



James K. Ruble Seminar

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Section 12

Current Issues – Personal Auto

Current Issues Personal Auto

Jerry Kennedy, CIC
Foisy & Kennedy, Inc.
P.O. Box 69 - 309 Midway Ave.
Grand Coulee, WA 99133
(509) 633-0410
(509) 633-2905 Fax
Email: jerry@foisykennedy.com

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| Outline Format | |
|---|---|
| <div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;"> <p style="text-align: center;">Sample Policy Text</p> </div> <p>Bold type is used for emphasis.</p> | <p>Outline</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> <p>Endorsements are shown in a box like this</p> </div> <p><i>Suggestions on how to plug a coverage gap will be in italics.</i></p> |

Caveats and Other Legal Mumbo Jumbo

The sample policy language provided is intended to be representative of the policies in the marketplace. Actual policy language will vary by company, state, what forms a company chooses to use in a particular region and a host of other factors. The only policy language that counts is the language in the policy you're selling or servicing.

Insurance policies are contracts between a policyholder and the insurance company. In the end, it's not what I think a policy means that matters. It's what the insurance adjuster that's paying the claim (or denying it) thinks the policy means. You should always check with your companies to see how they interpret their own policy language.

It's Good to be You

ISO AUTO POLICY

A. Throughout this policy, "you" and "your" refer to:

1. The "named insured" shown in the Declarations; and
2. The spouse if a resident of the same household.

If the spouse ceases to be a resident of the same household during the policy period or prior to the inception of this policy, the spouse will be considered "you" and "your" under this policy but only until the earlier of:

1. The end of 90 days following the spouse's change of residency;
2. The effective date of another policy listing the spouse as a named insured; or
3. The end of the policy period.

COMPANY S AUTO POLICY

A. Throughout this policy, "you" and "your" refer to:

1. The "named insured" shown in the Declarations; and
2. The spouse if a resident of the same household;
3. The civil partner, if a resident of the same household, by civil union licensed and certified by the state; or
4. The **domestic partner**, if a resident of the same household:

Domestic partner means a person living as a continuing partner with you and:

1. Is a least 18 years of age and competent to contract;
2. Is not a relative; and
3. Shares with you the responsibility for each other's welfare, evidence of which includes....

Domestic partner does not include more than one person, a roommate whether sharing expenses equally or not, or one who pays rent to the named insured.

COMPANY Y POLICY

Joint and Individual Interests

If there is more than one named insured on this policy, any named insured may cancel or change this policy. The action of one named insured shall be binding on all persons provided coverage under this policy.

(One companies policy language that is helpful in administering policy changes and cancellations).

It's Good to be You

Personal lines policies begin with a set of definitions which can create or limit coverage. First on the list is who is “**you**” or the “**named insured**”. It’s good to be **you** because the policyholder(s) get more coverage than anyone else. Here’s a list of coverage important coverages that a **you** gets:

Personal Auto policies:

1. Automatic coverage for buying a new vehicle (some restrictions apply).
2. Liability and physical damage coverage when driving a borrowed or rented vehicle.
3. Medical/PIP and Uninsured/Underinsured Motorists coverage when in a borrowed or rented car, or when ran over as a pedestrian.

Who qualifies as **you**:

1. The **person** or persons **named in the Declarations** as the **named insured**. If both spouses are named, both are you’s. If a domestic partner is named, they become a you too.
2. A spouse who isn’t named, but only when they live with the policyholder. Auto policies often continue “you” status for up to 90 days after a separation.
3. Several states (and companies) now treat domestic partners the same as spouses, making them a “you” if they live with the policyholder. Registration as partners with the state may be required.
4. Some companies use I.S.O’s Joint Ownership Coverage Endorsement to make domestic partners a you. “You” status requires at least one auto is titled jointly.

Divorce and Separation gaps:

1. Spouses who aren’t named on the policy lose “you” status (and coverage) during a separation or divorce:
 - *Always name both spouses as named insureds!*
2. One spouse wants to remove the other or their vehicle:
 - *Don’t reduce coverage without permission of both insureds.*
 - *May require starting a new policy.*

It's Good to be You

AUTO POLICY

LIABILITY EXCLUSIONS

A. We do not provide Liability Coverage for any "insured" for:

"Bodily injury" to "you" or any "family member" to the extent that the limits of this coverage exceed the "minimum limits" required by the Missouri Financial Responsibility Law.

COMPANY S AUTO POLICY

A. Throughout this policy, "you" and "your" refer to:

1. The "named insured" shown in the Declarations; and
2. The spouse if a resident of the same household;
3. The civil partner, if a resident of the same household, by civil union licensed and certified by the state; or
4. The **domestic partner**, if a resident of the same household:

Domestic partner means a person living as a continuing partner with you and:

1. Is a least 18 years of age and competent to contract;
2. Is not a relative; and
3. Shares with you the responsibility for each other's welfare, evidence of which includes....

Domestic partner does not include more than one person, a roommate whether sharing expenses equally or not, or one who pays rent to the named insured.

Joint Ownership of Vehicles

The policy is designed to insure vehicles owned solely by the named insured. In general, the person shown as registered owner on the car title should be the same as the person named on the policy.

Vehicles that are on the policy will be afforded Liability coverage. But, since the policy covers the named insured's insurable interest in the auto, vehicles that are owned by others may not be covered for physical damage. When the insured owns the auto jointly with others, the other parties financial interest should be noted on the policy.

When autos are owned jointly with domestic partners that don't have their own PAP, naming the domestic partner as a joint named insured can afford them excellent coverage. In a few states, the PAP excludes one named insured injuring another named insured. Some excludes loss to another named insured that's in excess of financial responsibility limits. Agents should counsel clients on this exposure before having unmarried partners share a policy.

When insuring domestic partners as joint named insureds, be sure both partners sign all legal documents including applications and UM rejection/reduction forms.

It's Good to be You

Domestic Partner coverage and gaps:

1. Domestic partners (and spouses) may not be a “you” if not named or if not living with “you”:
 - *Name partners as named insureds! Being added as a driver doesn't add coverage for driving or being injured in borrowed or rented autos with most companies.*
 - *If sharing policies isn't appropriate, partners need to be a named insured on their own auto policy to insure they're adequately covered.*
2. ISO introduced the “Additional Resident of Your Household” endorsement (PP 33 37) in their 2018 PAP. Persons named in the endorsement will be treated as **family members** and provided coverage for non-owned (but not newly acquired) vehicles. The endorsement requires the insured to notify the insurer if the named resident changes residences.
3. When a policy is issued jointly to unmarried partners, one cannot legally sign on the others behalf:
 - *Always require both partners to sign the application and UM forms.*
4. Personal Umbrella and some Auto policies will exclude Liability coverage for one “you” hurting another “you”. Although state law may bar spouses from suing each other, those protections often don't apply to domestic partners.
 - *Advise unmarried partners to seek legal counsel for this exposure.*
 - *If sharing policies isn't appropriate, partners need to be a named insured on their own auto policy to insure they're adequately covered.*

Joint ownership gaps:

- The policy on the car won't cover a vehicle owner properly if they're not a policyholder. *All vehicle owners need to be a you.*

Family - The Next Best Thing to Be

AUTO POLICY

DEFINITIONS

F. "Family member" means a person related to you by blood, marriage or adoption, who is a resident of your household. This includes a ward or foster child.

Liability Coverage:

B. "Insured" as used in this Part means:

1. You or any "family member" for the ownership maintenance or use of any auto or "trailer."
2. Any person using "your covered auto."
3. For "your covered auto," any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.
4. For any auto or "trailer," other than "your covered auto," any other person or organization but only with respect to legal responsibility for acts or omissions of you or any "family member" for whom coverage is afforded under this Part. This provision (B.4.) applies only if the person or organization does not own or hire the auto or "trailer."

EXCLUSIONS (PART A - LIABILITY)

B. We do not provide Liability Coverage for the ownership, maintenance or use of:

3. Any vehicle, other than "your covered auto," which is:
 - a. owned by any "family member;" or
 - b. furnished or available for the regular use of any "family member."

Family Members

When are kids and other relatives considered a "resident of the household" and covered by home, auto and umbrella policies? The courts will look at these on a case by case basis, but will generally look for:

1. **Permanence** - Do they plan to continue to live together?
2. **Does the household act as a unified family unit?**

For students away at college or in the military, there are some additional criteria:

1. **Dependence** - Do they rely on their parents for financial support?
2. **Unmarried** - Getting married generally creates a new household
3. **Intent to return home** - Do they come home for holidays? Have a room?
4. **Maintain a close relationship with parents**

Family - The Next Best Thing to Be

Personal lines policies also provide a lot of coverage for “family members”, relatives who live with the policyholder. Resident relatives get coverage like:

Personal Auto policies:

1. Liability and physical damage coverage for driving a borrowed or rented vehicle.
2. Medical Payments/PIP and Uninsured/Underinsured Motorists coverage when in a borrowed or rented car, or when ran over as a pedestrian.

Who qualifies as a “family member”:

- The Personal Auto policy considers “family members” to be anyone related to “you” by blood, marriage or adoption if they are a resident of “your” household. Resident wards and foster children are included. Although the policy doesn’t address college students, the courts often consider them to be “residents” of their parents household (see left).

Kid’s Gaps:

1. When “family members” quit or finish school, become independent or get married, they lose coverage for driving or being hurt in non-owned vehicles. They are still insured driving their parents car, though some policies reduce their Liability coverage to state minimums when they’re no longer a member of the household (see drop-down provisions on the following pages).
 - *Get college students and adult children their own auto policy as soon as is practical.*
2. Personal auto policies exclude coverage for an insured using a vehicle that’s available for their regular use, which can include a college roommate’s car.
 - *The Extended Non-owned Coverage endorsement might provide coverage, (depending on edition) but most companies won’t offer it to college students.*

Drop Down PAP's

AUTO POLICY

EXCLUSIONS (PART A - LIABILITY)

From Company H PAP:

The following additional exclusions apply to this coverage:

- C. To the extent that the limits of liability for this coverage exceed the minimum limits of liability required by the financial responsibility law of the state in which "your covered auto" is principally garaged, we do not provide Liability Coverage for any "insured" while operating a vehicle if that "insured" is a "family member" or other person who is a resident of your household, unless you have notified us before the accident that such "family member" or person is an operator.

This exclusion does not apply to a "family member" or other person who is a resident of your household who is not eligible to secure a valid driver's license solely due to his or her age.

Step down or drop down provisions are found in some auto policies. These provisions reduce the liability coverage provided permissive users, other than "resident relatives", to financial responsibility limits. This is problematic for the insured's children when they're no longer considered residents of the household. Another variation (shown above) reduces coverage to FR limits for any member of the household that wasn't rated for.

Drop Down Provisions:

1. Many personal auto policies are introducing "step down" or "drop down" provisions that limit coverage for certain drivers to only financial responsibility limits, for example \$25,000/\$50,000/\$10,000. Some, like the example above, reduce coverage for anyone in the household who was not rated for. Others will reduce coverage for anyone that's not a family member, like a friend the car is lent to or a son or daughter who no longer qualifies as a "resident relative".
 - *Get college students their own PAP before they finish school*
 - *Warn clients of coverage limitations for undeclared drivers*
2. Drop down provisions are not allowed in PAP's in some states. They may be seen as "family or household" exclusions or for other reasons considered contrary to public policy.
3. Some personal umbrellas don't cover permissive users, so kids can lose umbrella coverage when they're no longer "resident relatives".
4. A similar limitation used by some insurers is to make the liability coverage provided permissive users excess when they're using an insured's auto.

The Latest In Limiting Language

Language recently added to policy conditions of a large national insurers PAP:

DUTY TO REPORT CHANGES:

You must promptly report to us all changes, including additions and deletions, in policy information. Further, you must report to us certain changes no later than 30 days after the change occurs. These are changes to:

1. your mailing address or your residence address;
2. the principal garaging address or any covered auto;
3. the residents in your household;
4. the persons of legal driving age residing in your household;
5. the persons who regularly operate a covered auto;
6. an operators marital or domestic partnership status; or
7. the driver's license or operator's permit status of your, a relative or rated resident.

Your failure to comply with this duty, where material to the risk of loss, may result in our denial of coverage for a claim.

Physical Damage exclusion recently added to another large national insurers PAP:

Loss to **your** insured **auto...**from a collision with another object (or upset)...if at the time of the loss the **auto** was being operated by a licensed driver who was not listed as a driver on your policy..and who was either a 1) resident (of your household) or 2) a guest temporarily staying in your home.

We will not apply this exclusion if:

1. The driver became a 1) resident of household, 2) guest in your household or 3) became licensed.. in the 90 days preceding the loss.
2. The operator was listed as an insured or licensed operator under..another auto policy.
3. At the time of loss the driver was operating the vehicle for 1) purpose of obtaining emergency medical treatment for a passenger or 2) other licensed drivers were intoxicated and the operator wasn't (and a police report is obtained).

The need to offer lower rates is prompting many insurers to add similar limitations to their policies. How many policyholders read their policy and would be aware of the reporting requirements? Even if insureds read their policies at time of purchase, how many could remember the need to report changes months or years later?

Examples of required reporting in the first example given in an explanatory memo to agents included: 1) A minor got their driver's license, 2) an exchange student who is living in the home for four months, 3) a significant other who just moved in and 4) a new roommate who is driving the insured's vehicle.

It is too soon to see how this stringent reporting requirement will fare in the courts. Some states require all exclusionary language to be clearly highlighted in the policy, which is not the case in the first example. In an explanatory note to their agents, the insurer stated "Your agency shouldn't see any difference in your day-to-day" operations due to the Duty to Report change" and the insured's failing to report a change "would be neither an error or omission for your agency". That may be true, but the agency is likely to be named in any litigation resulting from a denial of coverage.

Some worry that the increasingly harsh provisions being seen in personal lines policies may result in a revival of the "reasonable expectations" doctrine when their meaning is later litigated.

