

Safely



**SPEAKING**

BY RUDY PENNER

# Liability of lending your vehicle – part 1

**H**AVE you ever been asked by a family member, friend or acquaintance to lend your personal or company vehicle to them? Or, perhaps you have been the one that has asked to borrow somebody else's vehicle. Have you ever considered the consequences of doing so? If something happens to your vehicle while being driven by somebody else, consequences can include:

- Your insurance will be affected – can you afford to pay a higher premium?
- Your vehicle may be written-off – can you afford to buy a new one?
- Your insurance could be voided and then you may be personally responsible for damages – can you afford that?

Owning and/or operating a vehicle carries many responsibilities. Vehicles have the potential to cause significant property damage as well as serious harm to people.

When lending your vehicle to others to use, it is important to do your due diligence and ask questions first.

- Do they have a proper driver's license for the type of vehicle that is being used? (Always a good idea to obtain a copy for your records)

- For what is the vehicle going to be used?
- How long will they need the vehicle?
- For what event or function will it be used?
- Where will it be traveling (in or out of province, or out of the country)?
- Who will be driving the vehicle?
- Who else will be in the vehicle? How many passengers will there be?
- Will there be alcohol involved?

One consequence of not doing your due diligence is that your insurance will be affected if something happens with the vehicle. In effect, when you lend your vehicle, you lend your insurance. If the person that you lend your vehicle to is involved in an at-fault accident, the claim will go through your policy and your rates may be affected. What happens if it's a severe accident and the policy limits aren't enough to cover the damages? You as the owner of the vehicle could be personally liable for the excess once the insurance limits have been exhausted.

What if the driver does something that violates your insurance coverage (impaired driving, etc.) and gets involved in an accident? You/your company can be implicated in the recovery attempt by the third-party insurance company as they will sue both the driver and the vehicle owner. Since your insurance coverage won't respond to the loss, due to the violation, both you and the driver will have to retain your own legal counsel to defend the matter and one or both of you may be responsible for indemnifying the third party.

You can never predict what will happen when you lend your vehicle to someone else. However, by doing your due diligence and asking important questions, you can consider the consequences and make a better decision as to whether you should lend your vehicle.

At Federated Insurance, we believe loss prevention is a critical component of your risk management program. For more information, contact our Loss Prevention department at 1-800/665-1934, or visit our Web site at [www.federated.ca](http://www.federated.ca).

The information provided is intended to be general in nature, and may not apply in your province. The advice of independent legal or other business advisors should be obtained in developing forms and procedures for your business. The recommendations are designed to reduce the risk of loss, but should not be construed as eliminating any risk or loss.

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