

- › Are employees covered if they take a member's car to the Twin Cities for a seminar and decide to go to the Mall of America in the evening?
- › If an employee takes a member's car home the evening before a meeting and needs to pick up his or her child at daycare, is that OK?
- › What if an employee's family member travels with him or her in a member-owned vehicle?

Although Section 471.666 provides for personal use of a member-owned vehicle that is clearly incidental to the use of the vehicle for local government business, the statute fails to define "incidental use," nor does case law provide clear guidance. Therefore, it is imperative that entities develop, implement and enforce policies that provide guidance about permissible use of member-owned vehicles, including incidental personal use.

The policy should be informed by Section 471.666 including:

- › Subdivision 2, which restricts a local government vehicle to be used only for authorized local government business, including personal use that is clearly incidental to the use of the vehicle for local government business.
- › Subdivision 3, which spells out the circumstances in which a local government vehicle may be used by an

employee to travel to and from the employee's residence.

- › Subdivision 4, which states that public safety vehicles owned or leased by a political subdivision are exceptions to this section.

COVERAGE CONSIDERATIONS

Critical to the development of a policy regarding employees' personal use of member-owned vehicles is an understanding of how MCIT's coverage responds in the event of a loss. In determining coverage, claim representatives ask:

- › What local government business was authorized?
- › Was there personal use of vehicle owned by the member?
- › Was the personal use incidental to the local government's business?

MCIT's definition of a covered party includes employees for acts within the scope of their employment and on the member's behalf. When use of the member's vehicle occurs within the statutory provisions of personal use that is clearly incidental to the local government usage and/or the member's policy, it is likely that the use will be within the MCIT coverage definition as well.

If it is determined that the employee's personal use of the vehicle is outside of the statute and/or the member's policy, the employee assumes significant

personal risk. When an employee does not meet the definition of a covered party, MCIT coverage does not extend to the employee. As a result, any liability arising from the employee's operation of the member-owned vehicle for personal purposes would fall to the employee and his or her personal auto insurance to cover.

Although MCIT coverage does not extend to the employee, coverage does extend to the member entity if a claim of negligence is made against the member organization.

RISK MANAGEMENT RECOMMENDATIONS

To minimize exposures for personal use of member-owned vehicles, members should:

- › Regularly review the use of member-owned vehicles, with special attention to personal use.
- › Consider adopting a policy that prohibits the personal use of member-owned vehicles. If this is not possible:
 - ◆ Develop, implement, train and enforce a policy that best protects the employee and the member.
 - ◆ Develop a form that clearly shows when use of a member-owned vehicle is authorized.
- › Require employees to use their personal vehicles if there is a possibility of personal use or if employees would like to have resident family members accompany them.



PERSONAL VEHICLES USED FOR MEMBER BUSINESS

Following the basic rule of automobile coverage, which states that coverage on the vehicle is primary, the owner of the vehicle is responsible for securing the vehicle's coverage. That means the employee's personal auto insurance applies when his or her vehicle is used for a member entity's business purpose. Whether the vehicle is used by an official, employee or volunteer, the coverage on his or her vehicle pays first.

Note: Commuting from home to the office location is not considered business use of the employee's vehicle.

MCIT's nonowned automobile coverage could apply on an excess basis if the primary (vehicle owner's) auto coverage limits are exhausted in a large loss. A nonowned vehicle is one that the member entity does not own, lease, hire or borrow that is used in connection with the organization's business. This excess coverage applies only to liability claims, not physical damage claims.

An example: A volunteer driver causes an accident while driving his or her personal vehicle on member business that results in physical damage to the vehicle, physical damage to a third party's vehicle and/or bodily injury to the third party. The volunteer's personal auto coverage would respond first to all of these claims. Only when the personal policy limit is inadequate to cover the third-party liability claims does the member's MCIT coverage respond on an excess basis.

MCIT coverage does not provide for the deductible portion of an auto claim. Typically, member employees and volunteers who use their vehicles for a business purpose receive reimbursement for mileage. Most mileage reimbursement includes costs for both operating expenses (fuel, wear and tear) and fixed costs (depreciation, maintenance and insurance) of a personal vehicle, following the federal Internal Revenue Service business or charitable rate and plan.

As noted, insurance is one of the fixed costs included in the mileage reimbursement rate. This is important, as again, the basic insurance rule is that coverage follows the vehicle.

VOLUNTEER DRIVERS

Volunteer drivers often use their personal vehicles to provide services for MCIT members, such as providing rides for seniors. One common concern is whether this vehicle use is excluded under the volunteers' personal auto policies.