Not so Automatic New Car Coverage

ISO AUTO POLICY

Newly Acquired Auto - Identifies which autos are automatically covered when purchased by the insured, how long the insured has to notify the insurance company and how much coverage is provided.

- **Only vehicles acquired by the policyholder (you) are automatically covered on the date of purchase.** Cars purchased by a family member are not automatically covered.

The only autos that are covered automatically when purchased **are private passenger cars, pickups and vans.** **Pickups and vans are automatically covered only if they are 1) Less than 10,000 lbs. GVW, 2) not used in business** (except the eligible businesses of farming or artisan contractors) and **3) not covered by another policy.** There is no automatic coverage for other vehicles that are purchased, like large trucks, motor homes or motorcycles.

The chart below shows how long the insured has to report the new auto and what coverage they have automatically. **Replacement autos** are new autos which **replace an existing auto.** When an existing auto is not being replaced, the new auto is an **additional auto.**

| Coverage | | Replacement Auto | Additional Auto |
|---|------------------------------------|---|---|
| Liability Medical Payments Uninsured Motorists | | Covered. The 2018 PAP requires notification within 14 days. | Covered if notify company within 14 days. |
| PHYSICAL DAMAGE | If have on an owned vehicle* | Get broadest coverage carried on any auto if notify company within 14 days. | Get broadest coverage carried on any auto if notify company within 14 days. |
| | If don't have on an owned vehicle* | Covered with \$500 deductible if notify company within 4 days. | Covered with \$500 deductible if notify company within 4 days. |
| *Applies to Collision and Other than Collision separately. For example, if Other than Collision is carried on a vehicle on the policy, but Collision isn't, Other than Collision coverage would apply for 14 days, while Collision would only apply for 4 days and would have a \$500 deductible. | | | |

Not so Automatic New Car Coverage

Most companies have not adopted the broader newly acquired vehicle coverage provisions of ISO's 1998-2018 PAP's. Many don't provide physical damage coverage for vehicle that replaces a vehicles without physical damage coverage. Most still don't provide automatic physical damage coverage when it isn't carried on an owned vehicle. See the chart below for a sampling of insurer provisions.

| NEWLY ACQUIRED COMPARISON | |
|---------------------------|--|
| Company | Coverage Provided |
| Company A | New cars, pickups and vans if not over 1 ton load capacity. Additional vehicles covered if reported in 30 days, but only if all owned vehicles are insured. No automatic physical damage if not carried on an owned auto. |
| Company B | New cars, pickups, vans, motorhomes and motorcycles acquired by you or a family member. Replacement vehicles have only the coverage of the trade-in. Additional auto get broadest coverage carried. 30 days to notify. No automatic physical damage if not carried on an owned auto. |
| Company E | New cars; pickups and vans if less than 10,000 GVW. Only if all owned autos are insured. Replacement vehicles have only the coverage of the trade-in. 30 days to notify. No automatic physical damage if not carried on an owned auto. |
| Company F | New cars, pickups and vans if not over 1 ton load capacity. Additional vehicles covered if reported in 30 days, but only if all owned vehicles are insured. No automatic physical damage if not carried on an owned auto. No coverage for newly acquired vehicles used for delivery or in volunteer fire or EMS service. |
| Company S | New cars, motorhomes; pickups and vans if less than 12,000 GVW. Replacement vehicles have only the coverage of the trade-in. 30 days to notify. No automatic physical damage if not carried on an owned auto. |
| Company T | New highway type vehicle with four or more wheels, except for truck-tractor. Must notify of newly acquired within 14 days of delivery. If no physical damage coverage carried, will extend with \$500 deductible with 4 days to notify. |

- *Be aware of the lack of coverage for new vehicles provided by policies sold by most companies. Ask the company for an "automatic binder".*

Trailer Troubles

COMPANY E AUTO POLICY

EXCLUSIONS

A. We do not provide Liability Coverage for any “insured”:

- O. For “bodily injury” or “property damage” resulting from the use of any “auto” or trailer as a residence, or for office or display purposes.

COMPANY C AUTO POLICY

EXCLUSIONS

A. We do not provide Liability Coverage For “bodily injury” or “property damage” resulting from the use of a “motorhome or trailer while it is parked”:

1. Being used as a residence unless RV Vacation Liability policy applies..
2. Being used for any commercial or business purpose;
3. Being used a a premises for office, store or display purposes..

Temporary residence doesn't include primary residence, but would include land owned by you or reserved for your exclusive use.

A number of maintenance related physical damage exclusions are also added, including damage caused by rodents, gradual water damage and mold.

Trailer exposures: People use trailers in a variety of ways. Travel and camping trailers might spend summer weekends at a campground or might be parked permanently on owned recreational property and serve as second homes. Some campgrounds are clubs where members can stay at a variety of spots, while others have permanently assigned spots in specific places. Some retirees live in their trailers year round.

New travel and camping trailers experience dramatic drops in resale value following purchase. That combined with very slow amortization of loans with lengths of 7 to 20 years, creates severe gap exposures where ACV is dramatically less than loan balances.

As people use trailers in more diverse ways, insurers have been introducing new limitations on the coverages afforded them.

Trailer Troubles

Homeowners coverage for trailers: Most homeowners policies provide limited property coverage for trailers. They're typically subject to a special limit of \$1,500, subject to named perils, not covered for off-premises theft and not covered at all when attached to a vehicle. Liability coverage for trailers was historically provided when they weren't being towed, though coverage is now typically excluded any time the trailer is hitched to a vehicle. Although homeowners policies will cover personal property off-premises, including when in a travel trailer, the 10% limitation for other residences might apply. Most policies only provide named peril coverage for contents.

Homeowners policies also limit Liability coverage for other "residences" owned by an insured to those acquired during the current policy year or those that have been specifically added to the policy. Temporary residences not owned by an insured have Liability coverage, but that wouldn't provide coverage for residential trailers the insured owns. Liability coverage for trailers is also excluded whenever they're hitched to a vehicle.

Personal Auto coverage for trailers: Most PAP's, including ISO forms, provide Liability, Medical Payments and UM/UIM free coverage automatically because they're included in the definition of covered auto. When the trailer is being towed, the towing vehicle is most often liable, but liability can arise out of the trailer if it caused the accident or when it was not being towed. One concern about residential use of trailers is that the PAP Liability insuring agreement provides coverage for "auto accidents", though owned trailers are included in the definition of "covered auto".

Most insurers will add trailers for the same physical damage coverage afforded cars. ISO added a fungi exclusion to their trailer endorsement in 2018, as well as adding an endorsement which can provide open peril personal property coverage on an ACV or replacement cost basis.

Coverage options:

- Some insurers will offer "gap" coverage for trailers. Insured's may also want to check with their lenders for gap coverage.
- Stationary travel trailers may qualify for mobilehomeowner programs which can provide coverage for personal property, other structures and personal liability. Coverage isn't automatically provided for trailers when being towed or moved.
- Full timer programs are available with specialty insurers for people that live in their trailer full time, but will towed or move it periodically.
- For insurers providing "vacation liability", be sure to increase the \$10,000 limit provided to higher limits of \$300,000 or more.

Ride Sharing

Standard Livery Exclusion Prior to 2015

EXCLUSIONS

A. We do not provide Liability Coverage for any "insured":

- 5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance This exclusion (A.5) does not apply to a share-the-expense car pool.

TRANSPORTATION NETWORK DRIVER COVERAGE CHANGES

PP 23 41 - Transportation Network Driver Coverage (No Passenger)

PP 23 45 - Limited Transportation Network Driver Coverage (No Passenger)

Insurance Services Office introduced a revised livery exclusion in 2015 which specifically removes coverage for all 3 phases of TNC vehicle use. Also introduced were two new endorsements to provide limited coverage for ride sharing. Both add a definition for the activity, exclude it and then give back some coverage:

"Transportation network platform" means an online-enabled application or digital network used to connect passengers with drivers using vehicles for the purpose of providing prearranged transportation services for compensation."

II. Part A – Liability Coverage Exclusion A.5. is replaced by the following:

We do not provide Liability Coverage for any "insured":

- 5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance. This includes but is not limited to any period of time a vehicle is being used by any "insured" who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.

This exclusion (A.5) does not apply to a 1) share-the-expense car pool or 2) the...operation of a vehicle while it is being used for charitable purposes.

PP 23 41 - Gives back coverage until the driver has a passenger - Coverage for Phase 1 and 2

PP 23 45 - Gives back coverage until the driver has accepted a ride request - Coverage for Phase 1 only

What is "Livery"?

Livery conveyance defined:

A vehicle used indiscriminately in conveying the public, without limitation to certain persons or particular occasions or without being governed by special terms. Blacks Law Dictionary.

Ride Sharing

Ride sharing services, like Uber and Lyft, are where people provide rides to others using their personal autos. Riders use a smart phone to connect with drivers subscribed to the “transportation network company” service. The exposure for drivers is often divided into three phases:

- **Phase 1:** Driver is logged into the TNC application awaiting a ride request, often driving by or parked near where riders are likely to need rides.
- **Phase 2:** Driver has accepted a ride request, but has not yet picked up a passenger.
- **Phase 3:** Driver is providing a ride to a passenger.

Personal Auto policy coverage:

- **Livery exclusions** eliminate coverage when the insured is using their vehicle “for hire” to transport the public. Livery exclusions will remove Liability, Medical Payments and Physical Damage coverages while the vehicle is used to transport the public. UM and PIP exclusions for livery use will vary by state.

In 2015, ISO introduced an enhanced livery exclusion that specifically addressed ride sharing. Coverage is now excluded for all 3 phases, from the moment a driver logs into the TNC application until they finish transporting passengers and log off the app. Optional endorsements broadening coverage are discussed on the following page.

The enhanced livery exclusion may not apply to ride sharing that’s not arranged for by an online app or that’s not done for compensation. ISO initially added an exception for share-the-expense car pooling in 2015, adding coverage for charitable ride shares as well in 2018. Traffic navigation apps like Waze are adding the ability to share rides for car pooling. Compensation may be limited to the IRS mileage rate for up to two riders, but agents may want to confirm with insurers that the car pool exception would provide coverage for the activity.

Coverage provided by the ride sharing service:

- **Phase 1:** Uber and Lyft provide minimal Liability coverage, typically with limits of \$50,000/\$100,000/\$25,000. Coverage is contingent on the lack of coverage under the drivers PAP. No Medical Payments or physical damage is provided. UM and PIP only apply where required by law.
- **Phase 2 and Phase 3:** Uber and Lyft typically provide \$1M in Liability coverage to the driver. Physical damage coverage is provided with a \$1,000 to \$2,500 deductible, but often only when the driver has physical damage on their PAP. Medical Payments coverage is not provided. UIM and PIP only apply where required by law.

Ride Sharing

| Ride Sharing Optional Coverage Comparison | | |
|--|-----------------------|--|
| Company | Phases Covered | Comments |
| Company A | 1 | Also provides drop down deductible coverage in Phases 2 and 3. |
| Company E2 | 1-3 | Available in 10 states. |
| Company F | 1 | Available in most states. |
| Company G | 1-3 | Available in most states. |
| Company P | 1-3 | Available in most states. |
| Company S | 1-3 | Excess coverage in Phases 2 and 3. |
| Company U | 1 | Available in most states. |
| ISO PP 23 41 | 1-2 | Primary coverage for Phases 1 and 2 |
| ISO PP 23 45 | 1 | Primary coverage for Phase 1 |

Good Links:

- <http://www.pciaa.net/industry-issues/transportation-network-companies>
- <https://newsroom.uber.com/certificates-of-insurance-u-s-ridesharing/>
- <http://www.http://ncoil.org/wp-content/uploads/2016/04/07232015TNCModelAct.pdf>
- <https://therideshareguy.com>

Ride Sharing

Personal Auto Coverage available for ride sharing. Many insurers have underwriting concerns about the ride sharing exposure and will cancel or non-renew policyholders who provide ride share services. Having new unambiguous exclusionary language has helped ease underwriting concern. The improved coverage provided drivers by Uber and Lyft has prompted ISO and a number of insurers to introduce ride sharing endorsements that provide additional protection from their PAP's.

ISO introduced two endorsements in 2015. The PP 23 45 extends coverage Liability, Medical Payments, UM/UIM and Physical Damage coverages for Phase 1 only. The PP 23 41 extends those coverages for Phase 1 and 2. Neither provide coverage in Phase 3 when a passenger is being transported.

Personal Auto insurers provide a wide spectrum of optional coverage as seen in the chart on the facing page. Many still provide coverage only in Phase 1, but a growing number of insurers are providing coverage in Phase 2 and 3, often in excess of the coverage provided by Uber or Lyft.

Personal Umbrella Coverage available for ride sharing. Few insurers offer any coverage for ride sharing in their personal umbrella/excess policies. Although excess policies may follow form on the personal auto exposure, most contain a livery exclusion that is not removed.

Other electronically arranged transportation services: ISO's new exclusionary language removes coverage for "prearranged transportation services provided for compensation". New delivery services like UberEats might come within the scope of the exclusion as they're providing for the transportation of goods. Delivery exclusions used by many insurers would also apply and are discussed in a following topic.

Regulatory issues: State and local regulation of ride sharing varies. Most states now require TNC's to provide Liability coverage for all 3 phases. See the PCIAA status map on the link provided for the latest state legislation. The National Council of Insurance Legislators (NCOIL) drafted a model act for states to follow.

Auto Liability - That's Not Covered?!!

ISO AUTO POLICY

EXCLUSIONS

- A. We do not provide Liability Coverage for any "insured":
5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance This exclusion (A.5) does not apply to a share-the-expense car pool.

From ISO's "Special" PAP

10. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used for the delivery of food or products, including but not limited to newspapers and magazines. This exclusion does not apply to a delivery by an "insured" as a volunteer.

