RISK MANAGEMENT BULLETIN

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Out of State Operation of LGIT Insured Vehicles

Your local government's auto liability coverage with the Local Government Insurance Trust ("LGIT") extends to out-of-state operation of all insured vehicles. When government owned and LGIT insured vehicles are operated in Maryland, it generally can be assumed that the liability limits will be those established in either the Maryland Tort Claims Act ("MTCA")(for vehicles operated by State personnel) or the Local Government Tort Claims Act ("LGTCA")(for vehicles operated by local government employees). Under the MTCA, the liability limit is $400,000 for a single claimant for injuries arising from a single incident or occurrence. Under the LGTCA, the liability limits are $400,000 per individual claim, and $800,000 per total claims arising from the same occurrence.

However, when a local government owned and LGIT insured vehicle is operated out-of-state, the liability limits established by Maryland law will likely not apply. Instead, for accidents involving LGIT insured vehicles in another state, the courts of that state will generally apply their state's own liability laws, including their liability limits. If the state has no act similar to the MTCA or LGTCA, the courts will allow damages to be determined in accordance with that state's law. There simply is no obligation to apply Maryland law to an accident occurring in another state. As such, LGIT generally will be obligated to pay any out-of-state judgment arising from the negligent operation of a LGIT insured vehicle. Since LGIT's standard auto liability coverage is $1,000,000, and can, with excess liability coverage, be as high as $6,000,000, the dramatic increase in liability exposure for out-of-state accidents is obvious.

In establishing insurance rates for our members, LGIT assumes that, at least for some government owned and operated vehicles, there will be some limited out-of-state use. Examples include attendance at meetings, extra-territorial law enforcement purposes, and emergency situations. As an insurer, however, LGIT must calculate this increased risk exposure into its insurance rates. Consequently, if a LGIT member authorizes daily, or even frequent, use of insured vehicles out-of-state, perhaps part of a "take home vehicle" policy, LGIT will likely factor this increase in liability exposure into its actuarial process to determine the member's premiums.

Based on this information, it is important for each and every LGIT member to review its policies, procedures, and practices concerning the out-of-state use of vehicles. It is equally important that officials, officers, and employees be aware of, and strictly follow the policies and procedures in place. Remember, the rule of thumb is: The less out-of-state use of insured vehicles, the less chance of any significant impact on premiums.

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