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# Liability of Lending Your Vehicle

Have you ever been asked by a family member, friend, or acquaintance to lend your personal or company vehicle to them?

Or perhaps you've 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:

- 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 in certain situations (material change in risk) 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 it's important to do your due diligence and ask some 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)
- What is the vehicle going to be used for?
- How long will they need the vehicle for?
- What event or function will it be at?
- Where will it be traveling (in or out of province, 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? As the owner of the vehicle you can be personally liable for the excess once the insurance limits have been exhausted.

What if the driver does something that violates your insurance coverage (be it an excluded peril or violation of a general provision or statutory declaration) and gets involved in an accident? This could affect first party and/or third party coverage. 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.

Some other factors that you need to be aware of when lending your vehicle to somebody are:

- There should only be as many people in the vehicle as there are proper seatbelts for. Any unsafe practices such as over capacity in the vehicle or allowing persons to ride on the back of trucks can result in serious bodily injury or possibly even death.



**Knowing your business matters.**

- If it is a younger driver they may have restrictions on their drivers license as to who must or can be in the vehicle with them. Younger drivers may still be in some stage of their Graduated Driver License and this could place restrictions on their driving status. It is important to keep this in mind when lending your vehicle to younger or newer drivers.
- If the vehicle is being taken out of the province or more importantly out of the country is your third party liability coverage sufficient? This is especially important when traveling in the United States.
- If you are lending your vehicle you must consent to its use by the other driver. By giving somebody the keys you have given consent even if there was no oral communication. The person to whom you lend your car must be a licensed driver who is legally authorized to drive in the province. Remember, if the person borrowing your vehicle has an accident while driving your vehicle, it goes on your insurance policy.
- Vehicles displaying the company logo can be great advertising. However it can also be detrimental to the company's image if the vehicle is seen in an accident or not being used responsibly.

You can never predict what will happen when you lend your vehicle to somebody else, however by doing your due diligence and asking some important questions, you can consider the consequences and make a better decision as to whether or not you should be lending the vehicle.

### Partners In Prevention

At Federated Insurance, we believe Loss Prevention is a critical component of your Risk Management Program. Your Risk Services Coordinator and our Loss Prevention Team are available to assist you in reviewing your specific business needs and providing recommendations for loss prevention programs that will benefit you. Working together to reduce your loss exposures, ultimately impacts your bottom line!

For more information, contact your Risk Services Coordinator, our Loss Prevention Department at 1-800-665-1934, or visit our website at [www.federated.ca](http://www.federated.ca)

Federated Insurance provides this Loss Prevention Bulletin as a service to our policyholders and their business advisors. 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 in this bulletin are designed to reduce the risk of loss, but should not be construed as eliminating any risk or loss.