7. Maintaining or using any vehicle while that "insured" is employed or otherwise engaged in any "business" (other than farming or ranching) not described in Exclusion A.6.

This exclusion (A.7) does not apply to the maintenance or use of a:

- a. private passenger auto;
b. pickup or van that:

(1) You own; or

(2) ~~You do not own while used as a temporary substitute for "your covered auto" which is out of normal use because of its:~~

- (a) Breakdown; (d) Loss; or
(b) Repair; (e) Destruction;
or
(c) Servicing; —

(‘98 PAP removed the qualification above)

- c. "trailer" used with a vehicle described in a. or b. above.

COMPANY E AUTO POLICY

EXCLUSIONS

- A. We do not provide Liability Coverage for any "insured":
- G. For that "insured's" liability arising out of the ownership or operation of any vehicle while it is being used as a public or livery conveyance, or used to carry property for compensation or a fee. This exclusion applies to, but is not limited to, the delivery of magazines, newspapers, food or any other products. However, this exclusion does not apply to a share-the-expense car pool.
- I. Maintaining or using any vehicle while that "insured" is employed or otherwise engaged in any business (other than farming or ranching). This exclusion does not apply to the business use of a "covered auto" that has been disclosed to us and for which all applicable premiums have been paid.

Auto Liability - That's Not Covered?!!

Exclusions for delivery and other business use. Although the only business use of an insured vehicle that's excluded by the standard ISO PAP is **using a vehicle as a public or livery conveyance (or transportation network use)**, with an ISO PAP all other types of business use are still covered, including most types of delivery. Unfortunately, most personal auto policies sold are not that broad.

There are two other variations on the livery exclusion that many companies will use instead. One excludes using a vehicle for **transportation of persons or property for a fee**. The most restrictive version excludes **transportation of persons or property for compensation of any kind**. These are much more restrictive than a livery exclusion, removing coverage for many types of business use. They might also exclude injury an insured causes to a passenger in their car if the person was being transported for business reasons.

Many companies have an exclusion for delivery of products. This sample exclusion, found in ISO's new "Special PAP" designed for use in the non-standard auto market, is very restrictive. It excludes all use of a vehicle to "deliver food or products" (some use an even broader term "deliver property"). The ISO exclusion gives back liability coverage for delivery as a volunteer, like "meals on wheels". But, many don't, like the sample form with Company E. Recently, Walmart announced it's testing a new service providing delivery of groceries by partnering with Uber and Lyft.

Other business use. The ISO exclusion #7 initially removes coverage for all other business use (except farming and ranching), but it goes on to say it doesn't apply to business use of private passengers autos, pickups or vans. So it only excludes coverage for business use of vehicles like large trucks and motor homes. There is still coverage for using owned, borrowed or rented cars, pickups or vans for **business**.

Most policies aren't so generous, using older editions of ISO's personal auto policy (which had the crossed out wording on the facing page), covering **business** use of pickups and vans only if they were owned by the **insured**. Those policies (and many currently sold by individual companies) do not cover using rented pickups and vans for **business**.

But even worse are policies, like the sample form, which provide no coverage for using any kind of non-owned vehicle, even a rented car, for business. Note that the sample form also excludes any business use of an owned vehicle that's not declared and rated for!!!

- *Check your company forms for more limiting language and make clients aware of the lack of coverage.*
- *Some personal umbrella forms may provide broader coverage.*

Auto Liability - That's Not Covered?!!

EXCLUSIONS

- B. We do not provide Liability Coverage for the ownership, maintenance or use of:
- 2. Any vehicle, other than "your covered auto," which is:
 - a. owned by you; or
 - b. furnished or available for your regular use.

PP 03 06 01 05

EXTENDED NON-OWNED COVERAGE - VEHICLES FURNISHED OR AVAILABLE FOR REGULAR USE

SCHEDULE

Name of Individual _____

If indicated below or in the Declarations, Extended Non-Owned Coverage applies to:

- Named Individual and "Family Members" (Including Named Individual's Spouse)

With respect to the individual(s) and coverages indicated in the Schedule or in the Declarations, the provisions of this policy apply unless modified by this endorsement.

I. Part A - LIABILITY COVERAGE

Part A is amended as follows with respect to the individual(s) shown as applicable in the Schedule or in the Declarations.

- A. Exclusions **B.2.b** does not apply to the coverages provided by this endorsement.
- B. We will provide Liability coverage for any vehicle, other than "your covered auto", which is furnished or available for the regular use of the named individual.

II. Part B - MEDICAL PAYMENTS COVERAGE

Part B is amended as follows, if a premium is shown in the Schedule in the Declarations for Medical Payments Coverage with respect to the individual(s) shown as applicable in the Schedule or in the Declarations.

- A. Exclusions **5.b** does not apply.
- B. We will provide Medical Payments Coverage for "bodily injury" sustained while "occupying", or when struck by, any vehicle (other than "your covered auto") which is furnished or available for the regular use of the named individual.

Fellow employee lawsuits are becoming very common. Standard commercial auto policies do not provide the employee driver with coverage for them. Extended non-owned auto protection should be recommended for all clients who have company cars! Fellow employee Liability can also be added to at Business Auto policy.

Auto Liability - That's Not Covered?!!

Furnished auto exclusion and exposures: Although the policyholder and resident relatives are granted coverage for driving non-owned (borrowed and rented) autos, the policy removes coverage for any of those vehicles that are “furnished or available” for the insureds regular use. An auto will be “available” for regular use any time the insured has regular access to it, any time they don't have to ask permission for each and every use. So, they must rely on whatever coverage on the vehicle that's available that's available to them as a permissive user, since their PAP excludes them.

1. Company cars are generally furnished autos. The BAP that insures them may not cover the insured when they use them personally or if the insured injures a fellow employee with them.
 - *Add Extended Non-owned Liability coverage to insured's PAP*
2. Cars owned by other members of the household, like roommates or domestic partners, may also be excluded.
 - *Add Extended Non-owned Liability coverage to insured's PAP*
 - *Arrange for adequate coverage on the car*

Extended Non-Owned Coverage Endorsement (PP 03 06)

1. Deletes exclusion B.2.b, restoring Liability (and optionally Medical Payments) coverage for the use of vehicles furnished or available for regular use. Coverage can also be extended to the named individuals spouse and “family members”. **However, coverage is only provided for operating a vehicle furnished to the individual named, not a vehicle furnished to a spouse or “family member”! Anyone having a vehicle furnished or available for their use needs named in the endorsement!**
2. The 2005 revision provides coverage for operating vehicles owned by other members of the household, for example domestic partners, unlike earlier editions excluded autos owned by other household members.
3. Earlier editions of the endorsement deleted the “public or livery conveyance” exclusion, providing excess liability for driving them. The new endorsement does not. A separate endorsement was introduced to provide that coverage (PP 13 05 - Extended Non-owned Coverage - Vehicles Furnished or Available for use as Public or Livery Conveyances). Due to the large exposure presented, many companies may not offer this coverage.
4. Earlier editions of the endorsement also provided excess liability for business use of non-owned motorhomes and trucks larger than pickups. This is no longer included nor available by endorsement.

Current Issues - Personal Auto

| STATE | Must Offer | UIM Trigger | Intra-Policy Stacking | Inter-policy Stacking | Offset |
|----------------|--------------|----------------|------------------------------|-----------------------|------------|
| Alabama | Minimum | Damages | Yes | Yes | Damages |
| Alaska | Equal BI | Damages | No | Limited | Damages |
| Arizona | Equal BI | Damages | No* | No | Damages |
| Arkansas | Equal BI | Damages | Yes | Yes | Damages |
| California | 30/60 | Limits | No | No | Limits |
| Colorado | Equal BI | Damages | No* | Yes | Damages |
| Connecticut | Twice BI | Limits/Damages | No | No | Limits |
| Delaware | 100/300 | Limits | No | No | Damages |
| D.C. | 100/300/25 | Damages | No | No | Limits |
| Florida | Equal BI | Damages | Yes | Yes | Damages |
| Georgia | Equal BI | Limits | No* | Yes | Damages |
| Hawaii | Equal BI | Damages | Optional/Capped | Optional/Capped | Damages |
| Idaho | Minimum | Damages | No | No | Limits |
| Illinois | Equal BI | Limits | No* | No | Limits |
| Indiana | Equal BI | Limits | Yes* | No | Limits |
| Iowa | Minimum | Damages | No | No | Damages |
| Kansas | Equal BI | Limits | No | No | Damages |
| Kentucky | Minimum | Damages | No* | Yes | Limits |
| Louisiana | Equal BI | Damages | No | No | Damages |
| Maine | Equal BI | Limits | No | No | Limits |
| Maryland | Equal BI | Limits | No | No | Limits |
| Massachusetts | Minimum | Limits | No | No | Damages |
| Michigan | No Statute | See Policy | See Policy | See Policy | See Policy |
| Minnesota | Minimum | Damages | No | No | Damages |
| Mississippi | Equal BI | Limits | Yes* | Yes* | Limits |
| Missouri | Minimum | Limits | Yes | Yes | Limits* |
| Montana | Minimum | Damages | See Policy | See Policy | Damages |
| Nebraska | 100/300 | Damages | No | Limited | Damages |
| Nevada | Equal BI | Damages | No* | No* | Damages |
| New Hampshire | Equal BI | Limits | No | No | Limits |
| New Jersey | 250/500/100 | Limits | No | Yes | Damages |
| New Mexico | Equal BI | Limits | Yes, unless reject stacking. | Yes* | Damages |
| New York | 250/500 | Limits | No | Yes | Limits |
| North Carolina | 1,000,000 | Limits | Yes | No | Limits |
| North Dakota | 100/300 | Limits | No | No | Damages |
| Ohio | - | Limits | See Policy | See Policy | Limits |
| Oklahoma | Equal BI | Damages | No | No | Damages |
| Oregon | Equal BI | Limits | No | Yes | BLimits |
| Pennsylvania | 100/300/5 | Damages | Optional | Optional | Damages |
| Rhode Island | Equal BI | Damages | Either | Yes | Damages |
| South Carolina | Equal BI | Damages | See Policy | See Policy | Damages |
| South Dakota | 100/300 | Damages | No* | Yes | Limits |
| Tennessee | Equal BI | Limits | No | No | Limits |
| Texas | Equal BI | Limits | No | Yes | Damages |
| Utah | Equal BI | Damages | No | Yes* | Damages |
| Vermont | Equal BI | Limits | No | Yes | Limits |
| Virginia | Equal BI | Limits | No | No | Damages |
| Washington | Equal BI | Damages | No | No | Damages |
| West Virginia | Equal BI | Limits | No | No | Damages |
| Wisconsin | 100/300 Min. | Limits | No | No | See Policy |
| Wyoming | Minimum | See Policy | See Policy | Yes | See Policy |

Understanding UM and UIM

Required offer - All states (except Michigan and Ohio) require the insurance company to offer Uninsured and/or Underinsured Motorists coverage. The amount the company is required to offer and whether the insured can reject all or part of the coverage varies widely by state.

UIM Trigger - Another vehicle is considered “underinsured” when its liability coverage is either less than the 1) insured’s UIM Limits or 2) insured’s damages, depending on the state and in some cases, the policy.

Intra-Policy Stacking - Some states allow the insured to stack the limits of their own policy. They can collect as many limits as they have vehicles. Some states allow the insured to choose between stacking and non-stacking UM and UIM.

Inter-Policy Stacking - This is stacking the limits of two different policies. For example, when the insured is hurt in another’s auto, they may or may not be able to “stack” their own personal UM/UIM coverage on top of the primary UM/UIM on the vehicle. Many of the states indicated as not allowing inter-policy stacking, do allow a limited form of stacking that limits the amount of UM/UIM that can be collected from both policies to the highest limit shown on either policy.

Offset - Bodily injury liability coverage collectible from an underinsured motorist will reduce either 1) the insured’s UIM limit or 2) the insured’s damages.

- *Encourage insureds to carry the most UM and UIM available.*
- *Be sure UM and UIM rejection/selection forms are properly signed and documented.*

Property Damage - Many states require that coverage be provided for damage an Uninsured Motorist causes to the insured’s vehicle (and sometimes other property).

Miscellaneous Damage Issues

POLICY

TRANSPORTATION EXPENSES

In addition we will pay, without application of a deductible up to a maximum of \$600; for:

1. Temporary transportation expenses, not exceeding \$30 per day, incurred by you in the event of a loss to "your covered auto". We will pay for such expense if the loss is caused by:
 - a. Other than "collision" only if the Declarations indicate that Other Than Collision Coverage is provided for that auto.
 - b. "Collision" only if the Declarations indicate that Collision Coverage is provided for that auto.
2. Expenses for which you become legally responsible in the event of loss to a "non-owned auto." We will pay for such expenses if the loss is caused by:
 - a. Other than "collision" only if the Declarations indicate that Other Than Collision Coverage is provided for any "your covered auto".
 - b. "Collision" only if the Declarations indicate that Collision Coverage is provided for any "your covered auto".

However, the most we will pay for any expenses for loss of use is \$30 per day.

If the loss is caused by a total theft of "your covered auto", we will pay only expenses incurred during the period:

- a. Beginning 48 hours after the theft; and
- b. Ending when "your covered auto" or the "non-owned auto" is returned to use or we pay for its loss.

Other than theft of a "your covered auto" or a "non-owned auto", we will pay only expenses when the auto is withdrawn from use for more than 24 hours.

Our payment will be limited to that period of time reasonably required to repair or replace the "your covered auto" or the "non-owned auto".

Loss of Use: The ISO PAP has provided automatic loss of use coverage in the amount of \$20 per day since the 1998 revision, increasing the limit to \$30 per day in the 2018 edition. For most companies, the coverage is still optional. The coverage is popular with consumers. Having the policy cover the insured's cost of substitute transportation also encourages adjusters to help expedite repairs.

