

Municipal Vehicle Program

Effective January 1, 1982, as revised

September 2021

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. The Program covers risks as more specifically outlined in Part I and Part II of the Program. No first party injury coverages are available.
- ## 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"). The Program is only liable up to the limits.
- B. During the term of the Program and subject to terms of this agreement and the applicable limits, 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 scheduled 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 damage 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. Payment of the limits ends the Program's duty to defend or settle any additional claims arising out of the same occurrence.

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 Steering Committee for covered motor vehicles and mobile equipment owned or leased by the municipality or agency.
 - B. The municipality or agency shall list any motor vehicle or mobile equipment on their Enumeration Schedule that they want covered under the Program in order for coverage to apply to that motor vehicle or mobile equipment. If the involved vehicle or equipment is not listed or if the Program is not notified within 21 days of a newly acquired vehicle or equipment or a replacement vehicle or equipment, coverage will not apply to that involved vehicle or equipment.
 - C. The terms of the 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. If one or more liability coverages provided by the Program applies to the same loss, the Program will apply the liability coverage from the one policy that affords the highest limit of coverage. The limits of liability will not stack upon one another.
 - D. Payment of the charge by a municipality or agency shall constitute its agreement to and the acceptance of the provisions of this agreement.
 - E. We have a right to inspect the damaged property. Claims involving vehicle(s) that have been repaired or replaced or removed prior to our inspection will be denied. Also, see 4) Conditions (Part II) A. below.
- ### 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 coverages 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 or arising out of the use or operation of 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 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 that 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 designed to carry a pilot or occupants or property, nor does it provide coverage for aquatic vehicles and devices.
 - I. There is no coverage for bodily injury to: 1) the authorized user, 2) a resident relative of the authorized user, and 3) any other person who both resides primarily with the authorized user or is related by blood, marriage, or adoption.
- ### 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 notify the Program Administrator of any loss or accident in a timely and reasonable manner.
(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. 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 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).
- F. See page 6—Conditions Applicable to Parts 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 that 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, 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 designed to carry a pilot or passengers.
- D. Damage to watercraft or aquatic vehicles thirty (30) feet or more in length.
- E. Loss or damage to personal items not considered as equipment that is unique to the scheduled vehicle.

3. Valuation

For the purpose of this coverage, vehicles will be valued at the amount you provided on the Enumeration Schedule for the involved vehicle or the actual cash value of the involved vehicle at the time of the loss, whichever is lower. The Program has the option to pay the full cost to repair or the cost to replace the property, whichever figure is lower.

4. Conditions (Part II)

- A. When loss occurs, the participating municipality or agency shall protect the property from additional damage. Any further loss due to the failure to protect shall not be recoverable under the Program.
- B. When loss occurs, the participating municipality or agency shall give notice thereof to the Program as soon as practicable. Failure to report the loss to the Program in a timely manner will bar recovery under this portion of the Program.
- 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. We will pay the lowest figure of options 1, 2, or 3, less the applicable deductible.
- D. The terms of the 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.
- E. This coverage applies only to direct and accidental losses to the covered property that 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. Coverage also applies in the event that the property has been stolen.
- 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, (iii) UAV or unmanned aerial devices.
- G. Deductible Provision—In the event indemnity for loss is payable to a participating municipality or agency, the amount of damages will be reduced by the deductible amount and the resulting payment will not exceed the amount on the Enumeration Schedule. The deductible amount will be \$1,000 per occurrence.
- H. The Program is authorized to inspect and appraise the damaged property before it is repaired or disposed of and shall have the right of salvage when applicable.
- I. The liability for damages to covered property that is covered by one or more policies of insurance is not covered under the Program except that the Program will pay the excess over any such insurance policy that has coverages 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 payments against any person or organization liable for those damages. The basis for the aforementioned right of subrogation is in both equity and contract. The municipality or member hereby authorizes the Program Administrator to pursue the aforementioned right of subrogation by employing such agents, attorneys, investigators, and appraisers as he may deem necessary, and authorizes that suit may be brought in the name of the municipality or member, or any other real party in interest as is necessary to pursue the aforementioned right of subrogation. Such authorization is deemed effective on the first effective date of the Enumeration Schedule in effect at the time of any payment under the terms of this agreement.
- K. In the event of a total loss to a covered vehicle, the maximum amount the Program will pay for decal reapplication or rebadging of the scheduled unit is \$500.

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 the 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, 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 Steering Committee 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 Steering 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 Steering 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 Steering 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

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as revised September 2021

*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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