Some insurance agents claim that the personal auto policy exclusion for "any automobile while used as a public or livery conveyance" would apply to the use of volunteers' personal autos and would preclude coverage in the event of a loss.

It is MCIT's position that a volunteer's personal auto policy should provide primary liability coverage when the owner volunteers the use of his or her vehicle. (See "What Do 'Livery' and 'Public' Mean?" for more information.)

WHAT DO 'LIVERY' AND 'PUBLIC' MEAN?

"Livery" refers to goods and "public" refers to the use of a vehicle as a taxi, bus or some other form of public transportation for hire. Typically, members' volunteer drivers are not using their vehicles as taxis, buses or with a ride-sharing service. This is true when volunteers do not:

- › Collect a fee from their passengers directly.
- › Install meters in their vehicles.
- › Attach signs to their vehicles that read "taxi," "Uber" or "Lyft."

Taxis, buses, ride-sharing arrangements are distinct from a volunteer using his or her personal vehicle on the member's behalf. This means that volunteers' vehicles do not meet the definition of "public or livery conveyance" in a personal auto insurance policy, and the exclusion should not apply.

Although some personal auto insurance policies and companies may allow for some incidental nonpersonal use of personal autos as a percentage of total use, others may not. It is dependent upon what each specific insurance company may or may not allow for incidental nonpersonal use of a personal vehicle.

RISK MANAGEMENT RECOMMENDATIONS

When people drive their personal vehicles for member business purposes, the member should:

- › Confirm that drivers are appropriately licensed, such as requesting verification on their mileage reimbursement form.
- › Develop policies and procedures to verify, to the extent possible, that drivers have adequate auto insurance coverage on their vehicles, such as requesting verification on their mileage reimbursement form.
- › Inform drivers that their personal auto coverage is primary for all possible exposures and suggest they discuss their coverage with their insurance agent.

AUTO COVERAGE EXCLUSIONS

There are important exclusions to MCIT's auto coverage. A complete list of exclusions is included in the MCIT Coverage Document.

Examples of exclusions from MCIT coverage are:

- › Assuming liability in any contract that is not a defined covered party contract.
- › Participating in, practicing for or preparing for any racing, speed or demolition contest or in any stunting activity.
- › Claims arising out of airport operations. The exclusion does not apply to the maintenance or plowing of roads or parking areas.
- › Claims arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants.



MCIT COVERAGE FOR MOTOR VEHICLES CHECKUP

ITEM	YES	NO	ACTION ITEM
Does the organization have a vehicle use policy?			
Has the vehicle use policy been recently updated and distributed to staff?			
Does the vehicle use policy address personal use of member-owned vehicles?			
Does the organization's vehicle use policy address use of personal vehicles for member business?			
Have employees been trained about the vehicle use policy and its updates?			
Are all vehicles, including trailers, listed on the auto schedule?			
Are all vehicles intended for physical damage coverage (collision and/or comprehensive) listed with the deductible noted on the automobile schedule?			
Is a system in place to schedule all newly acquired vehicles within 30 days of acquisition?			
Do appropriate staff understand the definition of "covered auto" for the purpose of MCiT auto coverage?			
Are hired autos or short-term auto rentals (rented in the name of the member) added to the auto schedule for physical damage and/or liability coverage?			
Do staff understand who is a covered party when driving an auto for acts within the scope of their employment by or duties on behalf of the member in their official capacity?			
Are items not attached to vehicles scheduled as inland marine, miscellaneous personal property?			
When renting space to others to store their vehicles, is there a rental agreement with a waiver of liability and is proof of insurance provided by the vehicle owner?			
Are law enforcement confiscated vehicles locked, secured and not driven?			
Do employees understand that permissive use of member vehicles includes anyone using a covered auto with member permission on behalf of or in conjunction with the member and that the driver is covered for that use?			

MCIT COVERAGE FOR MOTOR VEHICLES CHECKUP

ITEM	YES	NO	ACTION ITEM
Do appropriate staff understand MCIT personal injury protection (PIP), including the limits, who is covered, which policy is primary and how the PIP protection coordinates with other types of coverage?			
Are appropriate staff aware that personal injury protection priorities for MCIT coverage for employees and passengers vary depending on the nature of the vehicle involved in the accident?			
Have employees been informed that their auto coverage is primary for use of personal vehicles for member business?			
When employees or volunteers drive their personal vehicles on behalf of member business, does the organization verify that drivers have the required personal auto insurance and possess a current driver's license?			
Do appropriate staff understand MCIT auto coverage exclusions (what is not covered)?			