- The ISO PAP also pays for rental car down-time (subject to the same \$20 to \$30 per day limit) and miscellaneous costs up to a maximum of \$600.
 - *Recommend a minimum of \$40 per day in coverage for loss of use for clients with only 1 vehicle or clients that don't have a substitute vehicle available.*

Miscellaneous Damage Issues

Deductibles: In recent years we've seen more people whose collision and other than collision (comprehensive) coverages have the same deductibles, commonly \$500 for each. Although a \$500 deductible on collision is often the best value, clients often don't save enough premium to warrant increasing other than collision deductibles to more than \$100 to \$250.

- *To determine which deductible is the best value for the insured, calculate how many years of premium savings it will take to cover the increase in deductible. When the insured can save the increase in deductible in 5 years or less, the higher deductible is a good value.*

A number of companies are marketing optional **vanishing deductibles**. While popular with consumers, this feature costs on average an additional 10% of the physical damage premium. With personal auto rating models becoming ever more claims sensitive, having more small claims could result in rate increases as well.

When should clients drop their physical damage coverage? Personal auto loss ratios average around 65% nationally. So, for every dollar paid in premium, roughly 2/3 is paid out in claims. Consequently, insureds will come out ahead taking affordable physical damage risks (including avoiding paying for their deductible to diminish). When vehicles values drop below \$2,000 or the physical damage premiums approach 10% of value annually, the insured should self-insure physical damage.

- *However, physical damage coverage should be carried on at least one vehicle in order for the policy to cover damage to rented and borrowed vehicles (with most companies, in most states).*

Towing coverage challenges: Although collision coverage will pay for the cost to tow a damaged vehicle to the shop for repair, the policy doesn't cover towing due to breakdown. The ISO PAP and many companies limit towing coverage to a flat amount of \$50 to \$250. Other companies will pay for towing to the nearest place of repair, without any specific limits. Some now use "towing" networks that require the insured to call the network for service when they breakdown. Many new vehicle warranties provide towing benefits for up to the first 5 years of ownership. New rating models used by many insurance companies charge for all claims activity, including towing claims.

- *Agents may want to recommend to insureds that want towing services that they obtain them through a motor club.*

Car Toys Covered?

POLICY

EXCLUSIONS

We will not pay for:

4. Loss to any electronic equipment that reproduces, receives or transmits audio, visual or data signals. This includes but is not limited to:
 - a. Radios and stereos;
 - b. Tape decks;
 - c. Compact disk systems;
 - d. Navigation systems;
 - e. Internet access systems;
 - f. Personal computers;
 - g. Video entertainment systems;
 - h. Telephones;
 - i. Televisions;
 - j. Two-way mobile radios;
 - k. Scanners; or
 - l. Citizens band radios.

This Exclusion (4.) does not apply to any electronic equipment which is permanently installed in "your covered auto" or any "non-owned auto".

5. Loss to any tapes, records, disks or other media used with equipment described in Exclusion 4.

From the LIMIT OF LIABILITY provision:

However, the most we will pay for loss to:

2. Electronic equipment that reproduces, receives or transmits audio, visual or data signals, which is permanently installed in locations not used by the auto manufacturer for installation of such equipment, is \$1,000.

What's Covered?

Electronic equipment, including sound systems, is now covered as long as it is permanently installed. The equipment does not have to be original manufacturer's equipment. However, if it is installed somewhere other than where it's normally installed by the car manufacturer, coverage is limited to \$1,000. Increased coverage is available by endorsement.

Editions of the PAP prior to 2005 excluded loss to electronic equipment (other than stereos) unless it was required for the normal operation of the vehicle, like computer systems that control carburetion or climate. This meant there was often no coverage for things like navigation systems, car alarms, dvd players, etc. Producers should encourage their companies to broaden coverage to what is found in the ISO 2005 PAP.

Electronic Equipment Coverage - PP 03 13

Can use endorsement to:

1. Increase the \$1,000 limit on electronic equipment that isn't installed where normally installed by the auto manufacturer.
2. Cover tapes, records and CD's up to \$200.

Cannot be used to add coverage for electronic equipment that is not permanently installed.

Car Toys Covered?

Personal auto policies exclude loss to certain electronic equipment. ISO broadened coverage for electronic equipment in the 2005 version of their Personal auto policy. That coverage was not changed in the 2018 ISO PAP.

The ISO PAP initially takes away all coverage for electronic equipment, including radios, CD players, video players and even things like car alarms. Coverage is given back for any electronic equipment that is permanently installed. Permanently installed means bolted down or requires a tool to be removed. Electronic equipment that is permanently installed other than where it was intended to be is subject to a limit of \$1,000.

Previous editions (and many company specific forms) still exclude loss to electronic equipment (other than stereos) unless it's required for the normal operation of the auto, like computers that control carburetion or climate. Coverage varies dramatically by company, per the chart below.

No coverage is typically provided for loss to tapes, records, CD's, DVD's or other media used with electronic equipment.

| COMPARISON | |
|-------------------|--|
| Company | Coverage Provided |
| Company A | Sound systems covered only against collision loss unless additional coverage is purchased. |
| Company B | Covered if permanently installed. |
| Company E | Original Manufacturer Equipment only, if permanently installed. |
| Company O | Covered, but not for theft unless permanently installed. |
| Company G | Original Manufacturer Equipment only, |
| Company M | Original Manufacturer Equipment covered, custom equipment subject to a \$1,000 limit. |
| Company N | No limitation. |

Custom Equipment

POLICY

Previous ISO Provision:

EXCLUSIONS:

We will not pay for:

10. Loss to any custom furnishings or equipment in or upon any pickup or van. Custom furnishings or equipment include but are not limited to:
 - a. Special carpeting and insulation, furniture or bars;
 - b. Furniture or bars
 - c. Height-extending roofs; or
 - d. Custom murals, paintings or other decals or graphics.

This Exclusion (10.) does not apply to a cap, cover or bedliner in or upon any "your covered auto" which is a pickup.

Revised ISO Provision:

"Custom equipment" means equipment, furnishings and parts in or upon any auto, other than:

1. Original manufacturer equipment, furnishings or parts; or
2. Any replacement of original manufacturer equipment, furnishings or parts with other equipment, furnishings or parts of like kind and quality.

"Custom equipment" includes but is not limited to:

1. Special carpeting or insulation;
2. Furniture or bars;
3. Height-extending roofs;
4. Body, engine, exhaust or suspension enhancers;
5. Winches, or anti-roll or anti-sway bars;
6. Custom grilles, louvers, side pipes, hood scoops or spoilers;
7. Custom wheels, tires or spinners;
8. Custom chrome, murals, paintwork, decals or other graphics; or
9. Caps, covers or bedliners.

"Custom equipment" does not include electronic equipment that reproduces, receives or transmits audio, visual or data signals.

EXCLUSIONS:

10. Loss to any "custom equipment" in or upon "your covered auto" or any "non-owned auto".

This Exclusion (10.) does not apply to the first \$1,500 of "custom equipment" in or upon "your covered auto" or any "non-owned auto".

Custom Equipment

Personal auto policies are restricting coverage for "custom equipment". The ISO PAP historically only excluded loss to custom equipment found in a pickup or van. ISO introduced a change to their PAP, effective 1-1-2009, that expands the exclusion to apply to cars as well. Many companies have been adding similar restrictions to their PAP's for several years.

In the original exclusion, several types of custom equipment are described, including custom paint, carpeting or height-extending roofs. The new PAP provisions first define what custom equipment is, making it clear that it's any equipment that's not original manufacturer's equipment (or non-OEM replacements of OEM that are of like kind and quality). The list of examples of custom equipment is much longer. It includes caps, covers and bedliners for pickups, which were previously exempted from the exclusion.

The exclusion removes all coverage for the "custom equipment", then says it doesn't apply to the first \$1,500 in "custom equipment" value. The \$1,500 limitation is restated later on in the valuation provisions for physical damage coverage.

ISO's optional coverage for custom equipment was improved in recent editions. It provides coverage for custom equipment for their actual cash value, without any specific limit. Many companies are not as generous, providing coverage only up to a specified limit.

When clients get new vehicles, it's good to talk about the value of custom equipment. Clients may not be aware that some of the equipment that came with their vehicle is not OEM equipment, like caps/covers for pickup trucks. Nor specifically mentioned in the definition, but also considered "custom" would be wheelchair lifts, ramps and other handicapped access enhancements.

- *Use a coverage checkup can help find custom equipment that clients add after purchase.*
- *Use of email bulletins and newsletters can also help raise consumer awareness.*

Customizing Equipment Coverage - PP 03 18

Buy back coverage for custom equipment - ISO forms covers for ACV without a stated maximum limit, other forms specify a maximum limit. Some endorsements require a specific description of custom equipment.

Vehicle Valuation

POLICY

LIMIT OF LIABILITY

A. Our limit of liability for loss will be the lesser of the:

1. Actual cash value of the stolen or damaged property; or
2. Amount necessary to repair or replace the property with property of like kind and quality.

However, the most we will pay for loss to:

1. Any "non-owned auto" which is a "trailer" is \$1,500.
2. Electronic equipment that reproduces, receives or transmits audio, visual or data signals, which is permanently installed in the auto in locations not used by the auto manufacturer for installation of such equipment, is \$1,000.

B. An adjustment for depreciation and physical condition will be made in determining actual cash value at the time of loss.

C. If a repair or replacement results in better than like kind or quality, we will not pay for the amount of betterment.

APPRAISAL

A. If we and you do not agree on the amount of loss, either may demand an appraisal of the loss.....

Diminished value: the decrease in a car's value associated with repaired damage. In this new "CarFax" information age, damage and repair history for vehicles is becoming common knowledge. Used car buyers are not willing to pay as much for a vehicle that's been in an accident, a problem that's becomes even worse with an economic downturn that suppresses used car values. Post repair diminished value is generally 10% to 20% of a vehicle's pre-loss value.

Insurers won't pay for **diminished value** in first party (collision) losses in most states. The policy states that collision won't pay more than "amount necessary to repair...the property". Most insurer now add a specific exclusion for first party diminished value. One exception is Georgia, where the law requires coverage be provided. In 14 states Uninsured Motorists property damage may also cover first party **diminished value**.

In many states **diminished value** is owed to claimants in a liability (third party) loss. Most courts define "property damage" as the difference in the value of damaged property before the loss to after the loss. If a repaired vehicle is not as valuable after the loss as it was before, the difference is owed. Diminished value appraisals are available to substantiate the amount of loss, though they may cost \$200 to \$300.

Vehicle Valuation

Total Loss Settlement Problems. Most insurance companies now outsource the process of valuing (and often handling) of total vehicle losses to one of two firms, CCC Valuescope or ADP/Auto Source. Both firms track sales data of new and used cars and compare those prices to an insured vehicle that's wrecked to determine what the vehicle's market value should have been. The valuation reports are exhaustive, though they don't always indicate a value that insureds find acceptable. Here are some things agents and insureds can do if they feel the value is too low:

1. Check the report for accuracy. Was the insured's vehicle properly described? Were the condition, mileage and features input correctly?
2. Be sure the adjuster is aware of work done to the car that would increase its value.
3. Compare the report value to values indicated by other sources like Edmunds.com, KelleyBlueBook.com or NADA.com. Get quotes from local car dealers for similar vehicles.
4. Be sure sales tax is included in the value offered.
5. Be aware of consumer protections provided by the Unfair Claims Practices law.

Problems with market value being less than amount owed on the vehicle - Gap exposures. Used vehicles can lose value rapidly leaving insureds owing more on the vehicle loan than the market value they'll be paid in a total loss. Most companies now offer the ISO Auto Loan/Lease Endorsement or "Gap" coverage, which pays off the loan when it exceeds the vehicle's value. Many companies are also offering replacement cost coverage on new vehicles. The endorsements are generally available only for newly acquired vehicles. Other companies will offer "One year newer vehicle replacement". ISO introduced a replacement cost endorsement in 2018. It provides replacement cost settlement for the first 2 years or 24,000 miles of new car ownership.

- *Explain the gap exposure to clients and insure as needed.*

Collectible Cars: A number of preferred auto carriers will use the standard ISO endorsement (**Coverage for Damage to Your Auto - PP 03 08 - Stated Amount Maximum Limit of Liability**) to insure "collectible" or "antique" vehicles. The problem with this endorsement is that it doesn't change how the property is valued, it only sets a limit on the maximum value the policy will pay. If the actual cash value is less than the stated limit, ACV is the most the insured can collect. Collector cars are best insured with specialty collector car programs. These programs insure vehicles for agreed value, insuring that the full insured value will be paid. Their rates are much less, though they impose mileage and other use limitations, sometimes with coverage consequences.

- *Recommend collector car policies for clients with collectible cars.*
- *Caution clients about the usage limitations found in collector car policies.*

Car Rental Concerns

PAP Liability Coverage Grant

B. "Insured" as used in this Part means:

1. You or any "family member" for the ownership maintenance or use of any auto or "trailer."
2. Any person using "your covered auto."
3. For "your covered auto," any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.
4. For any auto or "trailer," other than "your covered auto," any other person or organization but only with respect to legal responsibility for acts or omissions of you or any "family member" for whom coverage is afforded under this Part. This provision (B.4.) applies only if the person or organization does not own or hire the auto or "trailer."

PAP Liability Exclusions

EXCLUSIONS

A. We do not provide Liability Coverage for any "insured":

7. Maintaining or using any vehicle while that "insured" is employed or otherwise engaged in any "business" (other than farming or ranching) not described in Exclusion A.6.

This exclusion (A.7) does not apply to the maintenance or use of a:

a. private passenger auto:

b. pickup or van that:

~~(1) You own; or~~

~~(2) You do not own while used as a temporary substitute for "your covered auto" which is out of normal use because of its:~~

~~(a) Breakdown; (d) Loss; or~~

~~(b) Repair; (e) Destruction; or~~

~~(c) Servicing; or~~

c. "trailer" used with a vehicle described in a. or b. above.

