

# Municipal Vehicle Program

Effective January 1, 1982, as revised September 2017

## 1. Intent of Program.

- A. The intent of the Municipal Vehicle Program (the Program) is to cover municipal vehicles, officials and employees in compliance with Arkansas law.
- B. This Program covers risks as more specifically outlined in Part I and Part II of the Program.

## 2. Eligibility for Program membership.

- A. Arkansas cities of the first class, cities of the second class and incorporated towns are eligible for Program membership subject to the terms of the Program.
- B. Limited Service Members (LSM) of the Arkansas Municipal League (League), as defined by the League's governing body, are available for Program membership at the discretion of the Program Administrator and only then after meeting all the requirements of being an LSM of the League.
- C. As used herein the term municipality or municipal agency shall include those entities listed in paragraph 2. A. and B. above.

## Part I. Liability

### 1. Payments by Program

- A. During the term of The Municipal Vehicle Program (the Program) and subject to terms of this agreement, the Program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable under Ark. Code Ann. §21-9-303, (hereinafter referred to as "damages").
- B. During the term of this Program and subject to terms of this agreement, the Program may pay all sums any official or employee legally must pay as damages to which this agreement applies involving a covered municipal vehicle operated with authorization and direction from a city official or management to operate said motor vehicle or mobile equipment. Each authorized person operating a vehicle of a member municipality must have a valid driver's or commercial driver's license.
- C. The limit of payment by the Program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident and subject to said limit for one person, \$50,000 because of bodily injury to or death of two or more persons in any one accident and \$25,000 because of injury to or destruction of property of others in any one accident (the foregoing limits of payment are hereinafter referred to as "payment limits").

- D. The Program has the right to settle and pay any claim or suit as the Program Administrator considers appropriate and payment of the payment limits ends the duty to defend or settle.

### 2. Payments by Municipality or Municipal Agency

- A. A municipality or municipal agency, if operated by a separate board or commission of the municipality (hereinafter "agency") shall pay into the Program each year a charge established annually by the Program Administrator for covered motor vehicles and mobile equipment owned or leased by the municipality or agency.
- B. The municipality or agency shall list all motor vehicles or mobile equipment on an Enumeration Schedule in order for coverage to apply.
- C. The terms of this Program shall apply separately to each motor vehicle or mobile equipment listed on the Enumeration Schedule and each shall be held to be separate pieces of property as respects limits of liability including any deductible provisions.
- D. Payment of the charge by a municipality or agency shall constitute its agreement to and the acceptance of the provisions of this agreement.

### 3. Out-of-State Extension

- A. While a covered municipal vehicle is in a state outside the State of Arkansas, the payment limits for that vehicle will be the greater of the payment limits included herein or those specified by compulsory or financial responsibility law applicable to a municipality in the jurisdiction where the covered municipal vehicle is being used.
- B. Such payment limits in a state outside the State of Arkansas will provide the minimum amounts and types of other coverage's including No Fault that are required of out-of-state vehicles by the jurisdiction where the covered municipal vehicle is being used .
- C. The Program will not pay anyone more than once for the same elements of loss because of this extension.

### 4. Exclusions (Part I)

**This agreement does not apply to and excludes the following:**

- A. Liability caused by any motor vehicle or mobile equipment not listed on the Enumeration Schedule or upon which no charge has been paid.
- B. Damages to any official, employee or agent of the municipality or agency arising out of and in the course of his or her employment or activity on behalf of the municipality or agency.
- C. Damages to persons or to property owned or transported or in the care, custody or control of

the municipality or agency except where included and covered by Part II.

- D. Damages caused by the dumping, discharge or escape other than by sudden or accidental means of irritants, pollutants or contaminants.
- E. The payment of punitive damages.
- F. Indirect or consequential loss of any kind.
- G. The Program does not provide coverage for vehicles operated upon rails or vehicles which are propelled by electric power obtained from overhead trolley wires but not operated upon rails.
- H. The Program does not provide coverage for watercraft, or aircraft; nor does it provide coverage for aquatic or aerial vehicles and devices.

### 5. Conditions (Part I)

**This agreement is subject to the following conditions:**

- A. All requirements of the Program have been complied with and attorneys for the Program participate in defense of claim.
- B. (i) The municipality or agency shall promptly and in any event not later than ten (10) days after the accident notify the Program Administrator of any loss or accident. (ii) Within twenty (20) days after the accident and prior to any payments being made by the Program, the municipality or agency shall furnish an accident report completed by the appropriate investigating agency.
- C. The municipality or agency, as the case may be, shall cooperate with the Program in the investigation, settlement or defense of any claim or suit and shall not voluntarily make any payment, assume any obligation or incur any expense and shall cooperate in whatever manner necessary to determine liability or loss and facilitate settlement.
- D. The municipal official or employee shall notify the Executive Director of the League, or an appointed designee, to defend a pending claim by delivering a copy of said claim or complaint along with any and all legal papers accompanying the claim, to the Executive Director of the League, or an appointed designee, not less than seven (7) days, excluding Saturdays and Sundays and holidays, prior to the deadline for responding to said claim or complaint.
- E. See reverse side—Additional Conditions—Part I and II.

## Part II. Physical Damage to Municipal Vehicles

### 1. Intent of Program

- A. The intent of the Municipal Vehicle Program Part II is to cover motor vehicles and permanently attached equipment which are the property of

the participating municipality or agency and any other equipment for which coverage has been applied for and accepted by the Municipal Vehicle Program Part II.

- B. Part II of the Program covers all risks of direct physical loss of or damage to the property covered and listed on the Enumeration Schedule from any external cause except as excluded elsewhere herein.

### 2. Exclusions (Part II)

**The Program does not cover:**

- A. Indirect or consequential loss of any kind.
- B. Loss or damage caused by or resulting from wear and tear, gradual deterioration, mechanical breakdown, inherent vice, latent defect, insects, vermin, rodents, rust, corrosion, dampness of atmosphere, water, falling objects, freezing or extremes of temperature; however, water damage arising directly from a specific accidental event shall not be excluded with respect to watercraft or aquatic vehicles under thirty (30) feet in length.
- C. Damage to aircraft; nor does it provide coverage for aerial vehicles and devices.
- D. Damage to watercraft or aquatic vehicles thirty (30) feet or more in length.

### 3. Valuation

**For the purpose of this coverage, property will be valued at the full cost to repair or replace the property after deduction for depreciation.**

### 4. Conditions (Part II)

- A. When loss occurs, the participating municipality or agency shall protect the property and any further loss due to the failure to protect shall not be recoverable under this Program.
- B. When loss occurs, the participating municipality or agency shall give notice thereof to the Program as soon as practicable and in any case, not more than ten (10) days after the loss.
- C. The limit of the Program's liability for loss of property shall not exceed either: (1) the actual cash value of the property or if the loss is of a part thereof, the actual cash value of such part at the time of loss, or (2) what it would then cost to repair or replace the property of such part thereof with other of like kind and quality with deduction for depreciation, or (3) the applicable limit of liability stated on the Enumeration Schedule.
- D. The terms of this Program shall apply separately to each article listed on the Enumeration Schedule and each shall be held to be separate pieces of property as respects to Part II coverage, including any deductible provisions. The Program may pay for the loss or may repair the property pursuant to

the terms herein at the agreed or appraised value. Stolen property may be paid for, or if returned the damages thereto paid for, at the agreed or appraised value.

- E. This coverage applies only to direct and accidental losses to the covered property which is sustained during the coverage period and when such property described in this coverage is maintained and used under the direction or approval of officials or management in charge.
- F. Eligibility: A municipality or municipal agency wishing to obtain coverage under the Municipal Vehicle Program Part II must first be enrolled in Part I. However, the following are excepted from this general rule and may be enrolled in Part II without being enrolled in Part I: (i) Watercraft or aquatic vehicles less than thirty (30) feet in length, (ii) Trailers and other non-self-propelled mobile equipment.
- G. Deductible Provision—In the event indemnity for loss is payable to a participating municipality or agency, the amount paid will be reduced by the deductible amount. The deductible amount will be \$1,000 per occurrence.
- H. The Program is authorized to inspect and appraise the damaged property before its repair or disposition and shall have the right of salvage when applicable.
- I. The liability for damages to covered property which is covered by one or more policies of insurance is not covered under this Program except that the Program will pay the excess over any such insurance policy which has coverage's less than the payment limits set forth in this agreement up to such payment limits.
- J. In the event of any payment under the terms of this agreement, the Program shall be subrogated to all rights of recovery therefore against any person or organization.
- K. Damages to persons transported by the municipality or its agency, or in its care, custody or control may be covered at the discretion of the Program's Administrator, but in any event, the program shall only be liable for bodily harm and only to the extent of limits in Part I, paragraph 1(C).

#### Conditions Applicable to Parts I and II

- 1. The term of this agreement shall be for one (1) year beginning and ending on the date set forth in the Enumeration Schedule executed by the parties and incorporated herein by reference. The execution of subsequent Enumeration Schedules shall constitute extensions of this agreement for one (1) year periods designated therein.

- 2. No one has authority to verbally change any provisions of this Program. Any changes or endorsements must be in writing by a duly authorized representative of the Program.
- 3. Annual enumeration provides coverage for the motor vehicles and mobile equipment listed on the Enumeration Schedule. Therefore, when a replacement or an additional vehicle is acquired, it must be reported to the Program and appropriate pro-rata premium paid within thirty (30) days of acquisition.
- 4. The municipality, its agency or the Program may terminate this agreement by giving the other party thirty (30) days' notice in writing. Following cancellation by the Program, any refund will be computed pro-rata. Upon cancellation by the municipality or agency, no refund will be made.
- 5. In the event of termination of the Program, any or all assets, including real or personal property held or owned by the Program, shall be distributed to the participating municipalities on a pro-rata basis. Any property acquired or held for the Program shall be held in the name of the Municipal Vehicle Program.
- 6. The provisions of this Program and the coverage herein can be afforded only to the covered municipality and covered agency and assignments to any person or persons, firms or corporations or other entity will not be honored by the Program without written consent.
- 7. The municipality or agency enrolled in this Program agrees to pay into the Program each year a charge established annually by the Program Administrator for property for which the municipality desires coverage. Such property must be listed annually on the Enumeration Schedule provided by the Program properly executed by authorized official. Payment of the yearly charge by a municipality or agency shall constitute its agreement to and the acceptance of the provisions of this agreement.
- 8. The Executive Director of the Arkansas Municipal League is hereby designated Program Administrator. The Program Administrator shall at least annually conduct a meeting of all municipalities and municipal agencies participating in the Program to hear recommendations and comments pertaining to the terms and conditions of this agreement and the administration of the Program. The Program Administrator shall also submit a financial statement at each annual meeting.

- 9. The officers of the League whose cities or towns are members of the Program shall constitute a committee for the Program for purposes of governing the Program and hearing appeals from decisions made by the Program Administrator regarding matters of coverage and defense of claims and litigation. The Committee shall decide any such disputed claim or litigation matter. Appeals by Program members or their employees or officials of defense or financial coverage decisions of the Program Administrator are mandatory before any litigation may ensue regarding those defense or financial coverage issues. The Program shall not be liable, nor required to pursue, any form of litigation regarding any defense or financial coverage decision unless the Program participant has first exhausted all administrative remedies available through the Program, including but not limited to an appeal to the Committee.
- 10. The Program Administrator is authorized to employ such agents, attorneys, investigators and appraisers as he may deem necessary to administer the Program and to pay from the Program all costs and expenses of administration of the Program including compensation to the Program Administrator.
- 11. This agreement is made for the benefit of the individual municipalities joined herein and no municipal official, employee or other person shall have any legally enforceable rights under this agreement against any municipality joined herein, a municipal agency, the Program, Program Administrator, Program Agents, Arkansas Municipal League or attorneys for any of the foregoing, whether as third-party beneficiaries or otherwise, this agreement being one solely between the municipalities joined herein.
- 12. The funds and assets of the Program shall be separated from Arkansas Municipal League funds and assets and notwithstanding anything herein to the contrary, the League shall not be obligated directly or indirectly to pay any sum. The League's Reserve Fund is designed to provide financial assistance to the Program in the event it is needed and will do so in accordance with its terms, and the terms of this Program.



# MUNICIPAL VEHICLE PROGRAM

**Revised Effective  
September 2017**

***This Program is a self-funded  
risk management trust designed  
to benefit its local governmental  
members.***

Sponsored  
by the  
Arkansas Municipal League



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