ISO broadened their PAP in '98 to include business use of rented pickups & vans by removing the language below:

Contractual Liability Exclusions:

| Company | Contractual Liability Exclusion |
|---------|---------------------------------|
| A | No |
| B | Yes |
| C | No |
| D | Yes |
| E | Yes |
| F | Yes |
| G | Yes |
| H | No |
| I | Yes |
| J | No |
| K | Yes |
| L | No |
| M | Yes |

Car Rental Concerns

Coverage concerns: Car rental agreements make the vehicle renter liable for all third party injury or damage that the rental car causes. They also make the renter responsible for all loss or damage that happens to the rental car.

- Personal Auto policies provide Liability coverage only for the policyholder and resident relatives driving the rental car, not coworkers or other relatives.
 - *Caution clients against allowing others to drive a vehicle they rent!*
- Many personal auto policies exclude using rented pickups and vans for any work-related or “business” use.
 - *Tell clients that if they’re renting vehicles for work, they should ask if their employer will cover them.*
 - *Some personal umbrellas provide broader coverage for business use of rented vehicles.*
- Car rental companies are charging renters for the “diminished value” of the rental car after it’s been repaired following an accident. Most personal auto policies do not cover this, neither do credit cards.
 - *This is a good reason to recommend clients buy the Collision or Loss Damage Waiver from the rental company.*
 - *Some personal umbrellas will cover this loss, subject to the SIR.*
- Most personal auto policies provide Liability coverage for personal use of rented trucks and motorhomes. Almost all personal auto policies exclude physical damage coverage for rented trucks and motorhomes. Damage coverage for rented trailers is limited to \$500 to \$1,500 in most policies.
 - *Tell clients they should buy the damage waiver from the rental company when renting trucks, motorhomes or trailers. They may also need to buy the liability insurance or waiver.*
 - *Some personal umbrellas provide broader coverage for damage to rented vehicles.*
- Personal auto policies don’t cover renting vehicles outside the US and Canada.
 - *Recommend insureds purchase liability and damage coverage from the rental company (and have a good personal umbrella to fall back on).*

Car Rental Concerns

| RENTAL COVERAGE COMPARISON | | | |
|---|--|--|---|
| | 2005 ISO PAP | Company F | Company A |
| Liability Covered Persons | You and resident relatives, those who are vicariously liable (except owner). | You and resident relatives, those who are vicariously liable (except owner). | You and resident relatives, those who are vicariously liable (except owner). |
| Liability Covered Vehicles | Any auto - all vehicles designed for highway use, including cars, pickups, vans, trucks, motorhomes and trailers. | Any auto - all vehicles designed for highway use, including cars, pickups, vans, trucks, motorhomes and trailers. | Any auto - including cars, pickups, vans, trucks, motorhomes and trailers, <i>if rented for less than 30 days. Only cars for res. relatives.</i> |
| Rental vehicles covered for business use | Private passenger types, pickups, vans and trailers. | Private passenger types only. | Private passenger types only. |
| Contractual Liability Excluded? | No | No | Yes |
| Medical Payments Covered Persons | You and resident relatives. | You and resident relatives. | You and resident relatives. |
| Physical Damage Coverage | Broadest carried on any owned vehicle. Must have on an owned vehicle. | Broadest carried on any owned vehicle. Must have on an owned vehicle. | Broadest carried on any owned vehicle. Must have on an owned vehicle. |
| Physical Damage Covered Vehicles | Private passenger types, pickups, vans and trailers. Trailers are subject to \$1,500 limit.. NO coverage for trucks or motorhomes. | Private passenger types, pickups, vans and trailers. Trailers are subject to \$500 limit.. NO coverage for trucks or motorhomes. | Private passenger types, pickups, vans and trailers <i>if rented for less than 30 days.</i> Trailers are subject to \$500 limit.. NO coverage for trucks or motorhomes. |
| Loss of Use Charges | Covered for \$20 per day limit, maximum of \$600. | Not covered | Not covered |
| Diminished Value Coverage | Covered with Loss of Use charges, subject to shared maximum of \$600. | No | No |
| | | | |

Car Rental Concerns

Sample Letter

For use with most Personal Auto Policies

Dear Client:

Since you're planning to rent a vehicle, here's a few tips on what your policy covers and doesn't cover to help you in deciding how much coverage to buy from the rental company.

First, if you're renting a truck larger than a pickup, your policy doesn't pay for any damage to the truck. Your credit card won't help either. Buy the extra coverage they offer, especially the part that covers damage to the truck. You may also want to buy their "Cargo" coverage to protect you against damage to the things you're hauling. Most truck rental companies provide you with liability coverage that pays for damage and injury you might do to other people, but it doesn't hurt to ask.

If you're renting a vehicle outside the U.S. and Canada, your policy won't cover you. You need to buy the optional coverage for damage to the rental car, generally called "Collision Damage Waiver" (CDW) or Loss Damage Waiver (LDW). Some foreign countries provide liability coverage automatically, but if it is optional, or if the amount provided is minimal, be sure you take it too.

When renting a car, pickup or van in the U.S. or Canada, your policy will pay for damage to a rental car if you carry Collision on at least one of your vehicles. You would still have to pay your deductible. Your credit card may also cover damage to the rental car. But, we still recommend you purchase the optional Collision or Loss Damage Waiver. Though your policy or your credit card may pay to repair the damage, rental companies are always coming up with some new thing to soak you for that isn't covered by your insurance. For example, after one persons auto policy paid \$6,000 to repair a damaged rental car, the rental company sued them for an additional \$9,000 to cover the reduction in the car's value. Rental companies also charge you for loss of rental income while the car is being repaired. Your policy doesn't cover this, though your credit card might. Again, if you don't carry Collision coverage on at least one of your vehicles, you won't have any coverage for damaging a rented vehicle.

You may also want to purchase the optional Liability protection, especially if you don't want to turn in a claim on your policy.

Rental car companies also sell "Personal Accident" coverage for medical expenses and death caused by a car accident. If you have adequate life and medical coverage this isn't needed. Another option is "Personal Effects" coverage that pays for loss to your luggage and personal property in a car accident. It's very limited and duplicates coverage provided by your Homeowners policy, don't buy it.

Finally, if you'll be renting a vehicle for business reasons, check with your employer to see if they will protect you. If not, we'll need to know specifically what you'll be renting since some vehicles, especially pickups and vans, aren't covered when rented for business use.

Your Agent

Vehicle Sharing

**PERSONAL VEHICLE SHARING PROGRAM EXCLUSION ENDORSEMENT
PP 23 16 Introduced October 2013
Incorporated in the 2018 ISO PAP**

With respect to coverage provided by this endorsement, the provisions of the policy apply unless modified by the endorsement.

- I. Part A – Liability Coverage is amended to add the following exclusion:
We do not provide Liability Coverage for the ownership, maintenance or use of “Your covered auto” while:
- a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
 - b. Being used in connection with such personal vehicle sharing program by anyone other than you or any “family member”.

Similar exclusions are added to Medical Payments and Uninsured Motorists Coverage

Physical Damage - The endorsement only excludes loss when the vehicle is being used by someone other than the named insured or resident relatives in a vehicle sharing program. Loss to “non-owned” autos used by the named insured or resident relatives is only excluded when the insured isn’t responsible for the loss because of state law or terms of the vehicle sharing program.

POLICY

EXCLUSIONS

A. We do not provide Liability Coverage for any “insured”:

- 5.** For that “insured’s” liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance This exclusion (A.5) does not apply to a share-the-expense car pool.

Rental exclusion not found in the ISO PAP, but common in company policy forms:

- 7.** For “bodily injury” or “property damage” arising out of “your covered auto” while it is rented or leased to others.

Vehicle Sharing Program Exclusions

Most personal auto insurers have filed an exclusion for vehicle sharing, many are similar to the ISO exclusion. Note the ISO exclusion applies mainly to owned autos, coverage for an insured using a non-owned shared car would still apply. Any coverage on the car would be primary, however.

Vehicle Sharing

Car sharing services like Car2Go, Zipcar and Turo, are where people are paid to allow others to use their car. People can “rent” cars in these programs for as little as \$10. Cars may be located at airports or in neighborhoods all over the city, especially on university campuses. Most programs provide insurance on the car that covers those using it. Car owners can “loan” their car to the ride sharing service, generating income from it.

Coverage issues:

- **Rental exclusions** eliminate coverage when the insured’s vehicle is rented to others. Although the ISO PAP does not have a rental exclusion, a majority of insurers do.
- **Vehicle sharing exclusions** like the new ISO endorsement remove coverage on the insured auto for “renters” using it when the insured has enrolled it in a ride sharing program. Exclusions will vary by state to conform to differing state laws.
- **The "renters" personal auto policy should cover the shared vehicle like any other rented vehicle.** See the Car Rental topic for common coverage problems vehicle renters have. One exception to this might be Zip cars. One insurer denied coverage for an accident using a Zip car maintaining that it was “available for the insured’s regular use”! Another problem is shared vehicles that aren’t cars, pickups and vans, for example motorhomes or motorcycles.
- **Coverage provided by the car sharing service:** Some provide primary liability coverage to the vehicle owner and excess Liability for the vehicle “renter”. Physical damage coverage may be offered to the renter, but is excess over the Renters PAP. Sometimes the vehicle owners coverage, particularly UIM and PIP, can still apply in an accident.

Regulatory issues: State regulation is varied and evolving. The “green” aspects of car sharing encourage legislators to allow it. Some states forbid insurers from cancelling or nonrenewing policyholders because their vehicle is enrolled in a car sharing service. Some state laws will transfer liability and coverage responsibility to the car sharing service.

E-Bike and Scooter Proliferation

Sample Scooter and E-Bike rental obligations:

Rental or use agreements are long, binding and not often reviewed by our clients. Some of the common provisions are:

1. **Operators.** User will agree that they will be the only operator, though some allow the use by their minor children age 16 or older provided the minor wears approved safety gear and that they as parent assume all responsibility for the child's injury. (User agrees they too will wear a helmet.)
2. **Prohibited actions.** Operating in violation of any law or regulation, operating with a backpack or briefcase, operating while using a cell phone, operating under the influence of any substance that may impair ability and carrying another person.
3. **Assumption of Liability.** User assumes all Liability arising out of use.
4. **Responsibility for Damage.** User is responsible for all loss or damage up to values ranging from \$600 to \$2,000.
5. **Dispute resolution.** User agrees to arbitration and other alternative dispute resolution methods.
6. **Hold Harmless.** User agrees to assume risks of injury and hold rental firm harmless. User also agrees to indemnify the rental company.

E-Bike and Scooter Proliferation

E-Bikes: E-bikes are bicycles with an electric motor that can provide propulsion, either solely or by assisting with pedaling. Most are 2 wheel models, though 3 wheel models are not uncommon. Most have a traditional bicycle design, though some have a moped design. Some are folding models that can be carried. Ebike costs start at under \$500 and some models will cost over \$10,000. Top speeds range from under 15 mph to over 30 mph. Dockless E-Bike rentals from firms like Lime are becoming very common in urban areas, with costs of \$5 to \$10 per hour.

Electric Scooters: Electrically powered scooters come in a variety of types, from the traditional stand up kick type to accessibility models with seats. Costs range from a few hundred to several thousand dollars. Most are designed to go less than 20 mph. Dockless scooter rentals are also proliferating, with similar rental costs.

Personal Auto coverage: PAP's provide Liability coverage for "autos" and specifically exclude Liability for any vehicle, owned or rented, with less than 4 wheels. ISO provides a limited exception for the use of vehicles with less than 4 wheels in a medical emergency.

Homeowners coverage: Personal Liability initially excludes all self-propelled vehicles. Coverage is given back for unlicensed vehicles that service the residence, handicapped assistance vehicles assisting a handicapped "insured", golf carts at certain premises and non-owned unlicensed off road recreational vehicles. E-Bikes and scooters wouldn't qualify as off road vehicles. Coverage for kids electric toys may be automatically provided if they can't exceed 5 mph. ISO offers an endorsement allowing top speeds of up to 15 mph, but scooters are specifically excluded.

Motorcycle policy coverage: If the insured owns and insures a motorcycle, some motorcycle policies provide Liability for rented and borrowed motorcycles, though some limit non-owned coverage to temporary substitutes for an insured's bike that's out of service. The term "motorcycle" is often defined and would often include motor scooters, but not necessarily E-Bikes.

Umbrella coverage: Only a few policies would extend coverage to E-Bikes and Scooters. Most policies are excess forms that only cover exposures covered by underlying policies. Many umbrella and excess forms also have motorcycle exclusions, though in some cases they can be removed for owned motorcycle exposures. A few personal umbrellas, including an unmodified ISO form, may provide drop down coverage.

Markets: Coverage for E-Bikes is available with a growing number of specialty insurers, including Markel. A few standard insurers will cover them as well. Policies are typically auto or motorcycle types, offering up to \$500,000 in Liability coverage as well as physical damage coverage. Uninsured motorists coverage is a very important option. Some scooters are eligible for motorcycle programs with standard insurers.

2018 PAP Changes

Insurance Services Office introduced a new edition of their personal auto policy in September of 2018 in most states. It replaces the current 2005 edition.

Many of the changes are incorporating countrywide change endorsements to the 2005 PAP into the new standard policy. Some of those are:

1. **Ride Sharing.** The revised livery exclusion removes almost all coverage while a vehicle is connected to a ride sharing platform network as discussed earlier. An exception is added for use for volunteer or charitable purposes.
2. **Vehicle Sharing.** The new exclusions affecting all four coverage parts are identical to those found in the PP 23 16 discussed earlier.
3. **Custom equipment** The 2009 changes extending the physical damage exclusion to cars, as well as providing \$1,500 in coverage for custom equipment are incorporated in the standard policy without additional changes.

There were a number of changes to current policy provisions and endorsements:
Some of those are:

1. **Racing exclusion enhancement.** The exclusion for racing in a racing facility is broadened to also remove coverage for driver skill training activities. Racing elsewhere still isn't excluded as it is with many insurers.
2. **Newly acquired vehicle coverage.** All previous editions provided Liability, Medical Payments and UM coverage for replacement vehicles without requiring the insured notify the insurer. Now all new vehicles, replacement and additional, must be reported to the insurer within 14 days to be afforded automatic coverage.
3. **Transportation Expenses coverage.** The automatic \$20 per day for the costs of substitute transportation resulting from a covered physical damage loss is being increased to \$30 per day. Not automatically provided by many insurers.
4. **Trailer/Camper Coverage endorsement.** A mold exclusion is added, as well as clarification that coverage isn't "agreed value".
5. **Flying car exclusions.** All four coverage parts will exclude coverage for road-able aircraft, just in case someone tries to add their to their policy.
6. **Named Non-owner endorsement.** Those that don't own vehicles can now add physical damage coverage for using rented and borrowed vehicles, in addition to the Liability, Medical Payments and UM previously available.

2018 PAP Changes

Some of the new endorsements made available in the 2018 program:

Additional Resident of Your Household (PP 33 37) The endorsement will allow the insured to improve the coverage afforded unrelated members of the household by having them considered "family members". This affords them coverage when operating or occupying non-owned vehicles, though they don't get any automatic coverage for newly purchased vehicles. The endorsement also requires the insured to notify the insurer within 30 days of any change of residency of the named person.

Pet Injury (PP 33 31) Provides coverage for veterinary medical treatment or cost of cremation/disposal for dog or cats of the policyholder or "family members". Injury is covered in owned vehicles, as well as rented or borrowed vehicles. There must be physical damage on at least one vehicle of the insureds and pet injury must be caused by a collision or other than collision loss.

Personal Property Coverage (PP 33 42) A new option to purchase personal property coverage, presumably for property in motorhomes and trailers. Coverage extends on an open peril basis. Valuation is ACV, with an option for replacement cost settlement. The endorsement wants to coordinate with other sources of recovery, like homeowners or renters coverage, in the event of a loss.

Replacement Cost Coverage (PP 33 10) A new option to provide replacement cost, instead of ACV, settlement for total losses to new vehicles. Coverage extends until the vehicle is 2 years old or has 24,000 miles, whichever comes first. Replacement is for a vehicle of like kind and quality, not to exceed 110% of the MSRP of the vehicle being replaced.

Key Replacement and Related Services (PP 33 27) Pays for the cost to replace lost or stolen keys, including the cost to gain access to the auto. No deductible, up to limit specified.

Child Restraint System Coverage (PP 33 30) Pays for loss of or damage to child safety seating. Seating is covered in owned, rented or borrowed autos as long as physical damage is carried on at least one auto. No deductible applies.

Adventures in Auto Rating

Credit Scoring. First introduced in the mid to late 1990's, using credit scores as a personal auto rating factor is now ubiquitous. Many states have laws affecting the use of credit, often barring non-renewal for it as a sole cause, as well as requiring its use be disclosed. Only three states, California, Hawaii and Massachusetts have laws that bar its use for rating. The impact of credit on rates is dramatic. Drivers with bad credit often pay 50% more than those with average scores. Drivers with excellent credit can also see discounts of up to 50%.

Usage Based Insurance and Telematics. In the last 10 years, insurers have been developing rates based on information provided electronically from the auto being driven. Telematics devices can be installed in the on-board diagnostics (OBD) port of cars built after 1996. The devices can measure how and how much the car is driven, though most insurers indicate they're not tracking vehicle location. Insurers will offer discounts of up to 30% if the devices things like 1) no hard braking or rapid acceleration, 2) no driving after midnight and 3) low miles driven.

Policyholders have the ability to get reports from their insurer on how they're driving. Many drivers report that they have changed their driving habits in response to having a UBI device.

The number of drivers with a UBI policy increased from 4.5% in early 2013 to 8.5% in late 2014. In 2014, one study predicted 70% of all insurers would offer UBI by 2020, but adoption in the market has slowed. One recent estimate is that only 5% of drivers in the U.S. are utilizing UBI.

Price Optimization. In this day of "big data", most product sellers use information about a customers buying practices to price their product. Some consumer groups are maintaining that its use in setting insurance rates is inappropriate and discriminates against low income drivers. Only 12% of insurers use price optimization in personal auto rating. The NAIC issued a white paper on it in 2015. Four states, Florida, Ohio, Maryland and California have banned its use. More than 20 states have taken regulatory action on it. The Ohio Dept of Insurance called it "varying premiums based upon factors unrelated to the risk of loss in order to charge each insured the highest price that the market will bear".

Criminal Acts with Cars

Although the ISO PAP excludes intentional acts, it doesn't exclude criminal acts. Many personal auto insurers now do exclude them. A survey of the top ten writers of Personal Auto in Nevada showed that 6 of them had a criminal acts exclusion apply to Liability, Physical Damage or both.

A Liability exclusion for losses arising out of a criminal act could have devastating financial consequences for the policyholder and anyone else driving their autos. Most negligent accidents involve a citation for negligent driving. Reckless driving, as well as driving under the influence of drugs or alcohol, can be felonies in some cases.

Having such exclusions may place insurers in the difficult position of trying to apply them consistently and equitably. Consistently denying coverage for all losses arising out of criminal acts may also have some unfortunate consequences for consumers.

The ability to enforce the exclusion legally appears to vary. One appeals court in Washington found them ambiguous, in violation of the financial responsibility law of the state and therefore unenforceable. An Illinois court decision let one stand in denial of a physical damage claim.

| COMPARISON | |
|-------------------|--|
| Company | Criminal Acts Exclusion |
| Company A | Physical Damage: Loss that may be reasonably expected to result from criminal acts of an insured or permitted driver. |
| Company CS | Liability: Arising out of use involving committing felony or other criminal activity, except speed or alcohol violation. |
| Company E | Liability: Results from criminal act that results in a felony conviction. |
| Company F | Liability: Results from criminal act that results in a felony conviction. |
| Company P | Liability: Results from any criminal act or omission except traffic violations. |
| Company S | Liability: Arising out of any criminal act, even if not charged or convicted, except for traffic violations. |
| Company U | Physical damage: Use in illicit trade or transportation. |

Motorcycle Gotchas



POLICY NUMBER:

SAFECO INSURANCE COMPANY OF ILLINOIS MOTORCYCLE POLICY DECLARATIONS

NAMED INSURED:
MICHAEL

RENEWAL

POLICY PERIOD FROM: MAY 5 2012
TO: MAY 5 2013

at 12:01 A.M. standard time at
the address of the insured as
stated herein.

AGENT:
FOISY & KENNEDY INC
PO BOX 69
GRAND COULEE WA 99133-0069

AGENT TELEPHONE:
(509) 633-0410

ALL DRIVERS MICHAEL
IN HOUSEHOLD

RATED DRIVERS MICHAEL

2006 VICTORY HAMMER 1634cc CRUISER ID# 5VPH826D463
LOSS PAYEE COULEE DAM FED CREDIT UNION

Insurance is afforded only for the coverages for which limits of liability or premium charges are indicated.

| COVERAGES | 2006 VICT LIMITS | PREMIUMS |
|--------------------------------|--|---------------|
| LIABILITY: | | |
| BODILY INJURY | \$100,000 Each Person | \$ 37.70 |
| | \$300,000 Each Accident | |
| PROPERTY DAMAGE | \$100,000 Each Accident | 23.50 |
| GUEST PASSENGER | \$100,000 Each Person | 17.30 |
| | \$300,000 Each Accident | |
| MEDICAL PAYMENTS | \$5,000 | 76.50 |
| UNDERINSURED MOTORISTS: | | |
| BODILY INJURY | \$100,000 Each Person | 122.40 |
| | \$300,000 Each Accident | |
| PROPERTY DAMAGE | \$100,000 Each Accident | 6.10 |
| COMPREHENSIVE | Actual Cash Value Less \$100 Deductible | 11.20 |
| COLLISION | Actual Cash Value Less \$500 Deductible | 66.30 |
| ADDITIONAL COVERAGES: | | |
| CUSTOM PARTS AND EQUIPMENT | \$4,300 | 12.20 |
| | TOTAL \$ | 373.20 |

Motorcycle Gotchas

Motorcycle Coverage Problems: Here's a list of common problems organized by coverage part:

1. **Liability.** Many motorcycle policies exclude liability for passenger injury, generally allowing the insured to add it for an additional premium. Since the biggest liability exposure a cyclist can have is injury to a passenger, full limits should always be recommended and sold.
2. **Medical Payments.** Only limited coverage is available, generally from \$1,000 to \$10,000 per person, neither of which is adequate for any serious injury. Even so, the cost for such modest limits is so expensive that many insured's don't buy it. When coverage is rejected, producers should remind insureds of the need for adequate major medical coverage for themselves and anyone who rides with them.
3. **Uninsured Motorists.** Uninsured motorists coverage is often very expensive, especially with specialty programs. When coverage is rejected, producers should remind insureds of the need for adequate major medical coverage for themselves and anyone who rides with them. There is also a greater risk of disability resulting from bike accidents and the need for disability income should be mentioned, even if the producer doesn't sell it.
4. **Physical Damage.** Coverage is typically very similar to comprehensive and collision coverage provided by auto policies. The custom equipment exclusion should be noted as many accessories are not manufacturer original equipment. Many motorcycle policies still limit coverage for "accessories". Some cover only the base model of the bike, excluding optional equipment like saddles bags or even fairings. Since options can comprise 30% or more of the bike's value and are often most exposed to loss, optional coverage should be purchased whenever necessary.
 - *Ask clients about custom equipment and accessories.*
4. **Motorcycle sharing.** Ride and vehicle sharing programs using motorcycles are being introduced, with similar coverage implications as personal auto.

Umbrella Coverage Problems for Motorcycles: One of the biggest problems is not knowing our insureds own motorcycles when they've purchased coverage elsewhere. The other coverage may not be enough to meet the underlying requirement for their umbrella. Some umbrellas exclude motorcycles and some cover them only if endorsed.

- *Use a coverage checkup to find out if clients own bikes.*

Motorhome Mishaps

Motorhome Coverage Problems: Here's a list of common problems organized by coverage part:

1. **Liability.** Many motorhome policies have a total exclusion for being used for business purposes. They also exclude coverage when the motorhome is rented or leased to others. Some policies consider these as "warranties" allowing the company to void the entire policy if they're ever violated.

Beware of exclusions with specialty insurer that remove coverage while the motorhome is parked and being occupied! "Vacation liability" may need to be added, but watch out for non-standard limitations in the optional coverage that can be added.

- *Ask about business use in a coverage checkup.*
- *Advise clients not to rent out their motorhome.*

2. **Medical Payments.** Available and inexpensive, but limits of \$10,000 are always inadequate.

3. **Uninsured Motorists.** May differ from coverage provided on cars in cases where motorhomes are exempt from UM laws.

4. **Physical Damage.** ACV valuation can be a big problem, especially when used RV prices drop dramatically due to a downturn in the economy or a spike in fuel prices. Insureds can find themselves upside down on their loan, with more loan than ACV in a total loss.

Several specialty carriers are offering "total loss replacement" which pays to replace RV with a new one when it's 5 years old or less. Covers the gap exposure created by depreciation. Some cap coverage at the amount an RV was purchased for, others don't. Some carriers offer "agreed value" endorsements which pay full "agreed value" in event of total loss.

- *Offer "replacement" or "agreed value" coverage when available.*

Motorhome Mishaps

5. **Full timers.** Full-timer coverage is available on many motorhome and a few travel trailer policies. An important feature is personal liability coverage to replace what is normally provided by a Homeowners policy, since many full-timers primary home is their RV. Coverage varies dramatically and some provide only premises liability.
 - *Having a Renters policy can provide better coverage for the insured's property in their motorhome and elsewhere, as well as providing better personal liability coverage.*
6. **Personal Property.** Personal property coverage is very important for full-timers and included in some full-timer endorsements. Coverage limits are often inadequate. Endorsements generally only cover property in the RV, not property in storage, though some policies are now offering coverage for things in storage. RV'ers often dramatically underestimate the value of their personal property. Some endorsements cover property at replacement cost while others are only actual cash value. Certain valuables, like jewelry, may be subject to sub-limits as low as \$250.
7. **Emergency Expense.** Emergency Expense coverage pays for lodging and travel expenses when RV is damaged and unusable due to covered loss. Especially important for full-timers.
8. **Towing and Roadside Assistance.** Important feature due to higher costs of towing RV's.
8. **Rental and "Sharing".** Insureds are renting their motorhomes to others much more often in the internet age. Services like RVShare.com match owners with others wanting to rent a motorhome. Motorhome policies exclude all coverages during the time the motorhome is rented. Some services, like RVShare, will offer the owner an optional \$1M in Liability insurance, as well as protection against most types of damage. Coverage may not extend to contents other than motorhome equipment. Failing to disclose rental use to the insurer could also result in claim denial if the insured "warranted" personal use or provided incorrect information at time of application.

Umbrella Coverage Problems for Motorhomes: Most personal umbrellas provide only follow-form excess coverage for RV's. Since coverage in the umbrella may only exist if it's found in the underlying, it's even more important to arrange for broad underlying coverage on the RV policy.

Off Road RV Facts and Gaps

Loss exposures and facts:

1. 27% of ATV injuries involved children under 16 (down from 35% in 2000). 37% of accidents involved head injuries. 38% of ATV crash victims needed surgery. Nearly 900 people a year die in ATV accidents, 20% of them are under age 16.
2. Children lack the strength and often the skill to safely operate adult size toys. Children under 16 are twice as likely to be injured operating adult model ATV's than smaller youth models.
3. Owners of recreational vehicles can be liable for rider injury if caused by a lack of instruction, negligent supervision or maintenance. New state and federal laws regulating ORV use, like requiring helmet use, display of slow moving vehicle emblems and warning flags, adult supervision of young operators, all provide more basis for negligence claims.
4. Some manufacturers are incorporating safety acknowledgements in their warranty registrations forms. Purchasers acknowledge that the ORV won't be operated by children under 16, operated without a helmet, driven while under the influence of alcohol, driven on public roads or operated with any passengers.
5. Less common than injuries riders cause to themselves are injuries they cause to passengers. However, the liability exposure is much greater. In addition to negligent operation being the cause of a passenger's injury, the driver may be unavoidably liable for allowing another to ride an ORV that's not designed to carry passengers.
6. Less frequent are claims for injury to others that are hit by the off road RV. But, severity of these injuries is an increasing problem, especially with the speeds many "toys" are capable of.
7. Off-road RV use is involving larger groups of people, in part due to people congregating at ORV trails and campgrounds. Traffic density on approved trails is increasing.

Off Road RV Facts and Gaps

Off Road RV Coverage Problems: Here's a list of common problems organized by coverage part:

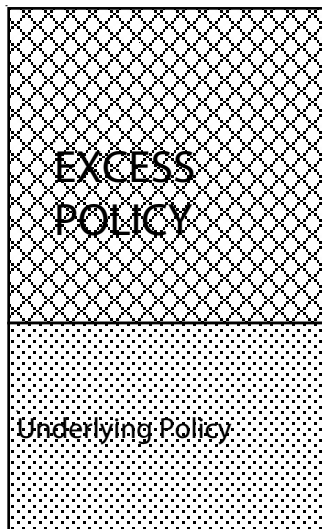
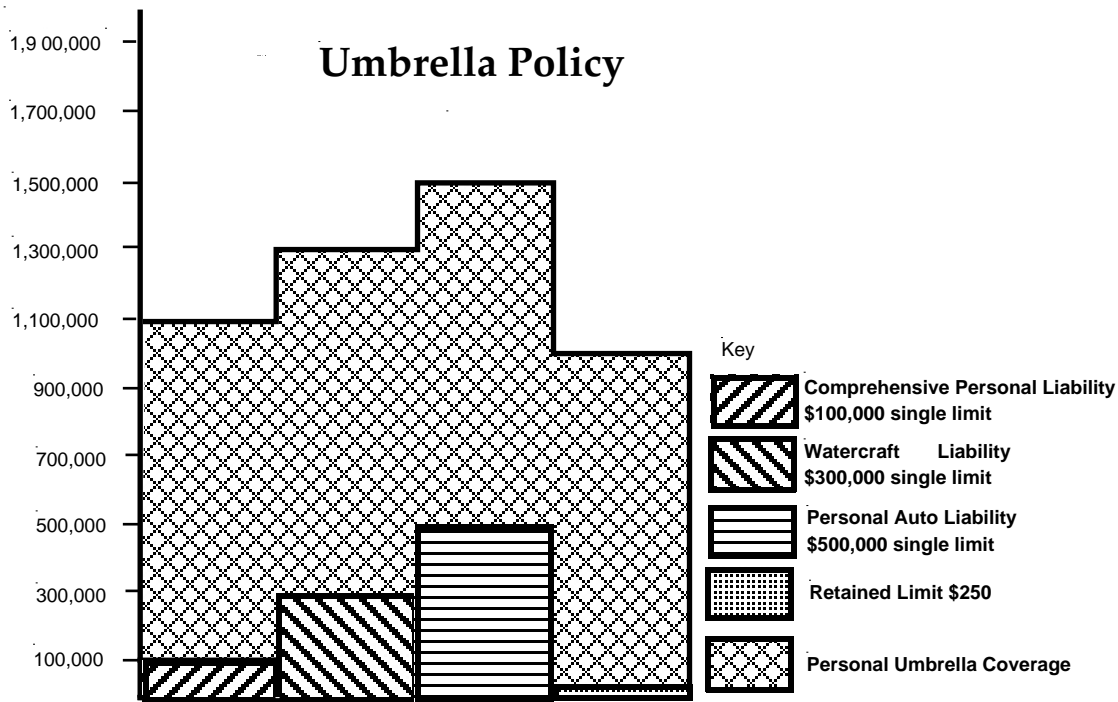
1. **Liability.** Passenger liability is excluded in some programs and optional in others. It's also the biggest liability exposure faced by RV'ers. Many policies also exclude racing, stunting, hill climbing and jumping.
 - *Always provide passenger liability coverage at matching limits.*
2. **Medical Payments.** Coverage is often expensive and available in only limited amounts. Agents should remind clients of the need for adequate medical insurance to cover catastrophic injuries.
3. **Uninsured Motorists.** A growing exposure which the insured should consider insuring. Often much less expensive than Medical Payments.
4. **Physical Damage.** Generally covers the RV and attached equipment. Trailers have to be scheduled. Many policies limit coverage for "optional" OEM equipment, as well as non-OEM equipment. Many policies exclude racing, stunting, hill climbing and jumping.
5. **Rental and Sharing.** Most policies exclude all coverage while an off-road RV is rented to others. Though much less common frequent that motorhome rental, services like Fun2Rent.com are making peer-to-peer RV sharing happen too.

Auto policies provide no coverage for renting off-road vehicles. Homeowners policies often provide third party Liability if the RV isn't licensed. Damage to the rented RV is limited to the \$500 to \$1,000 of Damage to Property of Others Additional Coverage.

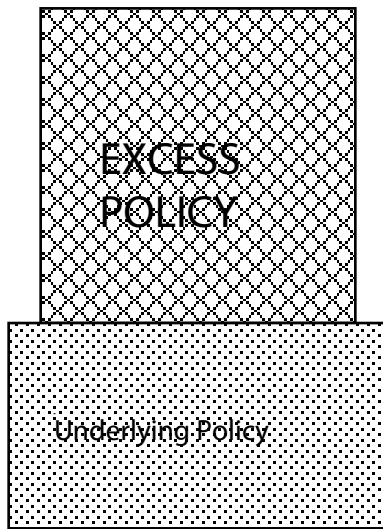
Umbrella Coverage Problems for Off road RV's: Most personal umbrellas exclude liability for off road RV's, except to the extent that coverage is provided in an underlying policy. This means that if there's no underlying liability, there's no coverage under the umbrella. It also means that coverage for RV's is no broader than that provided by the underlying.

- *Find out if insureds own an RV by using a good exposure survey tool, like a coverage checkup.*

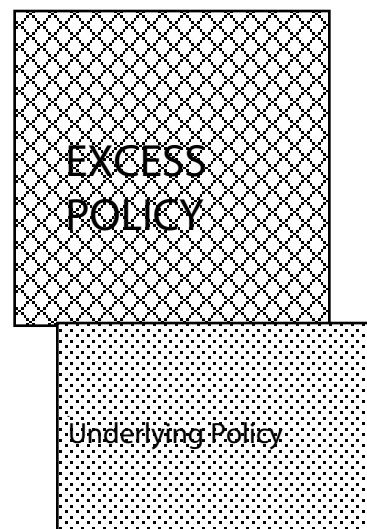
Umbrella Gaps and Plugs



Excess - Follow Form



Excess narrower than underlying



Excess narrower and broader than underlying.

Umbrella Gaps and Plugs

Umbrella type policies provide higher limits of liability coverage, while also providing broader liability protection. When an umbrella provides broader, primary protection, the insured will often have to pay a **self insured retention**. Broader coverage can be afforded by 1) definitions that are broader, 2) exclusions that are narrower and 3) conditions that are not as restrictive, as those found in the underlying policies.

Excess type policies provide only higher limits of liability coverage, they do not provide broader coverage. Follow form policies provide coverage only for claims covered by the underlying policies. Excess policies also may not be as broad as the underlying policies.

Hybrid type policies, the most common type, combine the elements of both umbrella and excess protection. They provide higher limits of liability coverage, but may not be as broad as the underlying policies. They may provide only following form coverage for certain exposures, like recreational vehicles. They may also provide broader coverage, acting like an umbrella.

Coverage problems with follow form policies, provisions and endorsements. Some excess policies are entirely follow form, providing coverage for only the same things covered by underlying policies. Many policies, even umbrellas, will follow form for certain coverages or exposures, like recreational vehicles. Some umbrellas may have restrictive follow form endorsements added. For example, auto coverage may be endorsed to follow the underlying forms, eliminating any coverage for using autos worldwide.

One of biggest reasons to avoid follow form coverage is that it won't fill coverage gaps between the underlying policies. For example, personal liability excludes occupancy of an auto, while auto policies only cover "use" of autos, creating a gap between the two policies. As long as the excess policy or coverage isn't follow form, it will fill that gap.

Umbrella Gaps and Plugs

Typical Policy Provisions

**ISO Umbrella:
Maintenance of Underlying Insurance.**

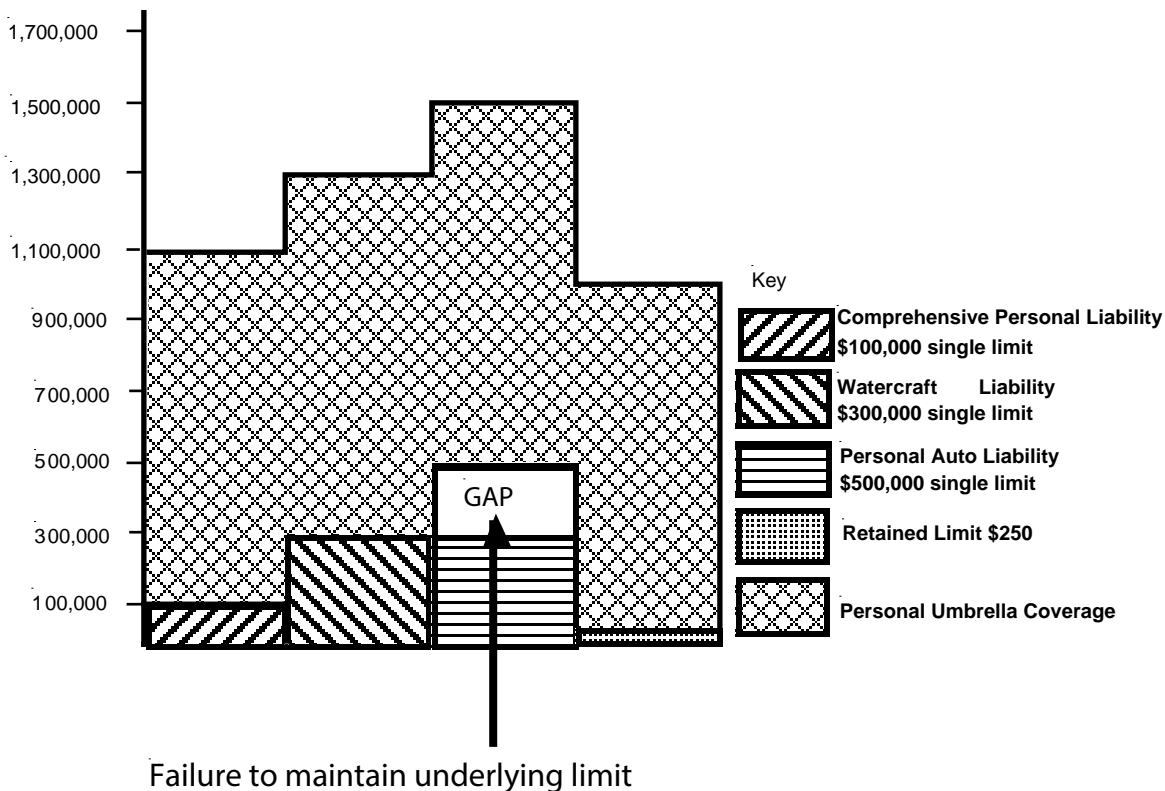
You must maintain the “underlying insurance” at the full limits stated in the Declarations and with no change to more restrictive conditions during the term of this policy. If any “underlying insurance” is canceled or not renewed and not replaced, you must notify us at once.

If you fail to maintain “underlying insurance”, we will not be liable under this policy for more than we would have been liable if that “underlying insurance” was in effect.

**From Company C Umbrella Policy Declarations:
SCHEDULE OF UNDERLYING INSURANCE:**

The insured agrees:

- 1) that insurance policies providing the coverage specified on the back of these declarations, if applicable, are in force and will be maintained in force as collectible insurance for at least the required minimum limits stated
- 2) to insure all motor vehicles owned, leased or used by the insured
- 3) to insure all residence premises owned, leased by or leased to the insured
- 4) to insure all recreational vehicles owned, leased by or used by the insured
- 5) to insure all watercraft owned by the insured



Umbrella Gaps and Plugs

Underlying Coverage Issues. In general, a personal umbrella/excess policy will handle a loss where the required underlying isn't adequate the same as it would had the proper underlying had been in place. It won't drop down and won't want to provide the defense the underlying carrier should have provided. **It will pay the amount of the loss that's in excess of the amount of underlying coverage required.** This is not always true, as noted below in item 4.

1. **Underlying policies have lower limits than required.** The policy pays the amount of loss in excess of the underlying requirement. The insured is responsible for paying the amount of the loss that exceeds the underlying coverage, up to the amount of underlying coverage required by the umbrella.
2. **Underlying policy lapsed.** The insured has to pay all of the loss until the underlying coverage requirement is reached.
3. **Lack of coverage for owned exposures.** The insured has to pay all of the loss until the underlying coverage requirement is reached. Making sure the insured has underlying liability coverage in place for all of their autos, residences, watercraft and recreational vehicles is critical. The use of renewal questionnaires can help identify uninsured exposures.
4. **Some umbrellas will exclude all loss when the required underlying coverage is not in place.** For example, one high net worth client personal umbrella policy won't pay any loss, even loss in excess of the required underlying limit, when the insured fails to maintain underlying coverage for an auto or recreational vehicle that's owned by them or available for their regular use.
5. **Insolvency of underlying insurance company.** The insured has to pay all of the loss until the underlying coverage requirement is reached.
6. **Breach of underlying contract voids the underlying coverage.** The insured has to pay all of the loss until the underlying coverage requirement is reached.
7. **Requirement to provide coverage for many non-owned exposures.** Some umbrellas, like the Company C sample on the facing page, require the insured to maintain underlying on any vehicle they are using. This could create problems when the insured is renting an auto outside the coverage territory of their personal auto policy.
8. **Agent responsibility for maintaining underlying.** Agents may be legally responsible for helping the insured understand and maintain adequate underlying coverage.

Umbrella Gaps and Plugs

Typical Policy Provisions

ISO Umbrella:

“Personal injury” means injury arising out of one or more of the following offenses, but only if the offense was committed during the policy period:

1. False arrest, detention or imprisonment;
2. Malicious prosecution;
3. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
4. Oral or written publication of material that slanders or libels a person or organization or disparages a person’s or organization’s goods, products or services; or
5. Oral or written publication of material that violates a person’s right of privacy.

Company I Umbrella:

“Personal injury” means damages arising out of the following offenses:

1. Libel, slander, or defamation of character;
2. False arrest, willful or false detention or imprisonment, or malicious prosecution;
3. Wrongful eviction, wrongful entry or invasion of privacy; or
4. Assault or battery, if committed to protect persons or property.

ISO Umbrella:

“Recreational motor vehicle” means:

1. All-terrain vehicle;
2. Dune buggy;
3. Golf cart;
4. Snowmobile; or
5. Any other motorized land vehicle which is designed for recreational use off public roads.

Umbrella Gaps and Plugs

Personal Injury - Broader form of injury than bodily injury that includes offenses like libel and slander. Almost all personal umbrellas provide coverage for **personal injury**. Follow form excess policies only provide **personal injury** when it's covered by an underlying policy, which is true of many Homeowners policies.

In an increasingly litigious world, a broad definition of **personal injury** is one of the most important features to look for in a personal umbrella. The best definitions will specifically include “mental anguish” or “mental injury”. Some umbrellas include **bodily injury** in the definition of **personal injury**.

Personal Injury is covered even though it's considered an “intentional tort”. However, coverage may be excluded when the libel or slander was done with the intent to harm someone.

Recreational vehicle - Typically recreational vehicles designed for use off public roads. Vehicles that are specifically mentioned are ATV's, dune buggies, golf carts and snowmobiles. But, it might also include things as small as motorized childrens toys. Policies use the definition most often to 1) require underlying coverage for owned RV's and 2) limit coverage for RV's to what's provided by the underlying policy (follow form). Several umbrellas completely exclude coverage for RV unless 1) underlying coverage is carried or 2) coverage is endorsed to the umbrella.

Generally not included in the definition are service vehicles, like riding mowers, or garden tractors. Consequently, many umbrellas will provide coverage for these, even when coverage in the underlying Homeowners is compromised by their use off-premises. (A notable exception one umbrella marketed to high net worth clients, which requires them to be used solely on premises). Also not included in the definition and provided broader coverage would be handicapped assistance vehicles.

Umbrella Gaps and Plugs

Typical Policy Provisions

ISO Umbrella:

14. "Bodily injury" or "personal injury" arising out of:

- c. The use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this Exclusion (A.14.) does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician;

Company I Umbrella:

- M. "Injury" arising out of the giving or serving of any alcoholic beverage unless also covered by valid and collectible insurance for the full Minimum Limit of Coverage under the **Basic Policy**.

ISO Umbrella:

"Bodily injury", "personal injury" or "property damage" arising out of or in connection with a "business". However, this Exclusion (A.3.) does not apply to:

- d. The use of an "auto" you own, or a temporary substitute for such "auto", by you, a "family member" or a partner, agent or employee of you or a "family member" while employed or otherwise engaged in the "business" of:
 - (1) Selling;
 - (2) Repairing;
 - (3) Servicing;
 - (4) Storing; or
 - (5) Parking;vehicles designed for use mainly on public highways;
- e. The use of an "auto" for "business" purposes, other than an auto business, by an "insured";

"Bodily injury" or "property damage" arising out of the ownership or operation of an "auto" while it is being used as a public or livery conveyance. This Exclusion (A.4.) does not apply to a share-the-expense car pool;

Company I Umbrella:

This policy does not provide coverage for:

- A. "Injury" caused by, resulting from, arising out of or in any way connected with **Business Pursuits** or **Business Property**, unless arising from an **Insured Location** and unless the Injury is covered by a valid and collectible Basic Policy for the full Minimum Limit of Coverage shown in the Declarations. This exclusion does not apply to:
 - 1. You or a Relative for Business use of an Automobile owned by a natural person and not by a corporation, partnership or to the business entity, as long as it is not used as a taxi for hire...

Umbrella Gaps and Plugs

Exclusions can create or limit coverage, to an even greater degree than the Definitions. Often it's the lack of an exclusion that creates coverage.

Alcohol and Drugs - The use of alcohol is rarely excluded, though the use of drugs is almost always excluded.

The host liquor exposure is one of the biggest reasons for clients to have a personal umbrella. When someone over serves alcohol at a party and an auto accident ensues, it sometimes isn't clear if there's coverage under the underlying home or auto policy. Homeowners liability excludes the use of autos and auto policies only cover the use of autos. But, there's no question about coverage under the umbrella when there's no exclusion for liquor. Note that the Company RL form excludes liquor liability unless coverage is provided by an underlying policy, something that's far from certain.

Most umbrella/excess policies completely exclude liability for injury that arises out of the use of controlled substances, as defined in federal law. This includes many prescription drugs, though the exclusion doesn't apply to them when they're used as prescribed by a physician. Surprisingly, the Company RL Umbrella does not have an exclusion for drug use.

Automobile - In general, personal umbrella and excess liability policies will exclude the same exposures that are excluded by the underlying auto policy. But, policies vary dramatically when it comes to specific provisions, with some providing much broader coverage than others. When reviewing policies, be sure to check the separate exclusions for **business** to see how they affect **autos**. **Auto exposures and exclusions include:**

1. **Using an auto as a public or livery conveyance.** This is the "preferred" wording for excluding business use of autos as it only removes coverage for hiring out an auto to the public, like operating a taxi. Some umbrellas will exclude "carrying persons or property for compensation", a very restrictive phrase which should be avoided.
2. **Delivery exclusions.** Although a growing number of personal auto carriers have introduced exclusions for delivery in their personal auto policies, such exclusions are rarely found in personal umbrellas and should be avoided.
3. **Total business exclusions.** At least one large writer of personal lines excludes all **business** use of autos, a very restrictive provision.
4. **Business use of rented vehicles.** Although many underlying personal auto policies exclude using a rented pickup or van for business, most personal umbrellas don't and will provide coverage the exposure.

Umbrella Gaps and Plugs

Typical Policy Provisions

ISO Umbrella:

17. "Property damage" to property rented to, occupied or used by, or in the care, custody or control of, an "insured" to the extent that the "insured" is obligated by contract to provide insurance for such property. However, this Exclusion (A.17.) does not apply to "property damage" caused by fire, smoke or explosion;

Company I Umbrella:

This policy does not provide coverage for:

L. **Property Damage** to property in the care, custody or control of you or a **Relative**.

Company I Umbrella:

This policy does not provide coverage for:

T. **Injury** arising out of any liability assumed through an unwritten or written agreement by anyone covered by this policy; unless also covered by valid and collectible insurance under the **Basic Policy** for the full Minimum Limit of Coverage shown in the Declarations.

Company H Umbrella:

Contractual Liability. We do not cover any damages arising out of contracts or agreements made in connection with any covered person's business. Nor do we cover any liability for unwritten contracts, or contracts in which the liability of others is assumed after a covered loss.

ISO Umbrella:

Policy Period And Territory

The policy period is stated in the Declarations. This policy applies to an "occurrence" or offense which takes place anywhere in the world.

Umbrella Gaps and Plugs

Care, Custody or Control - Many personal umbrella policies provide broader coverage for damage to property in an insured's care, custody or control. When coverage is broader than the underlying and the umbrella "drops down", the **insured** will have to pay the applicable deductible or **self-insured retention**. Underlying policies typically exclude all coverage for damage to property in the **insured's** care, custody or control, except in some cases for loss caused by fire, smoke or explosion. There are three common variations on this exclusion. Damage to property in an insured's care will be:

1. **Excluded only to the extent the insured is required in a contract to provide insurance for the damage.** This very broad coverage is found in the ISO Personal Umbrella and many others. The only time the insured wouldn't have coverage is when they agreed in a contract to provide insurance for the property in their care. An example would be an equipment lease.
2. **Excluded completely.** A complete exclusion, like the one found in the company I umbrella, is not common. Most will give back coverage for damage caused by fire, smoke or explosion.
3. **Not excluded at all.** A surprising number of personal umbrellas have no exclusion, providing complete coverage for damage to property in the insured's care, custody or control.

Broad care, custody and control coverage would provide coverage for the following claims. The insured is sued by their landlord after their waterbed ruptures causing damage to their rented apartment. A rental car company claims \$9,000 in diminished value loss to the car your insured rented and wrecked. The hardware store holds your insured responsible for \$35,000 in loss to the excavator they'd rented to do landscaping work at their house. The insured would still have to pay their **self-insured retention**, typically \$1,000 or less. The underlying Homeowners policy may cover some losses as well.

Policy Territory - Most umbrellas have a worldwide coverage territory. Many excess policies are not as generous, covering only the same territory as the underlying. Personal auto policies have a coverage territory that only provides coverage in the U.S, Canada, Puerto Rico and US Possessions. A good umbrella will drop down to provide coverage for operating autos rented elsewhere in the world. However, many umbrella companies will insist that primary underlying coverage is needed. Even if an umbrella will drop down, U.S. coverage may not be recognized in a foreign country. So, arranging for primary foreign coverage is still very important. But, a personal umbrella can be a great last line of defense to protect an insured's assets.

Personal Insurance Checkup Disclaimer

The following comprehensive personal lines exposure survey is offered as “shareware”. It is offered to agents for their own office use. The author asks only that agents who use it provide feedback on how it works for them and suggestions on how it could be improved. It is not to be copied or distributed to other agents without the author’s permission.

The questionnaire has been designed so that any “yes” answers may indicate a potential gap in the client’s personal insurance program. It should be used only by staff who are familiar with the coverages provided. In order to facilitate client response, the language used has been simplified and some exposures have been omitted. For best results, use it with a summary of the coverage currently provided for the client.

Questions and comments should be directed to: Jerry Kennedy, Foisy & Kennedy Inc., P.O. Box 69, Grand Coulee, WA 99133. Phone (509) 633-0410, Fax (509) 633-2905 or Email jerry@foisykennedy.com. A copy of the checkup in Word is available on request.

PERSONAL INSURANCE CHECKUP

It's time for an insurance check up. To better serve you and to help eliminate gaps in your insurance coverage, we developed this questionnaire. For your convenience, we've also enclosed a synopsis of all of the personal insurance you have with us. Please answer the following questions and return the form to us in the enclosed postpaid envelope. We will use it to evaluate the adequacy of your present coverage and will advise you of any changes that may be in order. This information, like all of your personal business, will naturally be kept in the strictest confidence.

Name _____
 Mailing Address _____
 Location Address (if different) _____
 City _____ State _____ Zip _____
 Day phone _____ Evening phone _____ Email address _____

Circle Yes or No. If Yes, please provide a brief description or explanation.

- Yes No 1. Are there any corrections or changes to the address or location of your home as shown above?

- Yes No 2. Does anyone, except a mortgagee listed on your policy, have a financial interest in your home?

- Yes No 3. Do you have any outbuildings or separate garages?

- Yes No 4. Do you own or rent any other real estate, by yourself or with others?

- Yes No 5. Do you serve on any charitable, social or governmental boards?

- Yes No 6. Have you done any remodeling or made other improvements to your home?

- Yes No 7. Is the amount of insurance on your home less than it would take to rebuild it?

- Yes No 8. Are your personal belongings covered for less than it would cost to replace them in a total loss?

- Yes No 9. Do you have collectibles such as antiques, fine art, stamps, or coins?

- Yes No 10. Do you own tools, equipment or other property used in your trade, business or profession?

- Yes No 11. Do you conduct any business at home?

- Yes No 12. Do you own expensive jewelry, furs or silverware?

Circle Yes or No. If Yes, please provide a brief description or explanation.

Yes No 13. Do you own costly sporting equipment, guns or hobby equipment including musical instruments?

Yes No 14. Do you own a boat, jetski, or waverunner? Ever rent them?

Yes No 15. Do you ever keep or carry cash over \$200?

Yes No 16. Are you interested in doing a video inventory of your home?

Yes No 17. Do you own a golf cart, go-cart, dirt bike, ATV, snowmobile, dune buggy, camper, trailer or any other self-propelled vehicle including a riding mower or tractor?

Yes No 18. Do you need coverage for flood or earthquake?

Yes No 19. Do you have any employees?

Yes No 20. Do you own any cars, trucks, motorcycles or motorhomes not shown on your coverage summary?

Yes No 21. Do you often drive vehicles owned by others, including an employer's vehicle?

Yes No 22. Are there any non-family members living with you?

Yes No 23. Do you ever use your vehicles for business reasons?

Yes No 24. Do you ever rent cars?

Yes No 25. Do any of your vehicles have custom equipment?

Yes No 26. Do you own any other personal property valued over \$1000 per item not mentioned above?

Yes No 27. Are you interested in increasing your liability coverage?

Yes No 28. Do you need to review your life insurance coverage?

Yes No 29. Would you like information on disability coverage?

Yes No 30. Would you like information on medical insurance?

Yes No. 31. Do you have any questions about your insurance coverage?

Signed _____

Date _____

Exposures to Add to the Checkup: