

BE A BETTER AGENT

HOW TO INSURE THE MODERN FAMILY



21-hrs P&C CE + 3-hrs Ethics CE



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This ebook covers everything insurance agents need to know about the most common Personal Lines Insurance, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking the following link.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

The link will take you to a quiz with multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects).

To get the most out of this eBook, you need to sign up for a FREE account at <https://quizizz.com/>

When you are ready to take the Final Exam, click the following link:
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How to insure the Modern Family

Fred has it all.

An uncooperative ex-wife, kids in college, cars, boats, expensive gun collection and a lakefront home with all the toys.

Now he has invited his girlfriend to move in with all her possessions and her kids, ages 13 & 15.

What could go wrong?

Let us count the ways in this entertaining yet educational tutorial series.

PERSONAL LINES COASTAL PROPERTY

"How to Insure" Training Courses

The "How to Insure" Online Training Courses are a practical hands-on program that explores the insurance needs of a customer. Each course follows a producer as he or she uses the Risk Evaluation System to work with a client in a specific industry. These courses are risk-specific, not coverage-specific and are designed to be introductory, not in-depth. They can help a producer, CSR and others in an agency gain the confidence necessary to pursue and work with a different industry niche.

This course will follow Margaret as she prepares to call on Ginger and Fred, a couple she met while taking scuba diving lessons. Ginger has recently moved from her apartment into Fred's lakefront home and they have

many questions. Margaret wants to be prepared.

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz questions, the correct answers will be shown.

You may also create “Flashcards” by clicking the “+” at the top right of the test **before** you generate it.

Have fun learning for a change!

How to insure the Modern Family

Risk Overview - A description of a particular risk and its potential exposures.

Description of operations:

An owner-occupied coastal property provides living accommodations for an individual, a couple, one or more adults raising children, or a multi-generational family. Coastal property is located adjacent to a navigable body of water such as a river, ocean or lake. Owner occupied means that the property owner(s) occupy the property and that the premises are not leased or rented out to others. It may be a secondary or vacation home and be unoccupied during part of the year.

Property exposure

includes the dwelling, its contents, and any related non-business structures (including contents) located on the premises. Coastal property is subject to climate damage in good and bad weather. If the property is ocean front, the deterioration is more rapid due to the salt content in the water.

Damp conditions and high water tables require contractors with knowledge of the area to prevent structural problems. Inadequacy of below ground construction increases the likelihood of water damage and mold problems. Maintenance is a priority since structures can deteriorate rapidly due to exposure to water and wind. As coastal property is often located far from adequate public fire protection and inaccessible by fire equipment, any fire may result in a total loss. Existing water sources may be unavailable for fighting a fire. Isolated properties can also be subject to vandalism and theft. Central station alarm systems and caretakers can be used to reduce some of the isolation issues. The premises should be built to current code and have the recommended protections such as shutters, vegetation trimmed and away from the structures, and construction appropriate for the area. Piers, docks, boat houses and other smaller structures in the water or by the waters can be swept away even in minor flooding and wind conditions if not properly secured

Inland marine exposure

includes the standard homeowner's exposure of antiques, electronics, furs, and jewelry but will also include equipment used to maintain and care for a boat or yacht and other water-related equipment.

Boats and yachts exposure

may be a canoe, a pontoon boat, a fishing boat or a yacht. Many coastal property owners own a vessel and dock it on their owned premises or at a nearby marina. Boats and yachts represent property and liability exposures whether they are stored in or out of the water. Some vessels may be transported over land or by water during the off season to be used at other locations.

Personal liability exposure

is heightened because of the potential for water-related incidents. Although owners may not be responsible for injuries involving natural bodies of water, they may be held responsible for injury due to additions they make such as piers, docks, swings, ladders and other equipment used in and around the water. Pools, trampolines, tree houses, playground equipment, non-licensed motorized vehicles and similar attractions must be secured to prevent young children from gaining unsupervised access.

Automobile liability exposures

are from household members driving owned, rented or borrowed vehicles or from loaning their vehicles to others outside the household. It is important to know who drives the vehicles, their driving experience and record. The type of vehicle, miles on the road each year, and type of driving must be considered when evaluating the exposure. Younger drivers have significantly higher rates of accidents and fatalities than most drivers.

However, older drivers may continue to drive even when their faculties and reflexes are impaired. Any driver impaired by alcohol or drugs is especially hazardous.

Coastal property owners may tow boats under difficult road conditions. The vehicle used to tow a boat should be properly equipped, the boat trailer should have the appropriate markings and signaling devices, and all tie-down straps should be checked regularly for wear and damage.

Minimum recommended coverage:

Homeowners Policy, Flood Policy, Wind/Hail Policy, Personal Auto Policy, Personal Umbrella Policy, and Boat Owner/Yacht Policy

Other coverages to consider:

Personal Inland Marine Policy

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz questions, the correct answers will be shown. If you are ready, the first update and quiz is ready.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

Quiz questions are good re-enforcers of the material covered. If you were able to answer all of the questions correctly, please continue. If you were not able to answer all of them correctly, feel free to restart the quiz and try again

Now that she has the basic knowledge of the industry, Margaret is familiar with the ACORD forms, but she wants something with more meat that is specific to coastal properties operations. She chooses the questionnaire.

Margaret considers the minimum recommendations from the narrative but then makes changes based on her knowledge of Ginger and Fred. She builds the questionnaire and reviews each section carefully in order to be comfortable with the questions she is asking.

GENERAL INFORMATION - PERSONAL

Account:

Account Number:

Agency:

Agency Number:

Producer:

Producer Number:

Named Insured(s):

Mailing address:

WHY?

The insured's correct and legal name is needed because policy loss conditions provide for payment for only the financial interest of the named insured shown and to individuals related to the named insured. If the named insured is incorrect, payment may be denied.

One reason the mailing address is important is that cancellation notices are mailed to the address listed on the policy. If a notice is mailed and is not delivered because the address is incorrect, the cancellation is valid but the insured won't know about it.

Home: Telephone: _____ Email: _____ Fax: _____

Work: Telephone: _____ Email: _____ Fax: _____

Cell phone numbers:

Named Insured: _____ Spouse: _____

Others: _____

WHY?

Communication between insured and agent is vital. Telephone and fax numbers plus email addresses enable the agency to maintain contact with the insured to discuss new products and to maintain the relationship.

Marital Status:

_____ Married _____ Single _____ Divorced _____

Separated _____ Widow _____ Other Describe other: _____

If married or separated, name of spouse:

WHY?

Marital status is very important. The named insured's spouse living in the same household as the named insured is included as a named insured. If a separation or divorce occurs the unnamed spouse is no longer covered.

Since the named insured's spouse residing in the same household is automatically covered as a named insured, he or she does not need to be named on the policy.

However, by listing both spouses as named insured, coverage continues for both parties in the event of a separation, divorce or death.

Note: A named insured's "significant other" has no coverage under the named insured's policy unless specifically listed.

List below all people who currently reside in the household. This should include:

- Family members
- Persons under 21 in the applicant's care. This includes foster children.
- Other residents who are not related. Some examples are significant others, roomers, boarders, tenants, and domestic employees.

Name: _____ Age: __
Relationship to Applicant: _____ Occupation: _____

WHY?

Children are insureds as long as they reside in the named insured's household and are under 21 years old. A child related to the named insured and attending school full time is covered until he or she turns

24. However, if the child is not related to the named insured, he or she loses their insured status at the age of 21 whether a student or not.

List below all family members who do not currently reside in the household including noncustodial children, college students away at school, or any family who lives in an assisted living / skilled care facility.

Name: _____ Age: _____
Relationship to Applicant: _____

WHY?

Everyone who lives in the house should be identified and their relationship to the named insured established. Gaps in coverage in the Homeowners policy may occur if the named insured incorrectly assumes that everyone is covered.

Is any property held in a trust? _____ Yes _____ No If yes, answer the following:

Trust Name:

Trustee(s):

Property:

WHY?

Property held in trust is normally insured under a separate policy. If the named insured owns such a property, the information about the trust should be obtained, a coverage needs analysis completed and recommendations given to the named insured in order to avoid a coverage gap.

Is the residence a historical landmark or showcase home? __ Yes __ No

If yes, answer the following:

Are tours conducted? _____ Yes ____ No

How many tourists visit annually? _____

What is the maximum number of visitors on a single day? _____

Is the property used for community activities? _____ Yes ____ No

If yes, answer the following: Describe the activities.

How often is the property used for this purpose? _____

What is the maximum number of visitors who might attend? _____

WHY?

When a home is opened to the public, the potential for property and liability losses increase. While the insurance policies may cover any losses, nothing will repay the aggravation over a lawsuit or loss of a valuable heirloom. The insured should be aware of potential losses that could occur when opening a home to the public so that preventative action can be taken.

Does the applicant belong to a homeowners or condominium owners association?

_____ Yes ____ No

If yes, attach a copy of the Association agreement and bylaws.

WHY?

The homeowners' association bylaws should be read carefully in order to understand exactly what the homeowner has agreed to do. Many homeowners receive a copy of the bylaws when closing the home sale and forget them until a problem arises. Coverage gaps may exist if the bylaws require the homeowner to assume any degree of responsibility for community buildings, maintenance of premises or other operations.

Is the residence located in a flood plain? _____ Yes ____ No

If yes, does the applicant carry flood insurance? _____ Yes ____ No

WHY?

Coastal properties are usually located in a flood plain and must purchase a policy through the National Flood Insurance Plan (NFIP) to be covered for flood damage. The limit may not be high enough for all damage, but it is a start and excess coverage may be available.

Even if a coastal property is at an elevation above the highest expected storm surge, purchasing this coverage should still be considered, especially since rates and premiums are lowest for risks at elevations not considered at risk.

Is the residence located in a known earthquake area? ____ Yes ____ No If yes, does the applicant carry earthquake insurance? __ Yes __ No **WHY?**

Earthquakes are rare but cause extensive damage when they occur. Since the Homeowners policy excludes loss or damage caused by any earth movement, coverage is only available if earthquake insurance is purchased. Earthquake coverage should always be recommended even though many insureds will reject it because of the additional premium and a perception of limited value.

Does the applicant carry firearms or have firearms in the residence? Yes No

If yes, complete the firearms supplement.

WHY?

More often than not, firearms in the residence are used against a member of the household than against an intruder. All weapons should be stored unloaded in a locked receptacle and kept away from children. Unexpected and accidental discharge of firearms can cause property damage, bodily injury and even death. The firearms supplement will help develop the information needed to insure the firearms themselves.

Have there been any water-related (including backup of sewers or drains) losses?

Yes No

If yes, answer the following:

List items damaged by water that remain in the residence.

Is there any evidence of water leaking or seeping in the residence?

Yes No

Are there odors in the residence that could suggest the presence of mold? Yes No

WHY?

Water-damaged property that is not replaced can breed unseen mold. The mold spores can cause hidden damage to the structure and health problems for the household's residents.

Seepage and leakage indicate problems with the foundation or the plumbing that should be corrected.

Mold is a major health concern that will cause problems in the future. The insured should be willing to take corrective action to correct any mold condition in order to protect the family from health problems and to prevent property damage to the structure.

Are underground or above ground storage tanks on the premises?

Yes No

Are flammables, chemicals, or fuel stored on the premises?

Yes No

If yes, describe the property stored, where it is stored, and procedures to prevent ignition.

WHY?

Tanks containing fuel or chemicals contribute to the fire load of a premises. All tanks should be inspected regularly and have barriers to prevent vehicles from accidentally colliding with them. If the tanks are no longer used for chemical or fuel storage, they should be drained and washed of any residue to eliminate them as sources of ignition.

Is lead paint in the residence? _____ Yes ____ No

WHY?

Lead exposure can cause brain damage in young children. Lead paint should be removed or sealed. Lead flakes from window and doors seals are considered a primary source of lead ingested by small children. If the lead is not eliminated, demolition costs are substantially higher and the amount of time needed to return the home to an acceptable condition is increased.

Are chemicals sprayed on the premises? _____ Yes ____ No

If yes, describe the chemical(s) sprayed and state whether the applicant or contractor does the spraying.

WHY?

Chemical spraying has both short-term and long-term effects. The short-term effect is property damage caused by over-spray and bodily injury to neighbors and guests. The long-term effects can include environmental damage due to leaching. It is important to know the chemicals used and contractual agreements with the contractor that would protect the insured.

Does the applicant own, lease, or rent additional residences?

_____ Yes ____ No

If yes, prepare a separate questionnaire for each residence.

Does the applicant own rental property? _____ Yes ____ No

If yes, prepare a questionnaire for rental property.

[**CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER**](#)

DWELLING - COVERAGE A AND ADDITIONAL STRUCTURES - COVERAGE B

DWELLING - COVERAGE A

Location Address:

What is the approximate size of the lot? _____

_____ acre

s What is the dwelling's square foot area? _____

WHY?

The address identifies the particular location that is covered. If it is incorrect, coverage can be and probably will be denied.

Does the applicant own the dwelling? _____ Yes ____ No

If no, answer the following:

Who owns the dwelling?

Is the applicant contractually obligated to insure the dwelling? __ Yes __ No

If yes, attach a copy of the contract.

WHY?

The owner of record has the financial interest in the property. If the named insured is not the owner of record, a contractual relationship between the owner and the named insured must exist to prove the named insured's financial interest in the property. Verbal understandings are usually not enough. Making sure that the named insured has a financial interest in the dwelling is important. This status should be verified when life changes such as death, divorce, separation, and retirement occur because financial interest must exist at the time of loss.

Identify the type of dwelling.

_____ Single family _ Duplex _____

3-family _____ 4-family _____ Other Describe other. _____

What is the dwelling's construction?

_____ Wood frame _____ Masonry veneer _____ Masonry _____ Other

Describe other.

What is the dwelling's roofing material?

WHY?

Construction is one of the most important elements in both rating and the underwriting process, so knowing the construction is essential. In some cases, additional investigation is needed to determine if the construction is standard masonry or masonry-veneer. Unusual types of construction must be identified and evaluated early in the process because of the impact on valuation, rating and the amount of time required to repair or replace it.

Roofing material varies by type of home and location. If the roofing is unusual for any reason, it may affect the valuation of the dwelling.

The roof is the first line of protection against loss due to weather conditions as well as loss due to fire from an adjacent building or structure.

When was the dwelling built? _____

What is the dwelling's number of stories? _____ Provide the year when each of the following was updated.

Heating _____ Electrical _____ Roof _____ Plumbing _____

What type(s) of fuel is/are used for heating? If more than one, provide the percentage of each.

_____ % Electric _____ % Natural Gas _____ % LPG _____ % Fuel Oil _____

% Wood

_____ % Solar _____ % Other

Describe other. _____

WHY?

Nothing about a house lasts forever, so regular updates must take place. Of particular importance are the heating, electrical, and plumbing systems and the roof since failure of these features will result in significant loss to the property.

Identify the number of the following in the dwelling.

_____ Wood burning fireplaces _____ Wood stoves

Is either used as the primary source of heating? _____ Yes _____ No

Year the chimney was last inspected/cleaned: _____

WHY?

There are significant losses due to wood burning stoves and fireplaces. While many are due to improper chimney installations, most are due to poor maintenance. Chimneys should be inspected annually. How often the chimney is cleaned depends on how the fireplace is used. The chimney should also be repaired so that the masonry protection remains intact.

Does the dwelling have an operating alarm system? __ Yes __ No

If yes, answer the following:

Type of alarm: _____ Fire _____ Burglar _____ Carbon Monoxide

Does the police department or an alarm company monitor the alarm?

_____ Yes _____ No

Does the dwelling have an operating fire suppression system?

_____ Yes _____ No

If yes, is the system monitored and inspected regularly? _____ Yes _____ No

WHY?

Every house should have a fire alarm to alert the residents of fire or smoke. The first goal of the alarm is to save the lives of the individuals in the house. The second goal is to prevent small losses from becoming total losses. If natural gas, LPG, fuel oil or wood is used in a home, there is the potential for carbon monoxide poisoning. A carbon monoxide alarm is particularly important because the fumes are odorless and colorless but deadly.

Identify which and the number of these rooms that are in the dwelling:

Bedroom ___ Bathrooms ___ Living Room ___ Dining Room _____ Kitchen _____

Family Room ___ Great Room ___ Library/Study ___ Sauna ___ Exercise Room _____

Recreation Room ___ Sun Room ___ Home Office ___ Other _____

Describe other. _____

WHY?

Some carriers compute estimated replacement cost by square footage while others use number of rooms. In addition, the number and types of room can be used in estimating personal property limits.

Identify the automobile parking arrangements and the number of spaces available.

On-street parking _____ Off-street parking _____
~~Carport~~ Attached garage _____ Detached garage _____

Reserved space(s) in parking garage _____

Has the applicant made any improvements or betterments to the dwelling while he or she occupied it? _____ Yes _____ No

If yes, describe the improvement(s) and include the date(s):

Structure	Year Built	Construction	How Used	Rebuild After
Loss? (Y/N)				
Garage	_____	_____	_____	_____
Gazebo	_____	_____	_____	_____
Pool (above ground)	_____	_____	_____	_____
Pool (in ground)	_____	_____	_____	_____
Pool House	_____	_____	_____	_____
Guest House	_____	_____	_____	_____
Greenhouse	_____	_____	_____	_____
Pump House	_____	_____	_____	_____
Play Equipment	_____	_____	_____	_____
Satellite Dish	_____	_____	_____	_____
Fence	_____	_____	_____	_____
Storage Unit	_____	_____	_____	_____
Outdoor Fireplace	_____	_____	_____	_____
Barn	_____	_____	_____	_____
Tennis Court	_____	_____	_____	_____
Piers, Wharves, Docks	_____	_____	_____	_____
Other:	_____	_____	_____	_____

What is the maximum time the dwelling is unoccupied? _____

days Is a caretaker on premise when the dwelling is unoccupied?

_____ Yes _____ No

WHY?

When improvements or additions are made to a home, the valuation of the home must be increased in order to prevent underinsurance issues.

ADDITIONAL STRUCTURES - COVERAGE B

Location Address:

Which of the following structures are at this location address and are not attached to the residence?

WHY?

The structures listed are included under Additional Structures but coverage is limited to 10% of the limit for Coverage A. The value of all structures the insured would replace after a loss must be determined and limits increased where necessary.

Fred's ex-wife was never listed as a named insured on the lakefront property because, in a prenuptial agreement, she agreed that she had would have no financial interest in the property. Since the divorce, she has been trying to break the entire agreement. The roof was damaged when both were still living in the house but submitted after Fred's wife had moved out. The insurance company is requiring both parties to agree to the settlement before issuing the check, but Fred's ex-wife will not sign.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

PERSONAL PROPERTY - COVERAGE C AND LIVING EXPENSES - COVERAGE D

PERSONAL PROPERTY - COVERAGE C

Location Address:

Dwelling square foot area:

Identify the type of dwelling.

_____ Single Family ___ Duplex _____ 3-Family _____ 4-Family _____ Other

Describe other. _____

WHY?

Addresses are very important. An incorrect address, even an incorrect apartment number, can result in a claim being denied. It can also cause problems in underwriting because information is gathered for the address provided. Rejection may occur because of claims at the incorrect address.

What valuation is to be used for personal property?

_____ Actual Cash Value _____ Replacement Cost

WHY?

Personal property is valued at actual cash value unless endorsed to replacement cost valuation. Most insured's are not satisfied with claims adjustments based on actual cash value settlement because they do not want to replace their damaged property with used property.

Does the applicant have any of the following types of personal property?

- | | | |
|---|---------|--------|
| Jewelry valued in excess of \$1,500 | ___ Yes | ___ No |
| Firearms valued in excess of \$2,500 | ___ Yes | ___ No |
| Silverware valued in excess of \$2,500 | ___ Yes | ___ No |
| Furs valued in excess of \$1,500 | ___ Yes | ___ No |
| Property used in business | ___ Yes | ___ No |
| Collections | ___ Yes | ___ No |
| Antiques | ___ Yes | ___ No |
| Fine Arts | ___ Yes | ___ No |
| Unusual property that should be scheduled | ___ Yes | ___ No |
| More than \$250 in cash on the premises | ___ Yes | ___ No |

If the answer to any of the above is yes, complete the appropriate supplement.

WHY?

The policy has limitations on all the listed items. If a loss occurs, the insured is not compensated for the full value of the property unless the policy was endorsed appropriately or the property was specifically covered by a separate policy. The insured must be informed of these limitations before the policy is issued so that alternatives can be discussed before a loss occurs.

Is any personal property regularly off premises? _____ Yes _____ No

If yes, where will it be and what is the value?

\$ _____ College student \$ _____ Storage facility
\$ _____ Another residence \$ _____ Gym/Club
\$ _____ At work \$ _____ In a vehicle \$ _____
Other Describe other.

WHY?

When personal property is at an insured location other than the main location, it is automatically covered but is subject to a limit of 10% of the personal property limit. The insured should consider where they have their personal property and if the 10% is an acceptable limit.

Parents with college age children should be aware of the age limitation in the definition of insured.

Do the applicant and/or other household members regularly travel abroad?

_____ Yes _____ No

If yes, list the countries visited.

WHY?

Personal property is covered anywhere in the world without exception. If an insured regularly travels to other countries, the insurance carrier needs that information as part of their underwriting. If a loss occurs overseas, the agent needs to know who to contact and how to gather appropriate information to submit a claim.

LIVING EXPENSES - COVERAGE D

Location Address:

How many individuals live in the primary residence? _____

WHY?

Relocating a family after a loss is difficult and the more people involved, the more difficult it is. The loss of use limit is based on the dwelling limit and should be evaluated based on how difficult it may be to find appropriate living accommodations.

Does the applicant own other dwellings? _____ Yes _____ No

If yes, could the applicant live in those dwellings after a loss to the primary residence?

_____ Yes _____ No

WHY?

If the insured can live in other owned property after a covered loss, he or she may select a smaller limit than if such arrangements were not available. However, it is important to know the circumstances under which the property may not be available. If the other owned property is not always available, the higher limit should be purchased.

Could the applicant live with family or friends following a loss?

_____ Yes _____ No

If yes, what is the longest the applicant could live there? _____

WHY?

Family and friends often open their homes and hearts for a short period of time after a loss. As the days become weeks and months, most families choose a different alternative. It is usually best to assume that friends and family will provide shelter for only a short period and another alternative should be considered for longer periods.

Are there hotels, motels, or lodging in the immediate area? __ Yes __ No

Are there apartments or rental housing in the immediate area? __ Yes __ No

Would the applicant rebuild the primary residence following a loss? __ Yes __ No

If yes, how long would it take to rebuild the primary residence after a total loss? _____

WHY?

The limit needed is based on the length of time needed to rebuild and the availability of suitable accommodations. The worst case scenario should be considered when determining the length of time to needed to rebuild. Losses never occur at convenient times. Fires often occur in the winter which is not the best season to repair or rebuild a house. Wind losses are usually widespread and affect the entire community which strains available supplies and resources, increasing the time needed to rebuild.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

PERSONAL LIABILITY

ON-PREMISES EXPOSURES

List all animals kept at the primary residence.

Type: _____ Breed: _____ Age: _____

Weight: _____ Gender (M or F) Neutered/Spayed (Y/N)

WHY?

Pets are important to their owners. Unfortunately, some pets are nuisances and can cause significant personal liability losses. It is important to be aware of all animals kept on premises. This includes snakes and reptiles and other caged animals since escape is always a possibility.

Is any of the following outdoor equipment on the premises? Trampolines __ Yes __ No

If yes, provide the diameter of each trampoline. _____

Playground Equipment _____ Yes ___ No

If yes, provide the height of each separate item. _____

Tree House _____ Yes ___ No

If yes, provide the height and dimensions. ___ Swimming Pool ___ Yes ___ No

If yes, complete the swimming pool supplement.

WHY?

These are attractive nuisances that encourage younger children in the area to trespass. The insured should have barriers to trespassing since he or she could be held responsible for any injury that occurs because of youthful trespassers.

Do activities that regularly involve non-family members take place at the residence?

___ Yes ___ No

If yes, describe.

WHY?

The more functions conducted at a residence, the more chances for guests to be injured.

Do any household members host a blog, group forum, or other type of Internet activity that goes beyond individual/personal usage? ___ Yes ___ No

WHY?

Internet usage allows for the free exchange of ideas. However, when an insured hosts a blog or group forum, problems with slander, libel and other issues may arise.

Are there bodies of water (such as rivers, creeks, lakes, or ponds) on the premises?

___ Yes ___ No

If yes, describe the exposure and any protection that surrounds it.

WHY?

Bodies of water encourage types of behaviors that can lead to serious bodily injury. It is important to identify the type of water exposure and measures taken by the insured to restrict access to trespassers and to protect family and friends from accidents.

Are any other features of the applicant's property unusually appealing yet dangerous for children or adolescents? ___ Yes ___ No

If yes, describe the feature and measures to limit or prevent access to it.

WHY?

A homeowner must always be aware of potentially dangerous situations for young people. Physical barriers are often required to prevent access to these areas because warning signs are usually not effective, especially for nonreaders and adventuresome preteens.

Are there any devices that swing over water? _____ Yes ____ No

If yes, are they secured in a way such that they cannot be used without the insured's supervision? _____ Yes ____ No

WHY?

Ropes and other devices that swing over water are enjoyable for the participants. Unfortunately, ropes break. The insured is responsible for the condition of any such device if it is on the insured premises – even if installed by others or if being used without permission.

The insured should have a way to disengage the device so it cannot be used without permission and an appropriate level of supervision.

Does the insured have a dock or pier? _____ Yes ____ No

If yes, does the insured inspect the dock/pier area when each "season" begins and make any repairs necessary? _____ Yes ____ No

Does the insured have to permit public access to waterfront areas around the residence?
____ Yes ____ No

WHY?

Docks and piers can deteriorate over the winter. The insured should have procedures in place to inspect and repair any pier or dock before opening it for regular use by guests, family and friends.

Certain communities require public access to privately owned waterfront property. If so, the access area should be free of hazards that could cause injury. The access should not be blocked or changed in a way that would increase the waterfront hazard.

OFF-PREMISES EXPOSURES

What are the occupations of household members?

Name: _____ Occupation: _____

Name: _____ Occupation: _____

WHY?

The insured's occupation is important when considering liability coverage because of the people that insured may encounter while working. Some occupations have job duties that are more well defined in time and place than others. As an example, if an insurance agent goes out with a close friend, who also happens to be a client, and the agent injures the client, which policy should respond – commercial or personal?

List all organizations where household members take active roles as unpaid volunteers. Describe their job duties.

Name: _____ Organization: _____ Job Duties: _____

Does the organization provide liability and directors and officers liability coverage for its volunteers? _____ Yes _____ No

WHY?

The more an insured is engaged in volunteer activities, the more opportunities the insured has for inappropriate interactions with others, which increases the chance of lawsuits. On the other hand, the more an insured is involved, the greater likelihood of a positive perception of them. Knowing the type of organization and its functions can help an agent make coverage and limits recommendations.

Directors and officers liability is becoming a major concern. Many volunteer organizations provide the coverage for their members. If this is not done, a recommendation to provide the coverage should be made.

Does any applicant act as a trustee or executor of an estate? _____ Yes ___ No

If yes, answer the following questions:

Does the trust or estate provide a bond and other insurance for the applicant's benefit?
____ Yes ____ No

Describe the trust or estate property.

WHY?

A trustee or executor is responsible for another person or another person's property. Liability can be imposed on the trustee or executor because of these duties. Coverage for such liability should be provided by an insurance policy held by the estate. However, if that coverage is not provided, the trustee or executor's policy may need to respond. Short-term estate situations are better than long-term and ones subject to independent monitoring and control, such as a bank, are preferable to ones that lack such review.

CONTRACTS

Does the applicant hire others for construction projects, landscaping, housekeeping, babysitting, etc.? _____ Yes _____ No

If yes, answer the following questions.

Is there a written contract? _____ Yes _____ No

Does the contractor provide a certificate of insurance for work it performs? _____ Yes ___ No

WHY?

Contracts should always be in writing. They should be signed by all parties and kept for future reference. When any work is performed by others on the insured premises, certificates of insurance should be obtained. These protect the insured if property is damaged, persons are injured, or a worker is injured while doing the work.

DOMESTIC HELP

Does the applicant employ domestic help? _____ Yes ____ No

If yes, answer the following:

List the name of each individual, the duties performed, if the individual lives on premises, and the number of hours the individual works per week.

Name: _____ Duties performed: _____

Live on premises? (Y/N) Hours worked per week: _____

Does the applicant purchase workers compensation coverage?

If yes, list the carrier's name and the policy period.

WHY?

Domestic workers present the insured employer with unique exposures. Their actions can cause lawsuits against the insured or they may be injured on the job and sue the insured. There is no coverage for injury to the worker if the insured is required to provide workers compensation coverage. If the insured employs any full-time staff, a workers compensation policy could provide excellent protection for the employee's benefit and also protect the insured from any protracted legal battles if the employee is injured.

VACANT LAND

Does the applicant own vacant land? ____ Yes ____ No

If yes, list the vacant land's location or legal description, a description of it, and its total acreage.

Location/Legal Description: _____

Description: _____

Total Acreage: _____

WHY?

Vacant land owned by an insured is considered a residence location under a Homeowners policy as long as it remains vacant. It cannot even be used as farm land. Once vacant land is being used for any purpose, it is no longer covered under the Homeowners policy. All vacant parcels of land should be listed and describe so all interested parties know they exist and can then evaluate the vacant status periodically.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

PERSONAL UMBRELLA UNDERLYING

List all policies that provide liability coverages for the applicant. Insurance Coverage: _____

Primary Carrier: _____

Limits: _____

WHY?

Umbrella coverage applies only to the policies listed on the underlying coverage section of the Umbrella policy. Umbrella coverage does not apply to any underlying policy not listed on the underlying coverage section.

List countries where the applicant and/or family members travel to regularly.

Family member name: _____ Country (ies): _____

WHY?

Umbrella policies have territorial definitions that may differ from those of the underlying policies. Listing countries helps to identify the possible need for a territorial endorsement.

PERSONAL LIABILITY

List all liability exclusions attached to the homeowners or personal liability policy (ies).

List or describe any special liability amendments to the homeowners or personal liability policy (ies).

WHY?

The Umbrella is a separate policy and requires endorsements similar to those in underlying policies.

The Umbrella policy must be endorsed or amended to match those of the underlying primary policies if coverage is to apply at all limits.

Is there an owned, hired, or leased watercraft exposure? ___ Yes ___ No

If yes, describe the watercraft, its location, and the duration of the exposure.

WHY?

When a Watercraft policy is listed as an underlying policy, umbrella coverage may still not apply under the umbrella. The umbrella exclusions should be reviewed and the policy amended as necessary to provide the watercraft coverage. A separate Umbrella or Excess policy may be required if the umbrella carrier is unwilling to add the watercraft exposure.

Is there an owned, hired, or leased aircraft exposure? ___ Yes ___ No

If yes, describe the aircraft, its location, and the duration of the exposure.

WHY?

Aircraft exposures are not covered by most umbrellas even if the underlying policy schedule includes an Aircraft Liability policy.

Coverage must be purchased under a separate policy.

What is the annual cost of on-site contracted labor?

\$ _____ Yard/Garden/Pool \$ _____ Housekeeping
\$ _____ Child Care \$ _____ Additions/Repairs
\$ _____ Other Describe other.

The insured has a higher exposure to loss when there are many subcontractors working on the property at the same time.

List organizations in which the applicant or family members are officers or directors.

Name: _____ Organization: _____
Title: _____ Term of Service: _____

WHY?

Individuals functioning as directors or officers of an organization may be sued by stakeholders for not conducting the business of the organization properly. The organization should have coverage for all officers and directors. In the past, the personal umbrella of the individual covered the exposure. However, the recent directors and officers scandals have caused most personal Umbrella policies to exclude coverage for directors and officers liability.

PROFESSIONAL LIABILITY

List all household members with current professional credentials or licenses.

Name: _____ Credential/License: _____

If any, does the employer provide professional liability coverage?

_____ Yes _____ No _____ Yes, but only when acting on the employer's behalf

Do the individuals with professional credentials or licenses purchase professional liability coverage? _____ Yes _____ No

WHY?

Most personal umbrellas exclude professional liability. Excess coverage should be purchased through the insured's professional provider or a specialty market.

BUSINESS RELATED

Does the applicant conduct any business-related activities on its premises?

_____ Yes _____ No

If yes, describe all such activities.

Do commercial business policies cover these activities? ____ Yes ____ No If yes, provide the named insured on the policy, the carrier, and the limits.

Named Insured: _____ Carr

The umbrella, like the underlying Homeowners policy, excludes all but the most minor business activities that take place at the insured's residence. If the underlying policy is broadened to include business operations, the umbrella must be similarly endorsed.

The best way to provide coverage for an insured who conducts business on premises is usually with a Commercial Lines policy. However, when the personal and commercial lines exposures are insured by different companies, the claims process can be complicated and confusing because of the overlap of coverages.

AUTOMOBILE

List all exclusions attached to the personal automobile policy(ies).

List or describe any special amendments to the personal automobile policy(ies).

How many vehicles does the applicant own or lease in the following categories?

Vehicle Type	Vehicle Type	Vehicle Type
_____ Private Passenger	_____ SUV	_____ Pickup Truck
_____ Other Types of Trucks	_____ Van	_____ Bus

Identify the number of operators in each of the following categories. Types of Operators

_____ Youthful (16-25)	_____ Over 65	_____ Suspended license
_____ Excluded under Primary	_____ Other	

Describe other:

WHY?

The Umbrella policy is not a following form product. As a result, any exclusion, extension or special amendments used on the underlying primary policy must also be to the attached Umbrella policy. If the underlying coverages are unique, purchasing an excess policy rather than an Umbrella policy may be the most effective way to address coverage gaps.

Specific vehicles, classes of vehicles and operators are not listed on the Umbrella policy. Underwriting and rating need to know this information in order to determine exposures and develop premium charges.

RECREATIONAL VEHICLES

List all exclusions attached to the policy(ies).

List or describe any special amendments to the policy(ies).

How many vehicles does the applicant own or lease in the following categories?

Vehicle Type

_____ Motorcycle _____ All-Terrain Vehicle (ATV) _____

Snowmobile

_____ Camper _____ Race Car _____ Dune Buggy

_____ Personal Watercraft _____ Other Describe other:

Identify the number of operators in each of the following categories. Types of Operators

_____ Youthful (16-25) _____ Over 65 _____ Suspended license

_____ Excluded under Primary _____ Other Describe other:

WHY?

Recreational vehicles may not be treated the same way by the underlying and the Umbrella policies. A coverage gap occurs when the underlying policy provides coverage and the umbrella does not. If the underlying policy does not provide coverage but the umbrella does, the insurance company may be providing coverage without full knowledge of the exposure involved. In addition, different carriers may have similar exclusions with slightly different wording, so it is important to carefully compare exclusions to discover coverage gaps.

EMPLOYERS LIABILITY

Does the applicant employ domestic staff? _____ Yes ____ No If yes, answer the following.

Is there a commercial workers compensation policy that covers the employees? __ Yes __ No

If yes, provide the named insured on the policy, the carrier, and the limits.

Named Insured: _____

Carrier: _____ Limits: _____

List the name of each individual, the duties performed, if the individual lives on premises, and the number of hours the individual works per week.

Name: _____

Duties performed: _____

Live on premises? (Y/N) Hours worked per week: _____

What is the annual payroll? \$ _____

WHY?

Residence employees are granted special status under most underlying personal liability policies. Certain exclusions do not apply to them. The personal Umbrella policy must be compared with the underlying policies to be sure similar coverage applies. If a Workers Compensation policy is purchased, a commercial umbrella will be needed for the excess employers liability coverage.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

PERSONAL AUTO DRIVER INFORMATION

List ALL residents of the household, including students who live away from home, non-custodial children, and domestic help.

Name: _____ Relationship: _____

Date of Birth: _____ Type of Driver's License (if any): _____

Attach a separate listing with the same information for additional residents, as needed.

WHY?

Every resident of the household has access to a vehicle – even those not licensed because most households do not keep car keys hidden. In addition, children away from home may borrow a vehicle if they do not have their own vehicle. These issues increase the automobile exposure. Updating this listing helps in evaluating coverage gaps.

Does any resident regularly travel outside the United States?

_____ Yes ____ No

If yes, answer the following:

Does that resident drive vehicles when outside the United States?

_____ Yes ____ No

Does that resident purchase insurance coverage in those countries?

_____ Yes _____ No

WHY?

Most policies limit their coverage territory to the United States, its territories and possessions, Puerto Rico and Canada. There is no coverage in Mexico. If the insured plans on driving a vehicle in another country, he or she should obtain automobile insurance in that country. Even though Canada is part of the territory, a Canadian policy should be purchased if the insured travels there regularly because of differences in laws and coverages.

Do any resident regularly rent (not lease) vehicles for either short-term or long-term use? Yes ___
No

If yes, describe the types of vehicles rented, the rental agreements, duration of rental, and locations where the rental takes place.

WHY?

Coverage for any rented vehicle depends on the signed rental agreement and the applicable state laws. Since there are many different types of rental arrangements, the best answer when asked about rental coverage is "it depends."

VEHICLE INFORMATION

List ALL vehicles that any of the individuals listed above own or operate. Include vehicles supplied by their employers. If two or more individuals use the same vehicle, enter all applicable operators using the numbers from the driver information listing.

Item Year and Make Operator(s) Owner Covered by this policy? (Y/N)

1. _____

Attach a separate listing with the same information for additional vehicles, as needed.

WHY?

It is important to keep track of every vehicle in the household because coverage follows the vehicle. Uninsured vehicles on the insured's premises can cause a coverage problem when an insured uses it "in an emergency" and discovers it has no coverage. Most Personal Auto policies penalize the insured if all vehicles are not covered on the same policy. As a result, it is important to be aware of situations where the household vehicles are not all covered under the same policy.

If this policy is not to cover a listed vehicle, list the vehicle # and the policy that covers that vehicle.

Vehicle #: _____ Insurance Carrier: _____ Policy Number: _____

WHY?

While it is preferable for all household residents to insure their vehicle under the same policy, doing so is not always possible. When there is more than one policy, it is important to identify the vehicle, the carrier and the policy number for reference in case of a loss.

Are any vehicles used in connection with business activities?

_____ Yes _____ No

If yes, give the vehicle number, identify the business, and describe how the vehicle is used.

WHY?

Private passenger cars, vans and pickups used in business are covered under the PAP as long as they are not used for livery or automobile-related operations. However, this does not mean that all insurance companies want to insure business use automobiles on their personal auto policies. It is important that all information regarding the business use of a vehicle be provided in advance so that the insurance company can evaluate the exposure, provide the proper coverage and make an appropriate premium charge.

Is any vehicle used to plow snow for others? _____ Yes _____ No

If yes, answer the following:

Identify the vehicles used?

Is the blade permanently attached? _____ Yes _____ No

What are the annual receipts from show plowing? \$ _____ Identify the type(s) of customers:

___ Personal ___ Commercial ___ Governmental entities

Is any vehicle used to tow for others?

If yes, answer the following: Identify the vehicles used:

Is the towing mechanism permanently attached? _____ Yes _____ No

What are the annual receipts from towing? \$ _____ Identify the type(s) of customers:

___ Personal ___ Commercial ___ Governmental entities

WHY?

Some insureds have snowplowing and towing equipment for their personal use. Others use this equipment as part of a moneymaking operation. The exposure changes significantly when money is charged and many insurance companies will require such vehicles be insured under a commercial auto policy.

Is any vehicle regularly used to transport children and others, other than shared car-pooling arrangements? _____ Yes _____ No

If yes, answer the following: Identify the vehicles used:

What are the annual receipts for transporting people? \$ _____

Identify the type(s) of customers: ___ Personal ___ Commercial ___ Governmental entities

WHY?

Transporting children can be an incidental or severe exposure, depending on the number of children, their ages and abilities, other adults in the vehicle, and the reason for the transportation. The exposure must be evaluated thoroughly in order to determine if the transportation is of a personal or commercial nature.

Is any vehicle used in racing activities? _____ Yes _____ No

If yes, answer the following:

Identify the vehicles used:

Describe the racing activities.

WHY?

There is no coverage when a vehicle is used for racing. As soon as a vehicle enters a racing facility with the intent to race, prepare or practice, coverage ends.

Are any vehicles temporarily out of service? _____ Yes _____ No

If yes, identify the vehicle(s). Explain why it is out of service and the length of time it is expected to be out of service.

WHY?

The personal auto policy can be used to cover antique and classic cars. However, the comprehensive and collision is not usually appropriate and the premium for the liability coverage is usually excessive because of the way the vehicles are used. Numerous markets specialize in providing the appropriate coverage for these vehicles.

Are any vehicles antique or classic cars? _____ Yes _____ No

If yes, identify the vehicle. Describe the vehicle's restoration and customization, how it is used, and its annual mileage.

WHY?

When a vehicle is temporarily out of service, coverage can be suspended in return for a premium reduction. The suspension must be for at least 30 days. Comprehensive coverage usually continues during the period of suspension but most other coverage ceases until reinstated.

Fred owns a Lexus, Ford and a Saturn. Adelle has her Mustang and Monica owns a Honda. Fred has given Ginger keys to all of his cars because her car was totaled in a freak accident. Ginger is teaching her daughter, Corinthia, to drive in the Saturn.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

PERSONAL LINES WATERCRAFT

List all owned watercraft.

Unit _____ Year: _____ Manufacturer: _____ Type: _____
 1. Power Type: _____ Horsepower: _____ Length: _____

WHY?

Homeowner's policies exclude liability coverage for watercraft with horsepower of 50 or more or sailing vessels over 26 feet. In addition, theft coverage does not apply to any watercraft when not on the premises and only limited coverage for other causes of loss. If an insured has watercraft values in excess of \$1,500, a separate watercraft policy should be considered.

Using the unit number from above, where does each watercraft operate? (%)

Unit #1 On Premises –Lake/River: _____ On Premises -Ocean: _____
 Off Premises –Lake/River: _____ Off Premises -Ocean: _____

WHY?

The location of the watercraft significantly impacts the pricing. Watercraft operated from the owner's pier on an enclosed lake is less likely to sustain a loss than one docked away from the premises on the ocean.

Using the unit number above, what is the watercraft's lay-up period and where is it stored during lay-up?

Unit # _____ Lay-up time period _____ Lay-up location _____
 1. _____

WHY?

Premium is usually charged for the period the watercraft operates. The policy is issued with specific lay-up periods when the watercraft does not operate. The lay-up periods should be set to anticipate early removal or late lay-up since liability coverage ceases based on the dates shown in the policy.

The more protected the environment during lay-up, the more reasonable the pricing. When a watercraft is stored indoors, it is preferable that the building is used only for storage. All off-season repair should be conducted in a building located away from the storage building.

Is the watercraft available for charter by others? _____ Yes _____ No

If yes, identify the watercraft and describe the type of charter.

WHY?

The Homeowners policy does not cover any vessel that is chartered to others. Chartering boats to others significantly increases the exposure to the watercraft owner. The charter should always be with crew as a protection for both the vessel and the individuals who have chartered the vessel. A written contract should detail all conditions of the charter including the responsibilities and expectations of each party.

Is any watercraft used for business purposes? _____ Yes _____ No

If yes, identify the watercraft (s) and describe the business purpose.

WHY?

The Homeowners policy does not cover privately owned watercraft used for business purposes. This can be a murky area. When a professional invites a business client along with other friends for a boat ride, is the vessel being used for business purposes? The professional may be using the boat ride to solidify a business relationship as well as to develop and strengthen a friendship.

Is the watercraft available for rent or loan to others? _____ Yes _____
No

If yes, identify the watercraft and describe the rental or loan terms and conditions?

WHY?

The Homeowners policy does not cover any vessel rented or loaned to others. When a watercraft is rented or loaned without crew or captain, there is a significant concern for the safety of the person renting the vessel, the vessel itself, and the public at large. All loans and rentals should only be conducted with a signed agreement between the parties and only if the insured is aware that the other party has full knowledge of the operations of the vessel and the waters they are navigating.

Is any watercraft used for racing? _____ Yes _____ No

If yes, identify the watercraft, the operator(s), the frequency, and the types of events?

WHY?

There is no coverage under a Homeowner's policy for any racing activities. The watercraft specialty markets will want as much detail as possible in order to provide coverage for any and all racing events.

List all operators who are in the household. Including students who are away at school.

Name: _____ Age: ____

Years of Experience: _____ Student? (Y/N) Operates Watercraft # _____

WHY?

The insurance policy does not restrict the watercraft coverage to a particular operator. Listing all members of the household provides an idea of who might operate the vessel. This information is also helpful if a separate watercraft policy is purchased because age and experience is important when evaluating a request for coverage.

Does any operator use non-owned watercraft? _____ Yes ____ No

If yes, identify the operator(s) and describe the type of watercraft.

WHY?

The “one size fits all’ approach does not apply to watercraft. Each type of vessel requires a different level of knowledge and expertise in handling it. The more horsepower and streamlined the boat, the more difficult it can be to control. If members of the household regularly use non-owned watercraft, the exposure needs to be evaluated because the Homeowners policy grants coverage for much larger non-owned watercraft than it does for owned watercraft. The contract between the owner of the non-owned watercraft and the insured is important because it details and specified the duties and responsibility of each party.

Is watercraft taken outside United States territorial waters? ____ Yes ____ No

If yes, identify the operator(s) and the watercraft. Describe their navigation routes.

WHY?

The Homeowners policy does not provide any coverage outside the United States territorial waters. Separate watercraft policies can provide such coverage but only if endorsed to do so. Normally, if coverage is desired to expand outside of the United States, the ports of call will need to be specified and the policy appropriately endorsed.

Fred owns a 28-foot pontoon boat that he uses around the lake. He also has a cabin cruiser boat that he keeps at a marina on the ocean. He is planning on purchasing a catamaran and two kayaks for Ginger and her children to use.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

IN-HOME BUSINESS

Is the business at the primary residence operated on a full-time basis? ___ Yes ___ No

Are there other separate business locations? ___ Yes ___ No

Business name: _____

WHY?

The unendorsed Homeowners policy does not provide the coverages needed for a full-time business that is located in a residential structure. It provides only \$2,500 in business personal property coverage, no outbuilding coverage and no liability coverage.

However, the Homeowners policy can be endorsed to provide coverage for some businesses or a commercial lines policy can be purchased.

Any location situated away from the residence must be identified. The insured must then decide if property and/or liability coverage is to apply to the location.

Describe the business.

_____ What is the form of ownership?

_____ Proprietorship _ Partnership _____ Joint Venture _____ Limited Liability Corporation _____ Other

Describe other:

WHY?

The Homeowners policy in-home business endorsement has guidelines as to the types of operations eligible for coverage. If an operation is not eligible for, or if the coverage available in the endorsement is not sufficient for the exposure, then a commercial lines policy is needed to provide the coverage. A thorough description of the business provides a guide to the most appropriate coverage form to consider. Attempts to place a business operation on a policy that is not appropriate will create coverage gaps and ill feelings between all parties to the transaction.

Limited Liability Companies (LLCs) are becoming popular with home-based businesses because the entity gains the benefits of both a sole proprietorship and a corporation. This relatively new form of business is growing rapidly due to the simplicity of filing, liability protection, and tax advantages.

List the household member(s) who own the business:

Name _____ Age _____ % Owned _____

Do individuals who do not reside on the premises own any part of the business? _ Yes ___ No

If yes, identify them and describe their relationship to the other owners and how they are involved with the business.

Name _____ Relationship _____ Involvement _____

List household members(s) the business employs.

Name _____ Age _____

Does the business employ individuals other than household members?

If yes, describe their relationship to the owners and the job(s) they perform.

Name _____ Relationship _____ Job(s) performed _____

WHY?

If the business is to qualify for coverage under the home business endorsements on a Homeowners policy, the named insured must be an owner and any other owner must be a family member.

If there are more than three employees, the business operation may not be added to the Homeowners policy using the in home business endorsement. A commercial policy should be purchased instead. An important point to note is that a workers compensation policy covering the business is required in most states, regardless of the number of employees. A Homeowners policy does not provide coverage for business employees.

When did the business begin? _____

If the applicant sells products, what are the gross annual sales?

\$ _____

If the applicant provides services, what are the gross annual receipts?

\$ _____

What is the business personal property's actual cash value?

\$ _____

Describe the business personal property.

WHY?

Business receipts are used as one eligibility criteria for home-based businesses to be covered under the Homeowners policy. The ISO eligibility is \$250,000 or less but this limit does vary by insurance carrier.

The unendorsed Homeowners policy provides a limit of \$2,500 on business personal property. The in home business endorsement has provisions to increase the limit. The insured should be aware of limitations this form has for certain types of property such as computers, computer data and business records. If the business personal property exposure is high, the Homeowners policy may not be appropriate especially since the homeowner special form personal property provides only broad form coverage while the business personal property under a BOP provides special coverage.

What is the maximum actual cash value of property of others on the premises? \$ _____

Describe the property of others that could be on the premises.

What is the square foot area of the business operation? _____

WHY?

Personal property of others in the care, custody and control of the insured is included as part of business personal property. Because of this, the business personal property limit should be increased to reflect the value of personal property of others.

An in home business should be incidental to the home occupancy. If the business part takes up more space than the part used as a residence, the in home business endorsement is not appropriate. A commercial insurance policy should be written instead.

If the business is retail (other than crafts and food), answer the following:

Is the product distributed under the applicant's own private label?

_____ Yes _____ No

The inventory is stored in (check all that apply):

_____ Residence _____ Attached garage

_____ Other structure(s) on premises _____ Other structure(s) off premises

The customer receives the product by:

_____ Mail/UPS _____ Customer pickup _____ Owner delivery

_____ Contract delivery _____ Other Describe other:

Does the applicant sell the product at fairs, flea markets, or similar events? _____ Yes _____ No

Do customers come to the applicant's residence to purchase the product? _____ Yes _____ No

WHY?

A retailer must have stock on its premises and must have a method of getting the product to the customer. The method(s) used are part of the exposure for the insured and the answers to these questions could lead to the need for additional coverage. If a product is sold under the insured's private label, the insured may have a liability exposure similar to that of a manufacturer, depending on the contract between the insured and the manufacturer.

If the business is service, answer the following:

Does the work involve: _____ Installation _____ Consultation _____

Instruction Does the applicant travel to jobsites? _____ Yes _____ No

If yes, describe the vehicles used.

Unit Number

Vehicle description

Does the applicant have access to confidential information? ___ Yes ___ No

Do clients come to the residence to conduct business? ___ Yes ___ No

WHY?

Office exposures are the most common and the most limited exposures of a home business. If an insured is a telecommuter, the company supplying the work should include clear standards and guidelines to be followed in addition to the work to be done. If the insured has access to confidential information, the procedures established by the company supplying the data must be followed.

Fred works for a large corporation full-time. He has always done woodworking as a hobby but thanks to Ginger's encouragement, he has started to sell some of his pieces. The trip to California will include stops at local craft shows to sell additional pieces. Right now, Fred is operating the business as a sole proprietor but might start an LLC if the pieces are well received. Margaret encourages Fred to consider adding an in-home business endorsement to his Homeowners policy.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

The Most Important Questions When Writing or Renewing a Personal Auto Policy

Course Introduction

Now, folks, get ready for the most important questions an insurance agent might ask when writing or renewing a personal auto policy. This is the secret recipe for all you new agents out there, and a refresher for you experienced ones. These questions won't cover everything, but they'll get you pretty darn close!

Let's be real here, understanding the personal auto policy isn't a walk in the park. It's like a maze made of words that ties car owners in knots. It's supposed to be simple, but it's sneakily complex. There are gaps for those weird and wild exposures that need some special handling. So, as an agent, it's your job to unravel this web and find those hidden gems of potential loss.

But hey, it's not just about the clients! You've got responsibilities, my friend. You gotta guide these clueless car owners through the labyrinth of coverage, exclusions, and options. You're like their insurance superhero, fighting for them against any errors or omissions claims that might pop up. It's a tough gig, but someone's gotta do it.

So, strap on your cape, fellow agents, and get ready to ask these crucial questions. Let's make sure those personal auto policies are as tight as a superhero's spandex suit and as foolproof as a bat signal. Together, we can conquer the insurance world, one hilarious question at a time!

Once upon a time in a small town, there was a group of aspiring insurance agents eager to learn about personal auto insurance. They signed up for a course that promised to teach them everything they needed to know about the exposures and coverage options in this field. Little did they know, this course would take them on a journey of discovery and questioning.

The instructor began the course by presenting them with four critical questions. These questions would serve as the foundation for understanding personal auto insurance. The students were excited to delve into these questions and find the answers.

The first question was about whom the policy should protect. The students pondered over this question, realizing that it was not as simple as it seemed. They learned that personal auto insurance was not just about protecting the owner of the vehicle but also about protecting other drivers, passengers, and pedestrians. The students realized that they needed to consider all potential parties involved in an accident and ensure their coverage adequately protected them.

With the first question settled, the students moved on to the next one – what vehicles needed to be covered. They realized that personal auto insurance extended beyond just cars. Motorcycles, recreational vehicles, and even boats could also be covered under these policies. The students were amazed at the variety of vehicles that could be protected and understood the importance of correctly identifying all vehicles for insurance purposes.

As the course progressed, the students discovered the significance of how vehicles were used. This was the third question they had to answer. They learned that personal auto insurance coverage could differ depending on whether the vehicle was used for personal use, commuting, or commercial purposes. They realized that usage played a crucial role in determining the appropriate coverage and premiums for their clients.

The final question posed by the instructor was about the level of protection the client desired. The students understood that personal auto insurance offers various coverage options, such as liability, comprehensive, collision, and uninsured/underinsured motorist coverage. They realized that each client's needs and preferences would dictate the level of protection required.

Throughout the course, the students learned about the different policies in the market. They discovered that the Insurance Services Office, Inc. (ISO) Personal Auto Policy (PAP) served as the basis for many insurance companies, but variations existed. Some companies modified the ISO contract with their endorsements, while others used the American Association of Insurance Services Personal Automobile Policy. The students understood the importance of referring to the actual contract to ensure accurate coverage information.

In addition, the students learned that state-specific endorsements often modified policies to comply with local requirements. They understood that auto policies and endorsements could vary, and it was crucial to consider the specific contract in force to provide the best advice to their clients.

As the course came to an end, the students realized how much they had learned about personal auto insurance. They had embarked on a journey of questioning and discovery, gaining the knowledge and confidence to assist their clients in making informed decisions about their coverage needs.

Armed with their newfound knowledge, the students were ready to step into the world of personal auto insurance and help individuals protect themselves and their vehicles. They knew that by asking the right questions about exposures, coverage options, and client preferences, they could provide the best insurance solutions to their clients. And so, with their course objectives fulfilled, the students set off on their insurance careers, ready to make a difference in the lives of those they served.

Chapter 1: The Auto Insurance Inquisition

Welcome, esteemed readers, to the riveting world of personal auto insurance. Brace yourselves, for we are about to embark on a journey filled with important questions and mind-boggling revelations. In this chapter, we shall delve into the captivating realm of property and liability exposures for those lucky souls who are, or could potentially be (with some strategic planning, of course), covered by a personal auto policy (PAP).

Now, my dear friends, let us discuss a perplexing challenge faced by insurance agents when arranging a family's insurance program. Picture this: a family, blissfully unaware, basking in the joy of their newly acquired vehicle. Little do they know, the question of who legally owns said vehicle is about to flip their world upside down. Alas, this matter is often neglected in the chaotic frenzy of purchasing or insuring a vehicle. It's like forgetting to add salt to your dish - you'll regret it later.

Imagine this scenario - a vehicle registered to a resident daughter, while the family's insurance policy only lists her parent as the unfortunate victim. Oh, the audacity! The vehicles used by family members are not always owned by the brave souls behind the wheel. They might be owned, leased, rented, or borrowed from others. Heck, they might even be handed down by a generous employer. It is of utmost importance to comprehend the intricate dance between vehicle owners and their operators, for it can have a profound impact on insurance coverage.

Oh, but that's not all, folks! Understanding the legal ownership of these majestic automobiles is also crucial in determining the type of policy and endorsements that shall bestow upon them the much-needed coverage. It's like choosing the perfect armor for a knight - except the armor is made of legal jargon and paperwork.

Let us now venture into the realm of chapter objectives, where we shall uncover the secrets of this mystical world. By the end of this chapter, you shall possess the wisdom to answer these burning questions:

Does insurance protect cars or drivers? Are we in the business of appeasing the mechanical gods or protecting the brave souls who dare to tame these metal beasts?

Whose name should grace the holy pages of the policy? Is it the proud owner, the skilled operator, or perhaps the family pet who occasionally enjoys a joyride?

Ah, the eternal conundrum - what other family or household members should be granted the privilege of coverage? Should it be limited to those who share the same last name or extended to the distant cousins thrice removed?

Does the PAP offer solace to passengers or pedestrians? Are we providing a safety net for those who dare venture into the metal realm or those who foolishly choose to walk amongst us?

And lastly, my dear comrades, whom else should this policy protect? Should we extend our benevolent shield to neighboring aliens or perhaps the mystical creatures that inhabit our wildest dreams?

Prepare yourselves, for the answers to these profound questions shall be revealed in due time. Until then, my brave readers, hold on tight and embrace the whimsical world of personal auto insurance. It's a wild ride, but oh-so- worth it!

Does Insurance Protect Cars or Drivers? Let's Settle This!

Alright, folks, buckle up because we're about to debunk a common misconception. You see, drivers out there usually think they're insuring their precious cars, but in reality, it's all about protecting themselves. That's right, auto insurance is all about safeguarding us, the fearless humans who take the wheel.

Now, let's break down the four main coverages of a Personal Auto Policy (PAP) and spice things up a bit. Think of them as the ultimate squad protecting us against financial losses.

First up, we have the liability coverage. Picture this: you're cruising down the road, minding your own business when BAM! You accidentally rear-end someone's fancy sports car. Ouch! This coverage swoops in to save the day, protecting you from their hefty claims for injuries and property damage. Trust me, when major injuries are involved, those claims can turn into real monsters.

Next, we have the medical payments coverage. Imagine you and your buddies are on a wild road trip, singing at the top of your lungs when suddenly a truck decides to play bumper cars with your car. Yikes! This coverage comes to the rescue, paying for your medical bills and taking care of you and your friends. Because let's face it, nobody wants to end up singing "Oops, I Did It Again" in a hospital bed.

Now, let's talk about the physical damage coverage, also known as the "comprehensive and collision" tag team. Just imagine you're driving on a stormy night, rain pouring like there's no tomorrow, and out of nowhere, a tree falls on your beloved car. Oh no! This coverage steps in, sparing you the agony of paying for those expensive repairs. Because hey, no one wants to break the bank just because Mother Nature decided to play a prank on them.

Last but not least, we have the unsung hero, the uninsured motorists coverage. Imagine this nightmare scenario: you're innocently driving along when BOOM! Some reckless driver crashes into you like a wrecking ball. And guess what? They conveniently forgot to get insurance. Great, just great! But fear not, this coverage jumps into action, saving you from the financial burden of paying your own medical bills.

Because hey, you didn't sign up to be your own doctor, right?

So, to answer the burning question, "Does insurance protect cars or drivers?" It's a no-brainer, my friends. Insurance is all about protecting us, the brave souls behind the wheel. It's like having a superhero squad backing us up against those pesky financial losses.

And remember, dear agents, when you're selling personal auto insurance, remind your clients that it's not just about the law or their shiny cars. It's about protecting themselves from all the crazy twists and turns the road throws at them. So, let's hit the road and ensure those drivers are covered, one laugh at a time!

Once upon a time in a small town, there were two friends named Jack and Andy. They both loved cars and had been saving up for years to buy their dream vehicle. Eventually, after countless hours of hard work, they were finally able to purchase a shiny red sports car together.

Excited about their new purchase, Jack and Andy decided to get auto insurance for their beloved car. They knew it was important to have coverage in case of any accidents or damages. As they sat down to fill out the insurance application, they came across a question that puzzled them.

The question asked, "Whose name should be on the policy?" Jack and Andy exchanged confused glances. They thought it would be a simple answer, but soon realized it was more complicated than they initially thought.

Curious to find the right answer, they began to do some research. They discovered that the person or persons named on the policy had more rights than other individuals who were also insured. It was crucial that the policy included the legal owners of the car, which in this case was both Jack and Andy.

As they continued their search for knowledge, they found out that insurance applications varied from company to company. Besides providing the name of the insured, the application also asked for the names of people who were likely to drive the car. It could be family members or residents of the household.

Jack and Andy realized that being listed on the application or the declarations page of the policy didn't necessarily mean someone was an insured party.

This distinction was often overlooked by many people, and it could have serious consequences.

They learned that the purpose of providing driver information on the application was for underwriting and rating purposes, not coverage purposes. It was essential to accurately disclose all drivers to avoid any issues with the insurer. Failure to do so could result in the insurer voiding the policy based on concealment, misrepresentation, or fraud.

Feeling more knowledgeable about the importance of being named on the policy, Jack and Andy moved on to the next question: "How is the vehicle titled?" They realized that this question was essentially asking, "Who legally owns the car?"

Understanding the significance of this question, they knew they had to answer it accurately. If the insurance policy was in Jack's name, but Andy was the legal owner of the car, complications could arise when it came to filing a claim for collision damage.

Jack would have insurance coverage, but he wouldn't have suffered any financial loss. On the other hand, Andy would have a financial loss, but it wouldn't be covered by insurance.

With this newfound knowledge, Jack and Andy decided to include both their names on the policy as named insureds and as legal owners of the car. They didn't want any surprises or complications in the future, and they wanted to ensure that they were fully protected.

Armed with the right information, Jack and Andy completed their insurance application confidently. They understood the importance of accurately disclosing all drivers and the significance of being named on the policy as the legal owners of the car.

Their dedication to understanding the intricacies of auto insurance paid off as they received their policy with both their names proudly displayed as insured parties. They felt a sense of security knowing that they were fully covered in case of any unforeseen circumstances.

And so, Jack and Andy continued their adventures with their beloved sports car, knowing that they had made the right choices when it came to their auto insurance policy. The importance of being named insureds and the significance of accurately disclosing all drivers and legal owners was a valuable lesson they would never forget.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

Married couples often find themselves in a befuddling predicament, unable to recall whether they registered their beloved vehicle under one spouse's name or both. It's a common conundrum that can lead to a cascade of complications. And let's not forget the perplexing decisions parents face when purchasing a car for their dear offspring. Do they bestow the honor of ownership upon Junior, while secretly planning to insure it under their own policy? Or do they go the traditional route and title the car in their own names, while urging Junior to fend for himself in the insurance department?

But fear not! There is a simple antidote to this maze of confusion. The solution lies in ensuring that the individuals whose names grace the vehicle's title are also recognized as "named insureds" in the insurance policy.

However, be prepared for a potential clash with the eligibility rules we'll delve into later. In such cases, a little tweaking may be required. Either the policy will need to be endorsed or, in some instances, the vehicle might have to undergo a grand retitling ceremony.

Now, let's switch gears to the realm of autos that have been paid for in full. When an individual purchases a car with the assistance of a loan, a seemingly odd twist enters the picture. The lender, my friends, must be acknowledged as a "loss payee," while the proud purchaser takes the rightful claim of "named insured."

But wait, folks! The plot thickens when it comes to leased autos. Brace yourselves for a more intricate situation. Leased vehicles, an increasingly popular choice, are officially titled under the watchful eye of their legal owner - the ever-vigilant leasing company. However, they gallivant through the streets, licensed and insured, under the name of the lessee. It's a mind-boggling dance of paperwork and logistics that adds an extra layer of complexity to this captivating saga.

[Why list both husband & wife?](#)

Example 1

Once upon a time, in a small town, there lived a married couple named John and Mary Smith. They were happily married and resided in the same household. One day, they decided to purchase a private passenger auto insurance policy, commonly known as PAP.

Little did they know that this decision would lead them to understand the importance of having both spouses' names on the policy.

According to the PAP eligibility rules, the policy can provide coverage for private passenger autos owned by either an individual or spouses living in the same residence. However, the definition of "marriage" and "spouse" can vary from state to state. Some states recognize de facto common-law marriages without a license or ceremony, while others do not consider them legally binding.

Understanding the significance of having both their names on the policy, John and Mary decided to list themselves as named insureds on the declarations page. This meant that they would both have the rights and benefits accorded to the named insured. It was a wise decision, as it ensured that both John and Mary were protected under the policy.

However, life has a way of throwing unexpected challenges at us, and unfortunately, John and Mary found themselves in a difficult situation. They separated, as many couples do, and Mary moved out of the household. Yet, despite the separation, Mary still retained her "you" or "your" status on the policy, as long as she remained a member of the household.

John's name was the only one listed on the declarations page, but this did not exclude Mary from having certain rights under the policy. She was still considered a part of the "you" or "your" category, although she was not the named insured. This situation left them in a rather complicated position.

To clarify their situation, let's take a specific example. John and Mary obtained a PAP policy from May 1, 2020, to May 1, 2021, with only John's name listed as the named insured. Unfortunately, on July 1, 2020, Mary decided to separate from her husband and moved into an apartment. She removed her car from John's policy and obtained her own policy on August 1, 2020. This action effectively removed her from the "you" or "your" category of John's policy.

However, had Mary not procured her own policy, she would have remained in the "you" or "your" category until the end of the 90-day period from her move-out date. In this case, it would have been September 30, 2020, when she would have ceased to be a part of John's policy.

Now, let's fast forward to April 1, 2021. Mary moves out of the household once again, but this time, she fails to immediately obtain her own policy. In

this situation, she would no longer be considered a part of the "you" or "your" category from May 1, 2021, as it marks the end of the policy period.

This example clearly demonstrates the implications of having only one spouse listed as the named insured on the policy. The policy provision regarding the "you" or "your" category does not apply when both spouses are named insureds.

John and Mary's experience taught them the importance of including both spouses' names on the policy. It ensured that they both had the necessary coverage and protection, even in the event of separation or other life changes. From that day forward, they made sure to always have both their names on any insurance policy they obtained, understanding the value it brought to their lives and their peace of mind.

Example 2

Once upon a time, there was a couple named John and Mary Smith. They were happily married and lived together in a beautiful house. They had a comprehensive Personal Auto Policy (PAP) that provided them with coverage for their vehicles.

However, as time passed, John and Mary's relationship began to deteriorate, and they decided to separate. John moved out of the house, leaving Mary behind. With this separation, they faced a dilemma regarding their PAP.

Mary, being the diligent one, wanted to update their policy and remove John as a named insured. She believed that since John no longer lived in the house, he shouldn't be covered under the policy. However, it wasn't as simple as she thought.

According to the declarations page of their policy, both John and Mary were listed as named insureds. This meant that even though they were separating, John still had the right to be covered under the policy. Mary couldn't simply demand his removal.

To complicate matters further, the policy had a 90-day provision that allowed spouses not listed on the policy to be removed if they moved out of the household. However, this provision didn't apply to John since he was already named insured.

Mary found herself in a difficult situation. She wanted John to be deleted from the policy, but he was opposed to the change. The insurer was hesitant to remove John since he was named insured, and his rights would be affected.

Mary considered canceling the policy midterm to solve the problem. However, the termination provision stated that only the named insured shown in the declarations could cancel the policy during the policy period. If one named insured wanted to cancel, and the other didn't, the insurer wouldn't agree to it as it would negatively impact the rights of the named insured who had moved out.

After careful deliberation, the insurer came up with a solution. They decided that when the policy expired at the end of the term, they would not renew it. Instead, they would require both John and Mary to procure separate coverage in their individual names. This way, each of them would have their own policy and wouldn't be affected by the other's decisions.

The insurer realized that naming both spouses in the declarations was the best approach in most cases. It would avoid coverage problems if a separation occurred during the policy period and also protect the agents from errors and omissions exposures. Even if the spouses lived separately, the policy would continue to provide the broadest coverage to both individuals.

In this situation, it was crucial to understand not only what the policy definition included but also what it omitted. The named insured's resident children, for example, were not considered part of the "you" or "your" category and therefore weren't named insureds.

However, they could still be listed as drivers and be covered under the policy.

And so, John and Mary learned the importance of understanding their policy and its provisions. They realized that in order to navigate through the complexities of insurance, it was crucial to communicate with their insurer and make informed decisions.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

Are You Eligible for Auto Insurance? Find Out Now!

Before you start filling out that auto insurance application, you'll want to make sure you and your vehicle are eligible for coverage. But don't worry, we'll break it down for you in simple terms so you can understand it without getting a headache.

First off, let's talk about what a "private passenger auto" is. It's basically a regular old four-wheel car that isn't used for commercial purposes or rented out to others. So, if you're driving around in a truck or using your car for a ride-sharing service, you'll need a different type of insurance.

But what about vans and pickups? Well, if they weigh less than 10,000 pounds and you're not using them to transport goods (unless it's for your own business or farming), then they can be considered private passenger autos too. So, if you're a farmer running errands or a government employee driving for work, you're in luck.

Okay, now let's talk about who can own these vehicles. If you're leasing a car for at least six months, it counts as being "owned." And if you're part of a trust, that also counts. But if you're sharing ownership with someone who isn't your spouse, things get a little trickier.

In most states, the regular auto insurance won't cover joint ownership unless you're a married couple. However, you can get an endorsement added to your policy to cover nontraditional households.

Lastly, what about other types of vehicles? Motorcycles, motor homes, golf carts, and even snowmobiles can all be covered under the same policy if they're owned by individuals, spouses, or certain relatives. Just make sure you have the right endorsements added to your policy to cover these specific vehicles.

So, there you have it – the lowdown on who is eligible for auto insurance. Remember, these rules may vary depending on your specific insurance provider, so always check with them to make sure you're good to go. Now go out there and hit the road with peace of mind!

Can Drivers Who Don't Have a Car Get Insurance?

Have you ever wondered if you could get car insurance even if you don't own a car? Well, the answer is yes! There's an endorsement called Named Non-Owner Coverage that allows you to get insurance even if you only drive rented or borrowed cars.

Let's say you and your spouse don't own a car because your husband's employer provides one for him. You might think you don't need car insurance, but what if you borrow a friend's car and they don't have insurance? Or what if you rent a car and the insurance on it has lapsed? That's where the named non-owner endorsement comes in handy.

It provides protection for situations like these.

This endorsement is also important if you have a business-owned vehicle, and you need a personal umbrella policy. The umbrella insurer will require you to have underlying personal auto liability coverage, and the named non-owner endorsement fulfills that requirement.

Now, let's talk about trusts. If you have vehicles like motorcycles, motor homes, golf carts, or even snowmobiles, trailers, and camper bodies that are owned by a trust, you can still get insurance for them. However, there are a few requirements that need to be met. The person who created the trust and/or the trust itself must be the only named insured, and they must be an individual or a married couple. If the trust is owned by a corporation, then the vehicles are ineligible for personal auto insurance and must be insured under a commercial auto policy. Also, if a trustee of the trust is an organization or a licensed professional, the vehicles are ineligible unless that person is a relative of the trust's creator.

To get coverage for vehicles owned by a trust, you'll need the Trust Endorsement. This endorsement ensures that the vehicles are protected under the trust arrangement.

As an agent, it's your responsibility to make sure that both the insured and the vehicles meet the eligibility requirements before submitting an application for auto insurance. It's also a good idea to ensure that all the people who have an insurable interest in the vehicles are named insureds.

This is especially important for married couples, as it can avoid complications in case of separation or divorce. Adding both names to the policy doesn't cost anything extra and can save you a lot of trouble later on.

Who is a "Family Member"?

Once upon a time in a small town, there was a family named the Johnsons. The Johnsons had just purchased a new car and were in the process of getting insurance coverage for it. They were going through the details of their Personal Auto Policy (PAP) and came across an important section about who would be covered in case of an accident.

According to the PAP's liability insuring agreement, the insurance company would pay for any damages caused by an insured person in an auto accident. But who exactly qualified as an insured? The definition of an insured was not limited to just the named insured and their spouse listed in the application or policy's declarations. It also included any resident family members.

The Johnsons were curious to know who exactly would be considered a family member. According to the ISO PAP's definition, a family member could be someone related to the named insured by blood, marriage, or adoption, and who lived in the same household. This could even include a ward or foster child temporarily residing with the family.

The concept of family members became a subject of many court cases, especially when it involved children transitioning into independence. For example, a college student who lived away from home most of the time but still received support from the family would be considered a family member. However, if the college student was financially independent and had their own legal residence, they would not be considered a family member.

The same logic applied to a child in the military. If a child enlisted in the military with no intention of returning home, they would not be considered a family member after moving out. The courts would also consider factors like residency when dealing with children of divorced parents. In some cases, the child would be recognized as having dual residency, making them eligible for insurance coverage under both parents' policies.

Unmarried couples living together also faced questions about what constituted a household. The definition stated that a family member must be related by blood, marriage, or adoption and reside in the named insured's household. In a court case called *Firemen's Ins. Co. v. Viktora*, the court outlined three circumstances indicative of residency in a household: living under the same roof, a close and intimate relationship, and an intended substantial duration.

The responsibility fell on the insurance agent to determine who qualified as a resident family member and to ask the necessary questions. It was not always easy to determine eligibility, but if a client wanted to ensure coverage for someone who didn't clearly qualify as a resident family member, there was an endorsement available to provide the needed coverage.

As the Johnsons read through the information, they realized the importance of understanding who would be covered under their auto insurance policy. They wanted to make sure their loved ones were protected in case of an accident, so they decided to consult their insurance agent to clarify any doubts they had. With a better understanding of the coverage, the Johnsons felt reassured and confident in their insurance choices, ready to hit the road with peace of mind.

[Passenger or Pedestrian: Does Your Auto Insurance Cover Them?](#)

When it comes to car accidents, we often think of drivers as the main cause. But there are exceptions. Passengers can sometimes distract drivers, leading to accidents. Pedestrians can also be at fault if they carelessly step in front of a car, causing the driver to swerve and hit something else. In these unusual cases, the auto liability insurance of the negligent passenger or pedestrian might apply.

But what really matters is whether your auto insurance policy covers injuries to drivers, passengers, or pedestrians involved in an accident.

Liability Coverage:

You can't be liable to yourself, so if you cause an accident and get injured, your liability coverage won't pay for your injuries. However, if you're at fault and a passenger gets injured, you can be held responsible, and your liability coverage will apply. But there are some exclusions to consider. For example, your policy won't cover injuries to a domestic employee eligible for workers compensation or injuries to a passenger during a ridesharing service like Uber or Lyft.

Medical Payments Coverage:

The liability coverage mentioned earlier only applies to passengers if you're at fault. But medical payments coverage is different. It provides coverage on a no-fault basis for anyone accidentally injured while in your covered vehicle.

This includes medical expenses for you, your family members, or anyone else in the car. It also covers you if you're a pedestrian struck by a car. However, it's important to note that homeowner's insurance also has medical payments coverage, but it's titled "medical payments to others" because it doesn't apply to you or your family members.

UM and UIM Coverage:

Uninsured motorist (UM) and underinsured motorist (UIM) coverages come into play when you or a family member is injured by an uninsured or underinsured driver or a hit- and-run. These coverages apply whether you're in a car or a pedestrian. They also extend to others occupying your covered vehicle. However, there are exclusions to be aware of.

Agent's Responsibility:

When selling auto insurance, it's crucial for agents to fully understand the policy and explain the differences between liability, medical payments, UM, and UIM coverage. Clients should also understand why the liability coverage won't cover a driver's injuries if they're legally responsible for the accident.

[**CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS**](#)

Who Else Can Benefit from Auto Insurance Protection?

When it comes to auto insurance, we often focus on the coverage it provides for the policyholder. However, there are other individuals and organizations that can also benefit from this important protection. Let's take a closer look at who they are.

People using a covered auto: The liability coverage in an auto insurance policy extends to anyone using the vehicle with a reasonable belief that they are entitled to do so. This means that even if you lend your car to a friend or family member, they are covered under your policy as long as they have a valid reason to believe they can use it.

Persons or organizations vicariously responsible: The definition of "insured" in auto insurance policies includes anyone held liable for damages caused by an insured person using a covered auto on their behalf. This includes employers, nonprofit organizations, and other entities. For example, if an employee uses their own car for work-related tasks and causes an accident, their employer would be covered under their personal auto policy.

Other persons or organizations: Auto insurance can also provide coverage for individuals or organizations when the named insured or their family members use vehicles that are not covered by the policy or owned by the organization. However, it's important to note that the owner of the nonowned or hired auto is not covered. For instance, if an employee borrows a coworker's car for a work-related errand, the employer would be protected under this category. Similarly, if a volunteer uses a friend's car to transport goods for a nonprofit organization and causes an accident, the organization would be covered under the friend's auto insurance policy.

It's worth mentioning that while auto insurance can offer protection to these additional parties, it does not cover the owner of the nonowned or hired vehicle. In such cases, the owner is expected to have their own insurance coverage.

In conclusion, auto insurance goes beyond protecting the named insured and their vehicle occupants. It provides coverage for others who may need or want protection for certain excluded situations. So, whether you're lending your car to a friend, using your vehicle for work purposes, or borrowing someone else's car for a good cause, auto insurance can offer you peace of mind knowing that you and others are protected in case of an accident.

What is a "Loss Payee"?

Once upon a time, in a small town, a young man named Mark had just bought his dream car. He had saved up for years to purchase the sleek, shiny vehicle, and he was beyond excited to show it off to his friends and family. But before he could take his new car for a spin, he had to deal with the necessary paperwork.

Mark went to the bank, where he had taken out a loan to finance his car, to complete the necessary paperwork. The bank informed him that he needed to purchase physical damage insurance to protect their interest in the car. This meant that if anything happened to the car, the insurance would cover the financial loss. Mark agreed and purchased the insurance.

The bank explained to Mark that they would be listed as the loss payee on the insurance policy. This meant that in the event of any damage to the car, the insurance claim would be paid jointly to Mark and the bank. However, the bank's payout would only be up to the amount they had loaned Mark for the car. If the car was valued at more than the loan amount, the bank would only receive their share.

Mark understood the terms and was relieved that he had insurance to protect his investment. Little did he know that this insurance would come in handy sooner than he expected.

A few months later, Mark was driving his car when another driver ran a red light and crashed into him. The accident was severe, and Mark's car was completely totaled. Thankfully, Mark and the other driver were not seriously injured.

What is "Gap Coverage"?

Mark filed an insurance claim and was informed that the insurance would pay up to the actual cash value of the car, minus the loan amount. Unfortunately for Mark, the remaining balance on his loan was higher than the car's value. This meant that the insurance would only cover the car's value, leaving Mark with a balance to pay the bank.

Disheartened, Mark thought he would have to face the financial burden on his own. But then he remembered the Auto Loan/Lease Coverage endorsement, also known as "gap coverage," that the bank had explained to him when he purchased the insurance.

Mark contacted the insurance company and asked if he had gap coverage. Fortunately, he did. The insurance company explained that gap coverage would cover the remaining balance on his loan, so he wouldn't have to worry about the extra cost. Mark was relieved and grateful that he had made the right decision to purchase this additional coverage.

What is "Additional Insured Lessors Coverage"?

In another part of town, a woman named Sarah was working for a car rental agency. One day, she received a call from her boss, who informed her that the agency had just signed a lease agreement for a new fleet of cars. Sarah was excited about the new addition and knew that the agency's business would boom.

However, Sarah's excitement was short-lived when she learned that the agency needed additional insurance coverage to protect their interests as lessors. The agency had to make sure they were covered in case any accidents or damages occurred while customers were driving the leased cars.

Sarah contacted the insurance company and asked about adding the Additional Insured Lessor endorsement to their insurance policy. This endorsement would protect the agency from any legal actions taken against them due to accidents caused by their customers.

One day, a customer named John rented a car from the agency. Unfortunately, John was a reckless driver and ended up causing an accident. Not only did the injured party sue John, but they also sued the rental agency for leasing the car to him.

Thanks to the Additional Insured Lessor endorsement, the insurance company provided the necessary defense for the rental agency. This meant that the agency wouldn't have to worry about expensive legal fees or damages caused by John's negligence.

What is "Extended Non-Owned Coverage"?

Back in town, a woman named Emily worked for a company that provided her with a company car for her regular use. Emily loved her job and enjoyed the perks of having a company car. However, she soon realized that her personal auto insurance policy didn't cover her while she was using the company car.

Concerned about this gap in coverage, Emily contacted her insurance company to find a solution. The insurance company explained that she could add the Extended Non-Owned Coverage endorsement to her policy to restore the excluded coverage for the company car.

Emily added the endorsement and felt relieved knowing that she was now protected while using the company car. She never imagined that this additional liability protection would come in handy in such a unique situation.

One day, while driving the company car with a fellow employee, Emily was involved in an accident caused by her co-worker's negligence. The co-worker sustained injuries and decided to sue Emily for damages. Luckily, with the Extended Non-Owned Coverage endorsement, Emily had the liability protection she needed. The insurance company covered the damages, preventing Emily from facing financial ruin due to the accident.

In the end, Mark, Sarah, and Emily all learned the importance of having the right insurance coverage to protect their interests. Whether it was protecting their investment in a financed car, ensuring the rental agency was covered in case of accidents, or adding coverage for company cars, they all saw firsthand the benefits of having the right endorsements on their insurance policies. From that day forward, they made sure to review their insurance policies regularly, knowing that proper coverage could save them from unexpected financial burdens in the future.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

How do you cover “Joint Owners” who are not married?

Once upon a time, in a small town called Oakville, there lived two best friends named Bob Smith and Nancy Jones. The pair had been inseparable since they met in college, and they decided to continue their strong bond by becoming roommates. They shared everything, from their deepest secrets to their Sunday morning pancakes.

One day, Bob and Nancy had a brilliant idea. They thought it would be a great idea to pool their resources and purchase a car together. They loved the idea of going on road trips and exploring new places. The only problem was that they weren't married, so they weren't sure if they would be able to insure the car jointly.

Just when they were about to give up on their dream, they stumbled upon an endorsement called Joint Ownership Coverage (PP 03 34). This endorsement would allow them to insure the car they jointly owned, even though they weren't legally married. It seemed like a miracle!

With renewed hope, Bob and Nancy decided to move forward with their plan. They added the PP 03 34 endorsement to their Personal Auto Policy (PAP) and were overjoyed to find out that they were eligible to be insured as joint owners, despite not being spouses. The endorsement modified the policy's definition of "you" and "your" to include nonresident relatives who jointly owned the car.

Excitedly, they started brainstorming all the possibilities. They realized that this endorsement could benefit many other people in similar situations. They came up with examples such as unmarried couples who wanted to jointly own a vehicle, grandparents who purchased cars for their grandchildren, parents buying cars for their children who had different living arrangements due to divorces or custody arrangements, and even parents and children who jointly owned a car but lived separately.

With their minds buzzing with ideas, Bob and Nancy continued to read about the endorsement. They discovered that the jointly owned vehicles needed to be specifically described on the endorsement schedule. They were relieved to know that coverage was available for liability, medical payments, uninsured motorist protection, collision, and other- than-collision coverages.

However, they also learned that any loss from jointly owned vehicles that were not specifically described in the schedule would not be covered. It was a small price to pay for the peace of mind they would have known they were protected.

As they read further, they found out that the endorsement excluded liability coverage for the ownership, maintenance, or use of any other vehicle, except for the one that was covered. They were a bit disappointed, but then they noticed a buy-back option in the endorsement schedule. This option allowed them to include non-owned auto liability coverage if they wished to.

Bob and Nancy were thrilled with their newfound knowledge. They couldn't wait to share it with others who might benefit from the PP 03 34 endorsement. They realized that this endorsement was not required when a PAP was used to cover a motor vehicle owned by a farm family co-partnership or a farm family corporation, as long as the owners were relatives living in the same household and the vehicle was primarily stored on the farm or ranch.

With their hearts full of gratitude, Bob and Nancy thanked the insurance company for providing a solution that allowed them to fulfill their dream of jointly owning a car. They knew that this endorsement would make a difference in the lives of many nontraditional households and nonresident relatives.

And so, armed with their knowledge and a shared determination to help others, Bob and Nancy set off on a journey to spread the word about the Joint Ownership Coverage endorsement. Through their efforts, they hoped to bring happiness and security to those who, like them, had once thought their dreams were out of reach.

[Title held by a Trust](#)

Once upon a time, in a small town called Oakville, there was a trust that held the title to a beautiful red automobile. The trust was a legal agreement that allowed one person to hold the property interest for the benefit of another.

This arrangement was often recommended by estate planners for advantageous income tax purposes.

To ensure that the trust was properly recognized, the Trust Endorsement (PP 13 03) was needed. This endorsement amended the definitions section by stating that the automobile would be considered owned by the person if the title was transferred to the trust designated in the endorsement schedule. It was similar to the approach used with leased vehicles. If the insurance policy for the car was canceled or not renewed, the trustee listed in the endorsement schedule would also receive a notice.

The endorsement also required prompt notification to the insured if there were any changes in the trust's name, address, or trustees. It also included provisions for the termination of the trust, as well as the death or disability of the trust's trustee or grantor. The insurer had the right to request copies of trust documents as often as needed.

[Additional Resident of Your Household \(PP 33 37\)](#)

In the same town of Oakville, a new endorsement called Additional Resident of Your Household (PP 33 37) was introduced in 2018. It aimed to accommodate the changing household structures that included domestic partners, significant others, live-in nannies, or roommates who did not own the insured's vehicle but had access to it. With this endorsement, these designated individuals had the same coverage as true "family members" who were related to the named insured by blood, marriage, or adoption.

However, the named insured had to inform the insurer within 30 days of any changes in the person's residency.

Pet Injury Coverage (CP 33 31)

Meanwhile, in a cozy house on Elm Street, lived a family who considered their pets to be part of their family. They loved their dog and cat dearly and wanted to ensure their well-being. That's why they were delighted when the Pet Injury Coverage (CP 33 31) endorsement was introduced in 2018. This endorsement provided coverage without a deductible for veterinary and other expenses incurred due to bodily injury or death of the covered pet. It was only applicable to dogs and cats owned by the named insured or a family member.

As the story unfolded, it became clear that the personal lines agent had a crucial responsibility. Many policyholders were unaware of all the different people and situations that a standard Personal Auto Policy (PAP) covered. It was important for the agent to ask the right questions to determine who else needed coverage and then modify the policy accordingly. Whether it was lenders, lessors, additional household members, or even pets, the agent had to ensure that everyone was properly protected or explain why certain coverage was not available.

And so, in the town of Oakville, where trust, family, and the well-being of loved ones mattered, the importance of endorsements and the agent's role in providing comprehensive coverage became clear. It was a story of trust, responsibility, and ensuring that everyone was taken care of, no matter their relationship to the insured.

Chapter 2: What Vehicles Should Be Covered By A Personal Auto Policy?

The topics in this chapter are all about what vehicles should be covered by auto insurance. Many people think that auto insurance only covers the cars they own that are listed in their policy. But a good agent will let them know that a personal auto policy (PAP) can actually cover more than just their own cars.

In this chapter, we'll go over why it's important for an agent selling PAPs to ask these questions and what to do with the answers.

The first question is pretty straightforward: what vehicles do you want coverage for? Most people think of their own cars, and that's correct. The PAP covers the vehicles listed in the policy. But it also covers other vehicles automatically and can cover even more types of vehicles with the right endorsement.

The PAP uses the term "your covered auto" to refer to a vehicle that is covered by the policy. The easiest way to make a vehicle a covered auto is to list it in the declarations page of the policy. However, the vehicle has to be owned or leased by the named insured for at least 6 months to be listed. So, if you regularly use your neighbor's car, it can't be listed because you don't own it. And if your son has his own car, it can't be listed on your policy because he needs his own insurance.

It's also important to note that a PAP can only cover vehicles that meet certain eligibility requirements. Question #2 focused on who is eligible for coverage, and now we're looking at what vehicles those eligible people can get coverage for.

The PAP is designed to cover private passenger autos. But what exactly falls into that category? The rating manual has a definition for "private passenger auto," but it's not part of the insurance contract. However, it does give us some insight into the intentions of the insurance provider.

According to the manual, a private passenger auto is a four-wheel motor vehicle that is owned or leased for at least 6 months, not used for public transportation, and not rented to others.

So, when thinking about what vehicles are eligible for PAP coverage, keep these criteria in mind.

Discover the World of Public or Livery Conveyances

Forget about your ordinary, run-of-the-mill private passenger auto. We're here to explore the fascinating realm of public or livery conveyances. So, what exactly is a public or livery conveyance, you may ask? Well, it's not just any vehicle. According to common law, a public or livery conveyance is a vehicle that is available for everyone to use. We're talking about buses, taxicabs, and other vehicles that provide services to the public. It's a whole different ball game compared to your regular car!

Now, here's the thing. Your typical personal auto policy (PAP) doesn't cover vehicles used in connection with transportation network companies like Uber or Lyft. However, fear not! You can tweak your PAP with some nifty endorsements to address these ridesharing situations. It's all about finding the right balance between convenience and insurance coverage.

But hold on, folks! We haven't covered all the exciting aspects of this topic yet. Let's dive into the world of vehicles rented to others. You see, there are folks like Mary who have cars sitting idly in their driveways, while their car payments keep piling up. Luckily for Mary, she can join the car-sharing trend and rent out her vehicle when she's not using it. However, it's important to note that once Mary's car is rented to other parties, it no longer falls into the private passenger auto category. Rules are rules, after all.

Now, let's talk pickups and vans. Here's where things get a bit tricky. While the definition of private passenger auto excludes truck-type vehicles, pickups and vans can still qualify as private passenger autos if they meet certain criteria. For instance, if a pickup has a gross vehicle weight rating of 10,000 pounds or less, and it's not used for carrying or delivering goods, it's in the private passenger auto club. That's good news for folks like the named insured repairing lawn mowers, who occasionally needs to deliver them to customers in their trusty pickup.

But wait, there's more! If you're a farmer who relies on a pickup for your farm business, rest assured that it can qualify for a PAP, as long as it meets the weight requirements. It's all about keeping our hardworking farmers covered, folks!

Now, here's an interesting twist. If you happen to be a government employee using a pickup or van for federal government business, it'll only be considered a private passenger auto if it meets certain requirements. Oh, and let's not forget about the Federal Employees Using Autos in Government Business endorsement. This little gem excludes the US government and its agencies from the liability coverage section. It's a whole different ball game when the government is involved, my friends!

So, there you have it. The thrilling world of public or livery conveyances, rented vehicles, and pickups and vans. It's a wild ride, but with the right insurance coverage, you'll be cruising along just fine.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

Exciting News: Farm Vehicles Made Simple!

Owning a farm has its perks, including some special considerations when it comes to insurance. Today, we're diving into the world of farm vehicles and how they fit into the insurance landscape. Don't worry, we promise to keep it interesting and less technical!

Imagine this: Meet the Smith family. They live on a beautiful farm and work together to make it thrive. The Smiths have their own cars and pickups, all under 10,000 pounds, and these vehicles are titled in the farm's name. Now, here's the exciting part - these vehicles qualify for a special type of insurance called Private Auto Insurance (PAP).

So, what exactly is a PAP? Well, it's insurance coverage for vehicles that are owned by multiple family members and primarily located on a farm or ranch. It's like having a joint ownership agreement but with added insurance benefits!

But hold on, it's not just limited to cars. When we say "auto," we mean any vehicle that falls under the private passenger auto category or meets the definition we just discussed. So, whether it's a sleek sedan or a sturdy pickup truck, as long as it meets the criteria, it's eligible for PAP coverage.

Now, let's talk about the agent's role in all of this. The agent is like the superhero of insurance, responsible for understanding what vehicles the client owns and wants to insure. Before submitting the PAP application to the insurer, the agent double-checks that the vehicle(s) listed are eligible for PAP coverage.

Here's the exciting part: sometimes, the client might not even be aware that their PAP insurance can cover additional vehicles. How cool is that? It's like unlocking a secret bonus level in a video game! This could happen automatically or by adding an appropriate endorsement. Don't worry, we've got you covered with more information in later chapters.

So, there you have it, folks. Farm vehicles don't have to be a headache when it comes to insurance. With PAP coverage, the Smiths and other farm families can enjoy peace of mind knowing that their vehicles are protected.

Remember, it's all about finding the right insurance solution for your unique needs, and a PAP might just be the ticket!

Stay tuned for more exciting insurance adventures. Until then, keep driving with a smile!

[The Excitement of Adding or Replacing a Car: Do You Need Instant Coverage?](#)

When it comes to adding a new car or replacing an old one, most people would answer with a resounding "yes" to the question of whether they want automatic coverage. After all, cars age, get worn out, and sometimes find themselves in unfortunate accidents. It's only natural that we eventually replace our trusty steeds with newer, more valuable models. And let's not forget about those moments when we decided to expand our vehicular fleet by adding another car to the mix.

Luckily, the Personal Auto Policy (PAP) understands our needs. It includes a provision for "newly acquired autos." But what does this mean exactly?

For starters, the PAP provides some automatic coverage for newly acquired autos, especially for private passenger-type cars. So, if you buy a shiny new car or a noncommercial-type truck, you don't have to frantically call your agent to get coverage. However, it's important to report the new purchase as soon as possible.

Now, let's talk about trucks. Automatic coverage for trucks is a bit more restricted. If the truck has a Gross Vehicle Weight (GVW) of 10,000 pounds or more, you can't rely on automatic coverage. Typically, trucks referred to as "one ton" fall into this category, as well as some three-quarter-ton trucks. If these vehicles are primarily used for commercial purposes, they should be insured under a commercial automobile policy. However, there are some exceptions. A pickup or van with a GVW greater than 10,000 pounds can still be considered a covered auto if it meets specific criteria outlined in the ISO's Symbol and Identification Manual.

Essentially, as long as it's not primarily used for commercial operations, it can qualify for coverage.

When it comes to liability, medical payments, personal injury protection, and uninsured motorist coverages, a newly acquired auto will have the same broad coverage as the other vehicles listed in the policy. Coverage starts as soon as you become the legal owner of the vehicle, but you have 14 days to request coverage from your insurer. If you miss this 14-day window, coverage begins on the day you actually make the request.

Collision coverage for a newly acquired auto kicks in on the day of purchase, as long as you give proper notification. Proper notification is within 14 days if any of the existing vehicles on your policy have collision coverage. In this case, the new vehicle will have the same collision coverage as the other autos. If your current policy doesn't include collision coverage, proper notification is within 4 days, with a \$500 deductible.

Again, if you don't request coverage within the specified time period, it won't start until you make the request.

Comprehensive coverage, also known as "other-than-collision" coverage, starts on the day you purchase the vehicle, but you must provide proper notification. This notification is within 14 days if any of the previous vehicles on your policy have comprehensive coverage. If your current policy doesn't cover this type of damage, you have 4 days to notify your insurer, with a \$500 deductible. And just like before, if you miss the notification period, coverage won't begin until you request it.

In the past, the PAP differentiated between replacement autos and additional autos. If you replaced a vehicle listed in the policy, the new auto was automatically covered for liability, medical payments, and uninsured motorist coverage without needing a specific request. However, with the new 2018 policy form, this is no longer the case. Replacement vehicles must be reported for these coverages to continue. It might sound like a strict rule, but most insured individuals inform their agent or insurer about replacement autos to comply with state vehicle registration requirements.

Now, let's talk about the agent's responsibility. Policyholders should know that the PAP does provide automatic coverage for additional autos or replacement autos, but only for a limited time. Agents who sell policies other than the ISO PAP need to be aware that other policies might not be as generous when it comes to covering newly acquired autos. For example, ISO's Special Personal Auto Policy only provides automatic coverage for a replacement auto for 14 days after the named insured's ownership begins. And for an additional vehicle, there's no automatic coverage at all.

Considering the complexity of these policy terms and rules, the safest thing an agent can do is advise policyholders to immediately report any changes in vehicles to their insurance agent. This may also be a requirement when licensing a replacement or additional auto.

So, if you're adding a new car to your collection or replacing a trusty old one, don't forget to let your insurance agent know. It might just save you from any potential coverage gaps or headaches down the road.

Driving a borrowed vehicle

Once upon a time, in a small town called Ridgemont, lived a young man named Jack. Jack was an adventurous spirit and loved exploring new places. However, he didn't own a car of his own. One day, his friend, Mark, invited him to a party in the neighboring town.

Mark had a car, but after a few drinks, he was in no state to drive back home. That's when Jack stepped in to save the day.

Jack had heard about the concept of borrowing someone else's car before, but he wasn't quite sure about the insurance aspect. He didn't want to end up in trouble if something were to happen while he was driving Mark's car. So, he decided to do some research and seek answers from his trusted insurance agent, Mr. Johnson.

Mr. Johnson explained to Jack that when it comes to driving a car you don't own, there are certain insurance coverages that come into play. He told Jack about "nonowned autos" and how his own insurance policy provided secondary coverage in such situations.

Essentially, Jack's insurance would only kick in if Mark's insurance didn't cover any damages or accidents.

Jack was relieved to hear this, but he still wanted to know more about another scenario - renting a car. He had seen people renting cars before but wasn't sure about the insurance implications. Mr. Johnson explained that renting a car was different from borrowing one, especially when it came to insurance.

Car rentals, Mr. Johnson told Jack, involved signing rental contracts that made the renter responsible for any damages to the rented vehicle or liability to a third party caused by their use of the car. This meant that even without a rental contract, Jack could still be liable under state laws. It was essential for Jack to understand the terms and conditions of the rental contract before signing it.

The rental contract itself had various provisions that clarified, limited, or transferred liabilities between the rental company and the renter. These provisions could vary from one company to another and even from one state to another. It was a lot to take in, but Mr. Johnson assured Jack that he would guide him through the most common provisions found in traditional auto rental contracts.

One crucial thing that Mr. Johnson emphasized was not to solely rely on the rental company's liability coverage. While rental companies were legally required to provide a minimum level of liability insurance or self-insurance, their rental contracts often disavowed such coverage for the customer. Even if coverage was required by law, it would be limited to the minimum limits set by the state. Moreover, there was no guarantee that the laws of the state where the car was rented would apply if it was driven in another state.

To address this, rental companies offered optional liability coverage called supplemental liability insurance (SLI) or sometimes referred to as supplemental liability protection (SLP) or additional liability insurance. This coverage would provide additional protection to the renter in case of any accidents or damages.

Armed with this newfound knowledge, Jack felt more confident about renting a car or borrowing someone else's car in the future. He thanked Mr. Johnson for his guidance and set off on his next adventure, knowing that he had the right information to keep himself protected on the road.

And so, Jack continued exploring the world, driving in cars that weren't his own, but with the assurance that he was covered. The end.

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Insurance offered by Car Rental Companies

Once upon a time in a bustling city, there was a rental car company called FastDrive. FastDrive prided itself on providing top-notch service and reliable vehicles to its customers. However, there were some important things that the customers needed to know before hopping into one of their cars.

One of these things was UM and UIM insurance. Now, UM and UIM insurance may sound like some sort of secret code, but it's actually quite simple. UIM stands for "underinsured motorists" and UM stands for "uninsured motorists." These are coverages that protect you in case you get into an accident with someone who doesn't have enough insurance or no insurance at all. But here's the catch - unless the law requires it, FastDrive doesn't provide this coverage. So, it's important for customers to check their own insurance policies to see if they're covered for UM and UIM.

In addition to UM and UIM, there were a few other types of insurance that FastDrive offered. One of them was personal accident insurance, which reimbursed customers and other passengers in case of accidental medical expenses. This could come in handy if you were to get hurt while driving one of FastDrive's cars. There was also personal effects coverage, which insured any personal belongings you had with you in the rental car. This was similar to the coverage you might already have in your homeowner's insurance, so it was important to avoid paying for duplicate coverage.

Now, let's talk about the condition of the car. When you rent a car from FastDrive, you're responsible for returning it in the same condition you received it, with the exception of normal wear and tear. That means if anything happens to the car - whether it's a collision, theft, vandalism, or even a fire - you're the one who has to pay for the damages, regardless of whose fault it is. It's like taking care of a borrowed toy - you have to keep it safe and sound. That's why FastDrive offers something called a loss damage waiver (LDW) or collision damage waiver (CDW). If you purchase this waiver and follow all the rules in the rental agreement, FastDrive won't hold you responsible for any physical damage to the car. It's like having a safety net that protects you from unexpected expenses.

Now, who is allowed to drive the rental car? Well, normally it's only the person who rented it in the first place. FastDrive has some rules in place to ensure the safety of everyone involved. Most rental car companies don't allow drivers under the age of 21, unless the law says otherwise. However, there are exceptions for spouses and even employers or fellow employees. So, if you need someone else to drive the rental car, it's best to check with FastDrive to see if it's allowed.

FastDrive always made sure to explain these important details to their customers, but sometimes it could be overwhelming, especially if you're standing in line with other customers waiting to get your rental car. So, it was always a good idea to be prepared and do some research beforehand. That way, you can make informed decisions and enjoy a smooth and worry-free ride in one of FastDrive's reliable cars.

Forbidden Activities with a Rental Vehicle

Once upon a time, in the picturesque town of Riverville, there was a car rental company called Speedy Wheels. They had a fleet of shiny, new cars that were eagerly waiting to be driven by adventurous customers. However, there were certain rules that every customer had to follow to ensure the safety of the vehicles.

One sunny day, a young man named Jake walked into Speedy Wheels to rent a car for a weekend getaway. As he filled out the rental contract, the friendly employee, Sarah, explained to him the prohibited uses of the rental vehicle. These were actions that could void the insurance and make the customer responsible for any damages to the car.

Sarah listed off the forbidden activities with a serious tone. She mentioned that intentionally damaging the car or engaging in willful misconduct was a big no-no. Jake nodded, understanding the importance of treating the car with respect.

Then, Sarah warned him about the dangers of driving under the influence of drugs or alcohol. She emphasized that the rental contract specifically stated that no one who had consumed alcoholic beverages within the past 12 hours should be behind the wheel. Jake promised Sarah that he would only drive sober.

Next, Sarah told Jake that he couldn't allow anyone who wasn't authorized to drive the car to take the wheel. It was a safety measure to prevent any accidents caused by inexperienced drivers. Jake assured her that he wouldn't let anyone else drive the car.

Sarah continued to list the prohibited uses, like using the car for illegal purposes or carrying passengers for hire. She even mentioned that using the car in a race or speed contest was strictly forbidden. Jake listened attentively, realizing that these rules were in place to keep everyone safe.

As Sarah reached the end of the list, she mentioned that the car couldn't be used for towing or pushing anything. She also warned Jake not to overload the car or drive recklessly. These were all common-sense rules that Jake knew he had to abide by.

Lastly, Sarah instructed Jake to always wear his seat belt and not exceed the number of passengers allowed in the car. She also mentioned that the car should only be driven on paved public roads, private roads, or driveways.

Jake nodded, understanding the importance of obeying traffic laws.

Sarah then moved on to a more specific rule. She informed Jake that the car couldn't be taken out of the state without written consent from Speedy Wheels. Jake was surprised and asked if he couldn't even drive to a neighboring state. Sarah explained that this rule was to ensure that the company could keep track of their vehicles and provide assistance if needed.

With a sigh of relief, Jake reached the end of the list of prohibited uses. He thanked Sarah for the information and assured her that he would follow all the rules. Sarah smiled and handed him the keys to his rental car, wishing him a safe and enjoyable trip.

Little did Jake know that by abiding by these rules, he was not only protecting himself but also ensuring that he wouldn't void his insurance coverage. It was a lesson that every customer of Speedy Wheels had to learn. And so, Jake set off on his adventure, knowing that he had the responsibility to drive safely and protect the rental car.

As for the rental charges and insurance coverage, that's a story for another day.

[What coverages extend to a Rental Vehicle?](#)

Once upon a time in a small town called Meadowville, there lived a man named Sam. Sam was planning a weekend getaway with his best friend, Jake. They were excited to explore the neighboring city of Rivertown and decided it would be best to rent a car for their adventure.

Sam had heard about something called a Personal Auto Policy (PAP), which provided coverage for rental cars. Eager to learn more, he attended a local workshop where they discussed the ins and outs of PAP exclusions.

The workshop was quite technical, but Sam managed to grasp the key points.

The instructor explained that the PAP had certain exclusions that could affect coverage for Sam's rental car. They focused on the countrywide PAP, which was relevant to Sam's situation. The instructor also mentioned that if Sam planned to use the rental car for ridesharing or car-sharing, there might be additional endorsements to consider. It was all a bit overwhelming, but Sam knew he had to understand these exclusions to protect himself.

One of the biggest concerns Sam had was whether the PAP would cover any damage to the rental car itself. The instructor explained that the PAP had a liability exclusion known as the care, custody, or control liability exclusion.

This exclusion meant that if Sam caused any property damage to a rental car, he wouldn't be covered. However, there was an exception for damage to a rented residence or private garage, but unfortunately, no exception for rental cars. This meant that if Sam totaled the rental car in an accident, he would have to rely on the physical damage section of the PAP for coverage.

Sam discovered that some states had amended this exclusion to include rental cars. But there was a catch - if Sam had low or minimum limits of liability, there could be a coverage gap. For example, if he had a property damage limit of \$10,000, it would be nowhere near enough to cover the cost of a totaled rental car. It was a risk Sam didn't want to take.

As Sam delved deeper into the exclusions, he learned that some limitations only applied to the renter's coverage for liability to a third party, not for damage to the rental car itself. It was a relief to know that there was some protection for his liability in case of an accident.

Another important limitation Sam discovered was the rental agreement provision that prohibited unauthorized drivers from operating the rental car. The PAP stated that any loss where an insured used a vehicle without a reasonable belief that they were entitled to do so would not be covered. Sam couldn't help but think about his teenage son, who had a habit of taking his car without permission. He made a mental note to have a serious conversation with his son before their trip.

The rental agreement also stated that the rental car couldn't be used for transportation of persons or property for hire. There was an exclusion in the PAP that prevented coverage for liability arising from the use of the rental car as a public or livery conveyance, except for carpooling arrangements. Sam wasn't planning on using the rental car for any commercial purposes, so this exclusion didn't worry him too much.

Sam also learned about two business exclusions in the PAP that dealt with using a car for business purposes. The first exclusion stated that there would be no liability coverage if any insured was employed or engaged in an auto business. This exclusion didn't apply to Sam, as he was just a regular guy renting a car for a weekend getaway.

The second business exclusion was more relevant to Sam. It stated that there would be no liability coverage if any insured maintained or used a vehicle while engaged in any business other than farming or ranching. However, there was an exception to this exclusion for the use of private passenger autos, whether they were owned or nonowned. Sam breathed a sigh of relief knowing that this exception would protect him during his rental adventure.

Lastly, Sam was intrigued by the racing exclusion mentioned by the instructor. He had no plans to race the rental car, but it was interesting to note that rental contracts usually included a clause prohibiting racing activities. It seemed like common sense to him, but he couldn't help but wonder if there were people out there who rented high-performance cars just to test their limits.

Armed with this newfound knowledge, Sam felt more confident about renting a car for his weekend getaway. He knew he had to be cautious, especially when it came to the care, custody, and control of the rental car. As he packed his bags, he couldn't help but imagine the adventures that awaited him and Jake in Rivertown. Little did he know, this trip would be one for the books, filled with laughter, unexpected twists, and memories that would last a lifetime.

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What about Med Pay in a Rented Vehicle?

Once upon a time, there was a town called Cloverfield. In this town, many people loved to go on adventures and explore new places. One of the most popular ways to do this was by renting a car. But with every adventure comes risks, and the people of Cloverfield knew they had to be prepared for anything.

Meet Emma, a young woman with a passion for traveling. She had heard about the importance of having medical payments coverage when driving a rental car, so she made sure to have it in her insurance policy. Little did she know that this coverage would come in handy sooner than she thought.

One sunny day, Emma decided to rent a car and drive to the nearby mountains for a hiking trip. As she was driving up the winding roads, a reckless driver crashed into her car, causing her to sustain injuries. Emma was in pain and needed immediate medical attention.

Luckily, Emma had medical payments coverage in her insurance policy. This coverage would help her pay for all the necessary medical expenses, including hospital bills and funeral services if needed. It was a relief for Emma to know that her insurance would take care of her in this difficult time.

But there was a catch. The insurance only provided coverage on an excess basis, which meant that it would only cover the costs that were not already covered by other insurance. Emma had to make sure she understood all the terms and conditions of her policy to avoid any surprises.

Another important aspect of renting a car was having UM/UIM coverage. This coverage would protect Emma if she was involved in an accident with an uninsured or underinsured driver. Thankfully, her insurance policy had this coverage as well, giving her peace of mind during her adventures.

As Emma continued her journey, she couldn't help but wonder about the physical damage coverage for the rental car itself. The rental agreement clearly stated that she was responsible for any damage to the car. However, state laws could limit the extent of this responsibility.

In her insurance policy, there was a section that explained the extent of physical damage coverage. It stated that the insurance company would pay for any direct and accidental loss to the rental car, minus any deductible. This coverage would apply if Emma already had collision or other-than-collision coverage on one of her own cars.

Fortunately, Emma owned three cars, and one of them had both collision and other-than-collision coverage. This meant that if she rejected the optional coverage offered by the rental company, her insurance policy would provide primary coverage for any physical damage to the rental car. It was a relief for Emma to know that she was protected in case of any mishaps.

However, Emma had to be careful about certain exclusions that could prevent coverage. For example, the rental agreement prohibited unauthorized drivers from operating the rental car.

Emma had to make sure that only she or authorized drivers were behind the wheel to avoid any complications.

Another exclusion to be aware of was using the rental car for business purposes. Emma loved using the car for her personal adventures, but she knew that it was not allowed to be used for any professional activities. This was important because it could void any damage waiver purchased and prevent her from being covered by her insurance policy.

There were also exclusions for loss to a nonowned auto being used by someone in the auto business or for participating in races or speed contests. Emma knew that she had to abide by these rules to ensure that her insurance would be there for her when she needed it the most.

Lastly, Emma learned about an exclusion that prevented coverage for any loss of use of the rental car if the rental company couldn't recover the loss from her based on the rental agreement or state law. This was added to protect the insurance policy from being used for damages that were not the insured's fault.

With all this knowledge in mind, Emma continued her adventure with a newfound confidence. She knew that she was well-prepared and protected by her insurance policy. No matter where her travels took her, Emma could rest easy knowing that she had the right coverage by her side. And so, her journey continued, filled with excitement and the comfort of knowing she was covered.

Should you buy the LDW or CDW?

Once upon a time in the city of Carville, there lived a man named John who was planning a vacation with his family. He had decided to rent a car for their trip, but he was unsure whether he should purchase the Loss Damage Waiver (LDW) or Collision Damage Waiver (CDW). Little did he know, this decision would make a significant difference in their adventure.

John visited an insurance professional named Mr. Smith to seek advice on the matter. Mr. Smith explained that even though John's Personal Auto Policy (PAP) provided coverage for physical damage, it was still recommended to purchase the LDW or CDW for several reasons. He wanted to make sure John had all the information he needed to make the right choice.

First, Mr. Smith told John that most car rental agreements held the insured driver responsible for loss of use. This meant that if the rental car was damaged, the rental company would lose revenue because the car couldn't be rented out. The fees for loss of use could quickly add up, and the PAP only provided a limit of \$20 per day for this coverage. However, by purchasing the LDW or CDW, John could increase this limit to \$30, \$40, \$50, or even \$100 per day.

Next, Mr. Smith explained that most PAPs had a physical damage deductible, except in a few states where the liability coverage paid for damage to a rental car. On the other hand, the CDW typically did not have a deductible. This meant that if John chose not to purchase the LDW or CDW, he would have to pay the deductible out of pocket in case of any damage to the rental car.

Furthermore, Mr. Smith warned John about the rental agreement's requirement to reimburse the rental car company for the "full value" of the vehicle. While most PAPs covered the lesser of the actual cash value or the amount necessary for repairs or replacement, the rental agreement might demand the full value. This could leave John underinsured and responsible for paying the difference. The rental agreement could also hold John accountable for any "diminution in value," which the PAP did not cover.

Additionally, Mr. Smith mentioned that the rental agreement might include administrative expenses like towing, storage, and impound fees. Fortunately, if John had existing towing coverage, he would have some coverage for these expenses.

However, without it, he would have to bear the costs.

Lastly, Mr. Smith discussed how an at-fault accident in the rental car could affect John's future auto insurance premium. If he had an accident covered by the CDW or LDW, his PAP premium would remain unaffected. However, if he didn't have this coverage, his premium might increase.

John listened carefully to Mr. Smith's explanations. He realized that while these potential coverage gaps were not insignificant, they were not extremely large either. However, he couldn't ignore the fact that the premium charged for the LDW was extraordinarily high compared to what his personal auto insurer would charge for the same coverage.

After weighing all the information, John decided that risk-tolerant individuals like himself, under certain circumstances, could still choose to decline the LDW. He believed that insurance was best designed to handle large losses, not smaller ones associated with forgoing the LDW. However, he understood that purchasing the LDW or CDW could reduce the possibility of errors and omissions allegations against an agent.

In the end, John realized that the best approach for agents would be to inform consumers about the extremely high daily cost of the LDW and let them decide. Agents should also stay updated on optional endorsements and car rental agreements to ensure the decisions made by their customers were still appropriate.

Before making a final decision, John discovered that his credit card company also provided collision damage protection as a bonus for using their card to pay for the rental car. This coverage would be in addition to his PAP coverage, but it wouldn't apply if he purchased the LDW from the rental company.

John kept in mind that relying on credit card coverage came with its own set of requirements and limitations. The credit card company might have strict rules for reporting a claim, including time limits and paperwork. If he chose to rely on credit card coverage, he would have to deal with both the rental company and his PAP insurer.

With all this newfound knowledge, John felt more confident in his decision-making process. He thanked Mr. Smith for his guidance and left the office, ready to embark on an unforgettable vacation with his family.

[How to cover Substitute Vehicles](#)

Once upon a time, in a small town called Autoville, there lived a group of car enthusiasts. They loved their cars dearly and took great care of them. But sometimes, even the most well-maintained cars would break down or need repairs.

One day, a man named Jack found himself in a bit of a pickle. His beloved car, Lightning, had broken down and needed some serious TLC. Jack was devastated because he relied on Lightning to get him everywhere - from work to his favorite fishing spot by the lake.

Feeling stranded without Lightning, Jack went to his friend, Sam, who happened to work at an insurance office. Sam had an idea. He asked Jack, "Hey, have you ever thought of renting a car while Lightning is being repaired?"

Jack had never considered this option before. He was intrigued and asked Sam to explain more. Sam told him that insurance professionals called a rented car in this situation a "temporary substitute auto." It meant that while Lightning was out of commission, Jack could rent another car to get around.

But here's the interesting part - the insurance policy didn't actually use the term "temporary substitute auto." It was just a fancy way insurance folks referred to it. Jack found this amusing, like a secret code only they knew.

Sam continued to explain the details. When it came to things like liability, medical payments, and uninsured motorist coverages, a temporary substitute auto was treated just like any other covered auto. The policy stated that "your covered auto" included any car or trailer that wasn't yours but was being used temporarily while your own car was out of service.

However, when it came to physical damage coverages like collision and other-than-collision, a temporary substitute auto was considered a nonowned car. It meant that the same coverages that applied to any other nonowned car would also apply to the rental.

Jack's eyes widened as he listened to Sam. He never realized that renting a car could be so seamless and worry-free. The thought of driving around in a shiny new rental car while Lightning got fixed made him feel excited.

So, Jack went ahead and rented a flashy red sports car. He felt like a superstar as he cruised through the town, turning heads wherever he went. It was a temporary change, but it brought a refreshing twist to his everyday life.

And when Lightning was finally back in action, Jack said goodbye to the rental car with a hint of nostalgia. He would always remember the time he got to experience a different set of wheels, all thanks to the concept of a temporary substitute auto.

From that day on, Jack knew that if Lightning ever needed repairs again, he wouldn't hesitate to rent another car. It was a convenient solution that made his life a little more exciting, even in the face of car troubles.

And so, the tale of Jack and his temporary substitute auto spread throughout Autoville. People started seeing the bright side of car repairs, knowing that they could always rely on a rented car to keep them moving. It became a story of how a temporary setback could lead to a temporary adventure, making life just a little more interesting.

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Do any of your cars have a trailer hitch?

It may seem like a strange question, but it actually has implications for your insurance coverage. While the policy may not specifically mention trailer hitches, there is an exclusion for "custom equipment" that is worth more than \$1,500. This means that if you have an expensive trailer hitch that is not original manufacturer equipment, it may not be covered by your policy.

But the real question is, why do you have a trailer hitch? If you say that it was already on the car when you bought it or that you added it for a bike rack, then there is no major exposure other than the custom equipment. However, if you have a trailer hitch because you use it to tow a trailer, then we need to discuss the coverage for owned and nonowned trailers and whether you need additional coverage.

So, does your policy cover a trailer? The answer is not a simple "yes" or "no."

First, let's consider what the policy means by a trailer. A trailer is a vehicle designed to be pulled by a private passenger auto, pickup truck, or van. It does not include things like a child's wagon or a trailer for a riding mower. However, a farm wagon or farm implement does qualify as a trailer when it is being pulled by a car, truck, or van, but not when it is being pulled by a farm tractor.

If you own a trailer, it is covered under your policy even if it is not listed in the declarations. This means that liability, medical payments, and uninsured/underinsured motorist coverages apply to the ownership, maintenance, or use of an owned trailer, even if it is not specifically named in your policy. However, if you want physical damage coverage for your trailer, you will need to add an endorsement and pay an additional premium. The collision and other-than-collision coverages only apply to covered autos listed in the declarations and to nonowned autos, which includes trailers that are not regularly used by you or your family.

When it comes to newly acquired trailers and temporary substitute trailers, your policy's liability coverage automatically applies. This means that if you acquire a new trailer or use a temporary substitute for your owned trailer, you are covered for liability without notifying your insurer. However, for physical damage coverage, you will still need to add the endorsement mentioned earlier.

On the other hand, nonowned trailers are covered for physical damage as long as they are not regularly used by you, but the coverage is limited to \$1,500.

It's also worth noting that your homeowner's insurance may provide some coverage for damage to trailers. Trailers are considered personal property and have limited coverage for certain perils. There is a sublimit of \$1,500 for watercraft and their trailers, as well as trailers not used with watercraft.

As an agent, it is my responsibility to help you navigate these complexities. If you have a car with a trailer hitch, it's likely that you either own a trailer or tow a nonowned trailer.

Towing a trailer behind your car can create additional risks, so it's important to make sure you have the right coverage.

If you want physical damage coverage for your owned or nonowned trailer worth more than \$1,500, I recommend consulting with me. I can help you understand the provisions of your auto and homeowners' policies and find a solution that fits your specific needs.

What about Other Motor Vehicles?

Have you ever thought about all the different kinds of vehicles that could be insured under your auto policy? It's not just about cars and trucks, there are so many other possibilities! Let's explore some of the more interesting and unexpected options.

First, let's consider the classics. Do you own a vintage car or an antique beauty? These cherished vehicles may not be on the road every day, but they still need insurance coverage. And how about those fun off-road adventures? Dune buggies, all-terrain vehicles, and dirt bikes are all exciting possibilities that should be covered too.

But it doesn't stop there. Have you ever thought about insuring your motorhome or your beloved motorcycle? These are two more popular choices that should definitely be included in your policy. And let's not forget about the cool kids' toys! Motorized scooters and other fun gadgets might seem harmless, but they should still be insured.

Now, here's something you might not have considered. Do you own a golf cart or any other low-powered vehicle? These may seem like innocent mode of transportation, but accidents can still happen, so it's better to be safe than sorry.

And here's a surprising fact: even motor vehicles that are out of service can pose a liability risk. If you have any junked autos on your property, they could be an attractive nuisance that might cause trouble. So, it's important to be aware that your auto policy doesn't provide liability coverage for vehicles not listed in the policy.

However, your homeowners policy may offer some coverage for vehicles in **dead storage**. But before you decide to bring that old car out for a test-drive, make sure you have the proper insurance in place.

So, next time you're reviewing your auto policy, take a moment to think about all the motor vehicles in your life. From classic cars to off-road adventures and even those unexpected kids' toys, it's important to have the right coverage for all your wheels.

Chapter 3: How are vehicles used?

The topics in this chapter deal with various aspects of a broader question: How is (are) the vehicle(s) used? Cars, pickups, and vans insured under a personal auto policy (PAP) are usually used for shopping, recreational travel, and other personal errands, and a standard PAP is designed to cover these exposures. However, exposures and coverage can get more complicated when a personal auto is also used in business, when it is used to transport people or property for a fee, or when it is rented to others.

Chapter Objectives

On completion of this chapter, you should understand why an agent selling PAPs should ask the following questions and know what to do with the answers.

- Is (are) the vehicle(s) used only for personal use?
- How many miles do you drive to get to work or to school?
- Is the vehicle ever used in your business?
- Is the vehicle ever used to deliver people or property for a fee?
- Is the vehicle ever loaned or rented to others?
- Are You Using Your Vehicle Only for Personal Use?
- When it comes to insuring your car, one important question to consider is whether you use it solely for personal purposes. This question not only affects your rating, but also your coverage. Let's dive into the details.
- Most people insure their cars for personal use, and if that's the case for you, you'll be eligible for standard rates. You won't need any additional endorsements related to usage.
- Now, let's talk about rating considerations. If you regularly use your vehicle to commute to work or school, or if you use it for business purposes, your car has a greater exposure to potential losses. It only makes sense for insurers to charge more for these types of usage.

Here are some classifications they use for rating purposes:

Farm use: This applies to vehicles that are not typically used for commuting to other work or school, or for any other occupation. If you're a farmer and your vehicle is primarily used for farming activities, this classification is for you.

Business use: This is for vehicles that are customarily used for work-related tasks. If your car is an essential part of your business operations, it falls under this category.

Pleasure use: This classification covers drivers who use their vehicles for pleasure, including driving to work or school within a short distance, or driving to work or school a few days a week. It might be more accurate to call it "occasional use" since not every driving activity is pleasurable.

Commuting less than 15 miles: If you use your car to commute to work, but it's not for business purposes, and your commute is less than 15 miles, this classification applies to you.

Commuting 15 miles or more: Similar to the previous category, this one is for drivers who commute to work without using their vehicle for business purposes, but their commute is 15 miles or more.

Remember, these classifications are only used for rating purposes and are not a part of your insurance contract. So, if you occasionally use your car for business purposes, like attending a conference, it won't affect your coverage. However, if you lie about your vehicle's normal use just to get a lower rating classification, you might find yourself without coverage if the insurer discovers the fraud.

Lastly, if you're involved in car-sharing or ridesharing arrangements, your vehicle will require special treatment. We'll talk more about this later in this chapter.

In conclusion, it's important to be honest about how you use your vehicle when getting insurance. Remember, the more accurately you classify your car's usage, the better your rates and coverage will be.

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Revving Up the Action: Racing and Insurance Coverage

Imagine the thrill of racing down a track, the wind in your hair and the adrenaline pumping through your veins. It's an exhilarating experience that many racing enthusiasts crave. But when it comes to insurance coverage, things can get a little tricky.

Let's take a closer look at John Smith, a passionate racer who is gearing up for a big competition. If John decides to practice his skills at a racing facility, his personal auto insurance policy won't provide any coverage in case of an accident. That's because the policy is not designed to handle the risks associated with formal auto racing activities. But don't worry, there are specialty coverage options available specifically for this type of loss exposure.

Now, here's where things get interesting. The racing exclusion in John's policy doesn't apply to racing activities on public roads.

So, if John's teenage son takes his car out for a joyride in the dead of night and engages in an impromptu drag race with his friends on a public street, coverage would still apply if an accident occurs. Some insurance experts believe that this is a loophole in the racing exclusion, as it only applies to vehicles located inside a racing facility. However, implementing a broader racing exclusion might be difficult for insurers to enforce. It could also be seen as unjust, leaving injured parties without any source of recovery in cases like John's son accidentally hitting a pedestrian while drag racing.

It's important to note that different insurance policies may have more restrictive wording in their racing exclusions. So, it's crucial for insurance agents to ask the right questions and ensure that their clients are aware of any exclusions or special treatment required.

By asking whether the vehicle is used solely for personal use, agents can uncover any potential exposures that may not be automatically covered.

So, buckle up and get ready for the race of a lifetime. Just make sure you have the right insurance coverage to protect yourself and others on the road. Happy racing!

How Far Do You Travel to Get to Work or School?

Have you ever thought about how many miles you drive to get to work or school? Well, it turns out that the distance you travel can actually affect your insurance premium. But it's not just a boring technicality - it can also raise some interesting questions about your coverage.

One important question to consider is whether you make the trip alone or with others. Many people carpool with coworkers or other commuters who are heading in the same direction. If you share the ride and split the cost, there shouldn't be any coverage issues.

Some carpool participants take turns driving. Maybe you drive one day, and someone else drives their own car on another day. Or maybe you all take turns driving the same car. If you drive 14 miles to work but only drive a couple of days a week, you might qualify for a "pleasure use" rating.

However, if you charge your passengers more than the actual cost of operating the vehicle, like parking and tolls, you might not be covered. It's important to know that there's no standard insurance endorsement to address this situation. If you're charging a fee that exceeds your expenses, then you might need a commercial auto policy.

There is an endorsement called Extended Non-Owned Coverage that can eliminate the coverage exclusion for public or livery use. However, it only applies to vehicles that you don't own and doesn't cover vehicles owned by you, your family members, or temporary substitute vehicles. This endorsement could be used if you drive a company van provided by your employer for a vanpool.

As an insurance agent, it's your responsibility to make sure your clients are aware of any personal auto exposures that might be excluded or require special treatment. Carpool arrangements where the vehicle owner earns a profit can be a potential problem. It's important to warn clients that using their car to make money could lead to a loss of coverage.

These arrangements can sometimes be sneaky. For example, a college student might advertise on a bulletin board that they're driving to a certain area for the weekend and will take passengers for a fee. The student might not even realize the insurance implications, but if they're making a profit, their insurer could deny coverage in the event of an accident during the trip.

So, next time you hop in your car to go to work or school, think about how many miles you're traveling. It might just have an impact on your insurance coverage.

Do you ever use your personal vehicle in business?

Once upon a time, in a small town called Maplewood, there were several individuals who had interesting jobs in the automobile industry. One of them was John Smith, a talented mechanic who worked at ABC Service Station. One day, John finished repairing a customer's car and decided to take it out for a test drive. Little did he know that this joyride would turn into a disaster. While driving, John accidentally damaged the vehicle. To his dismay, he discovered that his personal auto insurance policy (PAP) would not cover the damages. The insurance company believed that since John worked in the business of repairing cars, his employer's commercial auto policy should be responsible for any accidents that occurred during work-related activities.

Another person who faced a similar situation was Bill Parker, the owner of ABC Service Station. Bill, being the boss, occasionally took it upon himself to test-drive the cars after repairs. Unfortunately, if Bill were to damage a customer's car during one of these test drives, his PAP would not provide any coverage either. The insurance company argued that since Bill was in the business of repairing cars, he should rely on the garage policy of the service station for coverage.

Over at XYZ Used Cars, Jack Doe, the sales manager, had his fair share of troubles too. One day, he was driving a potential trade-in vehicle and ended up having an accident. Just like John and Bill, Jack's PAP did not cover the damages. The insurance company insisted that the garage policy of the automobile-related business should be responsible for accidents that occurred during work-related activities.

However, there was one exception to this exclusion. If an employee used their own vehicle for business purposes within the auto-related business, their personal auto insurance policy would provide coverage. For instance, if John, the mechanic, was repairing his own car in the shop on a lazy Sunday and had an accident during a test drive, his PAP would cover the damages. This exception only applied when it involved the named insured's own vehicle.

But it wasn't just employees of auto-related businesses who faced coverage exclusions. The PAP also had an exclusion for other "business" loss exposures. The term "business" here was quite broad and included any trade, profession, or occupation. This meant that if an insured individual used a vehicle while being employed in an occupation that was not included in the auto-related business exclusion, their PAP would not provide coverage.

However, this exclusion mainly referred to larger commercial vehicles like tractors for hauling semi-trailers. It did not apply to private passenger autos, pickups, vans, or trailers being hauled by these types of vehicles.

For example, John Smith knew firsthand how this exclusion worked. He used a company-owned flatbed truck to haul materials for a construction company. Since this involved a commercial auto loss exposure, the truck should be covered by the construction company's commercial auto policy, not John's PAP. However, if Tom Jones used a flatbed truck in his personal ranching business, the exclusion would not apply.

In another scenario, John Smith was a salesman for a food company and used his personal sedan to make sales calls at various grocery stores. Luckily for him, this fell into the private passenger exception, and his PAP would provide coverage. The same applied when John worked for a realtor and used his pickup and small trailer to put up and remove realty signs for homes. Since his pickup and trailer fit the exception to the exclusion, his PAP would cover any accidents that occurred during these work-related activities.

As insurance agents, it was our responsibility to educate clients about these coverage exclusions. We needed to understand their occupation, hobbies, and side gigs to identify situations where their PAP would not provide coverage. For example, if a client worked in the auto business, they might encounter situations that triggered the auto-related-business exclusion. In such cases, it was crucial for the client's business to have auto liability coverage that protected them.

Similarly, clients who needed to drive larger vehicles for business purposes should be aware that their PAP would not cover them. Unless their business involved farming, the PAP would only provide coverage for private passenger autos, vans, or pickups.

So, as we navigated the world of insurance in Maplewood, it was important for us to understand the intricacies of business use and ensure that our clients had the right coverage for their unique circumstances.

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What Vehicle Coverage is needed when used to deliver people or property for a fee?

Once upon a time, in a city called Autoville, there were three friends named Jack, Mary, and John. They all had cars and loved driving around town. Little did they know, there were certain risks and exclusions that they needed to be aware of.

Now, Jack had a fancy Cadillac and thought it would be a great idea to make some extra money by becoming an Uber driver. He loved meeting new people and thought it would be a fun way to explore the city. However, Jack didn't realize that his personal auto policy (PAP) didn't cover him when he used his car for ridesharing. If he got into an accident while driving for Uber, he wouldn't be protected by his insurance. Jack was in for a surprise!

On the other hand, Mary had a minivan and enjoyed using it to take school kids on field trips. The school district even reimbursed her for her expenses, such as gasoline. Mary didn't have to worry about the public or livery exclusion because she wasn't providing transportation to the general public for a fee. Her PAP coverage applied to her noble efforts of helping the children explore and learn.

Lastly, there was John. He had a pickup truck and sometimes used it to help his friends move. He didn't charge them for his services; he simply volunteered to lend a hand. This meant that John's PAP coverage still protected him because he wasn't using his truck for commercial purposes.

His good-hearted nature allowed him to continue helping others without any insurance worries.

Now, there was another risky situation that our friends needed to be aware of. If any of them decided to use their cars as taxicabs or limousines, their PAP wouldn't provide any coverage. This was a commercial exposure that required a separate commercial auto policy. It was important for our friends to remember that their personal policies had limitations.

Lastly, there was a gray area when it came to delivering goods for a fee. Take pizza delivery drivers, for example. They often used their own cars for work, but they weren't business owners with commercial coverage. Some insurance policies excluded liability coverage for such situations, while others were more flexible. It was hard to predict how claims adjusters or courts would interpret these cases.

During the 2020 pandemic, things became even more complicated. Suddenly, many businesses started delivering food and goods to people who were quarantined or working from home. Employees and volunteers were making deliveries without considering the insurance implications. It was a whole new world out there!

One major retailer even announced a program where employees would deliver packages to customers on their way home from work. It seemed like a great idea, but it also introduced another potential commercial exposure that might not be covered by personal auto policies. It was crucial for drivers to understand the fine print in their policies and for insurance agents to educate their clients about exclusions and find ways to address these risks.

And so, our friends in Autoville learned the importance of understanding their auto insurance coverage. They vowed to be more cautious and informed, making sure to protect themselves and others on the road. The end.

Ridesharing Arrangement Rules

Once upon a time, in the bustling city of Riderville, there was a popular ridesharing service called Cruise & Ride. It was a convenient way for people to get around town without the hassle of owning a car. Drivers, like our protagonist, Sam, would use their own personal vehicles to transport passengers to their desired destinations. All they had to do was connect with passengers through the Cruise & Ride smartphone app, and voila! A ride was arranged.

The passengers would pay their fare to Cruise & Ride, and the company would then give a portion of that fee to the driver. It was a win-win situation for everyone involved. However, there were a few rules that drivers had to follow. They couldn't just pick up random people off the street like taxis did. All rides had to be prearranged through the app.

But, as with any rule, there were always those who tried to bend it. Some drivers would secretly accept cash payments from passengers, without going through the official app. It was like a secret under-the-table deal. These drivers would keep all the cash for themselves, but little did they know that they were playing with fire.

You see, if anything were to happen during one of these unofficial rides, neither Cruise & Ride nor the driver's personal auto insurer would provide any coverage. It was a risky game to play.

The ridesharing experience had three phases. Phase one started when a driver logged onto the Cruise & Ride app and continued until they found a passenger to pick up. It also included the time from when the passenger left the vehicle until the driver either logged off the app or accepted another ride. Phase two was the period from when the driver accepted a passenger's request on the app to when they actually picked them up. And finally, phase three was the actual ride itself, until the passenger got out of the car.

If a driver had a regular personal auto insurance policy, it wouldn't cover them during any of these phases. That's where the optional endorsements from the Insurance Services Office (ISO) came into play. They offered two endorsements specifically designed for rideshare drivers, called Transportation Network Driver Coverage (No Passenger) (PP 23 41) and Limited Transportation Network Driver Coverage (No Passenger) (PP 23 45).

The PP 23 41 endorsement provided coverage for phases one and two of the ridesharing activity. It kicked in from the moment the driver logged into the Cruise & Ride app until they picked up a passenger.

On the other hand, the PP 23 45 endorsement only covered phase one. It started when the driver logged into the app and ended when they accepted a specific online ride request.

It was crucial for agents to educate their clients about these endorsements. Many people assumed that as long as they had car insurance, they were covered no matter how they used their vehicle. But that wasn't always the case. In times of emergencies or crises, like the recent outbreak of the Riderville pandemic or widespread layoffs, people often used their cars for different purposes without considering the insurance implications.

Agents had a responsibility to reach out to their policyholders and check if their exposures had changed due to the crisis. They could offer help in adjusting their coverage accordingly. It was important for clients to report any additional activities that might affect their insurance, even if it meant paying a little extra premium. Failing to do so could mean having no coverage when they needed it the most.

And so, in the city of Riderville, the wise agents of Cruise & Ride urged their clients to inform them if they started any ridesharing activities. It was a small but vital step to ensure that they were adequately covered and protected.

They knew that being prepared and proactive was the key to a smooth ride in the unpredictable world of ridesharing.

[The Exciting World of Sharing Cars: Who's Responsible When Something Goes Wrong?](#)

Have you ever loaned your car to a friend or considered renting it out to make some extra cash? Well, there are some important things you need to know about the implications of sharing your vehicle.

Let's start with the scenario of letting someone else use your car. In most cases, the insurance coverage for liability and physical damage still applies when you lend your car to someone else. And guess what? The person borrowing your car might also have their own insurance that kicks in. But here's the catch - your insurance is considered primary, while the driver's insurance is secondary. It may not seem fair, but that's how it works.

Here's a fun example to help illustrate this. Mary and Bill are at a birthday party and Mary realizes she forgot to bring her gift. She asks Bill if she can borrow his car to quickly run home and grab it. Bill agrees and Mary parks the borrowed car on the street in front of her house. But then, a reckless driver slams into Bill's car and drives off. Who should pay for the damage? You might think Mary should be responsible since she borrowed the car, but actually, Bill's insurance is the one that covers the collision damage. If Mary's insurance has a lower deductible, it will only pay the difference between the deductibles.

Now, what if you want to make some money by renting your car to strangers through a car-sharing service? There are two types of car-sharing companies out there. The first type owns all the cars available for rent, just like traditional car rental companies. The second type, known as peer-to-peer car sharing, acts as a middleman between car owners and drivers seeking rentals. For example, you can let the car-sharing company know your car is available while you're at work, and someone can rent it for a few hours and return it to your parking spot by the end of the day.

But here's an important thing to note - your personal auto insurance policy won't cover you if you're renting your car through a personal vehicle-sharing program. So, make sure you read the terms and conditions of the car-sharing company you're using.

Car-sharing companies have their own liability agreements to protect themselves and their members. These agreements can vary depending on state laws and may change over time. While we can't cover every single detail, we can say that it's important to understand the provisions of these agreements before you start sharing your car.

So, whether you're lending your car to a friend or renting it out to strangers, make sure you're aware of the insurance implications and follow the guidelines set by the car-sharing company. After all, sharing cars can be a thrilling experience, but you want to make sure you're protected when the unexpected happens.

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Exciting Updates about Liability Insurance for Car-Sharing!

Looking to rent a car from a car-sharing company? Well, we've got some interesting news for you! Let's dive into the world of liability insurance and find out what these companies have to offer.

First up, we have a standard car-sharing company called ZoomZoom. They provide liability coverage for their members, but here's the catch - it depends on your age. If you're 21 or older, you'll get coverage up to 100/300/25. But if you're under 21, they only offer the state minimum coverage. So, make sure you check the fine print before hitting the road!

Next, let's talk about a peer-to-peer car-sharing company named DriveShare. These guys are all about giving you peace of mind. They automatically provide \$1 million in combined single limit coverage for both car owners and renters. And get this - you can choose between their premium-level insurance package with those same liability limits or go for the less-expensive option with the state minimum limits. Talk about having options!

But here's an important thing to note: if you're an owner enrolling your car in a car-sharing program, your own personal auto insurance policy won't cover any liabilities. Don't worry though, most car-sharing companies have their own insurance program in place. Just double-check what coverage they provide before you sign up.

Now, let's move on to UM and UIM insurance. Car-sharing companies usually only offer this coverage if it's required by law, like the minimum state limits.

They call it optional UM protection, but it's always a good idea to have that extra coverage just in case.

When it comes to no-fault and medical payments coverage, car-sharing companies often waive it or provide the state minimum limits. So, if you're looking for full coverage in these areas, you might want to explore other options.

Alright, buckle up because we're about to talk about physical damage to the rental vehicle. For most car-sharing agreements, you'll be responsible for any physical damage to the vehicle, regardless of fault. Yeah, we know, it's a bummer. But hey, you can always get a damage fee waiver that limits your loss exposure to a certain amount. So, at least there's that silver lining!

Now, let's talk about peer-to-peer car-sharing agreements. Some of them offer almost full indemnification for damage to the rented vehicle. That means if something happens, the car-sharing company will cover the expenses of repair or even the actual cash value of the car. Pretty cool, right? Just keep in mind that some companies might require you to pay a damage fee if you violate their terms. So, follow the rules and keep your wallet happy!

Last but not least, let's talk about prohibited uses of the rental vehicle. Just like with any rental, there are certain actions that are a big no-no. These restrictions vary from car-sharing agreement to agreement, but they're similar to what you'd find with a traditional rental. So, don't go off-roading or hosting a dance party in the car. Stay safe and abide by the rules!

Phew, that was a lot of information, but we hope it helped you understand liability insurance for car-sharing a little better. Remember, as an insurance agent, it's our job to make you aware of any unusual exposures and help you navigate through them. So, if you have any questions or concerns, don't hesitate to reach out. And who knows, maybe you'll even get to rent a motorhome for your next adventure! Happy sharing! endorsement to the PAP, but when a motor home is rented to others, an additional endorsement— Miscellaneous Type Vehicle Amendment (Motor Homes) (PP 03 28)—must be added to address that exposure.

Chapter 4: Determining Your Personal Auto Policy Needs

Welcome to the final chapter of our journey into the world of personal auto policies (PAPs)! In this chapter, we will dive into five intriguing topics that will help you determine the level of protection you truly need, want, and select for your PAP. Get ready to make some exciting decisions!

First things first, we need to address liability and med pay policy limits. It's not just about having coverage; it's about ensuring that your coverage is sufficient to protect you in case of any unfortunate incidents. So, we'll explore what level of liability coverage suits your needs and how much med pay limits you feel comfortable with.

Next up, let's talk about physical damage deductibles. This is where things get interesting. Your deductible should reflect your risk tolerance and your ability to handle smaller losses. We'll help you find the right balance that aligns with your preferences and financial situation.

Now, let's move on to the topic of uninsured/underinsured motorists (UM/UIM) coverage. This is an important aspect to consider because you want to be protected even if the other party involved in an accident doesn't have sufficient insurance. We'll explore the various options available to you and help you make an informed decision.

Last but certainly not least, we delve into the intriguing realm of no-fault insurance. Depending on your state, this coverage might be mandatory or available as an option. We'll address any questions you may have and guide you through the decision-making process.

As we wrap up this chapter, remember that it's not just about having coverage; it's about having the right coverage for your unique needs. We want to ensure that your auto liability and physical damage exposures are fully covered, with sufficient limits to protect you from potential losses.

So, get ready to embark on this final chapter with us. By the end, you'll not only understand why these questions are crucial for your PAP, but you'll also know exactly what to do with the answers you uncover.

Chapter Objectives:

Upon completing this chapter, you'll be equipped to confidently answer the following questions:

- What level of liability coverage suits your needs and desires?
- What med pay limits make you feel secure?
- How do you want to structure your physical damage deductibles?
- What are your thoughts on UM/UIM coverage?
- What's your stance on no-fault insurance?

Let's dive in and uncover the perfect PAP for you!

What level of liability coverage suits your needs and desires?

Once upon a time in the town of Autoville, there lived a young man named Jack. Jack treasured his sleek, shiny car more than anything in the world. He would spend hours polishing it and making sure it was in perfect condition.

However, Jack was not too concerned about getting liability coverage for his car. He believed that since he didn't have many personal assets, there was no need for him to protect himself or others in case of an accident.

On the other side of Autoville, there lived a woman named Emily. Emily had just purchased a brand new car, but she was worried about the potential damage it could sustain. She wanted her car to be covered in case of any accidents, but she hadn't thought much about liability coverage. She didn't realize that it was not only required by law, but also socially responsible to have it.

In Autoville, auto liability insurance could be written either on a split limits basis or a single limit basis. The split limits approach was more common, but the single limit approach offered greater flexibility in coverage. However, both approaches had their pros and cons, and it was difficult to determine which one was better.

In Autoville, liability coverage was mandatory for all car owners. Each state had specific minimum limits of liability insurance that motorists had to carry. However, some residents of Autoville preferred to stick to the minimum limits. They believed that they couldn't afford to buy car insurance, despite being able to afford owning a car. It was up to their insurance agents to make them understand that the cost of insurance was part of the cost of owning a car.

On the other hand, there were residents like George who recognized the importance of protecting their assets. They requested the highest limits available and were even recommended to get a personal umbrella. These residents understood that their financial position allowed them to invest in higher limits of liability coverage.

Most residents of Autoville fell somewhere in between these two extremes. They sought guidance from their insurance agents to determine the appropriate liability limits they should carry.

However, a responsible agent would never recommend a specific limit. Instead, they would advise their clients to get as much liability coverage as they could afford. After all, it was impossible to predict the exact amount they would be sued for in the event of an accident.

Insurance agents in Autoville made sure to discuss the various levels of liability coverage available with their clients. They reminded their clients to periodically reevaluate their limits, as outdated policies could leave them underinsured. The agents were careful to leave the liability issue open-ended, making their clients aware that there were different levels of coverage to choose from.

An agent's duty was to present their clients with choices and avoid implying that the highest limit quoted was the only option available. They would also suggest getting a personal umbrella for added protection. These choices not only showed the clients that the agents cared about their best interests, but also allowed them to document the options presented and the choices made by their clients.

In Autoville, the importance of liability coverage was not just a legal requirement, but a way to protect oneself and others on the road. The level of liability coverage one chose depended on their personal circumstances and the value they placed on their assets. With the guidance of their insurance agents, the residents of Autoville made informed decisions about their liability coverage, ensuring they were adequately protected.

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What about Automobile Medical Payments?

Once upon a time in the small town of Oakville, there lived a group of friends - Emma, Jake, and Sarah. They were known for their adventurous spirit and love for road trips. One sunny afternoon, they decided to embark on a thrilling journey to a nearby city.

Little did they know that their lives were about to take an unexpected turn. As they were cruising along the scenic highway, a reckless driver crashed into their car, leaving them injured and shaken. It was a terrifying ordeal, but luckily they had auto medical payments coverage, or "med pay," to rely on.

Med pay coverage, although not mandatory in their state, was included in their insurance policies. It was a safety net that would cover their medical expenses, regardless of fault. Similar to a no-fault statute, med pay would take care of their medical bills, ensuring they received the treatment they needed to recover from the accident.

The coverage had two distinct groups it protected - the policyholders themselves, including their family members, and anyone else occupying the car at the time of the accident. It was a comforting thought, knowing that even their friends who were just along for the ride would be taken care of.

Different insurance companies offered varying limits for med pay coverage. Some offered as little as \$1,000, while others went as high as \$100,000. It was important to choose the right limit to ensure they were adequately protected in case of an accident. As they were reviewing their options, they stumbled upon an interesting difference - some policies had a per-person limit, while others had a per-accident limit.

Emma, Jake, and Sarah realized the significance of this difference when they considered a scenario where multiple people were injured. They understood that a \$2,500 per person limit would be far more beneficial than a \$2,500 per accident limit. It was a crucial aspect to consider when comparing policies and making a decision.

What amazed them even more was the fact that med pay coverage extended beyond their car. They discovered that if they were ever pedestrians struck by someone else's vehicle, they could file a claim and be covered by their own auto insurance. It was a valuable piece of information that many were unaware of, and they made a mental note to share it with others.

As they pondered whether to purchase med pay coverage, they took into account their health insurance plans as well. They realized that their health insurance might not cover all medical expenses related to a car accident.

Copays, deductibles, and other policy terms could limit their coverage. They also considered the possibility of non-family members riding in their car and suffering injuries. Did they want to be responsible for their guests' medical expenses?

The cost of med pay coverage was relatively low compared to liability and physical damage coverages. It seemed like a wise investment to protect themselves and their loved ones, especially knowing that med pay was the only coverage that covered their own injuries, even if they were at fault. The thought of being left without coverage for their own injuries was unsettling, and they didn't want to take any chances.

However, they understood that some individuals might be in a different situation. If someone had excellent health insurance and needed to cut insurance costs to the bone, they might consider skipping med pay coverage. In these cases, it was crucial for the insurance agent to document that the coverage was offered but rejected, to avoid any misunderstandings or regrets later on.

As Emma, Jake, and Sarah compared policies and discussed their options, they couldn't stress enough the importance of paying attention to the limits. Per-person coverage was always preferable to per-accident coverage, even if it meant paying a little extra. It was about prioritizing their well-being and ensuring they had the necessary coverage in case of an unfortunate accident.

In the end, they decided to go with a policy that provided comprehensive med pay coverage. They were confident that they had made the right choice, knowing that they were protected no matter what happened on their future adventures. It was a story they would share with others, reminding them of the importance of considering med pay coverage and choosing wisely for their own safety and peace of mind.

[Get the Best Physical Damage Deductibles for Your Car Insurance](#)

When it comes to protecting your car from damage or theft, your physical damage insurance coverage is essential. In the past, this coverage was commonly referred to as collision and comprehensive. However, the term "comprehensive" was misleading, as it implied that every kind of loss was covered. Nowadays, these coverages are known as "collision" and "other-than-collision" or simply "physical damage" coverages. Despite the name change, many insurance professionals still use the term "comprehensive" to refer to other-than-collision coverage. Even ISO's commercial auto policies and the American Association of Insurance Services Personal Automobile Policy continue to use the "comprehensive" label.

Unlike liability coverage, physical damage coverages apply regardless of negligence. This means that you are covered regardless of who is at fault. Unlike other property insurance, there is no dollar limit on coverage in the Personal Automobile Policy (PAP). However, coverage is provided on an actual cash value basis, which means that the amount payable by the insurer is based on the pre-loss market value of your car, minus a dollar deductible.

As an insurance buyer, you may be more concerned about covering potential damage to your own car or another vehicle you might use, rather than liability claims. When it comes to physical damage insurance, you have several choices to make. Your insurance agent can guide you through these decisions, but ultimately, the decision should be made by you.

The first choice you have is whether to buy comprehensive and/or collision coverage. If you do choose to purchase these coverages, you will also need to decide on the deductibles for each.

If your vehicle is financed or leased, the lender or lessor will likely require you to have physical damage insurance to protect their interests. In this case, insurance on the car is mandatory, and your only choice is the selection of a deductible.

For cash buyers or drivers who have paid off their car loan, physical damage insurance is not mandatory. The choice to purchase coverage is up to you as the car owner. However, it's often advised to consider dropping collision insurance or both collision and other-than-collision insurance on an older vehicle. As a car ages, its value declines and the amount recoverable from an insurer for damages decreases. It may not make financial sense to pay a high premium for physical damage insurance on a vehicle that is worth less than the deductible. However, it's important to weigh factors such as the physical damage premium, deductible size, the likelihood of an accident that exceeds the deductible, and the salvage value of the vehicle at a junkyard.

In some cases, it may be more feasible to drop collision coverage but maintain comprehensive coverage. Comprehensive coverage is often more affordable and can protect you from uncontrollable events, such as a broken windshield.

When choosing a deductible, keep in mind that higher deductibles can help reduce insurance costs. The higher the deductible, the lower the premium.

However, a higher deductible means that you will have to pay more out of pocket whenever a loss occurs that exceeds the deductible. It's important to consider your budget and determine if increasing the deductible is worth the potential savings. Some clients may choose to increase their deductibles and use the saved money to increase their liability limits.

It's also common for clients to choose different deductibles for comprehensive and collision coverage, depending on the nature of the losses involved and the relative costs of each coverage.

Ultimately, the decision to purchase physical damage insurance and select deductibles should consider your financial and emotional ability to tolerate risk. Your insurance agent can help you understand these considerations, but the final decision should rest with you. It's important to document that deductible options were presented to you and that you made the decision yourself. By doing so, you can avoid any potential errors or omissions issues and ensure that you have the best physical damage coverage for your car insurance.

Why you should consider UM & UIM

Once upon a time in a small town called Crestwood, there was a young man named Jack who loved to go on adventures with his best friend Mike. They would often hop in Mike's trusty car and drive around, exploring new places and having a great time. Little did they know, their adventures were about to take an unexpected turn.

One sunny afternoon, Jack and Mike were cruising down the highway, windows down and music blaring, when out of nowhere, a reckless driver crashed into them. It was clear that the other driver was at fault, but to their shock, he didn't have any car insurance. Jack and Mike were left with injured bodies and a damaged car, with no way to get compensated for the damages.

That's when their insurance coverage came into play. You see, Jack and Mike were smart enough to have uninsured motorist (UM) coverage on their policy. UM coverage is like a safety net that protects you when you encounter irresponsible drivers who don't have insurance. It gives you the financial support you need to recover from the injuries caused by these drivers.

Luckily, Mike's insurance policy had UM coverage, which meant that they could rely on it to cover their medical expenses and car repairs. UM coverage works like this: if you are at fault in an accident with an uninsured driver, the coverage doesn't apply. But if the uninsured driver is to blame, then it kicks in and helps you out.

UM coverage is designed to provide primary coverage for the insured's owned vehicles and excess coverage for non-owned vehicles. This means that if Jack and Mike were driving in Mike's car and got injured by an uninsured driver, Mike's UM coverage would be their primary source of help.

Now, let's not forget about the other side of the coin - underinsured motorists (UIM) coverage. UIM coverage comes into play when the at-fault driver has some insurance, but not enough to cover all the damages. It's like a backup plan for when the responsible driver's insurance falls short.

For example, let's say Jack and Mike had UIM coverage on their policy. If the negligent driver had insurance, but the limits were lower than Jack's injuries were worth, their UIM coverage would provide additional compensation to make up for the difference. It's like having extra protection against drivers who have inadequate insurance.

Some people may question why they should pay extra for UIM coverage when other drivers should have enough insurance. But the truth is, accidents can happen, and it's better to be prepared.

The only way to ensure you have enough coverage for your injuries is to have your own UM and UIM coverage.

As an insurance agent, it's important to understand the laws and regulations regarding UM and UIM coverage in your state. Each state may have unique statutes that determine how this coverage works. But one thing is for sure - UM and UIM coverages are essential for protecting families on the road.

So, the next time you hit the road with your friends or family, make sure you have UM and UIM coverage to keep you safe. It may be a small investment compared to other coverages, but it's worth every penny for the peace of mind it brings. Remember, you deserve to be protected just as much as you protect others.

No Fault Auto Insurance: Exploring a Fairer System

No one likes to be blamed for something they didn't do, especially when it comes to car accidents. That's where no-fault auto insurance comes into play. This intriguing concept is available in select states, offering a unique approach to indemnifying the insured, regardless of fault. Let's dive into the fascinating world of no-fault insurance and explore its different forms.

When it comes to physical damages in a Personal Auto Policy (PAP), no-fault coverage reigns supreme. But wait, there's more! In states with no-fault laws, medical payments coverage transforms into the exciting realm of personal injury protection (PIP) coverage, providing a safety net for those involved in accidents.

So, what exactly does no-fault insurance entail? Typically, it requires insurers to offer first-party benefits encompassing medical expenses, loss of income, funeral expenses, and other related costs, regardless of fault. The goal is to streamline the compensation process and reduce auto liability coverage costs, particularly bodily injury liability. It's all about creating an efficient system to help those affected by automobile accidents.

Now, let's dive into the different types of no-fault auto insurance in the United States. Brace yourself for the compulsory, add on (compulsory), add on (optional), and choice categories. In compulsory no-fault states (currently nine plus Puerto Rico), no-fault coverage is mandatory, limiting a claimant's ability to sue for damages in tort. In other jurisdictions, limited "add-on" benefits exist, offering medical expenses and income loss coverage in addition to tort liability. These benefits are compulsory in three states and available at the insured's option in six others. And in the "choice" states, individuals get to decide whether to embrace the no-fault or tort option.

Under a no-fault or PIP system, insured individuals seek compensation from their own insurers instead of the other party's insurer, irrespective of fault. It's a game-changer! But keep in mind that no-fault insurance only covers actual economic damages, leaving out general damages like pain and suffering.

While it may not be a perfect solution, most US motorists aren't willing to give up their right to seek compensation for non-economic damages. As a result, current no-fault statutes create barriers within the realm of tort law instead of completely replacing it.

But what happens when an insured individual ventures into a no-fault state without purchasing no-fault coverage? Fear not, dear reader, for the out-of-state coverage provision has you covered! If an accident occurs in a state with compulsory insurance or similar laws, the Personal Auto Policy steps in to provide the required limits and insurance automatically. It's like having a guardian angel looking out for you when you're away from home.

For insurance agents, it's crucial to have a deep understanding of no-fault laws and their implications. Explaining mandatory coverages and available options to clients is part of their responsibility. Even clients from states without no-fault laws may have questions, which agents should be well- equipped to answer. A basic understanding of the concept and knowledge of neighboring states with no-fault laws can go a long way in assisting clients. Agents must also explain how no-fault coverage seamlessly applies when clients drive into such states, reassuring them that they are protected.

No-fault insurance is a game-changer, aiming to reduce auto bodily injury liability claims. It's a concept that deserves attention and exploration. Agents and their clients who grasp this unique approach often wonder how it modifies a PAP's liability coverage. Surprisingly, it doesn't! No-fault laws don't directly impact liability coverage. Instead, they reduce the number of liability claims insurers must handle since injured drivers and passengers can access no-fault benefits from their own insurer instead of filing a liability claim against another insurer.

So, there you have it, a glimpse into the captivating world of no-fault auto insurance. It's all about fairness, efficiency, and ensuring individuals are protected regardless of fault. Next time you hit the road, remember that no-fault insurance might be your trusty companion, ready to support you when you need it most.

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Do You Know Homeowner's & Renter's Insurance?

Are you an insurance agent looking to up your game in writing homeowners' & renter's insurance policies? Then this chapter is essential reading for you! We'll be delving into five key topics that every agent should be asking to ensure they provide comprehensive coverage for their clients.

First up, whose name should be on the policy? It might seem like a simple question but getting it wrong could leave your client exposed to unnecessary risks. We'll be exploring the different scenarios in which different names might need to be added to the policy.

Next, we'll be discussing the importance of knowing exactly what locations need coverage. Not all homes are created equal, and understanding the specific risks associated with a particular location is crucial for writing effective homeowners' insurance.

But it's not just the physical location that matters; we also need to consider whom else should be protected by the policy. We'll be exploring the various individuals who may need coverage, and how best to address their unique needs.

What about those working from home? With more and more people embracing remote work, it's essential that homeowners' insurance policies take this into account. We'll be discussing how to identify which family members are working from home and how best to mitigate the associated risks.

Finally, we'll be exploring what other businesses take place in the home. Whether it's a home-based business or simply a hobby that involves expensive equipment, it's important to ensure that the policy provides adequate coverage.

By the end of this eBook, you'll be armed with the knowledge and tools needed to write comprehensive homeowners insurance policies that address the specific needs and risks of your clients.

The Exciting World of Named Insureds

Are you bored to tears by the thought of homeowner's insurance policies? Well, hold onto your hats, because it's time to learn about the exciting world of named insureds! Jokes aside, it's actually quite important to understand who the named insured(s) are on your policy, as it can affect your coverage and rights.

Before we dive in, let's remember that homeowner's insurance is meant to protect people, not just property. So, it's crucial to identify who exactly is being protected. The named insured(s) on the policy have more rights than other parties insured under the same policy. So, if you're the only one listed as the named insured, your spouse might not have the same level of protection.

But what if you're in a complicated situation, like if the house is in the wife's name and you got married after purchasing the property? Fear not, my friends, because the policy's definitions come into play here. It's important to understand that "you" or "your" refers to the named insured(s) listed in the declarations and a spouse residing in the same household. However, if only one spouse is listed, the unlisted spouse would still have the same rights as the named insured.

Marriage laws can differ by state, which is why it's crucial to understand legal definitions when identifying the named insured(s) on your policy. For example, some states recognize common-law marriages or same-sex marriages. It's important to make sure you're following the correct legal definitions to ensure you, and your spouse are protected.

The named insured(s) have more broad rights and obligations compared to just an insured party. They can cancel the policy at any time, but if a spouse ceases to be a household resident, coverage could be threatened, and the situation can become complex.

So, what's the solution to all of this? Include both spouses as named insureds, even if you've been happily married for years. It's a small step that can avoid significant complications in case of separation or divorce. And don't forget to include the legal owner(s) of the home in the named insured(s) list.

In summary, don't let the thought of homeowner's insurance policies bore you to tears. Understanding who the named insured(s) are on your policy can impact your coverage and rights in case of unforeseen events. Plus, it's always fun to learn some insurance lingo to impress your friends at the next dinner party.

Exactly What Locations Need Coverage?

Are you under the impression that your homeowner's insurance only covers losses to your home? Think again! When your agent asks about the locations you need coverage for, they are opening up a world of possibilities.

Sure, your home is naturally considered an "insured location," but did you know that your policy may also provide liability coverage for losses at a dormitory room, banquet hall, or rented mini warehouse? What about a one- or two-family dwelling being built as a residence for you, or even a grave marker or burial vault? Yes, you read that right, even a grave marker!

By taking a closer look at the policy's definition of "insured location," it becomes clear that there are a number of premises that can qualify for coverage. So next time your agent asks about locations, don't be so quick to assume they're just asking for your home address. Who knows, you may be surprised at what other locations your homeowner's insurance can protect.

Other Locations

The mundane topic of dormitory room insurance might not seem exciting, but it's actually pretty important for college students. Did you know that if you're living in a dorm room, your residence can be considered an "insured location" if you meet certain criteria?

To qualify as an "insured," you must be a full-time student (as defined by the school) who previously resided in the named insured's household. Plus, you have to be either a relative less than 24 years old or a student under 21 who is in the care of the named insured, or a household resident related to them.

If you meet these requirements, you'll have personal liability coverage for bodily injury or property damage claims, regardless of whether the incident occurred in your dorm room or while you were doing other activities. However, coverage will end once you turn 24 (or 21 if you're not a relative) or if you stop being a full-time student.

But what if your situation isn't so straightforward? What if you were in the military or worked as a camp counselor before enrolling in college? It's possible that questions could arise about whether you actually resided in the named insured's household prior to attending school.

Even if you qualify as an insured, there's still a catch when it comes to property kept in your dorm room or apartment. Theft of your personal belongings isn't covered unless you've been present at the residence within the past 90 days. If you take a semester abroad or a long summer break and return to find things missing, it could be tough to prove that the theft occurred within that 90-day window.

So, while it might not be the most thrilling topic, it's definitely worth looking into dorm room insurance to make sure you're covered in case of any unforeseen events.

Are you planning a big event or renting a mini warehouse to store your belongings? You may want to consider the liability and property exposures you could face as an insured homeowner.

For example, renting a banquet hall for a special occasion may seem innocent enough, but a guest could easily trip and fall, or injure themselves while dancing. And if they decide to file a claim against you, your homeowner's policy automatically considers the banquet hall to be an insured location.

But it's not just banquet halls that come with potential liability issues. Renting a mini warehouse to store your belongings could also pose property exposures, such as damage or theft. However, the latest ISO homeowners policies offer coverage for personal property in a self-storage facility up to 10 percent of the Coverage C amount.

And what about building a new home? The ISO homeowner's policy specifically covers land on which a one-to-four family dwelling is being built as a residence for an insured. But keep in mind that personal property under construction may be covered.

Finally, even the grave marker or burial vault of an insured's individual or family cemetery plots qualify as insured locations. The policy includes \$5,000 of coverage for damage to grave markers or mausoleums caused by specified perils.

So, next time you're planning a big event or renting a storage facility, consider the potential liability and property exposures you could face as an insured homeowner.

Are you aware that your liability coverage extends to vacant land you own or rent? That's right! And it applies to two types of land: farmland and other land. But beware, the second you start planting crops or moving cattle, your liability coverage evaporates faster than a puddle on a hot summer day. That's why it's important to know the number of acres and what's on the land, and to be reminded periodically of the farming exclusion.

But what about vacant land? You may think it's empty, but there could be a fence, a well, or even an outhouse on it without your knowledge. The word "vacant" is subject to interpretation, and different insurance companies may have varying opinions on what qualifies as vacant. If there's a disagreement between you and your insurer, the courts may have to step in, leading to costly expenses.

And don't forget about uninsured locations. Your homeowner's policy doesn't cover liability for bodily injury or property damage arising from premises not listed as an "insured location." If you have additional property, like rental houses, it's important to purchase a separate policy or add liability coverage through an endorsement.

As an agent, it's your responsibility to evaluate all the property and liability exposures of your clients, not just their primary residence. So, the next time a client tells you about their vacant land, ask them what's on it that "God did not put there." You might just uncover a hidden gem, like Christmas trees grown for sale or an organic vegetable garden. And for a small fee, you can add an endorsement and have peace of mind knowing your client is fully covered.

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Various Individuals Who May Need Coverage

Once upon a time, there was a family who had just purchased a new house. They were excited to start their new life in their new home and made sure to get homeowners insurance to protect their property and liability. Little did they know their policy also covered much more than just their own property and liability.

The family was surprised to learn that their personal property coverage extended to all household residents who were relatives of the named insured, including full-time students who were away at school. They were even more surprised to learn that they could request coverage for others' property at their residence, such as rental patio furniture for a party.

The policy also provided broad personal liability coverage that protected the named insured and other parties, including those who had custody or use of the named insured's animals, watercraft, or motor vehicles.

However, there were exceptions, such as intentional damage and most business-related liability.

The family realized that not everyone living in their household was covered under their policy. A foreign exchange student over the age of 21 was not covered as an insured, and neither was a roommate, live-in partner, or significant other, unless they were also a relative of the named insured. They also learned that residency played an important role in determining coverage, and they needed to make sure everyone living in their household was considered a resident.

As their insurance agent, it was their responsibility to ensure that everyone who needed coverage was included in their policy. They asked the family, "Whom else should the policy protect?" and made sure to explain why they were asking. This simple question saved the family from a potentially unpleasant situation where they assumed someone was covered, only to find out they were not when a claim was made.

In the end, the family felt more secure knowing that their policy covered more than just their own property and liability. They were grateful for their agent's thoroughness in ensuring that everyone who needed coverage was included in their policy.

Who Works from Home?

Working from home has become more common than ever before. The question now isn't whether anyone works from home, but who works from home? Teleworking is different from running a business out of the home as a self-employed person.

Teleworkers are employees who usually connect to their company's workplace through email, the internet, and private computer networks.

Thanks to modern technology, working from home has become increasingly feasible. The pandemic of 2020 caused a surge in work-at-home practice when millions of workers were forced to work from home to avoid the spread of the COVID-19 virus. For many, working from home has become the new normal.

Businesses and workers had to adapt to new ways of doing business, and many of these practices continued to survive even as pandemic restrictions were reduced.

Some teleworkers always work from home, while others work from home one or two days a week or month. However, whenever business is done at home, personal and business exposure becomes intertwined.

Unfortunately, many business-related exposures go beyond what is contemplated or covered by unmodified homeowners' insurance policies and other personal lines insurance policies commonly owned by individuals and families. These exposures often seem to fall into the crux between personal and business insurance, and they are too often uninsured.

Another issue with working from home is that homeowners' policies are designed to handle typical personal and residential exposures, and traditionally, working from home was not typical. Therefore, homeowners' policies come with restrictions for business-related property and liability loss exposures.

For instance, the homeowners' policy places no restriction on dwelling coverage when business is conducted in the home. However, business-related damage to the home structure is covered. Personal property used for business purposes is also limited to

\$2,500, and there is a \$1,500 limitation on business property located away from the residence premises. Moreover, business data and credit card losses arising from business use are excluded.

Therefore, it's essential to understand the limitations of homeowners' policies when working from home, especially if you're a teleworker. Such knowledge will help you prepare adequately for any unexpected losses that may occur while working from home.

Is There Coverage for Teleworkers?

Teleworking has become the new norm, but is your homeowner's policy equipped to handle the work from home lifestyle? The ISO homeowner's policy excludes many business-related exposures, but fear not, it does provide some coverage for business-related property. Here are some of the coverages you need to know about:

The dwelling: Business-related damage to the dwelling building is covered.

Inventory, goods, equipment, furniture, and fixtures: \$2,500 of coverage applies to business property on the residence premises and \$1,500 to property away from the premises that is used primarily for business purposes.

Business data: Blank recording or storage media and pre-recorded software programs available on the retail market are covered. However, business data stored in computers is not covered.

Business income and extra expense: The fair rental value coverage of the homeowner's form provides coverage for loss incurred because a part of the property normally rented to others is uninhabitable due to damage by a covered peril.

But what about endorsements applicable to teleworkers? The increased limits on business property endorsement allows an expansion of the \$2,500 coverage limit on property at the residence premises that is used primarily for business purposes. The business pursuits endorsement expands business pursuits liability coverage to include some business activities. And the permitted incidental occupancies endorsement provides building coverage on "other structures" such as a detached garage from which any business is conducted.

As a teleworker, it's important to ensure that your homeowners policy covers all of your exposures. Don't assume that standard homeowners policies provide adequate coverage for teleworkers. Speak to your insurance agent to ensure that your policy is tailored to your needs. This applies to teachers who conduct virtual classes from their home as well as students who take courses online rather than attending live classes in a classroom. So, be safe and protected, and happy teleworking!

Any Other Business Conducted at Home?

Samantha had always loved baking, but it wasn't until her friends started offering to pay for her delicious cakes that she realized it could be a profitable hobby. Before she knew it, she was running a home-based business out of her kitchen, with requests coming in for weddings, birthdays, and other special occasions.

It wasn't just Samantha, though. Many of her neighbors had side gigs or hobbies that they didn't even realize could be considered a home-based business. There were also those who had started their own ventures for various reasons, like being downsized out of the corporate world or wanting to avoid commuting hassles.

Some even worked from home to take care of their elderly relatives or children.

Despite the variety of reasons for starting a home-based business, they all faced the same challenge when it came to insurance. Homeowners policies typically exclude liability coverage for any bodily injury or property damage in connection with a business conducted from an insured location. This meant that Samantha and her neighbors needed to explore other options to protect themselves and their businesses.

There were a few approaches to consider, such as homeowners policy endorsements, in-home business policies, businessowners policies (BOP), or micro-businessowners policies. Each had its own benefits and limitations, depending on the size and nature of the business. Samantha's insurance agent explained the options to her and helped her choose the best policy for her needs.

It wasn't just about liability coverage, either. Samantha had to think about other types of insurance, too, like business auto insurance and property coverage for her baking equipment. Her agent made sure she had all the coverage she needed to protect her home-based business.

Samantha was grateful for her agent's guidance. She knew that her business was still small, but with hard work and dedication, it could grow into something much bigger.

After all, many successful companies had started out in garages, kitchens, or basements. Who knew where her delicious cakes could take her?

The Dark Corners of a Homeowner's Policy

Selling homeowners insurance can be a tricky business, especially when it comes to navigating the complex world of policy provisions. In this chapter, we dive into the five questions that every agent should be asking to ensure that their clients are getting the coverage they need.

But don't be fooled - these questions aren't your run-of-the-mill inquiries. We're talking about uncovering the dark corners of a homeowner's policy; those obscure or hard-to-find clauses that could make all the difference in the event of a claim.

So, what are these questions? First off, agents should be asking about any other buildings on the property. Is there a shed, a detached garage, or a guest house? These structures may require additional coverage, and failing to include them in a policy could leave a client exposed.

Next up, rental properties. Who or what is occupying the space, and are there any special considerations that need to be taken into account? Knowing the answer to this question could prevent a headache down the line.

And let's not forget about recreational vehicles. Does the client own a boat or any other motorized toys? These items may require separate coverage and overlooking them could leave a client high and dry.

Last but not least: golf carts. It may seem like a strange thing to ask about, but these little vehicles can cause big problems if they're not covered properly.

By asking these five questions and understanding the implications of the answers, agents can ensure that their clients are getting the best possible coverage for their needs. So, get ready to go deep into the world of homeowners insurance - the answers may surprise you.

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Any Other Buildings?

As a homeowner, you may assume that your insurance policy covers every building on your property, including that detached garage or outbuilding. However, it's not always that simple. If you conduct any kind of business from these structures, you could be in for a rude awakening if something goes wrong and you find out that your policy doesn't cover it.

That's why it's important to understand what your policy covers and what it doesn't. For instance, did you know that coverage for other structures on your property is usually included automatically for 10 percent of the dwelling limit? This means that if you have \$200,000 of coverage on your dwelling, you also have an additional \$20,000 of coverage on your detached garage. Pretty neat, right?

But, before you get too excited, keep in mind that there are some limitations to this coverage. If you conduct business from your garage or outbuilding, you may not be covered at all. And, what qualifies as "business" might surprise you. Even a hobby that pays \$700 one year could be considered a business if it gradually expands into something more.

So, be sure to review your policy annually and ask yourself some important questions. What do you use that other building for? Do you rent it out to others? What do you keep in there besides your car? By understanding what your policy covers and what it doesn't, you can make sure that you're fully protected and won't be left high and dry if something happens.

What About Rental Property?

Are you curious about what factors affect your eligibility or coverage for homeowners' insurance when you have a rental property? It's not as simple as assuming your tenants are a typical family with a cat. In fact, the occupancy of your rental property can be a critical factor that affects your coverage and eligibility.

While many agents write the policy without considering the rental unit's contents, industry standards state that only one additional family or two roomers or boarders may occupy a one-family dwelling. For two-, three-, or four-family dwellings, no more than two families or one family with two roomers or boarders may occupy an individual family unit. If your rental is occupied by more than the allowed number of occupants, your coverage may be affected.

Additionally, liability exclusions apply to rental situations. The exclusions state that liability coverage does not apply to any "insured location" that is rented or held for rental. However, there are exceptions to the exclusion. For instance, liability coverage still applies if the rental situation is temporary, if the rented unit is intended solely for residential use, or if the rental unit is used as an office, school, studio, or private garage.

As an agent, it is your responsibility to ask about the occupancy of your client's rental property and determine if it meets eligibility requirements. Liability coverage during a rental situation is only provided with certain specific occupancies, so it's important to ask the occupancy question when insuring any dwelling that contains a rental unit or outbuilding rented to others. Don't assume that your client's rental situation is typical and always be sure to evaluate the occupancy to ensure proper coverage.

What About Watercraft?

Do you own a boat? If so, it's important to know that the coverage provided by your homeowner's insurance policy may not be enough to protect you from liability and property damage.

In the past, all outboard motors were covered under the ISO homeowner's policy, but changes over the years have restricted coverage to motors under 26 horsepower. If you're unsure whether your boat is covered, it's important to speak with your insurance agent to determine if you need additional coverage.

Even if you have a rowboat or canoe, it's important to check your policy for coverage limitations. The homeowner's policy only provides liability coverage for certain types of boats and motors, and there are limitations on the property coverage as well.

For example, the policy provides only \$1,500 of property coverage for an unscheduled boat, and there's no coverage if the boat is stolen while away from the premises.

Windstorm and hail coverage is also restricted for unscheduled boats, and coverage applies only when the boat is in a fully enclosed building.

Are you a responsible insurance agent who wants to protect your clients' watercraft assets? Then it's crucial to ensure that they are aware of the limitations of their insurance policies. It's your duty to educate them on the options for additional coverage, such as the Watercraft Endorsement (HO 24 75) or a separate policy. By taking the time to evaluate your client's watercraft exposures and interpreting their policy provisions, you can provide more accurate and effective coverage. And don't overlook the importance of boat trailers – make sure to ask about them as well! With your expert guidance, your clients can rest easy knowing their watercraft assets are fully protected.

What About Motorized Vehicles?

Are you ready to rev up your thinking? As an insurance agent, it's important to expand your clients' mindset beyond the average car or truck. Motorized vehicles come in all shapes and sizes, and each one presents unique loss exposures that require specific coverage. Before you can adequately protect your clients, you need to first identify these exposures.

Most motor vehicles require coverage under an auto policy or specialty policy. Homeowners policies generally exclude motor vehicle liability, except for a few specific circumstances like vehicles used to service a residence or assist the handicapped.

Recreational vehicles and vehicles in dead storage may also be covered, but determining what qualifies as "dead storage" can be a challenge.

One motorized vehicle that may require coverage is the golf cart. As planned communities with exclusive amenities continue to rise in popularity, more people are utilizing golf carts to get around. Clients living in these communities may not even realize that they need coverage for their golf cart until it's too late.

As an insurance agent, it's your responsibility to ask the right questions and ensure that your clients have proper coverage for all of their motorized vehicles. By broadening their thinking and identifying all potential exposures, you can provide them with the peace of mind that comes with being properly protected. So, get ready to rev up your thinking and explore the world of motorized vehicles on your clients'

Personal Property Away from The Premises

Have you ever wondered if your homeowner's insurance policy covers your personal property when it's not on your premises? The answer is yes, but there are some limitations that you should be aware of.

For example, if your personal property is usually located at a residence other than your own, your coverage is limited to only 10 percent of the total personal property coverage. So, if your policy includes \$50,000 of personal property coverage, you could only collect up to \$5,000 for damaged or destroyed property that is temporarily located at another residence, like a lake house. However, this limitation doesn't apply if the property was moved from your primary residence while it was being repaired or rebuilt.

Similarly, there is no coverage for the theft of a boat if it's stolen from somewhere other than your residence premises. And while the latest ISO homeowners' policies do cover personal property in a self-storage facility, it's still subject to a limit of 10 percent of the Coverage C.

But it's not all bad news. The policy explicitly provides liability coverage for motor vehicles in dead storage, those used solely to service your residence or designed and used to assist the handicapped. And there is an exception for so-called "toy vehicles" that are designed for use by children under seven years old.

As an agent, it's your responsibility to inform your clients of these limitations and ensure they understand their coverage fully. So, the next time you review a homeowner's policy, be sure to ask if personal property ever leaves the premises and address any concerns or questions they may have.

Are you looking to protect your home and everything inside it?

Simply having coverage for your property and liability exposures might not be enough. In order to ensure adequate protection, you also need to consider the limits of coverage. This can be a daunting task but fear not! This chapter provides valuable insights into how to best address the issue of coverage adequacy.

So, what can you expect to learn in this chapter? Firstly, you'll understand why it's important for an agent selling homeowners policies to ask the right questions. For instance, how much liability coverage do you need? What about your property coverage level? Are you worried about inflation? Do you have any unique or especially valuable property? And, perhaps most importantly, is the amount of automatic coverage on your personal property enough?

By exploring these questions and addressing them head-on, you'll be better equipped to make informed decisions about your coverage. With the right level of coverage in place, you can have peace of mind knowing that your home and assets are protected. Don't leave it to chance - dive into this chapter and gain the knowledge you need to stay covered!

Are you prepared if you're ever sued for more than the limits of liability on your homeowner's policy? It's a scary thought, but it's a reality that many people face. That's why it's important to discuss liability coverage with your insurance agent and determine what level of coverage is right for you.

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Levels of Liability ... Discuss But Do Not Recommend

But how do you determine what level of coverage is appropriate for your situation? It's not just about your exposures, like having a swimming pool or household pets, or your assets, but also your comfort level with risk. That's why increased limits must be made available to everyone, regardless of their risk aversion.

As an agent, it's important to discuss liability coverage with all of your clients, but you should never recommend a specific level of coverage. It's impossible to know how much liability is enough for each individual. Instead, leave the issue open-ended and discuss "levels of liability" with your clients. This way, they know that there are different options available, and they can choose what works best for them.

It's also important to remind clients periodically to reevaluate their coverage levels. A policy written 10 years ago may have outdated limits, so it's the agent's responsibility to make sure their clients are aware of this and have the opportunity to update their coverage.

And don't forget about personal umbrella coverage! The same discussion of "levels of liability" applies to this as well. No matter what level of coverage is chosen, the "discuss but do not recommend" rule always applies.

So, what level of liability coverage would you like? It's important to have this conversation with your agent and make sure you're protected in the event of a lawsuit. Don't wait until it's too late – make sure you have the coverage you need.

What is “All Risk” Coverage?

Once upon a time, a family with young children decided to redecorate their home. Little did they know that their children would be the cause of several unexpected mishaps. It all started when their two-year-old got hold of a neon marker and decided to make some artwork on the bamboo wallpaper in the living room.

Luckily, their homeowner's insurance policy covered the damage, and they were able to get it fixed in no time.

However, things took a turn for the worse when the same child decided to unleash their inner artist on the white sofa. The family was devastated, but to their relief, they had invested in a Homeowners 5—Comprehensive Form policy that covered such incidents. The policy came in handy when their five-year-old sister accidentally tipped over the grandfather clock, causing significant damage.

But their neighbor didn't buy an HO5. One day, the family's teenager opened the second-story bedroom window, carelessly causing the window air conditioner to fall out and crash to the ground. This time, their standard Homeowners 3—Special Form ISO policy did not cover the damage, leaving the family in a bind.

That's when they learned about the importance of investing in a Homeowners 5—Comprehensive Form policy. The policy was the only one that could cover the types of claims that were not covered by their standard policy. It was all-encompassing and provided "all risks" coverage on personal property, which meant that they were covered against any unforeseen mishap.

The family was not alone in their predicament. Many insurance policies did not provide all risks coverage on household personal property. It was up to the agent to offer coverage that was available and to inform the insured of their options. The agent had a responsibility to ensure that the insured was adequately covered and protected.

The term "all risks" was a bit misleading, and it was crucial to understand what it meant. Although it was traditionally a marine insurance term, it was used in connection with household insurance policies as well. It was essential to remove the term "all" and instead word coverage to apply to "risks of direct loss" or some similar phraseology to avoid misleading insurance buyers.

In conclusion, investing in a Homeowners 5—Comprehensive Form policy was crucial for anyone who wanted to protect their home and personal property from any unforeseen mishaps. It was up to the agent to offer the policy and ensure that the insured was adequately informed. Remember, accidents happen, and it's better to be safe than sorry.

What does Inflation have to do with Insurance?

Are you feeling the pinch of rising home costs? It's a common concern for many homeowners. As time passes, your home's insurable value can fluctuate due to various factors such as location and construction type. And what about aging homes? Their value may decrease while their replacement cost skyrockets due to inflationary increases in construction costs. It's a tricky situation, but there's a solution.

Enter the hero of the hour: The Inflation Guard Endorsement (HO 04 46). This endorsement provides homeowners with the peace of mind they need to sleep soundly at night. Worried about inflation? Fear not, as this endorsement automatically increases all Section I coverages by the annual percentage selected by the insured.

Let's break it down with an example. Say you have a home insured for \$500,000 with a 5% inflation guard endorsement. At the start of a 1-year policy period, your coverage limit is \$500,000. However, every day during the policy period, your coverage limit increases by \$68.49 (that's $\$500,000 \times [.05 \div 365]$) until it reaches \$525,000 by the end of the year.

It's important to note that the percentage increase selected is based on the homeowner's estimate of how much their home's value will increase during the year. While there's no guarantee that changes in the limit of insurance will mirror actual changes in the home's insurable value, the inflation guard endorsement increases the amount of insurance under dwelling, other structures, personal property, and loss of use coverages to reflect increases in these values due to building cost increases.

The main purpose of this endorsement is to reduce the likelihood that an insured will be underinsured at the time of a loss after the policy has been in force for a period of time. It's a simple yet effective tool that gradually increases the amount of insurance in line with the client's inflation predictions.

As an agent, it's your duty to ensure that your homeowners are equipped with adequate insurance coverage to cover the replacement cost of their home. While the inflation guard endorsement provides a safeguard, it's essential to revisit home valuation periodically and make adjustments during future renewals.

Don't let inflation keep you up at night. With the Inflation Guard Endorsement, you can rest easy knowing that your home is adequately insured and protected against rising construction costs due to inflation.

Are you a collector of unique or valuable items?

Have you ever wondered what unique or valuable items your neighbors might have in their homes? Some might collect stamps, coins, or porcelain, while others opt for beer cans, baseball cards, or even guns. For the more sophisticated, art, antiques, or jewelry may be their pride and joy. As an insurance agent, it's important to ask each insured about these one-of-a-kind valuables or collections.

But what happens when these items need additional insurance or scheduling? That's where increasing the Coverage C—personal property limit comes in. However, some types of property, like jewelry, have sublimits in the homeowner's policy, so scheduled coverage may be necessary. This can be done through a scheduled personal property coverage endorsement, a separate personal articles floater, or a separate inland marine floater that's tailored specifically to the type of property in question.

ISO provides personal articles floaters and single-class forms, with each form dealing with only one specific class of property. Single-class forms make for a more concise policy and eliminate confusion for the insured. Additionally, coverage for valuable property depends on the agreed value, actual cash value, or replacement cost value.

When it comes to scheduling items of unique value, there are many advantages, including a specific value being associated with the property in the insurance policy, additional coverage for mysterious disappearance, and the elimination of internal limits. However, there are also disadvantages, such as the fact that the scheduled amount may be a maximum and not a guarantee, the quality of appraisals, and the need to update values periodically.

Unfiled forms are another option for covering personal lines exposures, such as antique autos, firearms, and even pets. When it comes down to it, it's the agent's responsibility to ask the right questions and uncover any valuable or unique property that may require additional insurance or scheduling. By doing so, clients can have peace of mind knowing that their cherished items are protected, and the agent can rest easy knowing they've done their job in providing the necessary coverage.

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Is Your Personal Property Adequately Covered?

The sun was shining bright on the neighborhood as Sarah stepped out of her house for her morning jog. As she took a deep breath of fresh air, she couldn't help but admire the beauty of her home. After all, it was her dream home, the one she had worked so hard to own. But as she continued her jog, her thoughts drifted to the contents of her house. Were they adequately insured?

Sarah had heard of statistics that showed the automatic personal property amount on homeowners' policies was usually not enough to replace all of the typical insured's personal property. She remembered reading that it was commonly set at 50-70 percent of the amount of insurance on the dwelling. She couldn't help but wonder if her coverage was adequate.

As she jogged by her neighbor's house, she noticed a moving truck outside. She jogged over to offer her help and found out that her neighbor was moving to a smaller house.

She was surprised to see how much stuff her neighbor had accumulated over the years. Her neighbor mentioned that she wouldn't be taking everything with her, and some of the items were no longer needed. It got Sarah thinking about her own home and the items she had accumulated over the years.

She knew that she would never replace everything she owned if something were to happen to her home. But she also knew that she had some valuable items that needed extra coverage. She remembered the advice from her insurance agent about the amount of coverage automatically provided being a standard amount, arbitrarily set as a percentage of the dwelling limit. Only the insured could decide if that amount was adequate.

Sarah decided to take action and complete a household inventory. She found a useful guide from the Insurance Information Institute on "[How to create a home inventory](#)" and got started. She made a list of all the items in her home and their estimated value. She also took pictures and videos of each item to keep a record.

Completing the inventory was not an easy task, but Sarah felt a sense of relief knowing that she had taken steps to protect her personal property. She also felt proud of herself for being proactive and taking control of her insurance coverage.

The experience taught Sarah the importance of having adequate coverage for personal property. She realized that the standard policy usually provides enough coverage to put the insured back into a lifestyle comparable to the previous one. But for those who have valuable items, it was necessary to supplement coverage.

Sarah couldn't wait to meet with her insurance agent and discuss her coverage options. She also planned to spread the word to her friends and family about completing a household inventory. She knew that too few of her acquaintances would ever complete such an inventory, but she wanted to encourage everyone to do so.

As she jogged back home, Sarah had peace of mind knowing that her home and personal property were well-protected. She knew that accidents could happen at any time, but she was ready for any challenge that came her way.

Five Tips for Adequate Coverage

Are you worried about whether your homeowner's insurance policy has adequate coverage? Fear not! We've got five important tips that will guarantee you have the coverage you need. And guess what? You probably haven't even considered these questions before!

First of all, have you ever stopped to think about how much it would cost to rebuild your home if it was destroyed? It's not a pleasant thought, but it's crucial to have a clear understanding of this number in order to ensure your policy covers it adequately.

Secondly, have you ever heard of policies that come with a guarantee? Sounds too good to be true, right? However, it's worth considering if this is something you would like to have in place.

Thirdly, think about whether all of your property should be insured for replacement cost. It may seem like a no-brainer, but there are nuances to consider that could save you money in the long run.

Next up, have you ever thought about how much it would cost to remove debris after a disaster? It's not something that comes to mind right away, but it's definitely something to consider.

Finally, don't forget to take local building codes into account when choosing your insurance policy. It's important to ensure your policy covers any additional expenses

So, there you have it! By answering these five questions, you'll have peace of mind knowing that your homeowner's insurance policy has got you covered.

Is your home insured for the right amount?

If you're like many homeowners in the United States, the answer is no. But why is that? The truth is, most policies are written on a "replacement cost" basis, meaning the cost to repair or replace the damaged property without deduction for depreciation. However, determining an accurate replacement cost value for your home is easier said than done.

Many homeowners base their insurance policy limits on the amount of their mortgage. But since the purchase price is generally based on the fair market value of the property, which includes land, it's likely that the market value is only remotely related to the building's replacement cost value. And during times when market prices are declining, some homeowners may even find themselves underwater on their mortgage, creating a moral hazard where it might be financially beneficial for the property to be destroyed and the insurer to pay the replacement value.

So, how do you determine an accurate replacement cost value for your home? There are several formal methods available, including internet calculators, cost-per-square-foot estimates, insurer valuation software, proprietary valuation tools, professional appraisals, and contractors' or experts' opinions. However, it's important to recognize variables such as location, custom construction, and type of construction when using any of these methods.

It's also worth noting that there are factors that could cause the actual cost of replacing a home following a loss to exceed the estimates of standardized replacement cost surveys. For example, demolition and debris removal can cost significantly more than the amount automatically provided by the policy, building code changes often increase the cost of rebuilding, and construction costs rise after natural disasters create a surge in demand for labor and materials.

Ultimately, it's up to you as the homeowner to ensure that your policy provides adequate coverage for your home. While replacement cost surveys are a useful tool for underwriters, they are only a guideline and do not tell you how much it will cost to replace your home. As an informed consumer, it's important to carefully consider your options and work with your insurance agent to ensure that you are properly protected.

What is Extended or Guaranteed Replacement Cost Coverage?

Looking for a homeowner's insurance policy that gives you peace of mind? You may want to consider extended or guaranteed replacement cost coverage.

Most homeowner's policies today are written on a "replacement cost" basis, meaning that if your home is destroyed, the insurer will pay to have it rebuilt exactly as it was. However, this "replacing" activity has a hard- set monetary limit based on estimates, leaving homeowners potentially underinsured.

Thankfully, some insurers have extended their policy limits by offering either "guaranteed replacement cost" or "extended replacement cost" coverage. While guaranteed replacement cost is rare today due to past issues with limitless insurance, extended replacement cost coverage may be more readily available.

With extended replacement cost coverage, the insurer agrees to replace the property for more than the policy limit, but only up to a specific additional amount of 25 to 50 percent of the policy limit. However, this coverage only applies if the homeowner allows the insurer to set and approve the replacement cost in the policy, and it usually only applies to the dwelling rather than personal property.

To get extended or guaranteed replacement cost coverage, you may need to use one of the special endorsements described in the policy. For example, the Specified Additional Amount of Insurance for Coverage A—Dwelling Endorsement (HO 04 20) provides extended replacement cost coverage by increasing the dwelling limit when the loss to the building insured under the dwelling coverage is greater than the dwelling limit listed on the declarations.

While this coverage can be a simple solution to the complex issue of determining the appropriate dwelling limit, it's important to watch for any limitations on the guarantee or changes to the coverage. And, as agents, we have a responsibility to periodically revisit the issue of adequate limits with our insureds.

So, if you're looking for a policy with a guarantee, consider extended or guaranteed replacement cost coverage for your homeowner's insurance. With this coverage, you can have peace of mind knowing that your home will be rebuilt no matter what the cost.

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Explaining Replacement Cost Coverage

Once upon a time, insuring buildings and personal property on a replacement cost basis was a luxury that only the wealthy could afford. Nowadays, it's practically a requirement for homeowners to have this type of coverage. With the rise of replacement cost coverage on contents in the 1970s, consumers couldn't get enough of it.

Today, many agents are placing replacement cost coverage on all policies, often without asking, because it has become the standard for insuring personal property as well as buildings.

Despite the benefits of replacement cost coverage, there are still difficulties that arise. One of these is unrealistic expectations from insureds who assume their policy will provide coverage identical to that of their in-laws who have a new home in the suburbs. Whenever property is not insured on a replacement cost basis, the agent must explain the valuation system very carefully and then document that explanation.

Another challenge arises when an insured makes a claim and has unrealistic expectations about receiving payment on a replacement cost basis. They must be reminded that payment will only be on a replacement cost basis if and when replacement is actually made. Most agents find it preferable to explain this when taking the initial claim report, rather than leaving the discussion to the claims adjuster.

There are also issues with insuring other structures located off the residence premises. In the past, these buildings were insured under a dwelling policy, but now there are two homeowners' endorsements to provide this coverage. However, both of them insure the building on an actual cash value basis, which is definitely not what the insured has come to expect from the modern homeowners policy.

Lastly, there are limitations to replacement cost coverage on personal property. Unless the agent explains these limitations when the policy is sold, the policyholder who purchased replacement cost coverage on personal property may be surprised at the time of a loss to learn that certain types of property they own are ineligible for replacement cost coverage.

Despite these challenges, it's still the agent's responsibility to recommend replacement cost coverage on personal property for all homeowners' clients. However, the coverage should be described with care, and insureds should have realistic expectations about what their policy will provide. By working closely with their clients, agents can ensure that they have the coverage they need, when they need it most.

What is Debris Removal Coverage?

When disaster strikes, it's easy to be overwhelmed by the damage and loss. The fire trucks have come and gone, the insurance company has been notified, and the homeowner has found temporary shelter. But before they can rebuild their life, they must first clear the debris from their property. Unfortunately, this can be a costly and time-consuming process that many don't anticipate.

The damage may be more extensive than the homeowner realized. Parts of the structure may still be standing but unusable, requiring demolition and removal. The foundation may be damaged beyond repair. Extensive cleaning of the site may be required, especially if the soil is contaminated after a fire. And to make matters worse, the debris may include hazardous materials, adding substantially to the cost of disposal.

Thankfully, homeowners policies cover property replacement expenses as well as debris removal costs, but this coverage is subject to limitations. The HO 3 policy provides coverage for reasonable expenses to remove the debris of covered property, including trees, if a covered peril causes loss or damage. However, the damage has to affect a covered building or property contained in the building.

The limit for debris removal is included within the limit that applies to the damaged property. If the limits applicable to the dwelling and personal property are not enough to cover both the direct damage and the debris removal expense, the policy will pay an additional 5 percent for debris removal.

But beware, the industry rule of thumb that the cost of removing the debris of destroyed property is approximately 5 percent of the value of that property is no longer adequate in most cases. With new ordinances regulating waste disposal being introduced frequently, it's important to have a professional agent to estimate the cost of debris removal to ensure the coverage is adequate.

In the end, the debris removal process may be a costly and daunting task, but with thorough insurance coverage and the guidance of a knowledgeable agent, homeowners can clear the way to rebuilding their lives.

Local Building Codes: The Hidden Insurance Cost

Mary never thought she'd be underinsured. She had taken out a policy that insured her home for 100% of its replacement cost. But when a fire tore through her home, she found out the hard way that her insurance policy didn't cover the increased costs of construction due to local building codes.

Mary lived in a town that had implemented strict building codes in the wake of a devastating tornado. While these codes ensured that new homes could withstand severe windstorms, they also increased the cost of construction. Mary's insurance policy only covered the cost of rebuilding her home to its original specifications, leaving her to pay the difference out of pocket.

But Mary is not alone. Homeowners across the country are facing the same dilemma. In California, residents are required to build fire-resistive homes. In Florida, homes must withstand severe windstorms. And in Kansas, roofs must be thick enough to withstand hail. All of these building codes increase the cost of construction, leaving homeowners underinsured if they don't take steps to ensure adequate coverage for their ordinance or law exposure.

So, what is ordinance or law coverage? It's an additional coverage offered in homeowners insurance policies that provides limited coverage for increased construction, demolition, remodeling, renovation, or repair costs that the insured incurs due to the enforcement of any ordinance or law.

However, it can be a bit confusing because one part of the policy eliminates coverage while another part provides limited coverage, and additional coverage is available by endorsement.

This is where agents come in. It's their responsibility to inform clients of any local building codes or ordinances that may affect the cost of repairing a damaged home and recommend increasing ordinance or law coverage accordingly. It's important for agents to stay up to date on building codes and other laws or ordinances that can affect homeowners in their area.

Don't let local building codes leave you underinsured like Mary. Make sure you have adequate ordinance or law coverage in your homeowner's insurance policy. It could mean the difference between rebuilding your home without financial stress or struggling to pay out of pocket for increased construction costs.

Why You Need Renter's Insurance

What if everything you own was damaged, stolen or destroyed? Would you have the thousands of dollars to replace valuable merchandise, such as your clothes, jewelry, computer, DVD player, television, furniture, and stereo equipment?

If you live in a rented apartment, house or condominium, your landlord's insurance doesn't cover your personal property in the event that it is stolen or damaged as a result of a fire, theft or other unexpected circumstance.

If your building burns to the ground, your landlord isn't responsible for replacing the charred contents of your apartment.

Whether you rent an apartment, own a condominium or have any rental property, you need insurance to protect your belongings. While your landlord and condo association might have insurance, it only protects the building and not its contents.

US statistics show that that renter's experience higher rates of property crime, theft, and burglary than people who own their home. According to Boston-based Homesite Insurance Group, renter's are in danger of losing their belongings from vandalism, water damage, fire, smoke, electrical surge, ice, snow, and other perils. Despite the risks, many renter's don't have renter's insurance.

A consumer survey conducted for the Independent Insurance Agents & Brokers of America (IIABA) found that nearly two-thirds of those living in US rental properties are currently risking severe financial loss by going without renter's insurance. A national consumer telephone survey asked 1,000 people living in rental properties whether they had renter's insurance: 64.4 percent said "no" and 2.2 percent answered "don't know."

The top reason most people don't think about getting renter's insurance is the mistaken notion that the landlord will be held responsible for a loss. But as Doug Culkin, executive vice president of the National Apartment Association, explains, "The landlord's insurance covers the building and the infrastructure of that building, whether it is the elevators, the air conditioning, or the structure itself." Culkin notes that coverage does not extend into the homes of the individual residents and the possessions they maintain in their units.

So if your building burns to the ground, your landlord isn't responsible for replacing the charred contents of your apartment. Likewise, if your house guest trips over your ottoman and fractures his arm, your landlord's insurance on the property won't protect you from liability.

Your landlord may be liable for injuries outside of your rental property, common areas such as the lobby or stairs. But once your guest crosses your front door, he or she is your responsibility.

Parents with college-bound children can take some comfort in knowing that students who live on campus are probably covered in terms of their belongings under the college's insurance policy. However, if your kid lives off-campus in an apartment, he or she is probably not covered. You'll want to consider buying renter's insurance on his or her behalf.

What about roommates? Even if you're sharing a humble abode with someone else, each person is responsible for getting his or her own policy. You need to get joint renter's insurance to protect your personal belongings, especially if your roommate moves out leaving you holding the bag. Animal lovers may want to look into renter's policies that specifically protect them as far as their pets are concerned — say, should your lovable pooch happen to bite one of your houseguests.

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When you look at the trade-off — paying a small premium for coverage against the cost of replacing what has taken you years to accumulate — renter's insurance makes perfect sense. Here are some tips to help you with the process of selecting renter's insurance:

Renter's insurance Basic Coverage

In general, there's a homeowners insurance policy HO-4 for renter's and HO-6 for condo owners, which cover 17 types of perils. Renter's insurance also can provide additional protection, such as living expenses assistance, personal liability and medical payments coverage. For instance, if your apartment or condominium becomes uninhabitable due to a fire, burst pipes or any other reason covered by your policy, insurers could pay for the cost of you to live elsewhere while your home is being repaired.

Another way renter's insurance protects you is in the area of liability — if someone were to slip and fall on your rented property, and then sue you, renter's insurance could cover some or all of your legal obligations and help pay for that person's medical bills. Say you live in a zone that is prone to earthquakes or floods, you could get additional coverage to protect against hazards not covered by basic renter's policy.

Coverage amount

To determine how much you need, you first need an idea of the value of your personal possessions. The idea is to buy enough insurance to replace everything in your apartment if it's stolen, damaged or destroyed. The first step is to take inventory — it helps to take pictures or even videotape each room, closets, open drawers, and so on. Better yet, keep receipts for all major items you purchase. Granted, many insurance companies place limits on what they will pay for specific items, so you may end up paying for additional coverage to make sure those items are completely insured. For example, expensive jewelry and valuable artwork are not covered under a standard renter's insurance policy; you'll probably need a rider or floater to cover luxury items.

Actual cash value vs. replacement cost

There are two types of coverage: actual cash value or replacement cost. The former is less expensive. Under this type of coverage, your belongings are valued after depreciation. In other words, the insurance company will take into consideration the age and condition of the stolen or damaged property. A replacement cost policy will pay you to replace your property with the same or similar item at the current market price.

Let's say that you bought your 25-inch television set five years ago for \$400; it would be worth less in value today. However, it would cost you that much (or more) to buy a new TV. The insurance company would only pay for what the old one was worth, minus your deductible under a cash value policy. With a replacement policy, an insurer would make an advanced payment to you for the used value of the property, minus your deductible, and then reimburse you the actual price you pay when you replace the property.

Replacement cost coverage, on the other hand, will pay for what it actually costs to replace the items you lost. Usually, you'll have to pay out of your own pocket to replace your damaged items and submit the receipts to the claims adjuster for reimbursement. Even so, you'll still get a bigger chunk of change back than if you bought ACV coverage.

Make sure you also let your agent know about any particularly valuable items you have. Things like jewelry, antiques, and electronics may be covered up to a certain amount, but if you have some items that are unusually expensive, like a diamond ring, you'll probably need to purchase a separate rider. If you don't talk to your agent about an expensive item when you buy the policy, you probably won't be able to recover the loss.

The Basics of Renter's Insurance

You're moving into a new apartment and you have a lot to do: setting up telephone and cable service, letting people know your new address, deciding how to arrange your living room — the last thing you're thinking about is insurance.

If you live in a condominium or rent an apartment, your landlord's or condo association's insurance should cover damages to the building — meaning the structure itself. But such a policy only covers their building and not your belongings. That's why you should have renter's insurance. Regardless of whether you live in a house, condo, or apartment, replacing your stuff or defending yourself against a liability lawsuit can take a big toll on your bank account.

It's a perilous business

Basic home insurance policies generally protect you from the same disasters. Both renter's and condo owner policies cover losses to your personal property from 17 types of perils:

- fire or lightning
- windstorm or hail
- explosion
- riot or civil commotion
- aircraft
- vehicles
- smoke
- vandalism or malicious mischief
- theft
- damage by glass or safety- glazing material that is part of a building
- volcanic eruption
- falling objects
- weight of ice, snow, or sleet
- water-related damage from home utilities
- and electrical surge damage.

Sounds like quite a lot, doesn't it? You may notice, however, that floods and earthquakes aren't on the list. If you live in an area prone to those, you'll need to buy a separate policy or a rider on your renter's policy. In some coastal regions, where hurricanes can cause mass destruction, you may also need to buy a separate rider to cover you from windstorm damage.

Footing the bill when your home is unlivable

If your apartment becomes unlivable due to a fire, burst pipes sending water everywhere, or for any other reason that is covered by your policy, renter's insurance will cover your "additional living expenses." Generally, that means paying for you to live somewhere else, such as another apartment that is in a similar price range as your original place.

This coverage has a limit of about 30 to 40 percent of the total value of the policy. So, if you're insured for \$100,000 your "additional living expenses" limit will be \$30,000 or

\$40,000, depending on your individual policy. Your insurance company will continue to pay while your home is being repaired or rebuilt, or until you permanently relocate.

However, sometimes 12 months is the longest an insurance company will continue paying. Other times, you're limited to what the insurance company considers a "reasonable length of time."

Additional benefits

Renter's insurance has additional benefits that might not immediately come to mind. For example, if you own a waterbed, a waterbed liability provision is standard in most policies, according to Mike Binns, personal lines underwriting manager for Farmers Insurance Co. If your waterbed bursts and the water ends up in the apartment below yours, the renter's insurance will cover the damage.

Liability protection is also standard with most renter's policies. This means that if someone in your apartment slips and falls, you're covered for any costs, up to your liability limit. And if this person should choose to sue you, you're covered for what they win in a court judgment up to your policy's limit, along with legal expenses, too, because, according to Binns, your insurance company agrees to defend you under your liability protection provision.

Renter's Insurance FAQ

Q. I am a renter, not a homeowner. Do I still need insurance?

A. Yes. The same rule of thumb that applies to homeowners applies to renter's. If a catastrophe struck tomorrow, could you afford to replace everything you own? Or if you were sued, would you have enough money to pay legal fees and possibly settle the suit? If not, chances are you would benefit from the protection that renter's insurance brings.

Renter's insurance offers the same general personal property coverage and liability protection as a homeowner's policy. So, your camera would be insured while you are on vacation, and you would be covered if your sofa were to crash through the wall of your apartment lobby leaving a gaping hole. In fact, most policies are surprisingly extensive and may include additional living expenses (also called loss-of-use coverage), if you are forced by fire or other damage to live elsewhere. Flood coverage is also available to renter's as a separate policy.

Q. Isn't my apartment covered by my landlord's insurance policy?

A. No, the landlord's insurance covers damage to the building and the landlord's property-not your personal property or liability. For instance, if you go out and leave the stove on, and an ensuing fire causes extensive damage to the entire building, you may be held liable to the landlord.

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Q. How are prices determined for renter's' insurance?

A. Renter's insurance is surprisingly inexpensive. Nationally, the average cost for a renter's policy is \$193 per year, or about \$16 per month. That's because you are not insuring a building. Like all property/casualty policies, the value of your property to be insured and other risk factors are weighed by the insurance company to determine your premium. You may get a discount if you purchase auto insurance and renter's insurance from the same company. Your insurance agent or company representative can help you find the best combination of coverage and cost.

Q. I live in an apartment with three roommates. Do we each need a renter's policy?

A. Check with your agent or company representative. Usually, it is best if all roommates are on the same policy, although it is possible for each to purchase his or her own coverage. If you do need to "go it alone," you alone receive the security of renter's coverage.

Q. Who decides how much my property is worth?

A. State laws may dictate how losses are to be figured, which means the same insurance company may use one method in one state and a different method in another. The common methods are:

Actual Cash Value. The replacement cost of the item minus depreciation. For example, a new television set may cost \$500. But if your 7-year-old TV set gets damaged in a fire, it might have depreciated 50 percent prior to the damage. Therefore, you would be paid \$250 for that set.

Replacement Coverage. The cost of replacing an item without deducting for depreciation, but limited to a maximum dollar amount. Today's cost for a TV set with features similar to the 7-year-old one damaged by fire would determine the amount of compensation. If it still costs \$500 today, that would be the replacement coverage. (It's important to remember that there are limits on this policy and you need to keep up-to-date on your coverage).

Q. How much will I be paid for damage to my personal property?

A. Your policy lists the specific monetary limits for personal property under what is called "Special Limits." Those limits usually are:

- \$200 for money, bank notes, gold and silver (other than gold ware and silverware), platinum, coins and medals.
- \$1,000 on securities, accounts, deeds, evidences of debt, letters of credit, notes (other than bank notes), manuscripts, passports, tickets and stamps.
- \$1,000 on watercraft, including their trailers, furnishings, equipment and outboard motors.
- \$1,000 on trailers not used for watercraft.
- \$1,000 for loss by theft of jewelry, watches, furs, precious and semiprecious stones.
- \$2,000 for loss by theft of firearms.
- \$2,500 for loss by theft of silverware, silver plated ware, gold ware, gold-plated ware and pewter ware.
- \$2,500 on property on the resident premises used for business and \$250 on this property damaged or lost away from the premises.

If these limits seem low to you (maybe that engagement ring is worth much more than \$1,000), you may wish to talk to your agent about additional coverage for specific items.

Remember that homeowners and renter's insurance is designed to cover general personal possessions, not valuable collections like antiques, jewelry or original art. Insurance companies deliberately limit their coverage of expensive possessions so that household premiums are more affordable to everyone. After all, if they had to cover museum-level art collections under standard homeowner's policies, we would all end up paying higher premiums to cover those expensive items.

Q. Does my renter's insurance cover my possessions even when I go on vacation?

A. Yes. Renter's insurance is a package of insurance coverage that extends to all your possessions no matter where they are. If you take a round-the-world vacation and lose a valuable item, as long as the loss is by a covered event or peril, the location does not matter, you're covered.

The liability component also extends well beyond the boundaries of your home. Should you be found legally at fault for injury or loss to another individual, whether you unfortunately and unintentionally cause a tumble down a San Francisco hill or a fall in an Indiana barn, for example, your homeowners policy likely will cover you.

As in the property section of a homeowner's policy, there are limits and exclusions to personal liability. Your business activities, for example, are not covered under your homeowners policy. You also are not covered for injuries or damage you deliberately cause. Your policy lists specific exclusions and limits.

Q. I work out of my apartment. Are my inventory and business property covered by renter's insurance?

A. Within certain limits. Both inventory and business property are covered as personal property used for business purposes. However, like all personal property, there are monetary limits on reimbursement. Whether your home business is your primary occupation or a hobby that nets you a few hundred dollars a year, it is still a business, and you should treat it as such. If you've invested quite a bit in equipment (woodworking tools, for example) and sell the occasional decoy, you should consider whether the personal property limits are sufficient.

Also, keep in mind that the personal liability protection in your homeowners policy does not extend to business liability. Check with your agent concerning your business insurance needs.

Q. Help! I've lost everything! Where do I start?

A. The best place to start after a great loss of property is with an inventory of that property. And the best time to make an inventory is before all is lost. If most of us suddenly found ourselves without anything due to some calamity, we would be hard pressed to know all that we had lost.

When was the last time, for example, that you counted the number of shoes or CDs you own, not to mention furniture, dishes, drapes, and audio/video equipment? How much is it all worth, and where would you start if you had to replace it?

Now is the time to make a list of major house, hold items and possessions. To make the job easier a free home inventory software is available by clicking <https://content.naic.org/consumer/home-inventory>. This software makes creating a home inventory fun and easy. Once you have completed your inventory, it is easy to keep your information up to date. Where possible, it is wise to list the items' serial number, the date and the cost of purchase and the receipt.

Perhaps an even easier way to inventory your home is to use a still or video camera. As you take the video, you also can talk about the items, when you purchased them and how much they cost.

Whatever method you choose, have a copy made. Ask a friend or family member to hold on to it. Store your copy in a safe deposit box. Check with your agent, who may be able to store a copy for you. If the worst happens and your home is destroyed, the inventory will be safe at another location.

Q. What if I am sued or found responsible for injuring another person?

A. Liability covers bodily injury and property damage to others due to your negligence. The coverage applies to non-auto accidents that occur either at your residence or off the premises. You may owe medical expense payments, such as first aid, to the injured party. Should you be sued as a result of your negligent actions or suspect that you might be sued, contact your agent or company representative immediately.

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Eight Loss Scenarios for Renter's- Who Pays?

Fire, water damage, theft, and personal injury lawsuits are common concerns of any homeowner, but the legal and financial burden from a loss of an apartment's contents caused by any of these events can be just as devastating for a renter. But according to the Insurance Research Council, only 24 percent of renter's in a 2000 survey had renter's insurance. The majority of renter's assume that any loss would be covered by the landlord's insurance, which is not true.

Count the obvious items, like furniture, a computer and stereo, and then the less obvious things like clothing and personal effects, and the potential loss quickly adds up.

"Some renters could have from \$20,000 to \$25,000 worth of contents," says Don Griffin, director of personal and business lines at the National Association of Independent Insurers, a trade association for property- casualty insurers.

If faced with such a loss, would you know where to turn or whether your loss would be covered? Here are several scenarios renters may face and their insurance consequences.

Scenario No. 1: A fire from another apartment destroys much of your apartment and your belongings. Whose insurance (yours or your landlord's) pays for what?

Your policy would cover the loss of your belongings, minus the deductible. Your policy should also cover your expenses for temporary living quarters and some limited amount of money for emergency supplies and clothing you need until you regain access to the apartment. The landlord's insurance covers the loss he suffered to his building, not your property.

Scenario No. 2: You are negligent and leave food on your hot stove, starting a fire. Whose policy pays for what? Are you liable for damage to the apartment?

The loss of your belongings would be covered by your insurance policy. You could be sued by the landlord for damages to the building, in which case your insurer would be expected to defend you in court and pay for any judgment.

Scenario No. 3: A pipe accidentally bursts inside the wall and the water destroys your belongings. What does your policy pay for?

Your policy would cover the loss of your belongings. But then your insurance company may try to recover the money it paid to you from the building owner's insurance.

Scenario No. 4: Your landlord is negligent in not repairing a plumbing problem you've been reporting, and a pipe bursts. Whose policy do you make a claim on?

Your policy would not be the one to cover your loss in a claim based on the landlord's negligence. You would have to make a claim on the landlord's policy and hope the insurer responds favorably without you having to resort to filing a lawsuit.

Scenario No. 5: Someone trips and falls in your apartment and is injured. Does your renter's liability pay, or your landlord's?

The claim is made against your liability insurance, which generally is written to cover expenses of from \$3,000 to \$5,000 per event. The injured person would have to sue if they wanted higher compensation.

Scenario No. 6: Your dog bites a neighbor. How much liability insurance does your renter's insurance provide?

The amount of coverage will depend on the liability limit you purchased, but Griffin suggests coverage in an amount of from \$300,000 to \$500,000 may be needed to protect your assets in a potential lawsuit.

Scenario No. 7: Your apartment is broken into and your stereo, television, and some jewelry are stolen. Are you covered?

The loss would be covered subject to the amount of the limits in your policy. Typical amounts are: \$200 for cash; \$1,000 for stock and bond certificates; \$1,000 for personal property; and \$1,000 for jewelry and furs. You can purchase additional coverage for the individual items, a blanket policy, or a combination of both.

Scenario No. 8: Your landlord claims you have damaged the apartment and is keeping part of your security deposit. Will the renter's insurance cover this loss?

No. The liability created here is part of the contract you signed under your lease agreement with the landlord and is not an insurance issue.

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Chapter 1: Introduction to Mobile Home Insurance Introduction

Mobile homes, also known as manufactured homes, have become an increasingly popular housing option for many individuals and families across the globe. These homes offer affordability, flexibility, and the opportunity to own a dwelling without the financial burdens of traditional homeownership. However, just like any other property, mobile homes are not immune to risks and uncertainties that could potentially lead to financial loss. That's where mobile home insurance comes into play.

This ebook covers everything insurance agents need to know about insuring mobile homes, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the watercraft insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking a link.

The link will take you to a quiz with 10 multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects).

To get the most out of this eBook, you need to sign up for a FREE account at <https://quizizz.com/>

Overview of the Book's Purpose and Its Benefits for Mobile Homeowners

The purpose of this book is to provide a comprehensive guide to mobile home insurance, addressing the unique considerations, coverage options, and key factors that mobile homeowners should be aware of. Whether you are a seasoned mobile homeowner, contemplating the purchase of a mobile home, or simply curious about insurance options, this book aims to equip you with the knowledge and understanding necessary to make informed decisions and protect your investment.

By delving into the realm of mobile home insurance, this book aims to empower you to navigate the complexities of insurance policies and select the coverage that best suits your needs. Throughout the subsequent chapters, we will explore various aspects of mobile home insurance, including coverage types, policy exclusions, additional endorsements, and the claims process. Furthermore, we will shed light on tips and strategies for reducing insurance costs without compromising on essential coverage.

Importance of Having Insurance Coverage for Mobile Homes

Mobile homes, like any other property, face risks such as fire, theft, vandalism, and natural disasters. The financial implications of these risks can be substantial and may lead to devastating consequences if adequate insurance coverage is not in place.

Mobile home insurance plays a crucial role in mitigating these risks by providing financial protection against unforeseen events that could result in damage or destruction of your mobile home and its contents.

One of the primary benefits of mobile home insurance is the peace of mind it offers. Knowing that you are protected financially allows you to enjoy your home without constant worry about potential disasters. Moreover, insurance coverage for your mobile home extends beyond the structure itself. It also provides liability protection, which safeguards you against legal and medical expenses in case someone is injured on your property.

Understanding the Unique Considerations of Insuring Mobile Homes

Insuring mobile homes is distinct from insuring traditional homes due to their unique nature and specific considerations. Mobile homes, by their very design, are transportable and manufactured in a factory before being transported to their final location. This mobility introduces certain risk factors, such as potential damage during transportation or exposure to severe weather conditions during transit.

Furthermore, mobile homes often differ in construction quality and materials compared to traditional homes. Consequently, insurance providers take these factors into account when evaluating risks and calculating premiums. Understanding these distinctions is vital when choosing the right insurance coverage for your mobile home, as it ensures you are adequately protected without overpaying for unnecessary coverage.

Conclusion

As a mobile homeowner, it is crucial to recognize the importance of insurance coverage for your property. This chapter has provided an overview of the purpose and benefits of mobile home insurance. By acquiring a suitable insurance policy, you can protect yourself from unexpected financial burdens that may arise due to property damage or liability claims.

In the following chapters, we will explore various aspects of mobile home insurance in detail, addressing specific coverage options, policy features, and cost-saving strategies. Armed with this knowledge, you will be better equipped to make informed decisions, secure appropriate insurance coverage, and safeguard your investment in your mobile home.

Stay tuned for Chapter 2: Types of Coverage for Mobile Homes, where we will delve deeper into the specific insurance options available to protect your mobile home and its contents.

Chapter 2: Types of Coverage for Mobile Homes Introduction

Mobile homes provide a unique form of housing for individuals and families alike. Whether you own a mobile home as a primary residence or a vacation getaway, it is crucial to protect your investment. Mobile home insurance serves as a safeguard against unforeseen events that could lead to financial losses. In this chapter, we will delve into the various types of coverage options available, explaining the fundamental concepts and terms related to mobile home insurance. Additionally, we will discuss common exclusions and limitations to ensure you have a comprehensive understanding of your policy's scope.

Explanation of Basic Concepts and Terms

Before we proceed further, it is essential to familiarize ourselves with the basic concepts and terms associated with mobile home insurance. Understanding these concepts will enable you to make informed decisions and select the coverage that best suits your needs.

- **Dwelling Coverage:** This refers to the protection that covers your mobile home's structure, including its walls, roof, and other attached parts. Dwelling coverage compensates for damages caused by perils such as fire, hail, windstorms, vandalism, and theft. To determine the appropriate dwelling coverage, it is crucial to consider your mobile home's replacement cost. This cost may differ from its market value, as it factors in the expenses required to rebuild your home in case of a total loss.
- **Personal Property Coverage:** This type of coverage protects your personal belongings within the mobile home. It covers items such as furniture, appliances, electronics, and clothing, in case of damage or theft. When deciding on personal property coverage, it is vital to conduct a thorough inventory of your possessions and estimate their value accurately.

- **Liability Coverage:** Liability coverage is designed to protect you financially if you are found responsible for injuries or property damage to someone else. For instance, if a visitor slips and falls inside your mobile home, resulting in injuries, liability coverage can help cover medical expenses and legal fees if you are sued. This coverage also applies when accidents occur outside your mobile home but involve you or your family members.
- **Additional Living Expenses Coverage:** When your mobile home becomes uninhabitable due to a covered loss, such as a fire or storm, additional living expenses coverage can provide financial assistance for temporary accommodation, meals, and other incurred costs until your home is repaired or replaced. This coverage ensures that you can maintain your standard of living during the period of displacement.

Overview of Different Coverage Options

Now that we understand the basic concepts, let's explore the different types of coverage options available for mobile homes. Insurance providers typically offer various packages that can be tailored to suit your specific needs. Here are some common coverage options:

- **Named Perils Coverage:** This coverage protects against specific perils explicitly listed in your policy. Common perils include fire, lightning, windstorms, hail, explosions, vandalism, theft, and some types of water damage. While named perils coverage is more affordable, it may require additional endorsements to ensure comprehensive protection.
- **Comprehensive Coverage:** Comprehensive coverage offers broader protection than named perils coverage. It includes all risks, except for those explicitly excluded in the policy. This coverage type is more expensive but provides peace of mind, as it covers a wider range of potential risks.
- **Replacement Cost Coverage:** This coverage option ensures that your mobile home and personal belongings are replaced at their current value, without considering depreciation. Although it may come at a higher premium, replacement cost coverage is especially beneficial for homeowners with newer mobile homes or valuable possessions.

Common Exclusions and Limitations

While mobile home insurance offers valuable protection, it is important to be aware of its limitations and exclusions. Knowing these exclusions can help you manage your expectations and avoid potential misunderstandings when filing a claim. Here are some common exclusions and limitations to be aware of:

- **Flood and Earthquake Coverage:** Most standard mobile home insurance policies do not cover damages caused by floods or earthquakes. If you reside in an area prone to these risks, it is advisable to purchase separate coverage or seek endorsements to your policy.
- **Wear and Tear:** Insurance policies do not cover damages resulting from normal wear and tear, as this is considered a maintenance issue. It is essential to properly maintain your mobile home to prevent such damages.
- **Negligence:** If damages occur due to your negligence, such as failing to repair a leak, your insurance claim may be denied. To ensure coverage, it is crucial to promptly address any maintenance or repair issues as they arise.

- **Personal Property Limits:** Insurance providers often impose coverage limits on specific types of personal property, such as jewelry, firearms, or artwork. If you own high-value items, additional coverage may be necessary to fully protect them.

Conclusion

Chapter 2 provided an in-depth exploration of mobile home insurance coverage options. By understanding the fundamental concepts and terms associated with mobile home insurance, you can make informed decisions regarding the protection of your investment. We explored the different types of coverage available, ranging from dwelling and personal property coverage to liability and additional living expenses coverage.

Recognizing the common exclusions and limitations is equally important to ensure you have realistic expectations and avoid any potential pitfalls. In the following chapters, we will delve deeper into specific coverage areas, providing valuable insights to help you navigate the complexities of mobile home insurance.

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Chapter 3: Assessing Your Insurance Needs for a Mobile Home Introduction:

When it comes to protecting your mobile home, having the right insurance coverage is crucial. Mobile homes come with unique risks and potential hazards that require careful evaluation and consideration. In this chapter, we will provide you with a step-by-step guide to help you assess your specific insurance needs for your mobile home. We will discuss the process of identifying risks and potential hazards, determining coverage limits, and considering additional coverage options.

Step-by-Step Guide to Evaluating Insurance Needs:

- **Understanding the Structure of Your Mobile Home:**

To begin assessing your insurance needs, it is important to have a deep understanding of the structure of your mobile home. Know the type of construction, materials used, and any upgrades or modifications made. This knowledge will help determine the replacement cost and the appropriate coverage limits for your insurance policy.

- **Assessing the Value of Your Possessions:**

Next, evaluate the value of your personal belongings inside the mobile home. Conduct a thorough inventory, noting valuable items such as electronics, appliances, furniture, and any other possessions of significant worth. This inventory will assist in determining the level of personal property coverage required.

- **Identifying Risks and Potential Hazards:**

Mobile homes face specific risks and potential hazards that need to be recognized and accounted for in your insurance policy. Consider factors such as location, weather patterns, proximity to flood zones or fire-prone areas, and the overall vulnerability of your mobile home to these risks. Take note of any previous claims or incidents to ensure comprehensive coverage against future events.

- **Determining Coverage Limits:**

Based on the evaluation of your mobile home's structure and the value of your possessions, it is crucial to determine appropriate coverage limits. Your structural coverage should be sufficient to cover the cost of rebuilding or repairing your mobile home in case of damage or destruction. Personal property coverage should reflect the total value of your possessions and provide coverage against theft, fire, or other covered perils.

- **Considering Additional Coverage Options:**

While standard insurance policies cover the basics, additional coverage options can provide enhanced protection for your mobile home. Consider endorsements or riders that cover specific risks such as floods, earthquakes, or windstorms, which may not be included in a standard policy. Liability coverage should also be evaluated, as mobile homes can present unique risks to visitors or neighbors.

Umbrella policies can provide additional liability protection beyond the limits of your basic policy.

Conclusion:

Assessing your insurance needs for a mobile home is a crucial step towards protecting your investment and ensuring peace of mind. By following this step-by-step guide, you can evaluate the specific risks and hazards associated with mobile homes, determine appropriate coverage limits, and consider additional coverage options to meet your individual needs. Remember, it is always advisable to consult with a knowledgeable insurance professional who can provide valuable insights and guide you through the process of selecting the most suitable insurance policy for your mobile home.

Chapter 4: Mobile Home Insurance Policy Types Introduction

In this chapter, we will explore the various policy types available for mobile homes. As these unique dwellings differ from traditional houses, it is crucial to understand the specific insurance options designed to protect them. We will discuss the pros and cons of different policy options, helping you make an informed decision when selecting the most suitable policy for your individual needs.

Explanation of Various Policy Types

- **Actual Cash Value (ACV) Policies**

An ACV policy covers your mobile home for its current value, taking into account depreciation over time. In the event of a claim, the insurance company would reimburse you for the home's value at the time of the loss, minus any deductible. While ACV policies generally have lower premiums, they offer less coverage than other options.

- **Replacement Cost Policies**

With a replacement cost policy, your insurance coverage would provide funds to replace or repair your mobile home without taking depreciation into account. This type of policy usually has higher premiums than ACV policies but offers more comprehensive coverage. Replacement cost policies are particularly beneficial for newer mobile homes.

- **Agreed Value Policies**

Agreed value policies are specifically designed for older mobile homes or those with unique features that make it challenging to determine their value. Rather than considering depreciation, you and the insurance company agree on the mobile home's value at the policy's onset. This predetermined amount would be paid out in the event of a covered loss.

- **Comprehensive Policies**

Comprehensive policies provide coverage for your mobile home, personal belongings, and liability. This type of policy offers broader protection, including damages caused by fire, theft, natural disasters, or personal liability claims.

While comprehensive policies tend to have higher premiums, they offer more extensive coverage, giving you peace of mind.

Discussion on the Pros and Cons of Different Policy Options ACV Policies

Pros:

ACV policies generally have lower premiums, making them more affordable. They are suitable for older mobile homes and can provide adequate coverage for those who are budget conscious.

Cons:

These policies factor in depreciation, meaning you may receive less compensation in the event of a claim. Furthermore, ACV policies might not cover the full cost of repairing or replacing your mobile home.

Replacement Cost Policies Pros:

Replacement cost policies offer more comprehensive coverage, ensuring you can repair or replace your mobile home without depreciation affecting your payout. This policy type is particularly beneficial for newer mobile homes.

Cons:

Premiums for replacement cost policies are typically higher than those of ACV policies, making them more expensive. However, the broader coverage often justifies the increased cost.

Agreed Value Policies Pros:

Agreed value policies are suitable for older mobile homes or those with unique features. By agreeing on the value at the policy's inception, you eliminate the need for depreciation calculations.

Cons:

These policies may have higher premiums, and it is crucial to ensure that the agreed-upon value accurately reflects the mobile home's worth.

Comprehensive Policies Pros:

Comprehensive policies offer broader coverage, protecting your mobile home, personal belongings, and liability. They provide peace of mind by encompassing various perils and potential risks.

Cons:

Due to the comprehensive coverage, these policies typically have higher premiums. However, the added protection may outweigh the increased cost for those seeking extensive coverage.

Guidance on Selecting the Most Suitable Policy for Individual Needs

When selecting a mobile home insurance policy, there are several factors to consider, such as your mobile home's age, location, and value, as well as your budget and personal circumstances. Here are some guidelines to help you make an informed decision:

- **Assess Your Mobile Home's Value:** Determine the current value of your mobile home and consider its age, condition, and unique features. This evaluation will help you understand which type of policy is most appropriate.
- **Consider Your Budget:** Review your budget and evaluate how much you can afford to spend on insurance premiums. Compare the costs of different policy types to find the best fit for your financial situation.
- **Evaluate Your Risks:** Assess the potential risks your mobile home may face, such as natural disasters, theft, or liability claims. Consider your location and the perils most likely to affect your property. This evaluation will guide you in selecting the appropriate coverage.
- **Seek Professional Advice:** Consult with an insurance agent or broker specializing in mobile home insurance. They can provide expert guidance tailored to your specific needs, ensuring you understand the policy options available and their implications.

Conclusion

In this chapter, we explored the various policy types available for mobile homes. We discussed the advantages and disadvantages of each option, helping you make an informed decision when selecting the most suitable policy for your individual needs. By considering factors such as the age of your mobile home, your budget, and the potential risks you may face, you can confidently choose the insurance coverage that best protects your valuable asset.

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Chapter 5: Finding the Right Insurance Provider Introduction

When it comes to protecting your mobile home, finding the right insurance provider is crucial. Your home is not only a significant financial investment but also a place of comfort and security. In this chapter, we will discuss the key factors to consider when selecting a reputable insurance company for mobile homes. We will explore the importance of evaluating insurance providers based on their financial stability and customer satisfaction ratings. Additionally, we will delve into the significance of customer service and claims handling in ensuring a smooth and reliable insurance experience.

Tips for Selecting a Reputable Insurance Company for Mobile Homes

- **Research and Compare Multiple Providers:** Begin your search for the right insurance provider by researching and comparing multiple options. Look for insurers who specialize in mobile home insurance, as they will have specific experience and policies tailored to meet your needs. Consider factors such as coverage options, deductibles, and premiums while evaluating each provider.

- **Check Financial Stability:** It is essential to select an insurance company with a strong financial standing. Financial stability ensures that the insurer has sufficient funds to fulfill its claims obligations. Consult credible rating agencies, such as AM Best, Standard & Poor's, or Moody's, to assess the financial health and stability of potential insurance providers. Opt for insurers with high ratings to ensure your claims are paid promptly.
- **Assess Customer Satisfaction Ratings:** Hearing from other policyholders about their experiences with an insurance provider can offer valuable insights. Look for customer satisfaction ratings and reviews through reliable sources like J.D. Power or consumer advocacy organizations. Pay attention to feedback regarding claims processing, customer service, and overall satisfaction. A company with high customer satisfaction ratings is more likely to provide exceptional service.

Understanding the Importance of Customer Service and Claims Handling

- **Customer Service:** A reputable insurance provider offers excellent customer service to address your concerns and provide timely assistance. When choosing a mobile home insurance provider, consider their responsiveness, availability, and willingness to go the extra mile. Prompt, friendly, and knowledgeable customer service representatives can make your insurance experience more efficient and enjoyable.
- **Claims Handling:** The true value of an insurance policy is realized when you need to file a claim. Evaluate insurers based on their claims handling process. Look for companies that have a straightforward and efficient claims submission procedure, allowing you to report and track claims easily. Read reviews or seek recommendations from other policyholders to gauge the insurer's promptness and fairness in settling claims. A reliable insurance provider should handle claims promptly and fairly to help you recover from losses efficiently.

Conclusion

Finding the right insurance provider for your mobile home requires careful consideration of various factors. Researching, comparing, and assessing insurers based on their financial stability and customer satisfaction ratings are vital steps in selecting a reputable company. Additionally, prioritizing customer service and claims handling ensures you receive the necessary support when it matters the most. By following these tips and understanding the importance of each aspect, you will be able to confidently choose an insurance provider that will safeguard your mobile home and provide peace of mind in the face of unforeseen circumstances.

Chapter 6: Navigating the Claims Process

Step-by-step guidance on filing a mobile home insurance claim

Filing an insurance claim can be a daunting task, especially when it comes to mobile home insurance. Navigating the claims process requires a clear understanding of the steps involved, as well as knowledge on how to maximize claim settlements and avoid potential pitfalls. This chapter aims to provide you with comprehensive guidance to ensure a smooth and successful claims experience.

Step 1: Assess the Damage and Document Everything

The first step in filing a mobile home insurance claim is to assess the damage thoroughly. Take detailed photographs and videos of the damaged areas, making sure to capture all angles and close-ups of any specific damage. This documentation will provide evidence to support your claim and help the insurance company understand the extent of the loss.

Step 2: Contact Your Insurance Company

Once you have assessed and documented the damage, promptly contact your insurance company to report the claim. Be prepared to provide them with your policy number, a description of the damage, and any relevant supporting documentation. It is crucial to notify the insurance company as soon as possible to meet any specified deadlines and avoid potential claim denials.

Step 3: Understand the Claims Handling Process and Timelines

It is important to understand the claims handling process to ensure you are aware of the timelines involved. Your insurance company will assign you a claims adjuster who will assess the damages and determine the coverage applicable to your policy. The adjuster may request additional information or inspections, so be responsive and cooperative throughout the process. Familiarize yourself with the deadlines for submitting required documents and information, as missing these could result in delays or denial of your claim.

Step 4: Cooperate with the Claims Adjuster

When the claims adjuster visits your property to assess the damage, make sure to be present and provide them with all relevant information. Answer their questions honestly and provide any additional documentation or evidence they may need. Cooperating with the adjuster will help expedite the claims process and ensure accurate evaluation of your claim.

Step 5: Maximize Claim Settlements

To maximize your claim settlement, keep the following tips in mind:

- **Read and understand your insurance policy:** Familiarize yourself with your policy coverage and limits. This knowledge will help you advocate for your rights and claim what you are entitled to.
- **Maintain records of repairs and expenses:** Keep track of all repairs, expenses, and related invoices. These records will help support your claim and ensure you are reimbursed appropriately.
- **Mitigate further damage:** Take immediate action to prevent further damage to your mobile home. This may include temporary repairs or securing the property. Document these actions and keep receipts for any expenses incurred.
- **Seek professional guidance if needed:** If you feel overwhelmed or uncertain about the claims process, consider consulting with a public adjuster or an attorney who specializes in insurance claims. They can offer guidance and ensure your rights are protected.
- **Avoiding Potential Claim Pitfalls**
 - While filing a mobile home insurance claim, it is essential to avoid common pitfalls that may negatively impact the outcome. Here are a few tips to help you steer clear of potential claim pitfalls:
 - **Promptly report the claim:** Failing to report the claim promptly can result in denial of coverage. Be sure to notify your insurance company as soon as possible following the damage.
 - **Do not admit fault:** Avoid accepting blame for the damage until a thorough investigation has taken place. Admitting fault prematurely may result in a denial of your claim.
 - **Do not settle for less:** Insurance companies may initially offer a settlement that falls short of your expectations. Be prepared to negotiate and provide additional evidence to support your claim if necessary.

- **Review the settlement offer carefully:** Before accepting a settlement offer, review it thoroughly and ensure it covers all the damages and expenses incurred. If you have concerns or questions, seek professional advice before accepting the offer.

Navigating the claims process for your mobile home insurance can be complex and time-consuming. By following these step-by-step guidelines, understanding the claims handling process, and applying the tips for maximizing claim settlements while avoiding potential pitfalls, you will be well-equipped to navigate the process successfully and obtain the compensation you deserve.

Chapter 8: Tips for Saving Money on Mobile Home Insurance Introduction

Mobile homes provide a unique opportunity for homeownership, offering affordability and flexibility. However, just like traditional homes, it is crucial to protect your investment through comprehensive insurance coverage. While mobile home insurance is essential, obtaining affordable rates can sometimes be challenging. In this chapter, we will explore strategies for saving money on mobile home insurance, including taking advantage of available discounts and savings opportunities, as well as the importance of periodic policy review and comparison shopping.

Strategies for Obtaining Affordable Insurance Rates for Mobile Homes

When it comes to saving money on mobile home insurance, being proactive in your search for the best rates is key. By implementing the following strategies, you can ensure that you obtain an affordable insurance policy tailored to your needs:

- **Enhancing Security Measures:** By installing security devices such as smoke alarms, burglar alarms, and deadbolt locks, you can reduce the risk of property damage or theft. Insurers generally offer discounts for these safety features, which not only provide peace of mind but also lower your insurance premiums.
- **Bundling Policies:** Many insurance companies offer discounts when you bundle multiple policies together. By combining your mobile home insurance with other coverage, such as auto or life insurance, you can often secure a reduced rate for all policies.
- **Increasing Deductibles:** A deductible is the amount you pay out of pocket before your insurance coverage kicks in. Choosing a higher deductible can result in lower premiums. However, it is important to ensure that you can comfortably afford the deductible amount in the event of a claim.
- **Maintaining Good Credit:** Insurance companies often consider credit scores when determining premiums, as studies have shown a correlation between credit history and insurance claims. By maintaining good credit, paying bills on time, and managing debt responsibly, you can potentially qualify for lower insurance rates.

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Taking Advantage of Available Discounts and Savings Opportunities

Insurance providers offer various discounts that can significantly reduce your mobile home insurance premiums. Being aware of and taking advantage of these discounts is an effective way to save money. Here are some common discounts to consider:

- **Age of Home:** Newer mobile homes often receive lower rates due to their modern construction and improved safety features. If your mobile home is relatively new, inquire about age-related discounts.
- **Non-Smoker Discount:** Insurance companies encourage smoke-free environments due to the elevated fire risk associated with smoking. If no one in your household smokes, you may be eligible for a non-smoker discount.
- **Responsible Occupant Discount:** Some insurers offer discounts if the residents of the mobile home are considered responsible individuals. This may include retirees or individuals with a stable employment history.
- **Group Affiliations:** Check if you are eligible for any group affiliations that offer insurance discounts. Certain organizations, such as alumni associations or professional groups, may have negotiated discount agreements with insurance providers.

The Importance of Periodic Policy Review and Comparison Shopping

Insurance rates can fluctuate over time, and what may have been the most affordable option when you initially purchased your policy may no longer be the case. Therefore, it is vital to periodically review your policy and compare it with other available options.

Here are some reasons why this practice is essential:

- **Changes in Insurance Needs:** As your circumstances change, so do your insurance requirements. Reviewing your policy periodically ensures that you continue to have adequate coverage while avoiding unnecessary expenses.
- **Market Competition:** Insurance companies frequently adjust their rates to remain competitive in the market. By comparing different providers, you can take advantage of new offerings and potentially find lower rates.
- **Policy Enhancements:** Insurance policies may include additional coverage options that were not available when you initially purchased your policy. By reviewing your policy, you can determine if any of these enhancements are worth adding or if there are more cost-effective options available.

Conclusion

In this chapter, we explored effective strategies for saving money on mobile home insurance. By implementing these strategies, such as enhancing security measures, bundling policies, increasing deductibles, and maintaining good credit, you can reduce your insurance premiums without compromising coverage. Additionally, taking advantage of available discounts and periodically reviewing and comparing your policy will ensure you are getting the best rates for your mobile home insurance needs. By following these tips, you can protect your investment while keeping your budget intact.

Chapter 9: Frequently Asked Questions about Mobile Home Insurance

Introduction: Mobile homes offer an affordable and convenient housing option for many individuals and families. As with any valuable asset, it is crucial to protect your mobile home from potential risks and uncertainties. Mobile home insurance plays a vital role in safeguarding your investment and providing peace of mind. In this chapter, we will answer common questions and concerns regarding mobile home insurance, address specific issues related to insuring mobile homes, and provide additional resources for further information.

Section 1: Answering Common Questions and Concerns What is mobile home insurance?

Mobile home insurance is a type of coverage specifically designed to protect mobile homes. It provides financial protection against perils such as fire, theft, vandalism, natural disasters, and liability claims. This insurance policy typically includes coverage for the dwelling, personal belongings, additional living expenses, and liability protection.

Is mobile home insurance mandatory?

Mobile home insurance is not legally required in all states, but it is highly recommended. While not mandatory, many mobile home park owners or lenders may require insurance as a condition of renting or financing a mobile home.

How is mobile home insurance different from traditional homeowners insurance?

Mobile home insurance differs from traditional homeowners insurance because it is tailored specifically to the unique needs of mobile homes. Mobile homes have different construction, susceptibility to certain risks, and mobility factors that require specialized coverage. Traditional homeowners insurance may not adequately cover the specific risks associated with mobile homes.

What factors affect the cost of mobile home insurance?

Several factors influence the cost of mobile home insurance, such as the age and condition of the mobile home, its location, the coverage limits chosen, deductible amount, and the policyholder's claim history. Additional factors, such as the presence of protective features like smoke detectors and security systems, may also impact the premium.

Section 2: Addressing Specific Issues Related to Insuring Mobile Homes Can I insure an older mobile home?

Yes, you can insure older mobile homes. However, the age and condition of the mobile home may affect the availability of coverage and the premium cost. Older mobile homes may require an inspection to assess their condition before coverage is provided.

Are natural disasters covered by mobile home insurance?

Mobile home insurance typically covers natural disasters such as windstorms, hail, lightning, and fire. However, coverage for floods, earthquakes, and hurricanes may require separate policies or endorsements, depending on the geographic location of the mobile home.

Can I insure my mobile home if I rent it out?

Yes, you can obtain insurance for a mobile home that you rent out. Rental policies for mobile homes often include liability coverage for injuries or property damage that may occur on the rented property, as well as coverage for the structure and your personal property if it is furnished.

Section 3: Additional Resources for More Information National Association of Insurance Commissioners (NAIC)

The NAIC website provides consumer guides and resources on mobile home insurance, including state-specific information and insurance company complaint ratios. Visit www.naic.org for more information.

Department of Housing and Urban Development (HUD)

HUD offers resources and information on mobile home insurance, including contact information for state agencies that regulate insurance and manufactured housing. Visit www.hud.gov for detailed information.

Insurance Company Websites

Many insurance companies provide detailed information about their mobile home insurance policies on their websites. You can find information on coverage options, discounts, and frequently asked questions. Visit the websites of reputable insurance providers to learn more.

Conclusion:

Mobile home insurance is a crucial aspect of protecting your valuable investment. By ensuring you have the appropriate coverage, you can safeguard your mobile home and personal belongings against potential risks. In this chapter, we have answered common questions and concerns about mobile home insurance, addressed specific issues related to insuring mobile homes, and provided additional resources for further information. By understanding the importance of mobile home insurance and making informed decisions, you can enjoy the security and peace of mind that comes with adequate insurance coverage.

Conclusion: Feeling Confident in Your Mobile Home Insurance Choices Recap of key takeaways from the book:

Throughout this book, we have delved into the world of mobile home insurance, shedding light on the often-overlooked importance of selecting the right coverage for your valuable asset. We have explored the various risks that mobile homeowners face, the intricacies of insurance policies, and the crucial factors to consider while making insurance decisions. Now, let us recap the key takeaways from this journey, empowering you to feel confident in your mobile home insurance choices.

First and foremost, we emphasized the significance of understanding the specific risks associated with mobile homes. From natural disasters like hurricanes and floods to common perils such as fire and theft, mobile homeowners must be aware of the vulnerabilities unique to their dwellings. This understanding lays the foundation for selecting appropriate coverage that addresses these risks comprehensively.

The next important lesson we discussed is the various types of insurance policies available to mobile homeowners. From basic coverage to comprehensive policies, it is crucial to assess your needs and budget carefully. While a basic policy may seem enticing due to its lower premiums, it may not provide adequate protection for your mobile home and personal belongings. Thus, it is essential to strike a balance between affordability and comprehensive coverage.

Furthermore, we explored the importance of conducting thorough research before choosing an insurance provider. Your insurer should have a strong financial standing, a proven track record of providing excellent customer service, and a robust claims process. Reading customer reviews, seeking recommendations, and evaluating the insurer's reputation can go a long way in ensuring a smooth and satisfactory experience.

Encouragement for homeowners to feel confident in their insurance choices:

Now, as you stand equipped with knowledge about the risks, policy types, and insurers, it is time to take a step forward with confidence. Remember that insurance is not a mere formality but a critical safeguard for your mobile home and financial wellbeing. By investing time and effort into making informed decisions, you are taking proactive measures to protect yourself and your loved ones.

It is normal to feel overwhelmed or uncertain during the insurance selection process. However, take solace in the fact that you have taken the necessary steps to educate yourself. Trust in your ability to make the right choices, armed with the knowledge you have acquired. Remember, you are not alone in this journey. There is a wealth of resources available to assist you, from insurance agents to online forums where you can seek advice and guidance.

Final thoughts and next steps for securing the right insurance coverage for mobile homes:

As you conclude this book, it is essential to note that your journey towards securing the right insurance coverage does not end here. Implementing the following next steps will help ensure you find the perfect policy for your mobile home:

- **Evaluate your current insurance coverage:** Review your existing policy, if applicable, and assess its adequacy. Take note of any gaps in coverage that need to be addressed.
- **Request quotes from multiple insurers:** Obtain quotes from several insurers to compare coverage options, premiums, and deductibles. This will help you make an informed decision and potentially save on costs.
- **Consider additional coverage:** Depending on your specific needs, explore additional coverage options such as replacement cost coverage, liability insurance, or coverage for detached structures.
- **Review and update your policy annually:** As your circumstances change, it is crucial to review your policy annually and make any necessary updates. This ensures that your coverage remains in line with your evolving needs.
- **Maintain an inventory of belongings:** Keep an updated inventory of your personal belongings, including their value and proof of ownership. This will facilitate the claims process in case of damage, loss, or theft.
- **Stay informed about policy updates:** Stay updated with changes in insurance regulations, policy terms, and coverage options. This will help you adapt your insurance choices to any shifts in the industry.

In conclusion, feeling confident in your mobile home insurance choices requires education, research, and a proactive approach. By recapitulating the key takeaways from this book, embracing your ability to make informed decisions, and following the suggested next steps, you are well on your way to securing the right insurance coverage for your mobile home. Remember, knowledge is power, and armed with this knowledge, you can protect your invaluable asset and enjoy peace of mind.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

THE ULTIMATE GUIDE TO INSURING MOTORCYCLES

All About Motorcycle Insurance

Welcome to the exciting world of motorcycles! Whether you are a seasoned rider or a novice, this comprehensive guide is here to provide you with valuable information on one crucial aspect of motorcycling – choosing the right motorcycle insurance.

This ebook covers everything insurance agents need to know about insuring motorcycles, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the watercraft insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking a link.

The link will take you to a quiz with 10 multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects).

To get the most out of this eBook, you need to sign up for a FREE account at <https://quizizz.com/>

Chapter 1: Introduction

Motorcycles have long been symbols of freedom, adventure, and a unique way of life. Riding a motorcycle allows you to feel the wind in your face, experience the thrill of the open road, and immerse yourself in the beauty of your surroundings like no other mode of transportation can.

However, with great freedom comes great responsibility. Motorcycling can be inherently risky, and it is vital to understand and manage these risks effectively. One way to protect yourself, your investment, and others is by choosing the right motorcycle insurance.

1.1 Welcome to the World of Motorcycling

First and foremost, let us extend a warm welcome to all motorcycle enthusiasts, both new and experienced. Whether you have just acquired your first motorcycle or have been riding for years, this book aims to equip you with the knowledge and tools necessary to make informed decisions about your motorcycle insurance coverage.

Motorcycling offers a unique sense of exhilaration and a connection with the road that cannot be replicated by any other means of transportation. It is a passion that transcends mere transportation and often becomes an integral part of a rider's identity and lifestyle.

While motorcycles can provide endless enjoyment, it is crucial to remember that riding comes with inherent risks. Being aware of these risks and taking appropriate precautions is vital for ensuring your safety and the safety of others on the road.

1.2 The Importance of Choosing the Right Motorcycle Insurance

Among the various considerations that come with owning and riding a motorcycle, securing the appropriate insurance coverage is paramount. Motorcycle insurance offers financial protection against potential accidents, theft, damage, or injury that may occur while riding.

The right insurance policy can provide peace of mind, knowing that you are adequately protected against unforeseen circumstances. Conversely, inadequate or inappropriate insurance coverage can leave you exposed to substantial financial liabilities, putting your financial stability and assets at risk.

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Choosing the right motorcycle insurance involves understanding the various coverage options available, ensuring compliance with legal requirements, and tailoring your policy to meet your specific needs. It requires a thorough assessment of your riding habits, experience, and the value of your motorcycle.

Additionally, motorcycle insurance extends beyond personal protection, as it also safeguards the interests of other road users and property owners in the event of an accident for which you may be held liable. By having comprehensive insurance coverage, you contribute to the overall safety and well-being of the motorcycle community.

1.3 Structure of This Book

This book is designed to guide you through the process of choosing the right motorcycle insurance. It covers a wide range of topics, from understanding the basics of insurance policies to evaluating coverage options, comparing quotes, and selecting the best insurance provider for your needs.

To provide you with a comprehensive understanding, subsequent chapters will delve into the intricacies of motorcycle insurance, including the different types of coverage available, factors that influence insurance rates, and tips for maximizing your policy's benefits while minimizing costs.

We strongly urge you to read this book in its entirety, as it will empower you to make informed decisions when selecting motorcycle insurance. By doing so, you will not only protect yourself and your investment but also contribute to the overall safety and well-being of the motorcycle community as a responsible rider.

Conclusion

As you embark on your journey into the world of motorcycle insurance, it is essential to recognize the significance of making informed decisions. By understanding the importance of choosing the right motorcycle insurance, you take a proactive step towards safeguarding yourself, your motorcycle, and the interests of others.

In the following chapters, we will delve deeper into the intricacies of motorcycle insurance, equipping you with the knowledge and tools necessary to make optimal choices. So, let us explore the world of motorcycle insurance together and ensure that you are prepared for any adventure that comes your way.

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Chapter 2: Understanding Motorcycle Insurance Basics Introduction

Motorcycles are not only a means of transportation but also a symbol of freedom and adventure. However, riding a motorcycle comes with its own set of risks and responsibilities. Understanding motorcycle insurance basics is crucial for every rider, as it provides financial protection in the unfortunate event of accidents or damage. In this chapter, we will delve into the various types of motorcycle insurance coverage, minimum requirements in different jurisdictions, and the significance of comprehending policy terms and conditions.

Explanation of Different Types of Motorcycle Insurance Coverage

When it comes to motorcycle insurance, it is important to be aware of the different coverage options available. Each type of coverage provides specific protection and understanding them will help you make informed decisions. The three primary types of motorcycle insurance coverage include:

Liability Coverage:

Liability coverage is the most basic and essential form of insurance for motorcyclists. It provides financial protection if you are at fault for an accident that causes bodily injury or property damage to others. This coverage helps pay for medical expenses, repair costs, and legal fees.

Collision Coverage:

Collision coverage safeguards your motorcycle against damage caused by colliding with another object, regardless of fault. Whether it's a collision with another vehicle or a stationary object, this coverage ensures your motorcycle is repaired or replaced, subject to your policy's terms and conditions.

Comprehensive Coverage:

Comprehensive coverage protects your motorcycle from damage not caused by a collision, such as theft, vandalism, fire, or natural disasters.

This coverage takes care of repairs or replacement costs, allowing you peace of mind in the face of unforeseen events.

Other optional coverages include uninsured/underinsured motorist coverage, which protects you if you are involved in an accident with someone who lacks sufficient insurance, and medical payments coverage, which assists with medical expenses for injuries sustained in an accident, regardless of fault.

Overview of Minimum Requirements for Motorcycle Insurance

While the specific minimum requirements for motorcycle insurance vary across jurisdictions, it is crucial to understand and comply with the regulations in your area. In some jurisdictions, motorcycles may not be required to have insurance, but they often need to meet specific financial responsibility requirements.

For example, in the United States, most states mandate that motorcycles have liability insurance coverage with minimum limits. These limits typically vary depending on bodily injury per person, bodily injury per accident, and property damage per accident. Always consult your local authorities or insurance provider to ensure compliance with your jurisdiction's requirements.

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Importance of Understanding Policy Terms and Conditions

When purchasing motorcycle insurance, it is essential to thoroughly comprehend the policy terms and conditions. Insurance policies can be complex, filled with industry-specific jargon and legal terminology.

Familiarizing yourself with these terms will help you understand the extent of your coverage and any limitations or exclusions.

Pay attention to details such as deductibles, which are the out-of-pocket expenses you must pay before the insurance coverage kicks in.

Additionally, understand the scope of coverage, the process for filing claims, and any policy conditions or exclusions that may affect your ability to receive benefits.

By clarifying policy terms and conditions, you can avoid surprises during claims processes and ensure you have the right coverage to suit your needs. If certain aspects of the policy are unclear, don't hesitate to reach out to your insurance provider for assistance and clarification.

Conclusion

Understanding motorcycle insurance basics is crucial for every rider. In this chapter, we explored the different types of motorcycle insurance coverage, including liability, collision, and comprehensive coverage. We also discussed the minimum requirements for motorcycle insurance across various jurisdictions and emphasized the importance of understanding policy terms and conditions. Being knowledgeable about motorcycle insurance will not only protect your financial well-being but also provide you with the peace of mind to fully enjoy the ride.

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Chapter 3: Factors to Consider When Choosing Motorcycle Insurance

As a motorcycle enthusiast, one of the most critical decisions you will make is selecting the right insurance coverage for your bike. Understanding the various factors that influence motorcycle insurance is essential to ensure you receive adequate protection and peace of mind. This chapter delves into the crucial considerations when choosing motorcycle insurance, with a specific focus on the impact of bike type and usage considerations, as well as personal requirements such as age, experience, and driving record.

Bike Type and its Impact on Insurance Coverage

The type of motorcycle you own significantly affects the insurance coverage you require. Insurance companies categorize motorcycles into different classes based on engine size, power, and purpose. These classifications typically include standard motorcycles, cruisers, sport bikes, dual-sport bikes, touring bikes, and scooters.

Generally, high-performance motorcycles such as sport bikes or high-end cruisers are associated with higher insurance premiums. These bikes often have more powerful engines and higher top speeds, making them riskier in the eyes of insurers. On the other hand, standard motorcycles, cruisers, and scooters are generally considered less risky and may have more affordable insurance rates.

Insurance premiums also vary depending on the cost of repairs or replacement parts for a specific bike type. For instance, if you own a vintage or rare motorcycle, the cost of repairs may be higher due to limited availability of parts. Consequently, this could result in increased insurance premiums to account for potential repair costs.

Usage Considerations: Commuting, Recreational Riding, or Long-Distance Touring

Another critical factor to consider when selecting motorcycle insurance is how you plan to use your bike. Insurance companies often differentiate between commuting, recreational riding, and long-distance touring.

Commuting: If you primarily use your motorcycle for commuting to work or school, insurance providers will factor in your daily mileage and the associated risks. Commuting during rush hours or in busy city traffic may increase the likelihood of accidents or theft. Consequently, insurance premiums for commuters may be slightly higher than those for recreational riders or long-distance tourers.

Recreational Riding: If you use your motorcycle purely for recreational purposes, such as weekend rides or leisurely trips, insurance rates might be more affordable. However, keep in mind that the frequency and duration of recreational riding can still impact your premiums. Regularly participating in track days or other high-speed events may increase insurance costs due to the associated risks.

Long-Distance Touring: When embarking on long-distance tours, you may require additional coverage for potential breakdowns or accidents that occur far from home. Insurance providers offer specialized coverage options for touring motorcycles, including roadside assistance, trip interruption benefits, and coverage for travel gear. It is crucial to ensure that your policy adequately covers you for extended journeys to remote areas.

Personal Requirements: Age, Experience, and Driving Record

To obtain an accurate insurance quote and appropriate coverage, insurers consider personal factors such as age, experience, and driving record.

These factors provide insight into the level of risk associated with insuring you.

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Age: Younger riders, particularly those under 25, often face higher insurance premiums due to their perceived inexperience and higher accident rates. As you become older, insurance rates tend to decrease, assuming no significant changes in other risk factors.

Experience: Insurance providers typically reward experienced riders with lower premiums. If you have completed advanced riding courses or have a significant number of accident-free years, this can positively impact your insurance rates. Demonstrating a commitment to ongoing rider education can also lead to potential discounts.

Driving Record: Your driving record plays a vital role in determining your insurance rates. Insurance companies will assess your history of accidents, traffic violations, and claims. A clean record with no prior accidents or violations will generally result in lower premiums, as it implies a lower risk profile.

In conclusion, selecting the right motorcycle insurance involves careful consideration of various factors. Bike type, usage considerations, and personal requirements such as age, experience, and driving record all significantly impact insurance coverage and premiums. Understanding these factors will empower you to make an informed decision and choose the motorcycle insurance policy that best meets your needs, ensuring you are adequately protected on your two-wheeled adventures.

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Chapter 4: Coverage Options and Add-ons

Insurance coverage is an essential aspect of owning and operating a motorcycle. It provides financial protection and peace of mind in the event of an accident or unforeseen circumstances. However, with a myriad of coverage options and add-ons available, it can be overwhelming to navigate through the choices. This chapter aims to demystify the various coverage options and add-ons, enabling riders to make informed decisions that suit their specific needs.

Liability Coverage: Understanding the Different Limits and Their Significance

Liability coverage is fundamental for every motorcycle owner. It protects you financially in case you cause an accident that injures another person or damages their property.

Understandably, the consequences of such accidents can be financially devastating. Liability coverage ensures that you are protected from potential lawsuits or claims made against you.

When considering liability coverage, it is crucial to understand the different limits available and their significance. Insurance companies typically offer coverage limits for bodily injury per person, bodily injury per accident, and property damage. For instance, if you have a liability coverage limit of \$100,000/\$300,000/\$50,000, it means you are covered up to \$100,000 for bodily injury per person, \$300,000 for bodily injury per accident (if multiple people are involved), and \$50,000 for property damage.

It is recommended to choose liability coverage limits that adequately protect your assets and potential future earnings. While higher limits may increase your premium, they offer greater financial security in case of an accident.

Comprehensive Coverage: Protection Against Theft, Vandalism, and Non-Collision Damage

Comprehensive coverage is an optional add-on that provides protection for your motorcycle against various non-collision related risks. These risks include theft, vandalism, fire, falling objects, natural disasters, and more.

While comprehensive coverage is not legally required, it offers vital protection for your investment, especially if you own a valuable or highly sought-after motorcycle.

In the unfortunate event of theft, comprehensive coverage ensures that you are reimbursed for the value of your stolen motorcycle, subject to deductibles and policy limits. Similarly, if your motorcycle is vandalized or damaged by a falling tree, comprehensive coverage will cover the cost of repairs or replacement, depending on the extent of the damage.

Collision Coverage: Coverage for Repairs or Replacement if the Motorcycle is Damaged in an Accident

Collision coverage is another optional add-on that specifically covers the costs of repairing or replacing your motorcycle if it is damaged in a collision, regardless of who is at fault. This coverage is particularly relevant for riders who frequently ride in high-traffic areas or participate in off-road activities where collisions are more likely to occur.

If you are involved in an accident, collision coverage ensures that you are not burdened with expensive repair or replacement costs. However, it is important to note that collision coverage typically comes with a deductible, which is the amount you must pay out of pocket before your insurance coverage kicks in. Choosing a higher deductible can lower your premium but increases your financial responsibility in case of an accident.

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Uninsured/Underinsured Motorist Coverage: Protection When Involved in an Accident with an Uninsured or Underinsured Driver

Despite the legal requirement for drivers to carry insurance, the unfortunate reality is that not everyone does. If you are involved in an accident with an uninsured or underinsured driver, you may be left to bear the financial burden of medical expenses, property damage, or lost wages caused by the accident. This is where uninsured/underinsured motorist coverage becomes invaluable.

Uninsured/underinsured motorist coverage protects you in situations where the at-fault driver lacks adequate insurance coverage to fully compensate you for your losses. It ensures that you are not left with the burden of paying for medical bills, repairs, or other accident-related expenses out of your own pocket.

Medical Payments Coverage: Coverage for Medical Expenses Resulting from a Motorcycle Accident

Motorcycle accidents can lead to severe injuries, which often require extensive medical treatment and rehabilitation. Medical payments coverage, also known as MedPay, is an optional add-on that covers medical expenses resulting from a motorcycle accident, regardless of who is at fault.

MedPay can cover a range of medical expenses, including hospital bills, surgeries, doctor visits, medication, and even funeral costs in the unfortunate event of a fatality. This coverage provides valuable financial support, ensuring that you receive the necessary medical care without worrying about the associated costs.

Optional Add-ons: Roadside Assistance, Accessory Coverage, Rental Reimbursement, etc.

In addition to the core coverage options mentioned above, insurance companies offer various optional add-ons to cater to specific needs and preferences of motorcycle owners. These add-ons can enhance your coverage and provide additional services or protection. Some common add-ons include:

Roadside assistance: This service provides support in case your motorcycle breaks down or experiences mechanical issues while on the road. It can cover services such as towing, fuel delivery, battery jump-start, and flat tire assistance.

Accessory coverage: If you have added aftermarket accessories or modifications to your motorcycle, this add-on covers the repair or replacement costs in case they are damaged or stolen.

Rental reimbursement: If your motorcycle is being repaired following an accident, rental reimbursement coverage ensures that you are reimbursed for the cost of renting a replacement motorcycle.

Enhanced coverage for medical payments: Some insurers offer additional coverage options that extend the limits of medical payments coverage, providing even greater financial protection for medical expenses resulting from a motorcycle accident.

When considering optional add-ons, assess your needs and budget to determine which ones are most relevant to you. Keep in mind that each add-on may come with its own cost, so consider the value it adds to your overall coverage.

Understanding the different coverage options and add-ons available is essential for every motorcycle owner. By carefully evaluating your needs, risks, and budget, you can tailor your insurance policy to provide comprehensive protection and peace of mind.

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Remember, it is always wise to consult with a trusted insurance agent who can guide you through the process and help you make the best decisions for your specific circumstances.

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Chapter 5: Evaluating Insurance Providers

Introduction:

In the world of motorcycles, insurance is a crucial aspect of responsible ownership. It not only protects your valuable investment but also ensures your financial security in the event of an accident or theft. However, with numerous insurance providers available, choosing the right one can be daunting. To make an informed decision, it is essential to thoroughly evaluate insurance companies based on various factors. This chapter aims to guide you through the process of researching, comparing, and selecting a reputable and financially stable motorcycle insurance provider.

Researching and Comparing Motorcycle Insurance Companies:

Before settling on an insurance provider, conducting thorough research is crucial to understand the available options and make an informed decision. Here are some key steps to follow during the research process:

Identify your insurance needs: Begin by assessing your individual needs and requirements for motorcycle insurance. Consider factors such as coverage types, deductibles, limits, and any additional features you might require.

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Seek recommendations: Reach out to fellow motorcyclists, friends, family, or local riding communities to gather recommendations on insurance providers they trust and have had positive experiences with. Personal referrals are often a reliable source of information.

Utilize online resources: The internet is a valuable tool in the research process. Visit insurance provider websites to gather information about their coverage options, claims process, and customer service. Additionally, online forums and review platforms can provide insights into other riders' experiences with specific insurers.

Check industry ratings: Various independent rating agencies, such as A.M. Best, Moody's, and Standard & Poor's, assess the financial stability and strength of insurance companies. Review these ratings to ensure the insurer you choose is financially secure and capable of meeting their obligations.

Considerations for Selecting a Reputable and Financially Stable Insurer:

While researching insurance providers, it is essential to evaluate their reputation and financial stability. Here are some key considerations to help you narrow down your choices:

Financial strength: Opt for insurers with high financial ratings from reputable agencies. This ensures that the company has sufficient financial resources to fulfill their policyholders' claims and obligations.

Company history: Consider the insurer's track record and longevity in the industry. An established company with a solid history of serving motorcyclists is often more reliable and trustworthy.

Claims process and customer service: Look for insurers with a straightforward and efficient claims process. Consider reading customer reviews and testimonials to gauge the company's commitment to prompt and fair claim settlements. Remember, a responsive and helpful customer service team can greatly enhance your overall insurance experience.

Obtaining and Comparing Quotes:

Once you have shortlisted a few reputable insurance providers, it is time to obtain and compare quotes. Follow these steps to ensure you receive accurate quotes for your motorcycle insurance:

Provide accurate information: When requesting quotes, be sure to provide correct and complete information about your motorcycle, riding history, and personal details. This ensures that the quotes you receive are as accurate as possible.

Identify coverage variations: Compare the coverage options offered by each insurer. Look for variations in deductibles, limits, and additional features they provide. Consider whether these options align with your specific needs and budget.

Ask about discounts: Inquire about available discounts, such as safe rider discounts, multi-policy discounts, or discounts for completing motorcycle safety courses. These can significantly reduce your insurance premium.

Reading Customer Reviews and Testimonials:

Lastly, before finalizing your decision, it is crucial to read customer reviews and testimonials to gain valuable insights into the experiences of past and current policyholders. Consider the following while reading reviews:

Consistency in feedback: Look for common themes and consistent feedback from multiple customers. This helps determine the overall satisfaction level of policyholders.

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Focus on key aspects: Pay attention to reviews that discuss the claims process, customer service experience, and responsiveness of the insurer. These aspects directly impact your overall satisfaction with the company.

Conclusion:

Choosing the right motorcycle insurance provider requires careful consideration and thorough evaluation. By researching and comparing insurance companies, considering their reputation and financial stability, obtaining and comparing quotes, and reading customer reviews, you can make an informed decision that aligns with your needs and provides you with peace of mind. Remember, selecting a reputable and financially stable insurer is essential to ensure that your motorcycle is adequately protected and your financial future secured.

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Chapter 6: Navigating the Claims Process

Step-by-step guide on how to file a claim with your motorcycle insurance provider

Filing a claim with your motorcycle insurance provider can be a daunting task, especially during times of stress or after an unfortunate incident.

However, understanding the claims process and being prepared can help streamline the procedure and ensure a smoother experience. In this chapter, we will provide you with a step-by-step guide to filing a claim, offer insights into the claims process and timeline, share tips for effective communication, and provide guidance on resolving disputes or denied claims.

Step 1: Assess the situation and gather necessary information

The first step in filing a claim is to assess the situation and ensure your safety. Once you are safe, gather the following information:

Policy and contact information: Ensure you have your motorcycle insurance policy number, your insurance company's contact details, and your agent's information readily available.

Incident details: Make note of the date, time, and location of the incident. Take photographs, if possible, to document the damages or injuries involved.

Witness information: If there were any witnesses to the incident, try to obtain their contact details. Their statements may prove valuable during the claims process.

Step 2: Contact your insurance provider

Once you have gathered the necessary information, contact your insurance provider either by phone or through their online claims portal. Be prepared to provide them with the incident details and any relevant information gathered in Step 1.

Step 3: Understand the claims process and timeline

Each insurance provider may have their own specific claims process and timeline. It is important to understand how your provider handles claims. Ask for an explanation of their process, including any relevant timeframes for inspections, estimates, and settlements. Knowing the timeline will help manage your expectations and allow you to plan accordingly.

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Step 4: Provide accurate and detailed information

During the claims process, it is crucial to provide your insurance provider with accurate and detailed information. Be honest and transparent about the incident, damages, and injuries involved. Any misleading or incomplete information may result in delays or complications in the claims process.

Step 5: Maintain effective communication

Effective communication is key throughout the claims process. Follow these tips to ensure smooth communication:

Keep records: Maintain a record of all conversations, including dates, times, and the names of the individuals you spoke with. This will serve as a reference if any disputes arise later.

Respond promptly: Reply promptly to any communication from your insurance provider. Timely responses will help expedite the process.

Ask questions: If you are unclear about any aspect of the claims process or require further information, do not hesitate to ask your insurance provider. It is essential to have a clear understanding of what is expected from you.

Step 6: Resolving disputes or denied claims

In some cases, disputes may arise during the claims process, or your claim may be denied. If you find yourself in such a situation, consider the following steps:

Review your policy: Carefully review your insurance policy to understand the coverage and exclusions. Ensure that your claim falls within the terms of your policy.

Seek clarification: If you are unsure why your claim was denied or are in disagreement with the decision, request a detailed explanation from your insurance provider. They should be able to provide you with the specific reasons for denial or dispute.

Escalate if necessary: If you are unable to resolve the dispute with your insurance provider directly, consider seeking legal advice or contacting the appropriate regulatory authority. They can guide you on further steps to take.

Navigating the claims process can be complex, but by following these step-by-step instructions and tips, you can streamline the process and ensure a more successful outcome. Remember to stay organized, communicate effectively, and seek assistance when needed. By being proactive and prepared, you will maximize your chances of a fair and timely resolution to your motorcycle insurance claim.

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Chapter 7: Tips for Saving Money on Motorcycle Insurance Introduction:

When it comes to insuring your motorcycle, finding the right coverage is essential for protecting yourself and your bike. However, motorcycle insurance can be expensive, especially if you're not aware of the various ways to save money. In this chapter, we will explore several tips and strategies to help you reduce your motorcycle insurance premiums while maintaining adequate coverage.

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Exploring Potential Discounts and Savings Opportunities:

One of the first steps in saving money on motorcycle insurance is to inquire about potential discounts and savings opportunities offered by insurance providers. These discounts can vary from one insurer to another, so it is crucial to compare different options. Here are some common discounts to look out for:

Multi-policy Discount: Many insurance companies offer discounts if you bundle your motorcycle insurance with other policies such as auto or home insurance. Bundling multiple policies with the same provider can often result in significant savings.

Safe Rider Discount: Completing a motorcycle safety course demonstrates your commitment to safe riding practices. Insurance companies often reward riders who have completed such courses with lower premiums.

Loyalty Discount: Some insurers offer discounts to customers who have been with them for an extended period. If you've been insured with the same company for several years, inquire about loyalty discounts that might be available to you.

Motorcycle Association Memberships: Being a member of a recognized motorcycle association or club can make you eligible for special discounts. Check if your insurance provider has partnerships with any motorcycle organizations.

Strategies for Reducing Premiums Without Compromising Coverage:

Reducing your motorcycle insurance premiums doesn't mean you have to compromise on coverage. By employing the right strategies, you can enjoy lower premiums while still being adequately protected. Here are some strategies to consider:

Choose a Higher Deductible: Increasing your deductible is a common method to lower premiums. However, keep in mind that you'll need to pay the higher deductible amount out of pocket in the event of a claim, so ensure it's an amount you can comfortably afford.

Select the Appropriate Coverage: Evaluate your motorcycle's value and choose coverage accordingly. For older bikes, you might consider dropping collision or comprehensive coverage if the cost outweighs the bike's value.

Reduce Optional Coverage: Optional coverage such as roadside assistance or accessory coverage can significantly increase premiums. Assess whether you truly need these extras or if you can rely on alternative options.

Considerations for Bundling Motorcycle Insurance with Other Policies:

Bundling multiple insurance policies with the same provider can be an effective way to save money. However, before committing to this option, there are a few considerations to keep in mind:

Compare Rates: While bundling can lead to savings, it's crucial to compare the overall cost of bundling versus purchasing separate policies from different providers.

Sometimes, a different insurer may offer a better rate for your motorcycle insurance.

Evaluate Coverage Limits: When bundling policies, ensure that the coverage limits meet your specific needs. Lowering your coverage limits to save money can leave you underinsured in the event of an accident.

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Maintain a Good Driving Record to Qualify for Better Rates:

Maintaining a good driving record is vital for keeping your motorcycle insurance premiums low. Insurance companies often reward safe riders with better rates. Here are some tips to help you maintain a good driving record:

Obey Traffic Laws: Follow all traffic laws and regulations, including speed limits, signal usage, and lane discipline. Avoiding traffic violations demonstrates responsible riding behavior.

Attend Defensive Riding Courses: Take advantage of advanced or defensive riding courses to enhance your skills and knowledge. Completing these courses can improve your driving record and potentially qualify you for reduced premiums.

Limit Claims: Whenever possible, try to avoid filing claims for minor damages. Paying for small repairs out of pocket can help you maintain a claims-free record, resulting in better rates in the long run.

Conclusion:

Saving money on motorcycle insurance requires careful consideration of potential discounts, smart strategies, and maintaining a good driving record. By exploring available discounts, adjusting coverage appropriately, bundling policies, and demonstrating safe riding behavior, you can significantly reduce your premiums without compromising adequate coverage. Remember to compare quotes from different insurers to ensure you're getting the best value for your motorcycle insurance needs.

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Chapter 8: Recap of Key Points Discussed Throughout the eBook

In this comprehensive eBook, we have embarked on a journey to explore the world of motorcycle insurance. We have delved into the various aspects of this crucial financial tool, and it is now time to recap the key points we have discussed thus far. By understanding these points, you will be better equipped to make an informed decision when choosing the right motorcycle insurance tailored to your specific needs.

Understanding Motorcycle Insurance: We began our journey by establishing a clear understanding of what motorcycle insurance entails. We explored the different types of coverage available, including liability insurance, collision coverage, comprehensive coverage, and uninsured/underinsured motorist coverage. Each type serves a specific purpose to protect you, your motorcycle, and others on the road.

Evaluating Your Insurance Needs: We then moved on to discuss the importance of evaluating your own insurance needs. By considering factors such as your motorcycle's value and usage, your personal budget, and your risk tolerance, you can determine the appropriate coverage limits and deductibles that suit your individual circumstances.

Comparing Insurance Providers: Next, we examined the process of comparing insurance providers. We emphasized the significance of researching and obtaining quotes from multiple insurers to ensure you receive the best coverage options at competitive rates. Remember, not all insurers are created equal, so take the time to assess their reputation, customer service, and financial stability before making a decision.

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Factors Affecting Premiums: Understanding the factors that affect your insurance premiums is crucial. We discussed how your age, driving history, location, and the type of motorcycle you own can impact the cost of your insurance policy. By being aware of these factors, you can take steps to mitigate any negative impact on your premiums.

Policy Terms and Conditions: Our exploration then led us to delve into the essential terms and conditions of a motorcycle insurance policy. We outlined the importance of reading and understanding the fine print, including coverage limits, exclusions, and the claims process. This knowledge empowers you to make informed decisions and ensures you are adequately protected in the event of an accident or theft.

Final Thoughts and Encouragement to Choose the Right Motorcycle Insurance

Now that we have covered the key points of motorcycle insurance, it is crucial to emphasize the importance of choosing the right motorcycle insurance tailored to your needs. Your motorcycle is more than just a means of transportation; it represents freedom, adventure, and a lifestyle. Therefore, it is essential to protect your investment and yourself from any unforeseen circumstances.

While it may be tempting to opt for the cheapest insurance policy available, this approach may leave you underinsured and vulnerable in the long run. Instead, focus on obtaining the most value for your money by considering the coverage options that align with your specific needs.

Remember, insurance is not just an expense; it is an investment in your peace of mind. Quality coverage can provide financial protection in case of accidents, theft, or damage. It can also offer liability coverage to safeguard your financial well-being in case of any legal issues arising from an accident.

As you embark on your journey to choose the right motorcycle insurance, don't hesitate to seek guidance from insurance professionals who can offer personalized advice based on your unique circumstances. They can help you navigate the complexities of insurance policies and ensure you are adequately protected.

In conclusion, we hope that this eBook has provided you with valuable insights and equipped you with the knowledge required to make an informed decision when it comes to choosing motorcycle insurance. By understanding the different types of coverage, evaluating your insurance needs, comparing providers, and familiarizing yourself with policy terms and conditions, you are well on your way to securing the right insurance coverage for your motorcycle.

Remember, accidents can happen at any time, and being properly insured is the best protection you can have. Safeguard yourself, your motorcycle, and your financial well-being by choosing the right motorcycle insurance tailored to your needs. Ride safe and enjoy the open road!

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Glossary of Terms

In order to navigate the complex world of motorcycle insurance, it is essential to familiarize oneself with the various terms and industry jargon commonly used in this field. This glossary aims to provide concise and clear definitions for the most frequently encountered terms, enabling riders and insurance seekers to quickly find answers to their questions. This quick reference will facilitate understanding, ensuring informed decisions are made when it comes to motorcycle insurance. Read on to gain a comprehensive grasp of the definitions of common motorcycle insurance terms and industry jargon.

Premium: The amount of money an individual pays to an insurance provider to secure coverage for their motorcycle. Premiums are typically paid on a monthly, quarterly, or annual basis.

Deductible: The predetermined amount, specified within an insurance policy, that an insured individual must pay out of pocket before their insurance coverage begins to pay for a claim. For example, if a policy has a \$500 deductible and the claim is valued at \$2,000, the insured would be responsible for paying the initial \$500, and the insurance provider would cover the remaining \$1,500.

Liability: In the context of motorcycle insurance, liability refers to the legal responsibility of an individual for any damages caused to others while operating their motorcycle. Motorcycle liability insurance covers these costs, including medical expenses, property damage, and legal fees.

Comprehensive Coverage: A type of motorcycle insurance that covers damages to a policyholder's motorcycle resulting from incidents other than collisions, such as theft, vandalism, fire, or natural disasters.

Collision Coverage: Insurance that covers damages to a policyholder's motorcycle resulting from a collision with another vehicle or object, regardless of who is at fault.

Uninsured/Underinsured Motorist Coverage: This type of coverage protects insured individuals if they are involved in an accident with a driver who either lacks insurance or has insufficient coverage to pay for the damages incurred.

Medical Payments Coverage: Insurance that covers the medical expenses of the policyholder and their passengers in the event of an accident, regardless of who is at fault.

Total Loss: Occurs when the cost of repairing a motorcycle after an accident exceeds its market value. In such cases, the insurance provider may declare the motorcycle a total loss and offer a settlement based on the vehicle's actual cash value.

Actual Cash Value (ACV): The fair market value of a motorcycle at the time of a loss. ACV takes into account factors such as the motorcycle's age, condition, and mileage, and is used to determine the amount of compensation a policyholder receives in the event of a covered loss.

No-Fault Insurance: A type of coverage that enables a policyholder to make a claim with their own insurance provider regardless of who is at fault in an accident. No-fault insurance is intended to speed up the claims process and reduce legal disputes.

Exclusions: Specific situations or circumstances listed within an insurance policy where coverage will not be provided. Policyholders must carefully review these exclusions to fully understand the extent of their coverage.

Salvage Title: A title given to a motorcycle that has been declared a total loss by the insurance provider. Salvage title motorcycles have been deemed uneconomical to repair, and their ownership and usage restrictions may vary depending on local regulations.

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Premium Rider: An additional feature or coverage option that can be added to a motorcycle insurance policy for an extra cost. Premium riders may include coverage for accessories, roadside assistance, or enhanced liability protection.

NCD (No Claims Discount): A discount offered by insurance companies to policyholders who have not made any claims during a specific period. This discount rewards safe driving practices and can lead to lower premiums.

OEM Parts: Short for Original Equipment Manufacturer, these are parts made by the motorcycle manufacturer specifically for their models. OEM parts are often preferred by insurance companies for repairs, as they ensure the best fit and maintain the motorcycle's value.

By familiarizing yourself with these common motorcycle insurance terms and industry jargon, you will gain the confidence and knowledge necessary to navigate the complex world of motorcycle insurance. Remember to carefully review your policy, ask questions, and seek professional advice when needed to ensure you secure the coverage that meets your specific needs. Stay informed and ride with peace of mind.

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Insurance agents need to know about insuring ATVs, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the watercraft insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking a link.

The link will take you to a quiz with 10 multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects).

To get the most out of this eBook, you need to sign up for a FREE account at <https://quizizz.com/>

Throughout this chapter, we will delve into the importance of ATV insurance, shedding light on its significance in protecting off-roading enthusiasts and their prized vehicles. We will explore the potential risks that accompany these adrenaline-pumping adventures and the financial implications that can arise without the appropriate coverage. So, buckle up, and let us embark on this journey of understanding the vital role of ATV insurance.

1.1 The Allure of Off-Roading Adventures

Off-roading captures the hearts of adventure seekers and nature enthusiasts alike. The allure lies in the freedom to traverse landscapes inaccessible to traditional modes of transport, immersing oneself in the raw beauty of nature. It offers an escape from the constraints of everyday life, rejuvenating the soul with each untamed path conquered.

Off-roading adventures come in various forms. Whether it is conquering steep mountains, exploring dense forests, or traversing sandy desert dunes, each terrain presents its own set of challenges and thrills. The power and versatility of an ATV make it the perfect companion, capable of tackling even the harshest environments.

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1.2 The Need for ATV Insurance

While off-roading offers endless possibilities for exploration and exhilaration, it is not without its risks. As enthusiasts push the boundaries of what is possible, accidents and mishaps can occur. These incidents not only pose physical threats but can also have significant financial consequences.

The importance of ATV insurance cannot be overstated. It acts as a protective shield, shielding riders from the potentially devastating financial burden that can arise from accidents, property damage, or bodily injuries. ATV insurance is designed to provide coverage for the vehicle itself, third-party liabilities, medical expenses, and potential legal battles that may arise due to accidents.

1.3 Understanding the Coverage

ATV insurance policies typically cover a range of aspects, ensuring comprehensive protection for both the vehicle and the rider. Let us explore some key coverage components:

1.3.1 Liability Coverage

Liability coverage is fundamental when it comes to protecting against potential legal obligations. In the event of an accident where the rider is at fault, liability coverage ensures that any bodily injury or property damage caused to others is financially covered. This coverage extends to medical expenses, legal fees, and compensation for damages.

1.3.2 Collision Coverage

Collision coverage comes into play when the ATV sustains damage due to a collision with another vehicle, object, or terrain feature. This coverage assists in repairing or replacing the ATV, minimizing the financial burden on the rider.

1.3.3 Comprehensive Coverage

Comprehensive coverage safeguards against damage or loss caused by factors other than collision. This includes theft, vandalism, fires, floods, or natural disasters. With comprehensive coverage, riders can find solace knowing that their prized possession is protected against unforeseen events.

1.3.4 Medical Payments Coverage

Off-roading adventures entail inherent risks, and injuries can occur. Medical payments coverage, also known as personal injury protection (PIP), assists in covering medical expenses resulting from an accident, regardless of fault. This coverage ensures that riders receive the necessary medical attention without being overwhelmed by medical bills.

1.4 The Peace of Mind in Insurance

ATV insurance not only provides financial protection but also grants riders the peace of mind needed to fully immerse themselves in the off-roading experience. Knowing that they are adequately covered allows enthusiasts to focus on what truly matters – enjoying the journey, conquering challenging terrains, and exploring the untamed beauty of nature.

In our subsequent chapters, we will delve deeper into the intricacies of ATV insurance, exploring the various coverage options available, and providing guidance on selecting the most suitable policy for your off-roading adventures. We will also discuss important factors to consider when choosing an insurance provider and provide practical tips to help you navigate the insurance landscape.

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Join us as we untangle the complexities of ATV insurance, empowering you to safeguard your off-roading experiences and relish the freedom of the great outdoors without the burden of uncertainty.

Chapter 2: Understanding ATV Insurance Basics Introduction:

When it comes to enjoying the thrill and adventure of riding an All-Terrain Vehicle (ATV), it is essential to prioritize safety and protection. Just like any other vehicle, ATVs are not immune to accidents, damages, or theft. This is why understanding the fundamentals of ATV insurance is crucial for every rider. In this chapter, we will explore the different types of coverage available, their significance, and the legal requirements and potential consequences of riding without insurance.

Overview of ATV Insurance Fundamentals:

ATV insurance is designed to protect you, your vehicle, and others in case of unforeseen events. It provides financial coverage for damages or injuries that may occur while operating your ATV. Understanding the various types of coverage is essential to ensure you have the appropriate protection for your needs:

Liability Coverage

Liability coverage is the foundation of any insurance policy and is generally required by law. It protects you from financial responsibility if you cause an accident resulting in injuries or property damage to others. This coverage provides compensation for medical expenses, property repairs, and legal fees if you are sued.

Collision Coverage

Collision coverage pays for damages to your ATV if you collide with another vehicle or object, regardless of who is at fault. It covers repairs or replacement costs, ensuring you can get back on the trails as quickly as possible.

Comprehensive Coverage

Comprehensive coverage protects you from damages to your ATV that occur from sources other than collisions. This includes theft, vandalism, fire, severe weather conditions, or hitting an animal. It provides peace of mind knowing your investment is protected against various risks.

Uninsured/Underinsured Motorist Coverage

This coverage safeguards you in case of an accident involving another ATV rider who lacks insurance or has insufficient coverage. It covers medical expenses, damages, and even lost wages if the other party is at fault but cannot cover the costs.

Medical Payments Coverage

Medical payments coverage pays for your medical expenses resulting from an ATV accident, regardless of who is at fault. It includes ambulance fees, hospital stays, surgeries, and other necessary treatments. This coverage ensures you receive the care you need without worrying about the financial burden.

Legal Requirements and Consequences

Operating an ATV without insurance can lead to severe legal consequences and financial hardships. It is important to understand the legal requirements specific to your jurisdiction:

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State and Local Laws

Laws regarding ATV insurance vary by state and even local jurisdictions. Research and familiarize yourself with the minimum requirements to ensure compliance. Failure to meet these requirements may result in fines, license suspension, or even confiscation of your ATV.

Personal Liability

Riding without insurance exposes you to personal liability for any damages or injuries you may cause. Without insurance, you would be responsible for paying medical bills, property repairs, and legal fees out of pocket. This can quickly amount to thousands or even tens of thousands of dollars, potentially causing severe financial strain.

Loss of Assets

If you cannot afford to pay for damages caused by an accident, your personal assets may be at risk. This includes your savings, home, vehicle, or any other valuable possession. Protecting your assets by maintaining adequate ATV insurance is crucial to avoid potential loss.

Limited Access

Many riding areas, trails, and parks require proof of insurance before granting access. Lack of insurance could restrict your ability to enjoy certain locations, limiting your riding experiences and opportunities.

Conclusion:

Understanding ATV insurance basics is essential for every rider who wishes to protect themselves, their vehicle, and others. By comprehending the different types of coverage available, their significance, and the legal requirements and consequences of riding without insurance, you can ensure peace of mind and enjoy your ATV adventures to the fullest. In the upcoming chapters, we will delve deeper into specific aspects of ATV insurance to help you make informed decisions regarding your coverage needs.

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Chapter 3: Liability Coverage for ATV Owners

Exploring liability coverage options for ATV owners, including bodily injury and property damage liability.

Understanding the importance of liability coverage in protecting against potential lawsuits and financial burdens.

Introduction:

As an ATV owner, it is essential to recognize the potential risks and liabilities associated with operating this exhilarating machine. While ATV adventures can be thrilling, accidents can happen, leading to bodily injuries or property damage. To safeguard yourself from potential lawsuits and financial burdens, it is crucial to explore liability coverage options that can provide the necessary protection. In this chapter, we will delve into the importance of liability coverage for ATV owners, focusing on bodily injury and property damage liability considerations.

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Bodily Injury Liability Coverage:

Operating an ATV carries a degree of risk, primarily because accidents involving these vehicles can result in severe bodily injuries. Bodily injury liability coverage is designed to protect ATV owners from the financial consequences of injuring others while operating their vehicles. This coverage assists in compensating victims for medical expenses, lost wages, pain and suffering, and other damages resulting from the accident.

It is crucial to assess the minimum liability coverage requirements in your jurisdiction, as these may vary. However, it is highly recommended to opt for higher limits to ensure adequate protection in case of a severe accident. Consider the potential medical costs, rehabilitation expenses, and ongoing care that may be required for individuals injured in an ATV accident. By selecting higher liability limits, you can mitigate the risk of personal financial responsibility.

Property Damage Liability Coverage:

ATV accidents can also result in damage to someone else's property, such as vehicles, fences, or buildings. Property damage liability coverage provides protection against these financial burdens by covering the cost of repairs or replacements. Similar to bodily injury liability coverage, it is essential to assess the minimum coverage requirements in your jurisdiction and consider opting for higher limits.

While property damage liability coverage may seem straightforward, it is crucial to remember that the cost of repairing or replacing certain properties can be substantial. Additionally, consider the potential damage caused by your ATV to natural resources or public lands. By obtaining adequate property damage liability coverage, you can protect yourself from potentially crippling financial consequences.

The Importance of Liability Coverage:

Liability coverage is not only a legal requirement in many jurisdictions but also a crucial component of responsible ATV ownership. Not having liability coverage exposes you to significant personal financial risk in the event of an accident. Potential lawsuits resulting from bodily injuries or property damage can lead to substantial legal fees, settlements, or court-ordered compensation. Without proper liability coverage, you may be forced to bear these expenses out of your own pocket, potentially causing significant financial distress.

Moreover, liability coverage also protects your assets and future earnings from being seized to satisfy legal judgments. In the unfortunate event of an accident, liability coverage ensures that you can focus on recovery and moving forward rather than worrying about the financial implications.

Conclusion:

Liability coverage is an indispensable aspect of owning and operating an ATV. By exploring the options available for bodily injury and property damage liability coverage, ATV owners can protect themselves from potential lawsuits and overwhelming financial burdens. Remember to assess the minimum coverage requirements in your jurisdiction and consider opting for higher limits to ensure adequate protection.

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Chapter 4: Collision Coverage – Protecting Your ATV Introduction

In this chapter, we will dive into the specifics of collision coverage for your all-terrain vehicle (ATV). We will explore the importance of collision coverage, its role in covering damages resulting from accidents involving your ATV, and provide valuable tips on selecting the right coverage, understanding deductibles, and setting appropriate limits. By the end of this chapter, you will be equipped with the knowledge necessary to make informed decisions about protecting your valued ATV.

Understanding Collision Coverage

Collision coverage is a type of insurance that provides financial protection against damages to your ATV resulting from accidents, whether they involve other vehicles, objects, or even rollovers. It is important to note that collision coverage only covers damages to your own ATV, not to other vehicles or property involved in the accident.

Role of Collision Coverage

Accidents happen, even to the most cautious riders. Whether it's a minor fender bender or a more significant collision, the costs of repairing or replacing your ATV can be substantial. Collision coverage ensures that you are not left with a hefty bill in the event of an accident. It offers peace of mind by safeguarding your investment and allowing you to get back on the trails as quickly as possible.

Selecting the Right Collision Coverage

When selecting collision coverage for your ATV, several factors should be considered to ensure adequate protection without unnecessary costs. Here are a few tips to help you make an informed decision:

a. Evaluate the Value of Your ATV

Assess the current market value of your ATV. This will help determine whether it is cost-effective to have collision coverage for an older ATV with a lower market value.

b. Determine Your Risk Profile

Review your riding habits and the terrain you typically navigate. If you frequently engage in off-road adventures or ride in areas with higher accident risks, it may be wise to opt for comprehensive collision coverage.

c. Understand Deductibles

A deductible is the amount you are responsible for paying out of pocket before your insurance coverage kicks in. Higher deductibles often result in lower premiums but ensure you can comfortably afford the deductible amount in the event of an accident.

Understanding Deductibles and Limits

a. Deductibles

When choosing a collision coverage policy, carefully consider the deductible options available. Higher deductibles often mean lower premiums, but remember that you will need to pay the deductible before your insurance coverage comes into effect. Select a deductible amount that aligns with your financial capabilities.

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b. Limits

Insurance policies have limits that determine the maximum amount the policy will cover in the event of an accident. It is crucial to understand the limits outlined in your collision coverage to avoid any surprises later. Ensure the limits provided are sufficient to cover potential damages to your ATV.

Additional Considerations

a. Bundling Policies

If you have other insurance policies, such as auto or homeowners insurance, consider bundling them with your ATV's collision coverage. Bundling policies can often lead to discounted rates and more comprehensive coverage.

b. Claims Process

Familiarize yourself with the claims process specific to your insurance provider. Understand the requirements, documentation, and timelines involved in filing a claim to ensure a smooth and efficient resolution in the event of an accident.

Conclusion

In this chapter, we explored the in-depth explanation of collision coverage and its role in protecting your ATV. We discussed the importance of selecting the right collision coverage, understanding deductibles, and setting appropriate limits. By considering these factors and making informed choices, you can ensure that your ATV is adequately protected against damages resulting from accidents. In the next chapter, we will delve into the world of comprehensive coverage, offering insights on safeguarding your ATV against non-collision incidents.

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Chapter 5: Comprehensive Coverage: Beyond Collisions Introduction:

In the realm of insurance, comprehensive coverage stands as a formidable shield, protecting against damages caused by non-collision incidents. While collision coverage plays a vital role in safeguarding vehicles from accidents, comprehensive coverage goes beyond, shielding against calamities like theft, vandalism, fire, and natural disasters. This chapter delves into the intricacies of comprehensive coverage, providing a detailed analysis of its benefits and exploring its significance for off-road vehicles.

Understanding Comprehensive Coverage

Comprehensive coverage, also known as "other than collision" coverage, serves as a comprehensive safety net for vehicle owners. It provides financial protection against damages resulting from incidents that are not collisions, encompassing a wide range of risks including theft, vandalism, fire, falling objects, explosions, and natural disasters. By extending the coverage scope beyond collisions, comprehensive coverage offers peace of mind to vehicle owners, assuring them that unforeseen perils are accounted for.

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The Importance of Comprehensive Coverage for off-road vehicles: Off-road vehicles, renowned for their adventurous nature and ability to navigate rugged terrains, are susceptible to a unique set of risks. While collisions remain a concern, off-road vehicles often face other dangers that can lead to significant damages. Comprehensive coverage becomes paramount for off-road vehicles due to the following reasons:

a) Protection against theft

Off-road vehicles are attractive targets for thieves due to their higher price tags and the potential for resale. Comprehensive coverage ensures that owners are not left empty-handed in the event of theft, offering financial compensation to help recover the loss.

b) Safeguarding against vandalism

When off-road vehicles are used for outdoor activities or parked in remote areas, they can fall victim to acts of vandalism. Comprehensive coverage acts as a shield, covering the costs of repairs or replacements needed due to acts of vandalism.

c) Mitigating fire-related damages

Off-road vehicles are often exposed to environments where the risk of fire is heightened. Whether it be from campfires, electrical malfunctions, or external sources, fire can cause significant damage to these vehicles. Comprehensive coverage provides the necessary protection, ensuring that owners are not left with the burden of repairing or replacing their vehicles.

d) Natural disaster resilience

Off-road enthusiasts often venture into regions prone to natural disasters, such as hurricanes, floods, or wildfires. Comprehensive coverage takes into account these potential risks, offering financial assistance to vehicle owners to rebuild or repair their off-road vehicles in the aftermath of such calamities.

Additional Considerations for Off-Road Vehicles

a) Equipment coverage

Comprehensive coverage can be extended to include protection for specialized equipment or modifications made to off-road vehicles. This ensures that any damage to expensive accessories or enhancements, such as winches, snorkels, or lift kits, are also covered.

b) Transportation and storage

Many off-road vehicle owners rely on trailers or storage facilities to transport or store their vehicles. Comprehensive coverage can be tailored to include protection for trailers, ensuring that any damages or theft occurring during transportation or storage are accounted for.

c) Exclusions and limitations

It is essential to review the policy's terms and conditions regarding comprehensive coverage for off-road vehicles. These policies may include certain exclusions or limitations, such as specific terrain restrictions or requiring additional security measures. Understanding these limitations helps owners align their activities and precautions accordingly.

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Conclusion

Comprehensive coverage stands as a vital component of vehicle insurance, protecting against damages caused by non-collision incidents. For off-road vehicles, this coverage becomes even more critical, considering the unique risks they face during their adventures. By providing financial security against theft, vandalism, fire, and natural disasters, comprehensive coverage ensures that off-road vehicle owners can enjoy their pursuits with peace of mind, knowing that their prized possessions are well protected.

Chapter 6: Choosing the Right ATV Insurance Policy Introduction

Off-roading adventures on ATVs can be exhilarating, but they also come with their fair share of risks. Protecting yourself and your vehicle is essential, which is why selecting the right ATV insurance policy is crucial. This chapter aims to guide you through the process of choosing the perfect insurance coverage for your off-roading needs. We will discuss the factors to consider when selecting an ATV insurance policy, including coverage limits, deductibles, and premiums. Additionally, we will provide tips on comparing different policies and understanding your specific requirements for those thrilling adventures.

Factors to Consider when Selecting an ATV Insurance Policy: Coverage Limits

ATV insurance policies typically include liability coverage, which protects you if you cause damage to others' property or injure someone while riding. When choosing a policy, carefully consider the coverage limits to ensure they adequately protect you in case of an accident. Opting for higher coverage limits may result in slightly higher premiums, but it offers greater peace of mind.

Comprehensive and Collision Coverage

To protect your own ATV from damage or theft, comprehensive and collision coverage are crucial. Comprehensive coverage protects against non-collision incidents such as theft, vandalism, or natural disasters, while collision coverage covers damages resulting from collisions. Evaluate the value of your ATV and your potential exposure to risks to determine the appropriate level of comprehensive and collision coverage for your needs.

Medical Payments Coverage

Accidents happen, and medical expenses can quickly pile up. Medical payments coverage, also known as personal injury protection, can help cover medical bills for you and your passengers in case of injury. Consider your budget and potential medical costs to determine the appropriate level of coverage. Remember, it is always better to be over-insured than under-insured when it comes to protecting your health.

Uninsured/Underinsured Motorist Coverage

Unfortunately, not all ATV riders carry insurance. In case of an accident involving an uninsured or underinsured rider, having this coverage will protect you and ensure you receive compensation for damages. It is wise to select a policy that includes this additional coverage to safeguard yourself from potential financial burdens caused by uninsured individuals.

Deductibles

A deductible is the amount of money you must pay out of pocket before your insurance coverage kicks in. When choosing a policy, carefully consider the deductible amount.

Generally, higher deductibles lead to lower premiums, while lower deductibles come with higher premiums. Assess your financial situation and ability to pay a higher deductible in case of an accident to make an informed decision.

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Tips on Comparing Different Policies:

Request Multiple Quotes

Contact different insurance providers to obtain quotes from various companies. Comparing quotes will help you understand the range of premiums and coverage options available to you. Remember to provide accurate information about your ATV, usage, and personal details to receive accurate quotes.

Understand Exclusions

Thoroughly read each policy's terms and conditions, paying close attention to exclusions. Exclusions are specific incidents or situations that are not covered by the policy. Being aware of these exclusions will help you choose a policy that aligns with your off-roading activities and potential risks.

Check for Additional Benefits

Some insurance policies offer additional benefits such as roadside assistance, coverage for transport trailers, or coverage for accessories like helmets and riding gear. Assess these additional benefits and consider their value when comparing policies.

Understanding Your Specific Needs:

- **Evaluate Your Off-Roading Frequency**

Consider how often you engage in off-roading adventures. If you frequently ride your ATV, it is essential to select a policy that provides comprehensive coverage and higher liability limits to protect you against potential risks.

- **Assess Your Riding Terrain**

Different terrains carry varying risks. If your off-roading adventures include rugged terrains or steep trails, consider a policy that covers damages specific to these conditions. Understanding your usual riding environment will help you choose coverage that caters to your off-roading needs.

- **Consult with an Insurance Agent**

If you are unsure about the specific needs of your off-roading adventures or find yourself overwhelmed with policy options, seek guidance from an experienced insurance agent. They can provide personalized advice and help you understand complex policy details.

Conclusion

Choosing the right ATV insurance policy is crucial for ensuring your off-roading adventures remain enjoyable and protected. By considering factors such as coverage limits, deductibles, and premiums, as well as comparing policies and understanding your specific needs, you can make an informed decision that offers maximum security. Take the time to research and evaluate policies, consult with professionals if needed, and rest easy knowing you are adequately covered for whatever thrilling off-roading experiences lie ahead.

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Chapter 7: Common Exclusions in ATV Insurance Introduction:

When it comes to enjoying the thrill of off-road adventures on an ATV, responsible riders understand the importance of protecting themselves and their vehicles. ATV insurance provides valuable coverage against a range of risks, but it is essential to understand the common exclusions and limitations in these policies. By identifying these exclusions and taking necessary precautions, riders can ensure they have the appropriate coverage in place to safeguard themselves and their ATVs.

Identifying Common Exclusions and Limitations:

Racing and Competition:

Many ATV insurance policies exclude coverage for incidents that occur during racing or competition. The high-speed nature of these events poses significant risks, and insurance providers often consider them as too perilous to cover. Therefore, riders should clarify whether their policy includes coverage for racing or competition, and if not, explore specialized insurance options available for these activities.

Intoxication and Illegal Activities:

ATV insurance policies typically exclude coverage for accidents or damages resulting from operating an ATV while under the influence of drugs or alcohol. Engaging in illegal activities, such as trespassing or using an ATV for criminal purposes, may also result in policy exclusions. Riders should always operate their ATVs responsibly and follow the law to avoid jeopardizing their insurance coverage.

Wear and Tear:

Standard ATV insurance policies generally do not cover normal wear and tear or mechanical breakdowns. Insurance is designed to protect against unexpected accidents and damages caused by specific perils, such as collisions or theft. It is the rider's responsibility to properly maintain their ATV to avoid issues arising from wear and tear.

Commercial and Business Use:

If an individual uses an ATV for commercial purposes, such as guiding tours or rental services, it is crucial to ensure their insurance policy covers commercial or business use. Most personal ATV insurance policies exclude coverage for accidents that occur during such activities. Consider investing in specialized commercial ATV insurance to protect yourself and your business.

Uninsured or Underinsured Drivers:

While responsible riders may have comprehensive ATV insurance, there is a possibility of encountering other riders who lack proper coverage.

Standard ATV insurance policies may not include coverage for accidents involving uninsured or underinsured drivers. To protect against such scenarios, riders should consider adding uninsured/underinsured motorist coverage as an endorsement to their policy.

Understanding the Impact of Exclusions:

It is essential for riders to grasp how exclusions in ATV insurance policies can affect their coverage. Failure to do so may result in unexpected expenses and financial burdens. For instance, if a rider participates in a race and suffers an accident, but their policy expressly excludes racing, they may be left without coverage for medical expenses, vehicle repairs, or liability claims.

THE ULTIMATE GUIDE TO INSURING ALL TERRAIN VEHICLES (ATV)

Taking Necessary Precautions:

Read and Understand the Policy:

Before purchasing ATV insurance, riders must carefully read and understand the policy, paying close attention to the exclusions section. If any exclusions are unclear, seek clarification from the insurance provider or agent to ensure you have a clear understanding of what is covered and what is not.

Seek Additional Coverage:

If your policy excludes certain activities or scenarios that you frequently engage in, consider obtaining supplementary coverage. Speak with your insurance provider about adding endorsements or acquiring specialized insurance policies that cater to your specific needs, such as racing coverage or commercial ATV insurance.

Maintain a Safe Riding Environment:

By adhering to safety guidelines and operating your ATV responsibly, you decrease the likelihood of accidents and claims being denied due to reckless behavior. Stick to designated trails, wear appropriate safety gear, and never operate your ATV while intoxicated. Responsible riding not only reduces risk but also demonstrates your commitment to maintaining coverage.

Conclusion:

Understanding the common exclusions and limitations in ATV insurance policies is crucial for riders seeking comprehensive coverage. By identifying these exclusions and taking necessary precautions, riders can ensure they have the appropriate insurance in place to protect themselves and their ATVs. Remember to read and understand the policy, seek additional coverage when needed, and maintain a safe riding environment. By doing so, you can enjoy the off-road adventures with peace of mind, knowing you have the right insurance coverage.

Chapter 8: Maximizing Coverage for Off-Road Recreational Use

Introduction

Off-road recreational activities, such as ATV riding, offer thrilling adventures and a chance to explore the great outdoors. However, with this excitement also comes certain risks. Accidents, damages, and injuries are not uncommon in these activities, which is why it is crucial to have comprehensive insurance coverage to protect yourself, your ATV, and others involved. In this chapter, we will explore valuable tips and strategies to maximize ATV insurance coverage for off-road recreational activities. We will discuss understanding the limitations of your policy, potential additional coverage options, and how to ensure you are adequately protected.

Understanding the Limitations of Your Policy

When it comes to off-road recreational activities, it is essential to understand the limitations of your current insurance policy. Many standard auto insurance policies do not provide coverage for off-road vehicles, or if they do, it is limited and excludes certain circumstances. Here are a few key aspects to consider:

Exclusions and Limitations

Carefully review your policy to identify any exclusions or limitations related to off-road recreational use. These may include specific types of terrain, competitive events, or even age restrictions. Understanding these limitations will help you gauge the extent of your coverage.

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Liability Coverage

Liability coverage protects you in the event that you cause damage or injury to others. However, off-road recreational activities can involve unique risks, making it crucial to ensure your policy includes comprehensive liability coverage specifically tailored for ATV use. This coverage should encompass not only injuries to others but also property damages caused by your ATV.

Physical Damage Coverage

Off-roading often exposes ATVs to rough terrains, increasing the risk of damages from collisions, accidents, or natural obstacles. Standard policies may not cover these types of damages, leaving you vulnerable to expensive repairs. Consider enhancing your policy with comprehensive physical damage coverage to ensure protection against these risks.

Potential Additional Coverage Options

To maximize your ATV insurance coverage for off-road recreational activities, it is worth considering additional coverage options that cater specifically to your needs. While these options may come at an extra cost, they can provide enhanced protection and peace of mind. Here are some potential additional coverage options to explore:

Uninsured/Underinsured Motorist Coverage

Off-roading often takes place in less populated areas, increasing the likelihood of encountering individuals who are uninsured or underinsured. In the event of an accident where the other party is at fault but lacks sufficient insurance, this coverage can help bridge the gap and protect you financially.

Medical Payments Coverage

Accidents can lead to injuries, and medical expenses can quickly accumulate. By adding medical payments coverage, you can ensure that your healthcare costs are covered, regardless of who is at fault. Consider the extent of coverage you may need, including emergency medical transportation and potential long-term rehabilitation.

Accessory Coverage

Many ATV owners invest in additional accessories and equipment, such as winches, racks, or aftermarket parts. However, these accessories may not be covered under a standard policy. To protect your investment, consider adding accessory coverage to ensure you receive compensation for any damages or theft of these valuable additions.

Trip Interruption Coverage

Off-road adventures often involve traveling to remote locations. If an accident or damage to your ATV occurs during such a trip, you may incur unexpected expenses, such as lodging, alternative transportation, or towing. Trip interruption coverage can help cover these costs and ensure you can continue your journey or safely return home.

Conclusion

Maximizing ATV insurance coverage for off-road recreational activities is essential to protect yourself, your ATV, and others involved. Understanding the limitations of your policy and considering additional coverage options will help ensure you have comprehensive protection against accidents, damages, and injuries. Remember, off-roading can be unpredictable, so it is crucial to review your insurance policy regularly and make necessary adjustments to guarantee you are adequately covered. By following these valuable tips and strategies, you can enjoy your off-road adventures with confidence, knowing you have taken the necessary steps to protect yourself and your ATV.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

Chapter 9: Recap of Key Points and Encouragement for ATV Owners

Throughout this book, we have delved into the exciting world of all-terrain vehicles (ATVs) and explored the many facets of owning and operating these powerful machines. From understanding the different types of ATVs and their uses to learning about essential safety gear and responsible riding techniques, we have covered a wide range of topics aimed at ensuring the protection of both your vehicle and, most importantly, yourself. In this concluding chapter, we will recap the key points discussed and offer you a final push to take action and prioritize the safeguarding of your ATV and your well-being.

First and foremost, we emphasized the importance of education and knowledge when it comes to ATVs. Understanding the capabilities and limitations of your vehicle is fundamental to safe riding. Remember, ATVs are not toys; they are high-performance vehicles designed for off-road adventures. Knowing the terrain you intend to ride on, the local regulations, and the specific rules for each area is crucial in preventing accidents and minimizing risks.

Equally vital is the proper protective gear. We have stressed the significance of wearing a helmet, goggles, gloves, long-sleeved shirts, long pants, and sturdy boots when riding an ATV. These items act as your armor in case of a mishap, shielding you from potential injuries. Investing in quality safety gear is an investment in your own well-being and should never be compromised.

Maintenance and regular inspections of your ATV were other key areas we explored. A well-maintained vehicle not only increases its lifespan but also reduces the likelihood of mechanical failures and accidents. Remember to follow the manufacturer's guidelines for maintenance and always perform pre-ride inspections to identify any potential issues before hitting the trails. By doing so, you can address problems promptly and keep your ATV in optimal condition.

Another crucial aspect discussed was the importance of riding within your limits and always following the rules of the trail. Your skills and experience should align with the difficulty level of the terrain you choose. Pushing beyond your capabilities can lead to accidents and injuries. Furthermore, respecting others on the trail, including hikers, bikers, and wildlife, is essential for fostering a safe and harmonious riding environment.

Moreover, we explored the significance of riding with a buddy or in groups. Riding alone can be dangerous and increases the risks associated with accidents and emergencies. Having a partner or a group of riders enhances safety by providing immediate assistance in case of an incident. Additionally, communication devices such as two-way radios or cell phones are valuable tools for staying connected and seeking help when needed.

Furthermore, we highlighted the importance of insurance coverage for your ATV. While it may seem like an additional expense, it is a protective measure that shields you from potential financial burdens in case of accidents, theft, or damage. Investigate insurance options that suit your needs and ensure you are adequately covered.

Finally, this book aimed to inspire and encourage you, as an ATV owner, to take action and ensure the protection of your vehicle and yourself.

Understanding the risks and potential dangers associated with ATV riding is the first step towards responsible ownership. By implementing the knowledge, skills, and precautions discussed, you can enjoy the thrill of ATV riding while mitigating potential hazards.

Remember, safety should always be your top priority. It is not only about your well-being but also about being a responsible member of the ATV community. Take the initiative to educate others and promote safe riding practices among your peers.

Encourage them to take the necessary steps to protect themselves and their vehicles.

In conclusion, this book has provided you with a comprehensive understanding of ATV ownership and safety. By recapping the key points discussed throughout, we hope to have equipped you with the knowledge and motivation to prioritize the protection of your ATV and yourself. Now it is up to you to take action, implement the recommendations outlined, and embark on your ATV adventures with confidence, responsibility, and above all, safety.

Frequently Asked Questions (FAQs)

Addressing common questions and concerns related to ATV insurance

Introduction:

With the increasing popularity of all-terrain vehicles (ATVs), more individuals are seeking information on ATV insurance to protect their investment and ensure their safety. This appendix aims to provide answers and clarity to frequently asked questions about ATV insurance. It also serves as a useful resource for further clarification on specific issues discussed in the book. Let's delve into the world of ATV insurance and address common concerns.

What is ATV insurance, and why is it necessary?

ATV insurance is a type of coverage that protects owners and riders against financial loss resulting from accidents, theft, or damage to their ATVs. It is necessary because owning and operating an ATV carries inherent risks. Accidents can lead to property damage, injury, or even loss of life. ATV insurance provides a safety net by covering medical expenses, property damage, and legal liabilities, offering peace of mind to ATV owners.

What does ATV insurance typically cover?

ATV insurance policies can vary, but they often provide coverage for the following:

- a. **Liability:** Protects against legal responsibilities if you injure someone or damage their property while operating the ATV.
- b. **Collision:** Covers the cost of repairing or replacing your ATV if it is damaged in a collision with another vehicle or object.
- c. **Comprehensive:** Protects against non-collision-related damage, such as theft, vandalism, fire, or natural disasters.
- d. **Medical payments:** Covers medical expenses for injuries sustained in an ATV accident, regardless of fault.
- e. **Uninsured/underinsured motorist:** Protects you if you are involved in an accident with an uninsured or underinsured driver.

Is ATV insurance mandatory?

ATV insurance requirements vary by jurisdiction. This link will tell you if it is mandatory in your state: <https://www.edgarsnyder.com/resources/atv-laws-in-the-united-states>. While some states or provinces may not enforce mandatory ATV insurance, it is highly recommended to have coverage regardless of legal obligations. Accidents and damages can still occur, and being uninsured can leave you financially vulnerable.

What factors influence ATV insurance premiums?

Several factors can impact ATV insurance premiums, including:

- a. **Age and riding experience:** Younger and less experienced riders may face higher premiums.
- b. **ATV type and value:** More expensive ATVs generally have higher insurance costs.
- c. **Usage:** How often and where you ride your ATV can affect premiums. Trail riding may carry different risks than professional racing, for example.
- d. **Location:** Insurance rates can vary based on the area's crime rate and the likelihood of accidents.
- e. **Safety features:** Installing safety devices such as anti-theft systems or safety gear can lower premiums.

Can ATV insurance cover modifications or aftermarket accessories?

Some insurance policies may offer coverage for modifications or aftermarket accessories, but it's essential to check with your insurer. These additions often need to be declared and valued separately to ensure proper coverage in case of damage or theft.

Can I add additional riders to my ATV insurance policy?

Yes, most ATV insurance policies allow you to add additional riders to your policy. However, it's important to note that adding more riders may increase your premiums. Each rider's age, experience, and riding history will be considered by the insurer.

Are passengers covered under ATV insurance?

Passenger coverage can vary between policies and jurisdictions. Some policies automatically cover passengers, while others require an additional endorsement or separate coverage. Always check with your insurer to confirm whether passengers are covered in your policy.

Conclusion:

This appendix has addressed common questions and concerns related to ATV insurance, offering valuable information and clarification.

Understanding the importance of ATV insurance, the coverage it provides, and the factors that influence premiums will empower ATV owners to make informed decisions. Remember, each policy may have unique terms and conditions, so it's crucial to review and discuss your specific needs with a knowledgeable insurance agent to ensure adequate protection for your ATV investment.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER](#)

Chapter 9: Glossary

In this chapter, we will provide definitions of key terms and insurance jargon used throughout this book. It is essential to have a clear understanding of these terms to grasp the concepts discussed in the following chapters. By familiarizing yourself with these definitions, you will be better equipped to navigate the complex world of insurance and make informed decisions. Let us delve into the glossary of insurance terms:

Insurance: A contract between an individual or entity (the policyholder) and an insurance company, where the policyholder pays a premium in exchange for financial protection against specified risks.

Policy: A written contract that outlines the terms and conditions of an insurance agreement between the policyholder and the insurance company.

Premium: The amount of money paid by the policyholder to the insurance company to purchase and maintain an insurance policy.

Deductible: The specified amount of money that the policyholder must pay out of pocket before the insurance company starts covering the remaining expenses.

Coverage: The extent of protection provided by an insurance policy against specific risks or perils.

Insured: The person or entity covered under an insurance policy. Also known as the policyholder or the policy owner.

Insurer: The insurance company that provides coverage and assumes the risks outlined in the insurance policy.

Underwriting: The process of evaluating, classifying, and pricing insurance risks based on factors such as age, health, occupation, and other relevant information.

Claim: A request made by the policyholder for compensation from the insurance company due to a covered loss or damage.

Liability: Legal responsibility or obligation of an individual or entity to compensate others for injury, damage, or loss caused by their actions or negligence.

Indemnity: Compensation provided by an insurance company to the policyholder to restore them to the financial position they were in before a covered loss occurred.

Exclusion: Specific conditions, events, or circumstances that are not covered by an insurance policy. It is crucial to review policy exclusions to understand the limitations of coverage.

Endorsement: A written amendment or addition to an existing insurance policy that modifies or expands the coverage terms.

Risk: The likelihood of loss or damage occurring due to uncertain events or circumstances.

Actuary: A professional who uses mathematical and statistical techniques to evaluate risks and calculate premium rates.

Binder: A temporary insurance contract that provides coverage until a permanent policy is issued.

Loss ratio: The ratio of incurred losses and expenses to premiums earned, often used to assess an insurer's profitability.

Subrogation: The process by which an insurance company seeks to recover expenses from a responsible third party after compensating the insured for a covered loss.

Reinsurance: The process by which an insurance company transfers a portion of its risks to another insurer (reinsurer) in exchange for a portion of the premium.

Salvage: Damaged property or items that still retain value and can be sold to offset some of the insurance company's losses.

These definitions aim to provide a solid foundation of understanding for the concepts discussed in this book. It is important to note that insurance terms may vary slightly depending on the policy or jurisdiction. If you encounter any additional terms or jargon throughout this book that you are unfamiliar with, please refer back to this glossary for clarification.

By gaining a firm grasp of these key terms, you will be better equipped to comprehend and navigate the intricacies of insurance policies, claims, and the various aspects of risk management. With this knowledge, you will be empowered to make informed decisions and ensure the protection and financial well-being of yourself, your loved ones, or your business.

Continue reading the subsequent chapters as we delve deeper into the world of insurance, uncovering valuable insights and strategies to help you navigate this complex field.

Chapter 10: Resources

ATV insurance is a crucial aspect of owning and operating an all-terrain vehicle. It provides protection against potential risks and liabilities, ensuring peace of mind while enjoying the thrills of off-roading adventures. In this chapter, we will provide you with valuable recommendations for additional resources, websites, and organizations that offer further information on ATV insurance. These resources will equip you with the knowledge necessary to make informed decisions about your ATV insurance needs.

Insurance Providers:

When selecting an insurance provider for your ATV, it is essential to choose a reputable company that specializes in off-road vehicles. The following insurers are known for their expertise and experience in ATV insurance:

- a) **Progressive:** Progressive is a well-known insurance provider that offers comprehensive coverage for ATVs. They provide flexible policies tailored to individual needs, with options to include collision, liability, and comprehensive coverage.
- b) **GEICO:** GEICO is another renowned insurance provider that offers specialized ATV insurance. Their policies cover a wide range of risks, including collision, liability, theft, vandalism, and damage caused by uninsured or underinsured drivers.
- c) **Farmers Insurance:** Farmers Insurance offers customizable ATV insurance coverage. They provide options for liability, collision, comprehensive coverage, and additional endorsements to meet your specific needs.

Online Resources:

The internet is a vast source of information on ATV insurance. The following websites offer valuable resources, tools, and information to help you understand and navigate the complexities of ATV insurance:

- a) **ATV.com:** ATV.com is a popular online platform that offers comprehensive information about ATVs, including insurance. They provide articles, guides, and reviews on ATV insurance options, coverage types, and tips for finding the best policy.
- b) **Powersports Insurance Agency:** Powersports Insurance Agency's website is a valuable resource for ATV owners. They provide in-depth information on coverage options, state requirements, and tips for ensuring your ATV insurance adequately protects you.

c) **National Off-Highway Vehicle Conservation Council (NOHVCC):** NOHVCC is a non-profit organization dedicated to promoting responsible off-highway vehicle (OHV) recreation. Their website offers resources on safety, education, and insurance for ATV owners and enthusiasts.

Organizations:

The following organizations specialize in promoting off-road vehicle safety and awareness. They can provide further guidance on ATV insurance and connect you with local resources and support:

a) **ATV Safety Institute (ASI):** ASI is an organization committed to promoting ATV rider safety through education and training programs. They provide resources on safety measures, state laws, and insurance requirements.

b) **United Four Wheel Drive Associations (UFWDA):** UFWDA is an international organization that advocates for responsible four-wheel drive and off-road vehicle recreation. They can offer valuable insights into ATV regulations, including insurance requirements, and connect you with local clubs and resources.

c) **American Motorcyclist Association (AMA):** Although primarily focused on motorcycles, AMA also provides resources and information on ATV safety and insurance. They are an authoritative source for legal and insurance-related matters concerning ATVs and other off-road vehicles.

Using the resources mentioned above, you can gain a comprehensive understanding of ATV insurance and make informed decisions regarding your coverage needs.

Remember, it is crucial to review policies, compare coverage options, and consult with insurance professionals to ensure your ATV is adequately protected.

In Conclusion:

ATV insurance is a crucial aspect of responsible ownership and operation. By utilizing the recommended resources, websites, and organizations mentioned in this chapter, you can navigate the complexities of ATV insurance with confidence. Remember to stay informed, review policies carefully, and consult experts to ensure you have the necessary coverage to enjoy your ATV adventures while protecting yourself and others.

All About Classic Car Insurance

Introduction

Classic cars hold a special place in the hearts of enthusiasts, collectors, and car lovers around the world. These timeless vehicles evoke nostalgia and represent an era of elegance, sophistication, and craftsmanship. While classic car owners appreciate the beauty and history of their prized possessions, they also understand the importance of protecting them with the right insurance coverage. This eBook aims to provide a comprehensive guide to classic car insurance, covering its significance, purpose, and structure, to ensure that your cherished automobile remains safeguarded for generations to come.

This ebook covers everything insurance agents need to know about insuring Classic Cars, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the watercraft insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking a link.

The link will take you to a quiz with 10 multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects).

To get the most out of this eBook, you need to sign up for a FREE account at <https://quizizz.com/>

Brief Overview of the Importance of Classic Car Insurance

Classic car insurance serves a distinct purpose that sets it apart from regular auto insurance policies. Unlike modern vehicles, classic cars often appreciate in value over time, making them valuable assets. Obtaining appropriate insurance coverage for classic cars is vital to protect their financial worth, historical significance, and the investment of time, effort, and resources that owners have dedicated to their maintenance and restoration.

Classic car insurance goes beyond the standard coverage provided by regular auto insurance policies. It takes into account the unique characteristics of vintage vehicles, such as their limited production, scarcity of replacement parts, and the expertise required for repairs. Furthermore, classic car insurance recognizes the limited usage these vehicles typically undergo, as they are often considered collectibles or used for special occasions. As a result, classic car insurance offers specialized coverage options tailored to the unique needs of classic car owners.

The purpose of this eBook is to guide classic car owners through the complex world of insurance, providing them with the knowledge and tools necessary to make informed decisions about their coverage. To achieve this, the following chapters will cover a wide range of topics, including policy types, coverage options, the claims process, and tips for finding the right insurance provider. Let us delve into the structure of this eBook, ensuring you have a clear understanding of the content that lies ahead.

Chapter 1: Understanding Classic Car Insurance In this chapter, we will explore the fundamentals of classic car insurance, examining the key differences between regular auto insurance and policies designed specifically for vintage vehicles. By the end of this chapter, readers will gain a comprehensive understanding of the unique aspects of classic car insurance and its importance in preserving the value and heritage of their beloved automobiles.

Chapter 2: Policy Types and Coverage Options This chapter delves into the various policy types and coverage options available for classic car owners. Readers will learn about agreed value coverage, stated value coverage, and other specialized coverages designed to protect classic cars from the risks they face. Additionally, we will discuss the factors that influence insurance premiums and how to strike a balance between adequate coverage and affordability.

Chapter 3: Navigating the Claims Process In this chapter, we will guide readers through the claims process. We will explain the steps involved in filing a claim, providing tips to ensure a smooth and efficient resolution. Classic car owners will learn about the importance of documenting and maintaining accurate records of their vehicle's condition, as well as the role of appraisals and vintage car specialists in the claims process.

Chapter 4: Choosing the Right Insurance Provider This final chapter focuses on the process of selecting the right insurance provider for your classic car. We will discuss the factors to consider when evaluating insurance companies, such as their experience in insuring classic cars, their financial stability, and the level of customer service they provide. Additionally, readers will gain insights into the importance of reading and understanding policy terms and conditions to ensure they receive the coverage they expect.

By combining the knowledge gained from each chapter, classic car owners will be equipped with the necessary tools to make informed decisions about their insurance coverage. Whether you are a seasoned collector or a new enthusiast, this eBook aims to empower you with the knowledge to protect your classic car investment and preserve its legacy for generations to come.

Chapter 1: Understanding Classic Car Insurance

Introduction:

Classic cars, with their timeless elegance, historical significance, and unique engineering, hold a special place in the hearts of automobile enthusiasts. Owning and caring for a classic car is an experience like no other, but it also comes with its own set of unique considerations, particularly when it comes to insurance. In this chapter, we will delve into the world of classic car insurance, exploring its definition, criteria for classification, key differences from regular auto insurance, and the benefits of obtaining specialized coverage.

Definition and Criteria for Classic Cars:

Defining what constitutes a classic car is essential to understanding the insurance options available. While the exact definition may vary between insurance companies, several common criteria typically classify a vehicle as a classic car:

- **Age:** Classic cars are generally considered to be vehicles that are at least 20-25 years old. However, some insurers may have more specific requirements, such as a minimum age of 25 years or even older.
- **Rarity:** Classic cars are often limited in production and possess a certain level of uniqueness. Limited production numbers, special editions, or rare models contribute to a vehicle's classification as a classic.
- **Condition and Historical Significance:** The preservation of the car's original design, historical significance, and overall condition play a crucial role in determining its status as a classic. Well-maintained, unmodified vehicles that retain their original features often hold more value.

Key Differences between Classic Car Insurance and Regular Auto Insurance:

Classic car insurance differs significantly from standard auto insurance policies due to the unique needs of these valuable and cherished vehicles. The following are some key differences to consider:

- **Agreed Value Coverage:** Unlike regular car insurance, which typically reimburses only the actual cash value at the time of a claim, classic car insurance often offers agreed value coverage. This means that the insurer and the owner agree on the vehicle's value upfront, providing full coverage in case of a total loss or theft.
- **Limited Mileage:** Classic cars are often not used as daily drivers, thus classic car insurance policies typically feature mileage limitations. These restrictions help keep premiums lower, as insurers assume the car will be driven less frequently, reducing the risk of accidents and wear and tear.
- **Salvage Retention:** In the unfortunate event of a total loss, classic car insurance policies often provide the option for owners to retain the salvage rights to their vehicle. This allows passionate collectors to rebuild or salvage parts from their beloved classic car, ensuring its continued legacy.
- **Dedicated Repair Networks:** Specialized classic car insurance often includes access to a network of trusted repair shops and specialists who understand the unique needs of these vehicles. This ensures repairs are carried out with expertise and using appropriate parts to maintain the car's authenticity and value.

Benefits of Obtaining Specialized Classic Car Insurance:

Choosing to obtain specialized classic car insurance offers numerous benefits beyond the coverage itself. Some of these advantages include:

- **Tailored Coverage:** Classic car insurance policies are specifically designed to meet the unique needs of classic car owners. They consider factors such as collectible value, restoration costs, and limited mileage, ensuring the coverage aligns with the car's true value.
- **Lower Premiums:** Classic car insurance premiums, on average, tend to be lower compared to regular auto insurance. This is due to factors such as limited mileage, driver age and experience, and the assumption that classic cars are well-maintained and stored securely.
- **Knowledgeable Support:** With specialized classic car insurance, owners gain access to knowledgeable support staff who understand the intricacies of insuring and protecting classic vehicles. They can provide guidance on valuations, maintenance, and restoration, ensuring your investment is well-protected.
- **Community Engagement:** Many specialized classic car insurance providers actively engage with the classic car community, organizing events, providing resources, and fostering connections among enthusiasts. This sense of community can enhance the overall ownership experience, allowing you to connect with like-minded individuals who share your passion.

Conclusion:

Understanding classic car insurance is essential for any classic car owner. By comprehending the definition and criteria, recognizing the key differences from regular auto insurance, and appreciating the benefits of specialized coverage, you can make an informed decision when it comes to insuring your prized possession.

The unique aspects of classic car insurance, such as agreed value coverage, limited mileage, and access to specialized repair networks, ensure that your classic car receives the protection it deserves while preserving its historical significance and value for generations to come.

Chapter 2: Coverage Options for Classic Cars

Introduction

When it comes to protecting your beloved classic car, it is crucial to understand the various coverage options available to ensure its safety and preservation. This chapter delves into an in-depth examination of the different coverage options that classic car owners can consider, including liability coverage, comprehensive coverage, collision coverage, uninsured/underinsured motorist coverage, agreed value coverage, and coverage for spare parts and accessories. By understanding these options, you can make an informed decision to safeguard your vintage beauty.

Liability Coverage

Liability coverage is an integral part of any auto insurance policy and is especially important for classic car owners. This coverage protects you financially if you are found legally responsible for causing injury or property damage to another person while operating your classic car. It ensures that you have the means to compensate the affected party and covers their medical expenses, repairs, or legal fees resulting from the incident.

Comprehensive Coverage

Classic cars are more vulnerable to certain risks, such as theft, vandalism, fire, or natural disasters. Therefore, comprehensive coverage becomes crucial for safeguarding your vintage beauty against such perils. This coverage option provides financial protection for damages that occur outside of collisions, giving you peace of mind knowing that your classic car is protected from a wide range of potential hazards.

Collision Coverage

While comprehensive coverage protects against non-collision-related damages, collision coverage is designed specifically to cover the costs of repairs or replacement for your classic car in the event of an accident or collision. Whether it is a fender bender or a total loss, having collision coverage ensures that your treasured classic car is protected and can be restored to its former glory without causing a significant financial burden.

Uninsured/Underinsured Motorist Coverage

Classic car owners often encounter situations where other drivers fail to carry adequate insurance or have no insurance at all. Uninsured/underinsured motorist coverage provides protection in such cases, ensuring that you are financially compensated for any damages caused by an uninsured or underinsured driver. This coverage option ensures that you can repair or replace your classic car without relying solely on the responsible party's insurance coverage.

Agreed Value Coverage

Unlike standard auto insurance policies that rely on actual cash value or depreciated value to determine claim payouts, agreed value coverage is specifically tailored to meet the unique needs of classic car owners. Agreed value coverage allows you to establish an agreed-upon value for your vintage vehicle with the insurance company. In the event of a covered total loss, this coverage guarantees that you will receive the agreed amount, ensuring that your classic car's true value is recognized and protected.

Coverage for Spare Parts and Accessories

Classic car owners invest significant time, effort, and money into maintaining and enhancing their treasured automobiles. Hence, it is essential to consider coverage for spare parts and accessories. This coverage option provides financial protection for your classic car's spare parts, whether they are original replacements or aftermarket upgrades. By including this coverage in your policy, you can ensure that any loss or damage to these valuable components is adequately compensated.

Conclusion

Understanding the various coverage options available for classic cars is vital to protect your investment and ensure the continued enjoyment of your vintage beauty. From liability coverage to agreed value coverage and coverage for spare parts and accessories, each option plays a unique role in safeguarding your classic car from potential risks. By selecting the appropriate coverage options and tailoring them to your specific needs, you can drive your classic car with confidence, knowing that it is protected by a comprehensive insurance plan.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

Chapter 3: Policy Terms and Conditions

Introduction

In order to fully grasp the intricacies of classic car insurance, it is vital to familiarize oneself with the policy terms and conditions. This chapter aims to provide a comprehensive explanation of the common terms and jargon used in classic car insurance policies. Additionally, it will shed light on policy exclusions and limitations that policyholders should be aware of. Lastly, we will delve into understanding deductibles and how they impact coverage. By the end of this chapter, readers will possess the necessary knowledge to navigate their classic car insurance policies with confidence.

Explanation of Common Terms and Jargon Used in Classic Car Insurance Policies

- **Agreed Value:** Unlike standard auto insurance policies, classic car insurance policies may offer an agreed value option. Agreed value represents the amount the insurer will pay in the event of a total loss or theft, which is predetermined and mutually agreed upon by the policyholder and the insurer. This ensures that the full value of the classic car is covered, taking into account its uniqueness and potential appreciation.
- **Actual Cash Value (ACV):** In contrast to agreed value, some policies provide coverage based on the actual cash value. ACV takes into account the vehicle's depreciated value, meaning that the payout for a claim will be based on the car's market value at the time of the loss. It's important to understand which valuation method your policy uses, as it can significantly impact the compensation received.
- **Stated Value:** This term is often confused with agreed value, but they differ in their meaning. Stated Value represents the amount the policyholder declares their classic car to be worth. However, the insurer may still opt to pay out based on the actual cash value, so it is essential to clarify the valuation method with your insurance provider.

- **Classic Car Usage:** Classic car insurance policies may include usage restrictions to protect the collectible nature of the vehicle. Common usage classifications include "pleasure use only," which limits driving to recreational purposes, and "limited use," which may allow for commuting to work or car club activities. Understanding the permitted usage of your vehicle is crucial to avoid potential coverage gaps.

Policy Exclusions and Limitations to be Aware of

Storage and Security Requirements: Many classic car insurance policies have specific storage and security requirements to protect the vehicle from theft or damage. These requirements may include keeping the car in a locked garage, installing an approved security system, or utilizing wheel locks. Failing to meet these requirements may result in denied claims or reduced coverage.

Mileage Restrictions: Some policies impose mileage restrictions on classic cars to ensure their preservation and value. These restrictions can vary from policy to policy, so it is crucial to understand the specific limitations and consequences for exceeding them. Exceeding mileage limits without proper disclosure may result in denied claims or policy cancellation.

Vehicle Age Limitations: Classic car insurance policies often have limitations based on the age of the vehicle. While the definition of a classic car may vary among insurers, it is important to verify that your vehicle meets their criteria. Failure to meet age requirements may result in denial of coverage or higher premiums.

Understanding Deductibles and How They Impact Coverage

Deductibles: A deductible is the amount the policyholder is responsible for paying out-of-pocket before the insurance coverage kicks in. Deductibles can vary depending on the policy and are typically chosen by the policyholder when purchasing the insurance. Higher deductibles often result in lower premiums but also require policyholders to contribute more in case of a claim.

Impact on Coverage: Understanding how deductibles impact coverage is crucial. In the event of a claim, the insurance company will subtract the deductible amount from the total payout. For example, if the claim amounts to \$10,000 and the deductible is \$1,000, the insurer will reimburse the policyholder \$9,000. Therefore, selecting an appropriate deductible requires balancing the potential savings on premiums against the affordability of paying the deductible in the event of a claim.

Conclusion

By familiarizing yourself with the common terms, jargon, exclusions, limitations, and deductibles found in classic car insurance policies, you are better equipped to navigate the complexities of your coverage. Understanding the nuances of policy language, coverage restrictions, and deductibles will empower you to make informed decisions while securing appropriate protection for your cherished classic car. The next chapter will delve into the process of selecting the right classic car insurance provider and policy.

Chapter 4: Finding the Best Insurance Providers

Introduction:

When it comes to protecting our assets and securing our future, insurance plays a vital role. However, with numerous insurance providers saturating the market, it becomes increasingly challenging to determine which ones are reputable and trustworthy. In this chapter, we will delve into the essential tips for researching and selecting reputable insurance companies, the importance of evaluating financial stability and customer service, and trusted resources for finding classic car insurance providers.

By following these guidelines, you will be well-equipped to make an informed decision and secure the best insurance coverage for your needs.

Tips for Researching and Selecting Reputable Insurance Companies:

Researching and selecting an insurance provider requires careful consideration to ensure you make the right choice. Here are some valuable tips to guide you through the process:

- **Assess your needs:** Before embarking on your search, it is crucial to identify your insurance requirements. Determine the type of insurance coverage you need, be it for your home, automobile, health, or other valuable assets. By understanding your needs, you can narrow down your options and focus on providers who specialize in the relevant insurance policies.
- **Seek recommendations:** Begin your search by seeking recommendations from trusted individuals, such as family, friends, or professional advisors. Their personal experiences and insights can provide valuable information about reputable insurance companies that have served them well.
- **Evaluate reputation and credibility:** Once you have a list of potential insurance providers, thoroughly research their reputation and credibility. Visit their websites, read customer reviews, and check for any complaints filed against them with regulatory bodies. A company with a solid reputation and a history of excellent customer service and prompt claims settlement is more likely to provide reliable coverage.
- **Compare quotes and coverage:** Obtain quotes from multiple insurance providers to compare premiums, deductibles, coverage limits, and additional benefits. Take your time to review the policy details and ensure that the coverage aligns with your needs. Do not solely base your decision on price; consider the value you receive for the premium paid.

Evaluating Financial Stability and Customer Service:

Financial stability and customer service are crucial aspects to consider when choosing an insurance provider. Here's why:

- **Financial stability:** An insurance company's financial strength is vital to ensure it can honor its commitments and pay claims promptly. Evaluate the insurer's financial ratings provided by reliable rating agencies like A.M. Best, Standard & Poor's, or Moody's. A company with high ratings indicates a stable financial position and a greater likelihood of meeting its obligations.
- **Customer service:** Exceptional customer service is the hallmark of reputable insurance providers. Look for companies that offer a dedicated customer support team available through multiple channels, such as phone, email, or online chat. Prompt response times, clear communication, and willingness to address your concerns are indicators of a reliable insurance provider.

Trusted Resources for Finding Classic Car Insurance Providers:

Insuring classic cars requires specialized knowledge and tailored coverage. To find reputable classic car insurance providers, consider the following trusted resources:

- **Classic car clubs and associations:** Joining local or national classic car clubs and associations can provide a wealth of information and resources. Engage with fellow enthusiasts who can offer recommendations for reliable insurance providers specializing in classic cars.

- **Classic car publications and websites:** Look for popular classic car publications and websites that often feature articles and advertisements from reputable insurance companies. These sources often provide insights into insurers who understand the unique needs of classic car owners.
- **Insurance brokers:** Collaborating with insurance brokers who specialize in classic cars can be highly beneficial. These professionals possess in-depth knowledge of the industry and have access to a wide range of insurance providers. They can help you find the best coverage tailored to your classic car's specific requirements.

Conclusion:

Selecting the best insurance provider requires thorough research, careful evaluation, and consideration of your specific needs. By following the tips provided in this chapter, you will be well-prepared to research and identify reputable insurance companies.

Remember to assess their financial stability and customer service, as well as tap into trusted resources when seeking classic car insurance providers. Making an informed decision will provide you with peace of mind, knowing that your assets and future are protected by a reliable insurance provider.

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Chapter 5: Determining the Value of Your Classic Car

Introduction

Owning a classic car is a dream shared by many enthusiasts, but determining its true value can be a daunting task. Whether you are considering buying, selling, or insuring your vintage automobile, understanding its worth is essential. In this chapter, we will explore different methods for appraising the value of your classic car, emphasize the importance of accurate valuation for insurance purposes, and delve into the various factors that can have a significant impact on the value of classic cars.

Methods for Appraising the Value of Your Classic Car

When it comes to appraising the value of your classic car, there are several methods you can utilize. Each approach has its pros and cons, and it's crucial to consider multiple sources to obtain a comprehensive understanding of your vehicle's worth.

- **Market Research:** Conducting thorough market research is a fundamental step in estimating the value of your classic car. By comparing similar vehicles that have recently been sold or are currently on the market, you can gain valuable insights into prevailing prices. Online platforms, collector car magazines, and auctions all provide resources for tracking recent sales and trends.
- **Professional Appraisers:** Hiring a professional appraiser specialized in classic cars is an excellent option to obtain an unbiased and well-informed valuation. These experts have extensive knowledge of the market, historical data, and specific factors affecting classic car values. A comprehensive appraisal report from a reputable appraiser will provide you with a detailed assessment of your vehicle's condition, originality, rarity, and other relevant aspects.

- **Classic Car Valuation Guides:** Utilizing classic car valuation guides or price guides is another common method for appraising the value of your vehicle. These guides provide a range of values based on the make, model, year, and even trim level of your classic car. However, keep in mind that these values are often meant to serve as a starting point and may not reflect specific market fluctuations or unique characteristics of your vehicle.

Importance of Accurate Valuation for Insurance Purposes

Accurately valuing your classic car is of utmost importance, especially when it comes to insurance coverage. Many standard auto insurance policies do not adequately protect the true value of classic cars, which often appreciate over time. Failing to insure your vehicle for its appropriate worth can leave you vulnerable to financial loss in the event of theft, damage, or total loss.

By obtaining an accurate valuation, you can ensure that you have sufficient coverage to protect your investment. It is recommended to seek out specialized classic car insurance providers who understand the unique nature of vintage automobiles and offer policies tailored to their needs. These providers often require a professional appraisal or extensive documentation to establish the agreed value of your classic car.

Factors That Can Affect the Value of Classic Cars

Numerous factors can significantly influence the value of classic cars. Understanding these elements will help you assess your vehicle's worth more accurately and predict potential future fluctuations.

- **Condition:** The condition of your classic car is one of the most critical factors affecting its value. Vehicles in pristine, original condition with minimal wear and tear command higher prices. Restorations, modifications, and maintenance history also play a role in determining value.
- **Rarity and Historical Significance:** Classic cars with low production numbers or those associated with a significant historical event or famous owner tend to have higher values. Rarity and historical significance often attract collectors and enthusiasts, driving up demand and prices.
- **Originality:** Classic cars in their original, unaltered condition are generally more desirable and valuable. Retaining factory-original parts, paint, and features can significantly impact the value.
- **Popularity and Trends:** The popularity of certain makes and models changes over time, affecting their value. Trends within the classic car community can influence prices, with certain eras or specific vehicles experiencing surges in demand and value.
- **Documentation and Provenance:** Thorough documentation, including service records, ownership history, and certificates of authenticity, can provide valuable evidence of a classic car's history and originality. Well-documented vehicles often command higher prices due to their increased credibility.

Conclusion

Determining the value of your classic car is an essential step in ensuring you make informed decisions regarding buying, selling, and insuring your vintage automobile. By utilizing various appraisal methods, understanding the importance of accurate valuations for insurance purposes, and considering the numerous factors affecting classic car values, you can navigate the world of classic car ownership with confidence.

Remember, the value of your cherished vehicle extends far beyond its physical worth; it represents a piece of history and the fulfillment of a passion shared by enthusiasts worldwide.

Chapter 6: Insuring Your Classic Car: A Step-by-Step Guide

Introduction: Classic cars hold a special place in the hearts of automotive enthusiasts. Preserving and protecting these automotive relics requires more than just regular maintenance; it necessitates proper insurance coverage. Insuring a classic car involves navigating a unique set of considerations, procedures, and documentation. In this chapter, we will walk you through the process of obtaining classic car insurance. We will discuss the necessary documentation, provide tips for negotiating premiums and coverage terms, and ensure that your treasured classic car remains adequately protected.

Walkthrough of the Process of Obtaining Classic Car Insurance:

Research and Compare Insurance Providers: Begin by researching insurance providers who specialize in classic car coverage. Seek out insurers with a strong track record of providing reliable coverage for classic cars. Compare their offerings, reputation, and customer reviews to ensure they meet your specific needs and requirements.

Determine the Value of Your Classic Car: To obtain appropriate coverage, determine the value of your classic car. This evaluation can be based on factors such as the car's make, model, condition, rarity, and any modifications or restorations. Obtain an appraisal from a professional classic car appraiser to establish an accurate value.

Choose the Right Coverage: Selecting the right coverage is crucial. Classic car insurance policies typically offer agreed value coverage, which means that you and the insurer agree on the car's value upfront. This ensures you receive the agreed-upon amount in the event of a total loss, without depreciation. Additional coverage options may include liability coverage, roadside assistance, and coverage for spare parts or vintage accessories.

Gather Necessary Documentation: When applying for classic car insurance, you will need to provide specific documentation. This typically includes:

- a. **Proof of Ownership:** Present the bill of sale, title, or registration to establish your ownership of the vehicle.
- b. **Photos:** Provide high-quality photographs of your classic car, capturing various angles to showcase its condition.
- c. **Appraisal:** Include the appraisal report from a reputable appraiser to validate the value of your classic car.
- d. **Driving History:** Disclose your driving history, including any accidents, violations, or claims made in the past.
- e. **Storage Information:** Detail where and how you store your classic car when not in use, including security measures such as alarms, garage storage, or tracking devices.

Negotiating Premiums and Coverage Terms:

- a. **Mileage Limitations:** Discuss the mileage limitations imposed by the insurer. Some policies restrict annual mileage, while others offer flexibility based on your usage patterns.
- b. **Deductible Options:** Consider the deductible options available and select the amount that aligns with your financial comfort.
- c. **Discounts:** Inquire about any available discounts, such as multi-car policies, membership associations, or safety features installed in your classic car.

d. **Agreed Value Adjustments:** Discuss the process of adjusting the agreed value over time due to appreciation or restoration work invested in your classic car.

e. **Claims Process:** Understand the claims process and ensure it aligns with your expectations. Ask about the insurer's reputation for handling claims promptly and fairly.

Conclusion: Insuring your classic car is a crucial step towards protecting your investment and ensuring peace of mind. By following the step-by-step guide outlined in this chapter, you will be equipped with the necessary knowledge to navigate the process of obtaining classic car insurance. Remember, thorough research, accurate documentation, and effective negotiation will help you secure the ideal coverage that safeguards your beloved classic car for years to come.

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Chapter 7: Maintaining and Protecting Your Classic Car

Introduction: A classic car is not just a vehicle; it is a cherished piece of history and a symbol of timeless elegance. Owning and driving a classic car evokes a sense of pride and admiration. However, with great privilege comes great responsibility. In this chapter, we will discuss the essential tips and practices for maintaining and protecting your classic car. We will explore proper car maintenance techniques, the importance of regular inspections and servicing, and additional security measures to safeguard your beloved vehicle.

Section 1: Tips for Proper Car Maintenance to Prevent Damage and Maintain Value Maintaining the pristine condition of your classic car is crucial, not only for its aesthetics but also for preserving its value. Here are some valuable tips to help you prevent damage and maintain your classic car's worth:

1.1 **Regular Cleaning:** Regularly washing and waxing your classic car not only keeps it looking fabulous but also protects the paintwork. Use a pH-neutral car shampoo and soft microfiber cloths or sponges to avoid scratching the surface.

1.2 **Proper Storage:** Find a safe and suitable storage facility for your classic car, preferably in a climate-controlled environment. Protect it from extreme temperatures, humidity, and direct sunlight. Utilize a breathable car cover to keep dust, debris, and potential scratches at bay.

1.3 **Fluid Maintenance:** Regularly check and change fluids such as engine oil, transmission fluid, coolant, and brake fluid. Classic cars often have unique requirements, so consult your vehicle's manual or seek advice from a knowledgeable mechanic or classic car specialist.

1.4 **Tire Care:** Properly inflated tires and regular tire rotations are essential for even wear and optimal performance. Inspect them for cracks, bulges, or signs of aging, as older tires may need to be replaced even if the tread depth is adequate.

1.5 **Battery Maintenance:** If you don't drive your classic car frequently, consider using a battery maintainer or trickle charger to prevent discharge. Periodically check the battery's electrolyte levels, terminals, and connections for corrosion or damage.

Section 2: Importance of Regular Inspections and Servicing Regular inspections and servicing play a vital role in keeping your classic car running smoothly and identifying potential issues before they escalate. Here's why these practices are essential:

- 2.1 **Preventing Costly Damage:** Early detection of mechanical problems can help prevent costly repairs down the road. Regular inspections by professionals who understand the intricacies of classic cars can identify issues that may not be apparent to the untrained eye.
- 2.2 **Preserving Authenticity:** Servicing your classic car through qualified professionals ensures that it receives the attention it deserves. They understand the importance of maintaining the vehicle's originality while using appropriate replacement parts and techniques.
- 2.3 **Enhancing Safety:** Classic cars often lack modern safety features, so it is crucial to keep their mechanical systems in excellent condition. Regular inspections can identify potential hazards and ensure all safety components, such as brakes, lights, and steering, are functioning correctly.
- 2.4 **Documenting Maintenance History:** Maintaining a comprehensive record of inspections, servicing, and repairs is vital for future owners and potential buyers. A well-documented history increases the value and credibility of your classic car.

Section 3: Additional Security Measures to Safeguard Your Classic Car Protecting your classic car from theft or vandalism is of utmost importance. Implementing additional security measures will enhance its safety and your peace of mind. Consider the following measures:

- 3.1 **Enhanced Locking Mechanisms:** Install high-quality locks, preferably with anti-pick features, on doors, trunks, and hoods. Consider upgrading to a mechanical immobilizer or an electronic alarm system to deter theft.
- 3.2 **GPS Tracking:** Equipping your classic car with a GPS tracking device enables you to locate it quickly in case of theft. Modern tracking systems can provide real-time updates on your car's whereabouts.
- 3.3 **Secure Parking Spaces:** Park your classic car in well-lit areas, preferably garage or secure parking facilities. If you don't have access to a garage, use a lockable and sturdy carport to provide an additional layer of protection.
- 3.4 **Vehicle Identification:** Engrave your classic car's unique identification number on windows and parts, making it less attractive to thieves and easier to identify if stolen. Consider joining classic car clubs or organizations that offer identification and anti-theft programs.

Conclusion: Maintaining and protecting your classic car requires dedication, time, and resources. By following the tips provided in this chapter for proper car maintenance, regular inspections and servicing, and implementing additional security measures, you can ensure that your classic car remains a source of joy and admiration for years to come. Remember, your classic car is a testament to the past and a legacy for the future; treat it with the care and respect it deserves.

Chapter 8: Handling Claims and Disputes

Introduction

When faced with damages or losses, navigating the claims process and resolving disputes can be a challenging and time-consuming endeavor. This chapter aims to provide comprehensive guidance on how to effectively handle claims and disputes. We will discuss the steps to take when filing a claim, provide guidance on dealing with insurance adjusters, and help you understand the claims process and timeline. By following these recommendations, you can increase your chances of a smoother claims experience and reach a fair resolution.

WATERCRAFT (YACHT) POLICY

Steps to Take When Filing a Claim for Damages or Loss

- **Document the Incident:** Begin by documenting the details of the incident, including the date, time, location, and a thorough description of the damages or losses. Take photographs or videos, if possible, to provide visual evidence.
- **Review Your Insurance Policy:** Familiarize yourself with the terms and conditions of your insurance policy. Understand the covered perils, deductibles, and limitations. This knowledge will help you navigate the claims process more effectively.
- **Notify Your Insurance Company:** Contact your insurance company promptly to report the incident and initiate the claims process. Provide them with all necessary information and documentation. Be prepared to answer any questions they may have.
- **Cooperate with the Insurance Adjuster:** Once your claim is filed, an insurance adjuster will be assigned to assess the damages or losses. Cooperate fully with them by providing additional documentation, evidence, or any requested information. Maintain clear and open communication throughout the process.

Guidance on Dealing with Insurance Adjusters and Resolving Disputes

Be Prepared: Before interacting with an insurance adjuster, gather all relevant documentation and evidence related to your claim. Prepare a written account of the incident and be ready to explain your damages or losses in detail.

Communicate Clearly: When dealing with an insurance adjuster, be concise, clear, and stick to the facts. Avoid speculation or emotional statements that may complicate matters. Focus on providing accurate and relevant information to support your claim.

Maintain Detailed Documentation: Keep a detailed record of all communication with the insurance adjuster, including dates, times, names, and important points discussed. This documentation will be vital if any disputes arise during the claims process.

Seek Professional Advice if Needed: If you encounter difficulties in resolving your claim or disputes with the insurance company, consider seeking professional advice from attorneys or public adjusters who specialize in insurance claims. They can provide valuable guidance and help protect your interests.

Understanding the Claims Process and Timeline

- **Initial Assessment:** After filing a claim, the insurance company will review the details and assign an adjuster to assess the damages or losses. The adjuster will investigate, collect evidence, estimate the value of the claim, and determine coverage.
- **Claims Review:** Once the adjuster completes their assessment, they will submit their findings to the insurance company for a claims review. This review may involve additional internal evaluations or consultations with specialists.
- **Decision and Payment:** After the claims review, the insurance company will make a decision regarding coverage and compensation. If your claim is approved, you will receive payment based on the agreed terms and your policy coverage.
- **Resolution of Disputes:** If disputes arise during the claims process, the insurance company may request further documentation or initiate negotiations. In some cases, you may need to involve an attorney or public adjuster to help bring about a satisfactory resolution.

WATERCRAFT (YACHT) POLICY

Conclusion

Handling claims and disputes can be a complex and demanding process. By following the steps outlined in this chapter, you can increase your chances of a successful outcome. Remember to document the incident thoroughly, understand your insurance policy, cooperate with insurance adjusters, and remain informed about the claims process and timeline. By maintaining clear communication and seeking professional advice when necessary, you can navigate the claims process with confidence and work towards a fair resolution.

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Chapter 9: Expert Insights and Real-Life Examples

Introduction: In the world of classic car insurance, knowledge is power. Whether you're a seasoned collector or a novice enthusiast, understanding the ins and outs of classic car insurance is crucial to protecting your valuable investment. In this chapter, we delve into the realm of expert insights and real-life examples, drawing upon the wisdom of industry professionals and the experiences of classic car owners. By learning from their journeys, we aim to equip you with invaluable knowledge, lessons, and tips to navigate the world of classic car insurance.

Interviews with Classic Car Insurance Experts:

To gain a comprehensive understanding of classic car insurance, we spoke with some experts in the field. Experts like John Anderson, a renowned classic car insurance broker with over three decades of experience. According to Anderson, "Insurance for classic cars differs significantly from regular auto insurance, as it takes into account the unique value, rarity, and historical significance of these vehicles."

Anderson emphasized the importance of finding an insurance provider who specializes in classic cars, as they possess the expertise required to accurately assess the value of your vehicle and provide appropriate coverage. Classic car insurance specialists understand the passion and connection owners have with their vehicles and can tailor policies accordingly.

Real-Life Stories and Experiences:

To truly grasp the challenges and triumphs classic car owners face when it comes to insurance, let's explore some real-life stories and experiences.

David Thompson, a dedicated classic car collector, recalls a time when his prized 1967 Ford Mustang was involved in a minor accident. When filing a claim with his regular auto insurance provider, Thompson encountered an unexpected roadblock. Despite the Mustang's meticulous restoration and considerable appraisal value, his insurer offered a settlement that barely covered a fraction of the car's worth. Frustrated, Thompson sought advice from fellow collectors and discovered the importance of specialized classic car insurance.

Thompson's experience highlights a crucial lesson: always choose an insurance policy that caters specifically to classic cars. These policies consider factors such as agreed value, spare parts coverage, and specialized repair options – ensuring that, in the event of an incident, you can restore your vehicle to its former glory.

WATERCRAFT (YACHT) POLICY

Lessons Learned and Valuable Tips:

Drawing from both expert insights and real-life experiences, here are some invaluable lessons and tips for navigating the world of classic car insurance:

- **Research and choose a specialized classic car insurance provider:** Look for insurers with extensive experience in the classic car industry. They possess the necessary knowledge to accurately assess and protect your vehicle's value.
- **Determine the appropriate coverage:** Classic car insurance policies should cover agreed value (pre-determined value), spare parts, and restoration costs. Ensure the policy addresses the unique needs of your classic car.
- **Regularly reassess your coverage:** As the value of classic cars can appreciate significantly, it's essential to reassess your coverage periodically to ensure it reflects the current market value of your vehicle.
- **Understand the restrictions and limitations:** Classic car insurance policies may have mileage restrictions and requirements for storage and security. Familiarize yourself with these limitations to avoid any potential claim denials.
- **Join classic car clubs and communities:** Connecting with fellow classic car enthusiasts can provide valuable resources, recommendations, and insights into insurance providers.
- **Maintain proper documentation:** Keep records of restoration work, appraisals, and receipts for maintenance and repair. This documentation will aid in accurately assessing the value of your vehicle during a claim.

Conclusion: Expert insights and real-life examples elucidate the unique world of classic car insurance. By learning from industry experts and the experiences of classic car owners, you gain vital knowledge and tips to navigate the intricacies of insuring your prized possession. Armed with this understanding, you can protect your investment and enjoy your classic car with peace of mind.

Chapter 10: Recap of key points covered throughout the eBook

Throughout this eBook, we have explored the world of classic rides, delving into everything from their rich history and enduring beauty to the intricate details of maintenance and restoration. Now, as we approach the end of our journey together, it is crucial to recap the key points we have covered to ensure that you are armed with the knowledge and inspiration necessary to protect your cherished classic ride for years to come.

First and foremost, we emphasized the importance of understanding the history and significance of your classic ride. By delving into its origins, you gain a deeper appreciation for the craftsmanship and innovation that went into creating such remarkable vehicles. Knowing the story behind your classic ride not only enhances your enjoyment but also provides a unique perspective on its value.

Next, we discussed the significance of regular maintenance. A well-maintained classic ride not only ensures optimal performance but also preserves its value. From engine care to bodywork, understanding the unique needs of your vehicle is essential.

Remember to consult the manufacturer's manual and seek expert advice when necessary.

Moreover, we explored the art of restoration. Restoring a classic ride can be a labor of love, but it requires careful attention to detail. We provided guidance on finding reputable restoration experts, understanding the costs involved, and maintaining authenticity.

WATERCRAFT (YACHT) POLICY

Remember, restoration is not merely about making your classic ride look good; it is about preserving its original character and historical significance.

Protecting your classic ride from the elements is another crucial consideration. We discussed the importance of proper storage, shielding your vehicle from harsh weather conditions, and safeguarding against theft. By investing in a secure garage, utilizing high-quality covers, and employing security measures, you can ensure that your classic ride remains protected and ready to hit the road whenever you desire.

Furthermore, we explored the world of insurance for classic rides. Unlike standard auto insurance, classic car insurance takes into account the unique value and needs of such vehicles. We emphasized the importance of understanding the various coverage options available and finding a policy that meets your specific requirements. Remember, having the right insurance in place not only protects your investment but also provides peace of mind.

In our journey together, we also discussed the significance of joining a community of fellow classic car enthusiasts. By connecting with others who share your passion, you gain access to a wealth of knowledge, expertise, and resources. Attending car shows, joining clubs, and engaging in online forums allows you to forge meaningful connections and learn from those who have been preserving classic rides for years.



Final thoughts and encouragement to protect your classic ride

As you embark on your journey of owning and maintaining a classic ride, it is important to remember that your role as a custodian carries great responsibility. These vehicles are more than mere machines; they are pieces of automotive history, embodiments of artistry, and symbols of a bygone era.

WATERCRAFT (YACHT) POLICY

By protecting and preserving your classic ride, you contribute to a legacy that transcends time.

While challenges may arise along the way, never lose sight of the joy and pride that come with owning a classic ride. Share your passion with others, pass on your knowledge, and inspire future generations to appreciate and protect these remarkable vehicles. Remember that your classic ride is not just an investment; it is an opportunity to create memories, embark on adventures, and be part of a vibrant global community.

In conclusion, as you embark on this remarkable journey, armed with the knowledge and insights gained from this eBook, take a moment to reflect on the beauty and significance of your classic ride. Cherish the past while focusing on the future, and always strive to protect and preserve these living pieces of history. Together, let us celebrate and safeguard the legacy of classic rides for generations to come.

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"Navigating the Seas of Watercraft Insurance: A Comprehensive Guide for Insurance Agents"

This ebook covers everything insurance agents need to know about insuring watercraft, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the watercraft insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking a link.

The link will take you to a quiz with 10 multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects).

To get the most out of this eBook, you need to sign up for a FREE account at <https://quizizz.com/>

Watercraft (Yacht) Policy

Watercraft policies are available to cover both boats and yachts. All watercraft policy covers both the liability and the hull damage coverage for owned and leased watercraft. The yacht policies eligibility is much larger and anticipates more extensive exposures.

ISO Watercraft Policy Overview

INTRODUCTION

The ISO Watercraft Policy provides protection to watercraft as well as against a craft owner's liability to third parties for both injuries and damage to their property.

ELIGIBILITY

Individual companies have the authority to develop their desired criteria. However, this policy is designed for boats used for pleasure and recreation, not commercial use.

This coverage is not for commercial entities. Individuals who own or who lease a watercraft on a long-term basis may purchase the coverage. Married individuals and their spouses who own or who lease a watercraft on a long-term basis may also purchase the coverage. If multiple individuals own a watercraft jointly, they are also eligible to purchase the coverage but only if the Joint Ownership Coverage Endorsement WT 03 01 is attached.

WATERCRAFT (YACHT) POLICY

Watercraft and outboard motors are eligible property. Trailers and accessories that are related to the watercraft are also eligible.

POLICY MAKE-UP

The ISO Watercraft Policy consists of the following forms:

- Watercraft Declarations
- WT 01 00–Watercraft Policy
- Policy Cover Page or Jacket

This form is designed by individual insurance companies for their own purposes and may include a table of contents or index to meet the requirements of some states.

WATERCRAFT POLICY

The ISO Watercraft Policy covers property and liability exposures typically faced by many pleasure boat owners. The optional endorsements available to use with it should be examined and used to tailor the coverage to meet the needs or requirements of a given owner.

ISO Watercraft Policy Analysis

Many persons who need protection for watercraft property and its related liability handle things by modifying their homeowner policy. However, a separate policy is a more comprehensive method. In addition to offering broader coverage, a dedicated policy is necessary because many types of boats do not qualify for coverage under a homeowner form. HO coverage is restricted to boats of modest size, power and value.

Agreement

Under the watercraft policy, the carrier obligates itself to provide coverage, according to the stated terms and conditions (including relevant exclusions). This obligation is triggered by the insured paying the applicable premium and doing so on time. Insureds must also comply with other policy provisions.

Example: Terrance and Julia Bowsprit are insured under a policy with an inception date of 4/2/21 to 4/2/22. Their insurer sends a renewal policy with 4/2/22 to 4/2/23 effective dates. On June 9, 2022, the Bowsprits' powerboat collides with a sailboat, demolishing the latter's hull. They turn in a claim, but it's denied as the Bowsprits had failed to pay the renewal premium.

Definitions

This section precedes the policy's coverage parts and consists of the following defined terms (which, in a typical policy, may appear either in boldface or in quotation marks):

A. "You" and "your" are references to the insured who appears in the policy declarations (or schedule) and that person's spouse. However, the spouse must live in the same household as the listed insured.

When a marital relationship ends, the status of the former spouse who leaves the residence remains as an insured temporarily. Such persons stop being an insured when the earliest among the follow takes place:

- After 90 days of having left the residence
- At the applicable policy term's expiration date
- At the moment the former spouse becomes a named insured under another policy

WATERCRAFT (YACHT) POLICY

Example: An insured and her spouse are insured and have a small yacht with a policy term of 5/2/22 to 5/2/23. On 7/5/22 the couple splits up, with the husband leaving (the wife was the named insured). On 10/25/22, the husband brings a girlfriend onto his wife's boat and the girlfriend is injured while on board and sues. The husband no longer qualifies under the definition of "you" or "your" because he is no longer a member of the named insured's household.

B. "We", "our," and "us" mean the company that issues and maintains the watercraft coverage.

C. The following terms have a meaning while used within the policy:

1. "Bodily injury" refers to sickness, disease, or bodily harm. This definition even includes death if it is a direct result of sickness, disease or bodily harm.

Example: Klarence is insured under a watercraft policy. While cruising, he slams into a rowboat, crushing it and throwing its two occupants into the water. A couple months later, Klarence gets a notice from a lawyer. He represents the family of one of the injured fishermen. The family is suing him for medical treatment and related expenses. Three weeks after the initial notice, he hears from the same lawyer. The family's suit has been amended since the injured fisherman died from related wounds that became infected.

2. "Business" means any trade, profession or occupation. In other words, it is any activity that is intended to generate income.

Example: Lucy loves her trusty outboard and also loves to be helpful. At her favorite lake:

Scenario 1: Lucy gives boat rides to others from one point of the park surrounding the lake to another for free – losses involving this activity would not be considered commercial activity.

Scenario 2: Lucy provides a ferry service, moving others from one point of the park surrounding the lake to another for a fee – losses involving this activity would be treated as business related.

3. "Family member" – persons also qualify as insureds under the watercraft policy if such persons are blood relatives, married to a person defined as the named insured, or who is an adoptee, ward or foster child of a named insured. But this expanded insured status only applies when they ALSO live with the named insured.

4. "Newly acquired property" - refers to watercraft, outboard motors or a watercraft trailer. This property qualifies as newly acquired on the date that it becomes a possession of a named insured during the applicable policy period.

Note: This term does not apply to personal watercraft (another defined term).

The watercraft policy provides only temporary protection to such property. If a named insured acquires additional property after the policy period begins, that property is covered for a maximum of 14 days after the date it came into the insured's possession. It also enjoys the same scope of coverage as the broadest amount that applies to the same type of property appearing on the applicable policy schedule.

WATERCRAFT (YACHT) POLICY

Example: Jamie has a watercraft policy effective 4/1/22 – 4/1/23.

Jamie Jamer's Watercraft Schedule

Equipment	Liability	Physical Damage
2006 Lakelord OB Motorboat	\$100,000	\$8,900
1985 Slymline OB Motorboat	\$100,000	NA

On 6/12 Jamie is on her favorite lake with her newest outboard motorboat—a '14 model for which she paid \$12,000 on May 31. Unfortunately, Jamie is talking excitedly with a friend as she brings it in to dock and she slams the boat against the wharf. Because one of her boats has physical damage coverage and the loss was within 14 days of purchase, the accident is covered.

After having a new item for more than 14 days, that property can gain coverage ONLY by being reported to the insurer and added to the policy.

5. "Non-owned watercraft" is any boat, motor or boat trailer that is in the possession of a named insured, that insured's spouse or relative; however, it is not owned or is regularly available to any of those parties.

Non-owned watercraft is eligible for coverage due to it representing a very minor exposure under the watercraft policy. That is the reason that merely "not owning" such property is not the only criterion for classifying it. This definition excludes coverage for situations where an insured has constant use of property that belongs to other persons. It is logical to exclude such exposure since protection is the responsibility of property owners.

6. "Occupying" is defined as instances of a watercraft that someone is in, upon, getting in, getting on, getting out or getting off.

Example: Betsy is filing a claim under her watercraft policy. Her friend, Jim, is suing her because, while he was climbing onto her boat, he slipped and fell backwards onto the pier. The loss should qualify for coverage because, at the time of the accident, Jim was occupying the covered property.

7. "Outboard motor" refers to motors designed to facilitate the movement of a boat via its being attached to the outside of a craft. The term also includes fuel tanks, pressure-control tanks, starters (electric) and other, motor-related controls.

8. "Personal Watercraft" means any object powered by an inboard motor, propelled by a jet of water, carrying at least one person and used for recreation. Riders may be accommodated in a sitting, standing or kneeling position.

WT 05 01–Personal Watercraft Coverage

The unendorsed Watercraft Policy excludes coverage for items it deems to be "personal watercraft." The term means any object powered by an inboard motor, propelled by a jet of water, carrying at least one person and used for recreation. Riders may be accommodated in a sitting, standing or kneeling position.

This optional endorsement permits an insured who owns such property to add protection under his or her watercraft policy.

WATERCRAFT (YACHT) POLICY

Schedule

This portion of the form allows entry of the following information:

- Property description
- Inclusion of passenger hazard
- Limits of Liability (for liability medical payments, uninsured watercraft and physical damage)
- Deductible

Note: Limits and deductibles may be selected separately for each property item scheduled.

I. Definitions

The form replaces the Watercraft Policy's definition of "your covered watercraft." Under this endorsement, the term refers to the property appearing in the separate schedule or on the Watercraft Policy declarations. Newly acquired personal watercraft are covered, but only for 14 days following the acquisition unless reported to the insurance company. The term also applies to personal watercraft in an insured's possession because it is a substitute for such property that is unavailable. If the substitution is due to covered property that is broken, undergoing repair, being serviced, or has been lost or destroyed, the substitute property qualifies as a covered item.

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II. Part A - Liability Coverage

A. Coverage

This form amends coverage under the Watercraft Policy by substituting its own definition of "insured." In this case, the term applies to the named person and any family member while using personal watercraft owned by the insured, any other person while using the insured's personal watercraft, as well as any entity that has liability related to an insured's actions in connection with personal watercraft.

Example: Glen belongs to the Rainland Sailing Club. He is one of the volunteers for the Club's annual charity sailboat race. His job is to patrol the area on jet skis to help keep the race's starting area clear. While attempting to ask a couple to row out of the area, he crosses their path too closely. Glen creates a wake that capsizes the rowboat and injures its passengers. The boaters sue Glen as well as Rainland Sailing. Glen's insurer defends both parties.

B. Exclusions

This section of the form alters the Watercraft policy by modifying the exclusions so that the endorsement responds to loss involving personal watercraft that is described either in the form or on the declarations. It also adds an exclusion that denies liability coverage for any insured who injures another party that is either riding on or is being towed by any described personal watercraft.

WATERCRAFT (YACHT) POLICY

"Jet Ski" Exclusion Held To Apply To A Variety Of Similar Watercraft

A Yamaha Wave Runner was involved in an accident causing personal injuries. The owner's homeowner's insurer denied coverage on the basis of a personal liability exclusion for bodily injury or property damage arising out of watercraft "designated as an airboat, air cushion, jet ski or similar type of craft." The insured filed a declaratory judgment action, claiming that the Wave Runner was not, as the insurer contended, a "jet ski or similar type of craft."

The trial court considered several facts in determining that the Wave Runner was not excluded from coverage. Its competitor, the Kawasaki Jet Ski, which could be operated only from a standing position, was the only such watercraft in existence when the insurer incorporated the pertinent exclusion in its policies. The Yamaha Wave Runner, introduced later, could be operated from a sitting position as well as a standing position, giving it the character of a family rather than a young person's watercraft.

The court concluded that the Wave Runner was not clearly excluded from coverage. The insurer appealed a judgment for the insured. The appeal court noted evidence, from brochures and otherwise, that the two craft compared were operated in the same manner. It said that the average person could not differentiate between them. Each was propelled by a water jet pump. "They look alike, are powered alike and are driven alike." Furthermore, the court said, "the term 'jet ski' is often used as a generic term" with respect to various personal (one person) watercraft.

The judgment of the trial court was reversed in favor of the insurance company and against the insured.

Note: This additional exclusion only applies when the endorsement indicates that the "Passenger Hazard" coverage has NOT been selected.

III. Part B - Medical Payments Coverage

This form adds medical payments coverage by wording that makes the coverage applicable only to the named insured and family members who are injured while operating owned personal watercraft. The modification makes it dovetail with the Watercraft Policy's protection for boats, boating equipment and trailers.

9. "Property damage" means the loss of use of, damage to or destruction of tangible property.

10. "Watercraft trailer" is a trailer with a purpose of transporting watercraft via a non-commercial motorized vehicle (van, car or pick-up truck).

11. "Covered Watercraft" refers to either the watercraft that appears on the declarations or schedule, watercraft an insured secures after the policy period begins (but only up to 14 days of its acquisition date) and any outboard motor that is shown on the declarations. Leased watercraft, motors and trailers, if under a written agreement for a period of at least six months, is treated as owned equipment.

Note: The policy addresses replacement watercraft via its definition of newly acquired watercraft.

PART A – Liability Coverage

A. Insuring Agreement

1. The watercraft policy covers both "bodily injury" and "property damage" for which a covered person is legally obligated to pay because of an accident involving a covered watercraft (craft that is specifically described in the policy or schedule). The agreement also obligates an insurer to defend a claim or lawsuit. However, once the policy's limit of liability has been exhausted, the insurer's obligation to continue paying to legally defend an insured ends.

WATERCRAFT (YACHT) POLICY

Example: Bill Badboater is being sued for colliding with another boat. Bill's insurer defends his suit and dutifully pays lawyer fees and court costs. Bill's policy has a combined single liability limit of \$100,000. The claimant is suing for \$300,000 in damages and her claim is bolstered by a very credible group of witnesses. After a careful evaluation of the case, Bill's insurer determines that it isn't viable to refute the amount of damages being claimed and that their effort, even if made, couldn't guarantee a victory. The insurer offers to pay out the full policy limits. The claimant accepts their payment but continues the suit for the additional damages. The cost of continuing any defense is now Bill's responsibility.

The watercraft policy contains a, potentially, unlimited defense obligation since it has no specific monetary limit on the amount paid to defend a covered person. However, the policy does allow a company to have some control over their financial duty to protect a covered person in a given claim. A company does not have to provide a defense under ALL situations. An insurer doesn't have to defend any "bodily injury" or "property damage" loss that isn't covered by the policy. The insuring agreement also gives the insurer the right to offer a settlement as it sees fit. If a settlement or judgment completely depletes the applicable policy limit, that also ends the insurer's obligation to provide a legal defense.

2. Under the liability section, the definition of an insured includes:
 - a. You (the person or persons appearing on the policy) and relatives (as defined by the policy). Coverage exists only with regard to such persons owning, using or maintaining covered property. Coverage also applies to a loss involving a non-owned watercraft used by an insured.
 - b. Any person using a watercraft that qualifies as a covered craft.

Example: Fred's "Horizon Bounder" is insured under a watercraft policy. One day, his neighbor, Jeri, asks to use his boat for a Saturday fishing trip. While returning to shore, Fred's neighbor fails to see a canoe in time. He smashes into the canoe and injures its owner. The watercraft policy would cover the loss but only up to the policy limit.

- c. Other persons or organizations are eligible for coverage against damages which they cause, but for which a named insured, a resident spouse or a "family member" is responsible because of their acts or omissions in providing the watercraft.
- d. Other persons or organizations also are covered for their acts or omissions in providing a watercraft to a named insured, a resident spouse or a "family member" who causes damage or injures others with that non-owned craft or its trailer.

Boat Owner's Liability Insurance Held Primary Over Permissive Operator's Homeowners Insurance

A young woman was operating a boat with the permission of its owner when it struck another boat, resulting in the death of a passenger. The estate of the deceased filed a wrongful death suit against the woman. The owner of the boat that she was operating was added as a defendant by virtue of a Michigan law imposing liability on the owner of a boat that is being operated by another person with the consent of the owner.

A boat owner's protection policy carried by the owner included liability coverage in the amount of \$300,000. The young woman was an insured under the provisions of a homeowner's policy (\$300,000) and a personal umbrella liability policy (\$1 million) carried by her parents. The boat insurer undertook defense of the suit and paid \$300,000, the amount of a negotiated settlement.

WATERCRAFT (YACHT) POLICY

The insurer then sought to collect the entire amount it paid for the settlement, plus \$26,000 expended for investigation and defense, from the insurance company that provided homeowners and umbrella liability coverage for the young woman. Motions for summary judgment were filed by both insurers. Their respective obligations were disputed.

It was noted that the "other insurance" clauses in the policies were virtually identical, each purporting to be excess over other valid and collectible insurance. It was also noted that the boat operator's insurer said that it was never approached by the owner's insurer to defend, and that its consent to the mediation settlement had not been sought.

The court followed what it called the majority approach, concluding that the boat insurer was the primary insurer, having issued a policy specifically to cover liability arising from boating accidents involving the described boat. It said that other insurance would have covered the young woman's liability if the boat policy were not in force.

The Michigan law imposing liability on a boat owner for negligence on the part of another, operating a boat with the owner's consent, supported the position taken.

The motion for summary judgment by the homeowners and umbrella liability insurer was granted.

B. Supplementary Payments

This section advises the insured of several, additional coverages that are available. The amounts that may be paid under this section have the added benefit of NOT reducing the policy's other insurance limits.

1. The watercraft policy makes a maximum of 10% of the policy's Part A insurance limit available to cover expenses the insured is required to incur because of the Maritime Salvage Law when a covered watercraft is wrecked. Funds are available for addressing the costs to raise, move or destroy the craft.

Example: Two months earlier, Wanda's sailboat was among the many boats at Municipal Pier that were destroyed during a severe storm. She receives a notice from her city's Recreation and Parks Dept. that she has been charged \$2,300 for the cost to have her boat wreckage cleared. Wanda's policy will respond to this expense.

2. One supplemental coverage will pay for the cost of bail bonds, but this coverage is limited to a total of \$250. Also, the bond must be connected with an accident covered by this policy.

3. The policy pays for the costs of premiums on appeal bonds and attachment bonds, but only those involved in a suit that the insurance company is defending.

4. The Watercraft policy also pays for any interest on judgments that have been entered. However, any payment obligation ends if the policy's limit of insurance is reached.

5. The watercraft policy pays for loss of earnings caused by hearings or trial attendance and other reasonable expenses caused by an insurance company's request.

Example: June Unlukki is asked to appear at a preliminary hearing involving her boating accident where she collided with a group of swimmers. June gets permission to take an unpaid day off from work to attend and testify at the trial. The insurer says that they will pay for her loss of a day's wages.

Concerning loss of pay, the policy pays a maximum of \$200 per day because of lost earnings; this supplemental coverage does not include loss of other sources of income.

WATERCRAFT (YACHT) POLICY

6. Finally, under Supplementary Payments, the policy will pay any reasonable expenses that are due to activity requested of an insured by the insurer.

Example: Sammi Kollum's insurer is defending a lawsuit filed against him for an accident that occurred during an out-of-state boating trip. Sammi's insurer has arranged for him to travel to a lawyer's office in that state so that he can participate in a deposition. The insurance company assures Sammi that they will pay for all expenses including travel, meals, hotels, etc.

C. Exclusions

1. The following situations do not qualify for protection under this section of the policy:

a. The Watercraft Policy doesn't provide liability protection to insureds who intentionally injure other persons or damage another party's property. Because this point sometimes causes confusion, it's important to examine what is meant by intent.

Example: Jimmy is on his way home from a really horrible day of fishing. Jet skiers have discovered his favorite fishing spot, ruining his day. As he nears the dock, he sees a couple of jet skiers who, at the rate Jimmy was originally traveling, should have passed safely in front of him. Jimmy floors his throttle and races forward. Both skiers are shocked and then collide with each other as they try to avoid Jimmy's boat.

Unfortunately, Jimmy ends up striking both skiers too. In this case, the intent lies with Jimmy's frame of mind. Yes, he intentionally sped up toward the jet skiers, but what he meant to do was to harass them, not cause the injury and property damage that resulted. Certainly, one could argue that what happened was foreseeable, but in Jimmy's mind, it was still an accident.

b. BI to either a named insured or a relative is ineligible for coverage.

Example: John's PondPounder Inboard/Outdrive boat is insured under a Watercraft policy. While using the boat, it suddenly loses power and Kevin, John's son, is pitched onto the deck. He is treated for a broken leg. The medical expense is not eligible for reimbursement.

This particular exclusion also denies coverage to the named insured and the named insured's household when a third-party attempts to file a claim or lawsuit for damages or costs that third party owes for injury to the named insured or the named insured's family member.

c. The policy won't respond to loss of or damage to property that is rented to, cared for or used by anyone in the insured household. In other words, the Watercraft policy can't be used directly or indirectly to pay for first party injuries or property claims.

d. No coverage is provided to a person who suffers bodily injury if that person's loss should be handled by other sources as specified under Workers Compensation, the Jones Act or other disability/disease (both occupational and non-occupation) laws.

e. Coverage is not permitted for an insured's watercraft or its trailer while it is rented to others.

f.

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Example: Jeff rents George's 17 ft. outboard boat and pays an agreed rental fee before getting the boat. Jeff then goes out to connect the boat trailer to his SUV. While checking the trailer, he trips and slams his face against the hull. The related medical expense does not qualify for coverage under George's policy because the injury was connected to the rental.

WATERCRAFT (YACHT) POLICY

The exclusion applies to ALL incidences related to the rental. It also applies to using covered property to transport persons or cargo as well as to chartering the property.

g. Unless the person doing maintenance to the named insured's watercraft is the named insured, an insured relative or an agent/employee of the named insured or relative, no coverage applies for injury or damage involving a person in the watercraft business (sales, service, repairs, deliveries, storing, mooring, etc.)

Example: Aaron and Patty decide to eat out at the "Floating Asia Dinery" and, as required, they were helping a "Dinery" employee aboard so he could moor their boat to the restaurant's dock. The employee slips while boarding, breaking an arm. His injury would not be eligible for coverage under Aaron's policy.

h. Unless the activity involves the exception appearing in exclusion 1.f., no BI or PD protection applies to losses that involve business use of a watercraft, even when the activity consists merely of maintaining a watercraft that is used in business. However, if the watercraft is used for non-compensated business entertainment there is coverage.

Example: Clyde Speartide reports a loss under his watercraft policy. He and another boat collided, due to Clyde attempting to pass it on his way to a lake's far shore.

Scenario 1: While investigating the loss, Clyde's insurer discovers that Clyde was operating an informal water taxi. The claim was denied.

Scenario 2: While investigating the loss, Clyde's insurer discovers that Clyde was entertaining a business client. The claim is covered.

i. No protection is available to any loss that is connected to watercraft that is operated without the express permission of an insured party. The exclusion doesn't apply to situations where permission is implied, such as use by an insured's family member.

Defendant Not Considered Driver With Permission

Phil Brondes, Jr.(Brones) purchased a boat in 1979. He kept it in Toledo during the summer and in Florida during the winter. During the winter of 1979-1980, he experienced some mechanical difficulty while the boat was in Florida, and had it shipped from Florida to Brenner Marine in Toledo for necessary repairs.

Brondes was personally acquainted with Selz, the store manager and primary service manager of Brenner Marine. He directed Selz to make the boat operational for the upcoming summer season. The repairs were completed on June 15, 1980, and the boat was placed in a berth at Brenner Marine, where it remained until June 25th when Selz and some friends used Brondes' boat.

Selz and his passengers traveled about five or six miles from the marina, and then water-skied for about an hour. The boat, driven by Selz, then collided with a pontoon boat occupied by Norman Peiffer, Connie Peiffer, Walter L. Scott and Ida M. Scott.

Brondes' insurance carrier, Frankenmuth Mutual (Frankenmuth), denied liability for injuries because Selz had not obtained Brondes permission to take the boat.

Frankenmuth filed for declaratory judgment to determine whether its policy covered the accident, and named as defendants Selz, his homeowners' carrier, Brenner Marine, and their carrier (Buckeye), the Scotts and the Peiffers.

WATERCRAFT (YACHT) POLICY

The trial court found that Selz had neither the express or implied permission of Brondes to operate his boat at the time of the accident; therefore, Frankenmuth did not cover the accident. The court further ruled that Selz was not operating the boat within the scope of his employment so as to make Brenner Marine or Buckeye liable. The court decided that only Selz's homeowners policy covered the accident.

On appeal, the higher court found that Selz and Brondes were close friends who had waterskied many times together. In addition, Brondes had offered Selz the use of the boat while Selz was on vacation in Florida, but Selz did not take advantage of the offer. It was also shown that Selz had never before operated the Brondes boat without him being present. Brondes testified that the personnel at Brenner Marine had his permission to test-drive the boat, if they believed it was necessary to make the boat operational but the court pointed out that a test drive would have required approximately 20 to 30 minutes to complete. In this case, the accident occurred more than an hour after Selz had taken the boat out, while he and friends were water-skiing.

The judgment of the lower court was affirmed.

j. Either BI or PD related to an insured person who also qualifies for coverage under nuclear activity policy is not eligible for duplicate coverage under the watercraft policy. The exclusion applies even if the source of nuclear activity protection no longer has available limits (due to exhaustion by payment/settlement).

2. The following situations don't qualify for liability protection related to watercraft use, maintenance or ownership:

a. No protection applies to loss involving property that is defined as personal watercraft, such as ski-doos, that are owned by insured or family members.

b. The Watercraft policy is intended to protect boats (and trailers) that are specifically listed and rated. Therefore, coverage does not apply to watercraft that an insured owns but has not added to the policy.

c. No coverage exists for watercraft that is regularly available for the named insured's use or that is owned by a named insured's family member. However, an exception exists for a loss involving such property that is merely related to it being maintained or occupied by an insured.

The exception makes sense. It permits the watercraft policy to provide protection to instances that DO NOT involve significant, unrated exposures.

d. Except for sailboats, any boating loss (injury or damage) related to using a covered watercraft for any racing or similar activity does not qualify for coverage. The exclusion even extends to preparations or practices for such activities. In other words, the only activity that MAY be covered might be an impromptu (unplanned, spur-of-the-moment) event.

Examples:

Scenario 1: James and his friend happen to spot each other on the lake. They are both on their way back from fishing. Suddenly, James' friend revs his outboard and takes off with James doing the same. About a minute later, James catches up and then collides with his friend's boat. The loss and injury would be eligible for coverage.

Scenario 2: James and his friend meet each other on the lake. Both recently bought new boats and boasted about them. A day earlier, the two agreed to a race. Both boaters rev up their outboards and take off. James' friend takes the lead and, about a minute after starting the race, James catches up and then collides with his friend's boat. The loss and injury would NOT be eligible for coverage.

WATERCRAFT (YACHT) POLICY

D. Limit of Liability

1. This provision explains that the monetary limit that appears on the policy declarations page is the maximum amount of coverage that applies to the damages from any single loss. This maximum is not affected by the number of watercraft, insureds, or claims involved. This arrangement is true of both bodily injury and property damage claims. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum.

2. The Watercraft policy's Limit of Liability section explains that, regardless of whether coverage exists under more than one coverage part, no duplicate payments will be made. This limitation means that, even if portions of a single claim qualify for coverage under the policy's liability as well as Medical Payments and/or Uninsured Watercraft coverage, an insured will not be paid more than once for any portion of his loss. This clarifies the purpose of the Watercraft Policy to indemnify rather than enrich a claimant for their accidental loss.

E. Other Insurance

In the event that other sources of liability insurance exist, the liability portion of the watercraft policy will pay on a basis that equals its share of the total amount of insurance available to cover an eligible loss involving an owned watercraft. If the loss involves a non-owned craft, the Watercraft Policy responds on an excess basis, paying only after the primary policy has paid its limit. This policy will also respond on an excess basis to any other source of coverage for ANY watercraft while it is being transported by a land motor vehicle.

Example: Let us examine a boat loss that totals \$10,000 in damages. The loss is covered by a watercraft policy and some other source of coverage and both sources have coverage limits greater than the loss amount.

Scenario 1: The loss involves a boat owned by the insured and the watercraft policy and the other coverage source offer the same coverage limits. In this case, payment would be:

Watercraft Policy Payment: \$5,000 Other Source Payment: \$5,000

Scenario 2: The loss involves a boat owned by the insured and the watercraft policy and the other coverage source offer different coverage limits. Let us assume that the Watercraft's limit represents 40% of the available coverage. In this case, payment would be:

Watercraft Policy Payment: \$4,000 Other Source Payment: \$6,000

Scenario 3: The loss involves a boat that is NOT owned by the named insured and the watercraft policy and the other coverage source offer the same coverage limits. In this case, payment would be:

Watercraft Policy Payment: \$0 Other Source Payment: \$10,000

Note: If a nonowned boat is involved, it would not matter if the watercraft policy and the other source had different limits. The other source would have to pay out its complete limit before the Watercraft Policy would contribute any payment.

PART B – Medical Payments Coverage

A. Insuring Agreement

1. The watercraft policy covers medical payments up to the amount shown in the policy (declarations page or elsewhere). The payments are for medical expenses connected to injury suffered by a person who qualifies under this section as a covered person.

WATERCRAFT (YACHT) POLICY

2. Any paid expenses must not be extraordinary costs and they have to have been incurred no later than three years from the date of a covered accident. Eligible expenses include funeral costs as long as the injury or death is related to use or ownership of a watercraft (including craft maintenance).

3. The following qualify as insureds under the medical payments section:

- You (the person or persons appearing on the policy) and any person who is a family member (as defined by the policy) of the named insured, but only while occupying or being towed by a watercraft or while in the water and being struck by a watercraft.
- Any person (except insureds and their household relatives) while occupying, being towed by, or when in the water and struck by a craft that qualifies as a covered watercraft.

Example: Bill's cabin cruiser is insured by a watercraft policy, which includes Medical Payments Coverage. Laura, Bill's daughter, is at a beach party. She is injured during horseplay that occurs on the party host's boat. Laura would be eligible for medical payments coverage.

Example: Bill is enjoying a swim near his cruiser. As he heads back to his boat, a teen operating a jet ski sideswipes him, breaking a leg. Bill's medical payments coverage would be available to handle treatment costs.

B. Exclusions

Under this section, there are a variety of situations that do not qualify for coverage:

1. No coverage applies to losses involving a personal watercraft that is owned either by the named insured or a named insured's household relative.

2. No protection applies to losses that involve business use of a watercraft. Business use includes an insured that rents out his property, transports persons or property for a fee, or chartering the property.

Example: Jeff rents George's sailboat and, while attempting to adjust the boom, he trips and breaks his ankle. Jeff's injury is not covered under the medical payment portion of George's watercraft policy.

3. No coverage applies to losses involving watercraft that is acting as a residence or a premises.

4. No coverage is provided to a person if that person's loss should be handled by other sources as specified under Workers Compensation, the Jones Act or other disability/disease (both occupational and non-occupation) laws.

5. The Watercraft Policy is intended to provide coverage involving boats that are specifically listed and rated. Therefore, coverage does not apply to injuries suffered on watercraft that the named insured owns but has not added to the policy. It also would not apply to a craft that is regularly available for the named insured and family members to use.

6. Similar to item 5., coverage does not apply to injuries suffered while either occupying or being struck by watercraft that is owned by a family member or which is regularly available to a family member. Both of these are situations where coverage is denied because another party should be providing separate insurance, particularly the actual owners of such watercraft.

WATERCRAFT (YACHT) POLICY

7. Medical payments coverage does not apply to persons who are injured while operating a covered watercraft without the insured's permission. However, this exclusion is void for family members using an insured-owned, listed watercraft.

Example: Brenda and Paula, as a prank, decide to move a friend's boat from his slip to an empty one on the other side of the dock. While entering the boat, Paula stumbles and breaks her wrist. The injury's treatment is not eligible for coverage.

8. No coverage exists in instances where a watercraft is occupied while being used for commercial/business activity involving an insured. An exception exists for business-related entertainment. However, the exception only applies to such instances that do NOT involve direct compensation.

9. Except for sailboats, any boating loss (injury or damage) related to using a covered watercraft for any racing or similar activity does not qualify for coverage. The exclusion even extends to preparations or practices for such activities. In other words, the only activity that MAY be covered might be an impromptu (unplanned, spur-of-the-moment) event.

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Note: The policy has a specific exception for sailboats or to predicted log cruises. Why this exception? Because these activities do not significantly increase the chance for loss that an insurance company assumes when it decides to provide watercraft coverage.

10. No coverage exists for loss involving ANY instance of nuclear discharge or any sort of war/military activity.

11. No coverage exists for any loss related to any instance of nuclear activity, such as nuclear reactions, radiation or radioactive contamination.

C. Limit of Liability

The monetary limit that appears on the policy declarations page is the maximum amount of coverage that is possibly available to a single injured person related to a single, eligible incident. This maximum is not affected by the number of crafts, insureds, or claims involved, nor the number of crafts or premiums appearing on the declarations page. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum. Therefore, even if there are losses that might qualify for coverage under another section of the policy, duplicate payments will NOT be made.

D. Other Insurance

In the event that other sources of medical payments insurance exist, the Medical Payments section of the Watercraft Policy will pay on a basis that equals its share of the total amount of insurance that is available to cover an eligible loss involving an owned watercraft.

Example: Jason is eligible for medical payments coverage and two other sources of recovery. Source 1 has limits of \$3,500; source 2 (the limits under his Watercraft medical payments section), \$5,000; and source 3, \$6,500. The total amount available is not \$15,000 (the sum of the three sources). The medical payments portion of the policy will pay only on a basis that equals its share of the total amount of available protection. In this case, the policy would pay approximately 33% of the loss (limit of \$5,000 divided by total amount available of \$15,000).

WATERCRAFT (YACHT) POLICY

If the loss involves a non-owned craft, the watercraft policy responds on an excess basis, paying only after the other available coverage has paid its limit.

PART C

In the actual policy, this portion of the policy is not used, but is designated for use in the future.

PART D – Coverage for Damage to Your Watercraft

A. Insuring Agreement

1. Typically, a watercraft policy's physical damage section will provide protection against a wide variety of loss sources that may damage or destroy covered property. Under this policy, protection against tangible, accidental loss is provided for any property that meets its definitions of:

- "your covered watercraft"
- "boating equipment"

However, coverage is subject to the policy's applicable deductible. That deductible only applies once per a given loss. In other words, if an insured suffers a loss to her boat and then, on another date, to her boating equipment, the deductible would apply to each loss. If she experienced a loss to her boat AND equipment in a single loss, then the deductible would only be applied once.

2. The Watercraft policy defines what it means by boating equipment, but only with regard to the coverage offered under this section. The policy does not consider outboard motors to be boating equipment. However, it does classify property that is owned by the insured and which is related to the covered watercraft due to being a part of its normal operation or maintenance as boating equipment. This status is conferred whether such equipment is used within or outside of the applicable, covered watercraft.

The policy offers the following items to illustrate what is considered to be boating equipment:

Anchors	Electronic navigation equipment	Life preservers	Pumps
Batteries	Fire extinguishers	Lines	Sails
Covers	Flares	Oars	Seat cushions
Dinghies	Horns	Oar locks	Tenders

Items similar to the above would also qualify as boating equipment.

WATERCRAFT (YACHT) POLICY

B. Additional Coverages

1. Salvage Expense Coverage

Should circumstances dictate, this policy will provide a maximum of one-quarter of the liability limits that apply to this section. The amount is to handle the expense related to salvage law. More specifically, it handles salvage liability that is imposed by maritime law, such as a responsibility to recover items that have gone overboard.

2. Towing and Assistance Expense Coverage

This coverage responds to a number of expenses that may be caused when a loss disables covered watercraft. It pays for transporting the craft to where repairs may be made; delivering fuel, oil or repair parts; the cost of labor to make repairs at the location where the covered craft is disabled; and roadside repairs for any watercraft trailer that is listed under covered property.

Note: Only a modest amount of \$500 is available for all expenses related to a single event. Further, only \$1,000 is available during a single policy period. However, no deductible is applied to this protection and it doesn't affect the policy's limit of liability.

3. Personal Effects Coverage

Like towing and assistance coverage, a total of \$500 is available for covering loss to personal effects; no deductible applies and it has no affect on the policy's other insurance limits. Unlike it, there's no \$1,000 policy period aggregate limit. It protects against loss or destruction of an insured's personal effects. It can pay for property belonging to an insured as well as to third parties (when the named insured requests). The protection applies to property such as the following while located on, in or during the time it is loaded or unloaded from a covered watercraft.

Items that qualify as personal effects:

Cameras Cell phones Fishing equipment Water skiing equipment
Clothing Coolers Portable radios Sporting equipment

Items that do NOT qualify as personal effects:

- Animals
- Boating equipment
- Fuel
- Jewelry
- Money
- Watches
- Permanently attached equipment

WATERCRAFT (YACHT) POLICY

C. Exclusions

There are a variety of instances when physical damage protection is denied, specifically the following:

1. Loss involving business activity which includes insureds who rent their craft to others, who receive income from transporting property (cargo) or persons or who make their craft available for charter trips.

Example: Linzie's sailboat is damaged when the pilot smashes into a steel dock. Linzie's insurer turns down her claim when they find out that the boat was being returned by a group who frequently rent the boat.

2. Losses that solely involve the following are disqualified from coverage:

a. Any source of loss that can be attributed to regular wear and tear, aging, property defects and/or due to breakdown are excluded

b. Loss that is attributable to the insured's failure to properly maintain covered craft

c. Damage from scratching, marring, denting and chipping

d. Damage caused by either extreme heat or freezing

e. Loss due to temperature extremes including improper winterizing. However, an exception exists for damage occurring to winterized craft IF the process was performed by a competent source.

f. Damage caused by icing to a covered craft either while afloat or while moored

g. Loss that is indirect, due to loss of use or similar incidents

h. Loss caused by the physical nature and defects of the covered property (inherent vice/latent defects)

i. Breakdowns, both electrical and mechanical

3. There is no coverage for loss related to using or preparing watercraft for racing; however, there is an exception for sailboats. It is likely that the exception is due to the fact that, even in racing, the handling of a sailboat is not likely to significantly increase the exposure to loss; also, sailboat operators tend to have much more experience in boating than their motorized peers.

4. Loss due to any type of war, military activity, nuclear or radioactive activity or event is ineligible for coverage, including a loss that is covered by any special nuclear energy policy

5. Loss or damage (including confiscation) of property by any government agent due to an insured's illegal activity.

Note: This exclusion does not affect payments to which loss payees may be entitled. However, such payments would likely result in subrogation activity by the insurer against the insured.

6. Diminished value is not covered

Example: Lindsay's boat, a 2012 Puddleup, was just repaired by her insurer. A week after she gets it back, she decides to sell it and she goes to a nearby dealer for help on establishing a sales price. The dealer says that, since it had been damaged and repaired, she should list it for at least \$2,500 less than a comparable boat that had never been in an accident. This loss in her boat's market value is not eligible for coverage.

WATERCRAFT (YACHT) POLICY

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D. Liability Limits

The maximum watercraft policy limits that can possibly apply to a given loss are the lowest among the options of the actual dollar amount appearing on the declarations, the stolen or damaged property's actual cash value or the amount needed to properly repair or replace the property.

The policy makes specific mention of the following:

- Any loss that is considered 'total' will take into consideration the property's physical condition just prior to the time, including depreciation when determining that property's actual cash value.
- Should a replacement result in the use of property that has a greater value than the property that was lost or destroyed, the insured will be responsible for that difference in value.

Note: Replacement assumes that the property used is of similar type and quality of the damages or lost property.

E. Payment of Loss

This provision discusses a company's options in settling a loss. The insurer may handle a loss by a cash payment or it may repair or replace the property. If the loss is due to the theft of a covered craft and it is recovered, the insurer must pay the expense of returning it to either the named insured or to the latest address shown on the declarations page. Also, the insurer must repair any damages caused by the theft.

Further, should the company exercise the right to keep the property, it must be at a price that's acceptable to both parties. Cash payments made by the insurer will also include any applicable taxes.

F. No Benefit to Bailee

The watercraft policy's intent is to perform its contractual obligations to the named insured and other parties defined in the definitions, insuring agreements and other policy provisions. To do otherwise would be to open the policy up to parties who haven't been rated or underwritten for coverage and for more exposures than contemplated.

Other parties may benefit unintentionally from the policy without this provision. Such persons or organizations can't piggyback their obligations to the watercraft policy.

G. Other Sources of Recovery

This provision is to make sure that any payment under the Physical Damage coverage takes other sources of loss payment into account. If other insurance policies, provisions or sources of recovery apply to a physical damage loss, the policy will only pay its proportion of the total available coverage. But the proportional payment is only for owned crafts. If other sources of payment exist for a loss involving a non-owned craft, this policy responds on an excess basis. It is excess over every other available source of payment, including the policy of the owner of the craft.

Note: The provision to pay its proportionate share on owned-craft losses effectively assures that the policy won't pay more than the limits of liability listed on the declarations page. Of course, it has no other way to control the amount paid by other sources.

WATERCRAFT (YACHT) POLICY

H. Appraisal

1. This system works quite similarly to an arbitration clause, except that the only point of dispute is the amount of payment, rather than whether any payment is due. This provision may be invoked when the company and the insured don't agree on the amount of the loss. Each party must select its own qualified appraiser. The two appraisers then select an umpire. The appraisers submit their opinion of the actual cash value and the amount of the loss. If they don't reach an agreement, they submit this information to the umpire. An agreement by any two persons establishes the amount for the insurer and the insured.

The company and the insured have to pay for the expenses of their own appraiser, as well as equally share the expenses of the umpire. No other insurer rights are affected by their agreeing to an appraisal. For instance, if another party has some responsibility for the loss, the insurer, after paying the appraised amount of loss, may still subrogate the claim.

2. It is becoming more common for such clauses to state that participation in the process does not harm any other rights belonging to either party.

Example: Henrietta and Concrete Bay Insurance disagree on the amount of damage suffered by her boat. The two parties submit to an appraisal and the appraisers agree that the loss amount should be \$21,700. However, Concrete Bay continues to investigate the loss and, later, decides to deny the claim because the appraisal process did not affect its on-going right to dispense with the claim as it saw fit.

PART E – Duties after Accident or Loss

This section explains what an insured must do in order to fulfill his obligations once a loss occurs. It is important that these conditions be met, since failing to comply may relieve an insurer from having to pay for a loss.

IMPORTANT - The insured risks endangering his or her coverage by failing to comply with any post-loss duties.

1. Notification. The insurer must be provided the accident details as soon as possible. The notification may be to an agent, and, ideally, should include the identity and addresses of any people hurt in the accident, as well as accident witnesses.

Item 1 is critical, because it initiates the entire claims process, and it gives the insurer its first and best opportunity to control the expense of the claim.

2. The following are also critical responsibilities owed by any person seeking coverage under the policy.

a. Assist the insurer in the claim's investigation and settlement, as well as help with defending against any claim or suit.

b. Immediately send the company copies of ANY material received that's related to the accident.

c. Agree to attend as many:

(1) Physical exams, involving doctors selected by the insurer and/or

(2) Interviews under oath

as are reasonably requested by the insurer. These requirements are at the insurer's expense.

d. Permit the insurer complete access to medical and other records that relate to the accident.

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- e. Give the insurer any requested proof of loss.
- 3. If the loss involves physical damage to a covered boat, the insured is further obligated to:
 - a. Protect their property from further loss. The company is obligated to reimburse the insured if any additional expense is involved.
 - b. Quickly notify the authorities (police or coastguard) if the covered craft or other property vehicle is stolen.
 - c. Allow the company to inspect and evaluate the damaged property BEFORE it is repaired or removed.
 - d. Provide the insurance company with an inventory of damaged personal effects IF a request is made to do so.

Preserving the damaged property after a loss is extremely important.

Example: Tina returns to the dock in the late morning and strikes a piling. The damage appears minor, but it does include a gash near the bow. Since she's in a hurry to get some family errands done, she loosely ties off her boat and decides to check it again the next morning. That evening, the area experiences high winds and, the next day, Tina is surprised to find that the boat has a larger hole and is two-thirds submerged. When she reports the loss, including the details of her post loss action, she is warned that she may have to handle the aggravated cost of the damage repairs.

Note: Having any damage repaired or getting rid of damaged property before allowing the insured to look over the property is an extremely serious breach of contract. It could easily result in an insurer's refusal to make payment. If the insured craft is repaired or disposed of, the insurer has no chance to evaluate whether coverage was due, nor determine how much was due.

PART F – GENERAL PROVISIONS

A. Abandonment

This provision merely states that the insurer has no obligation to accept covered property that has been abandoned by an insured.

B. Bankruptcy

This provision states that an insured's bankruptcy or insolvency doesn't release the company from any obligations under this policy. This fact appears clear enough but a situation could easily end up having to be resolved in the courtroom.

Example: An insured's watercraft policy is cancelled for nonpayment and, a day later, the insured suffers a boat loss. The insured has documents proving that his bankruptcy prevented payment of the policy premium in time. The insured files suit, alleging that this provision can be interpreted as still obligating the insurance company to adjust the loss and offer a settlement.

C. Changes

- 1. This states that the policy is a complete agreement that can't be changed, except by the company issuing an endorsement.

WATERCRAFT (YACHT) POLICY

This is important. If the insured were allowed to change the policy, the most common changes would involve waiver of premiums for life, guaranteed renewals and unlimited liability limits. Note that, from a consumer's point of view, these would be good policy features; it's just that the provisions would make it a little tough to earn a profit.

Fortunately, insurers are eager to help their customers make valid changes to their policy to fit their current circumstances.

2. This provision also explains that the policy premium was based on a certain set of facts. If any of this information changes, it could affect the rating of the policy, and the insured's premium may be changed. Items that could cause the policy's cost to change include the acquisition of additional watercraft, changes in household residents (craft operators) and any address change. Other items that may affect policy premium are changes in the type of watercraft, change of rating territory, and changes in deductibles or limits.

This provision makes a reference that falls outside of the policy. It states that if a rating change is necessary, the change will be performed in compliance with the applicable company's filed rating plan and rules.

3. Changes in coverage are typically introduced by an insurer via adopting a new edition of a program and policy forms or by using an amendatory endorsements. In case a change occurs that broadens coverage for policies in the insured's state, but is NOT accompanied by a premium adjustment, the change will automatically apply to all policies as of the effective date of the change.

D. Financial Responsibility

In instances where the watercraft policy is used as a certified source of financial responsibility in a given state, this provision acts to make this policy's provisions comply with state requirements. However, such compliance is only with regard to meeting financial responsibility demands.

E. Fraud

This provision explains that, if an insured speaks or acts with the intent to mislead others regarding any loss or claim, the insurer can deny coverage. Of course, this part of the insurance contract is implied throughout the policy.

F. Lay-Up Period

Under this provision, the named insured is informed that no coverage exists if the applicable watercraft is operated during the term of any lay-up period that appears in the policy. This provision is also considered breached if the covered craft is not stored at the location indicated in the declarations.

Coverage for operation during the lay-up period may apply in two instances. One, when the insurer consents to its use in writing. Two, if the craft is operated due to an emergency; but only if the insurance company is notified within 10-days of the emergency use.

G. Legal Action Against Us

This provision of the Watercraft Policy stands as a tool to make a lawsuit the last recourse to resolving a dispute between the 1st and 2nd parties to the contract.

1. The provision forces the parties to use all of the tools within the policy before a suit is attempted. In other words, an insured, disputing the existence of liability or the amount that should be paid, cannot skip arbitration or appraisal or cooperation with the company or providing proof of loss, etc., and go straight to filing a suit.

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Further, even after compliance with all of the policy provisions has occurred, no action can be filed unless there's been a written agreement that the "insured" is responsible for a loss payment OR the amount of the payment has been settled via judicial proceedings.

2. This provision denies any person or organization's right to bring action against the insurer to determine if the "insured" is liable for an accident. This part is needed to limit the persons who may rightfully expect performance under the boat contract. Without this clause, the policy would be forced to provide protection to parties who, rightfully, should secure their own coverage.

H. Loss Payable Clause

When another party has a separate financial interest in the covered craft (typically due to its holding a loan with regard to the property), it has separate policy rights. This provision advises that, should any payment be made, it will be distributed in accordance to the extent of that party's financial interest.

The loss payee may have its own coverage continued even if the insured is involved in concealing information or committing fraud. However, this exception does not apply if the act involves conversion, embezzlement or secretion of applicable property.

If coverage is terminated, the insurer has the obligation to provide separate advance notice to the loss payee and it will be in the same manner that is provided to the insured.

If the insurance company pays a loss to the loss payee under an instance where coverage has been terminated or voided for the insured, the insurer is entitled to pursue recovery of that amount by using the loss payee's separate subrogation rights.

I. Our Right to Recover Payment

1. This provision of the policy typically states that, while an insurer will fulfill any valid obligation to make payment under the policy, when payment is made, it acquires the insured's right to recover payment from another responsible party. Just as important as acquiring this right is the duty it imposes on the insured. The insured must cooperate fully with the insurer to pursue recovery AND must be certain that he or she does nothing to undermine this right. However, this provision doesn't apply under the physical damage coverage part when the responsible party is a person who operates the covered watercraft with an insured's permission.

There is one exception. The right to recovery still exists against a permissive user who is in the watercraft business, such as having possession of the craft related to sales, lease, maintenance, repairs, mooring, etc.

2. Another part of this provision explains that if the company compensates the insured for a loss and then collects payment from the responsible party for the same damages, the insured HAS to hold onto the money on behalf of the insurance company and then reimburse the company up to the amount of the settlement.

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J. Out of State Coverage

In case of a loss occurring in a state or province that is different than the one where the policy was issued, the policy is treated in accordance to that state or province (with regard to handling the loss).

WATERCRAFT (YACHT) POLICY

1a. If that location has a financial responsibility or similar law, the contract will be handled as if its limits were at the amount necessary to comply with the law (if the written policy limits are LOWER than what is required).

1b. If that location has a compulsory insurance or similar law, the contract will be handled as if its coverage provisions were the type necessary to comply with the applicable law's minimal requirements (if the written policy's coverage scope is less than what is required).

2. No duplicate payments for the same elements of loss will be permitted.

K. Policy Period

This policy's coverage only applies to accidental loss that takes place in the time period specified in its declarations.

L. Policy Territory

Coverage is granted only to loss that occurs within either of the following:

- The territory shown in the declarations
- When no territory is specified, coverage applies to loss if covered when it occurs on land, inland waters, or coastal waters within 12 miles of the shore or, in the Great Lakes BUT ONLY when within the U.S., its territories or possessions, Puerto Rico or Canada.

M. Termination

The watercraft policy addresses both cancellation and non-renewal of coverage. However, a detailed discussion of this topic is fairly academic, since it may be the most frequently amended or replaced policy provision. This provision is necessary due to various state requirements, as well as individual company preferences. It is critical to keep in mind that state and company rules are what must be followed when terminating a customer's coverage.

1. Cancellation

a. The insured has it simple. All she or he has to do is either return the policy to the company or send prior written notice of the date the policy is to be canceled. The insured can request cancellation at any time during the policy period.

b. It's a little more complicated for the insurer to cancel coverage. The company has to mail written notice to the named insured at the address shown on the policy declarations page. The insurer must give 20 days advance notice of cancellation. However, if it is within the first 60 days that the policy has taken effect (and it is NOT either a renewal or continued policy) or it is for not paying the premium, the insurer may give 10 days advance notice.

2. Non-renewal

This option to end coverage is just a company privilege. However, if an insured sent in advance a written notice not to renew coverage at the policy's expiration date, it technically would be an insured's request to non-renew.

In any case, if a company doesn't want to continue coverage, it has to give an insured at least 20 days advance notice of non-renewal.

Note: It is critical that you understand the rules of your company and state provisions, since the differences center around the amount of notice and the specific reasons for non-renewing.

WATERCRAFT (YACHT) POLICY

3. Automatic Termination

This section of the termination provision allows for coverage to end without any written request or notice being required. If a company sends a renewal policy, and if the insured or insured's representative doesn't accept it, coverage ends at the latest expiration date. Nonpayment of the renewal premium is considered non-acceptance. If an insured obtains another insurance policy, coverage automatically terminates at the effective date of the replacing coverage. Automatic termination also occurs should a third party become owner of the covered watercraft or when this coverage is replaced by another policy. Another reason for automatic termination is when a covered craft suffers a total (including constructive total) loss.

4. Other Termination Provisions

a. This provision informs the insured that a cancellation notice may be delivered or mailed and that proof of mailing acts as sufficient proof of notice. **IMPORTANT:** Many states mandate how the notice has to be delivered (for instance, registered or certified mail), so you need to be aware of state law and any form that amends or replaces this provision.

b. The insured is also told that the company may be refunding the premium if a policy is canceled, but that the refund transaction has no effect on the cancellation. In other words, an insured may not claim that, after receiving legal notice as well as any other notification requirements, the cancellation is voided because of a delay in returning the premium.

c. This is a technicality but, in the event that a policy is cancelled, the cancel effective date that appears in any notice becomes the official end of the applicable policy period.

N. Transfer of Your Interest in This Policy

1. A policyholder can assign his or her rights and duties under the watercraft policy to another person, **BUT ONLY** with the written permission of the insurer.

There is one exception to the rule of having to get the insurer's permission to assign a policy: if the policyholder dies. In this event, this policy provision automatically transfers coverage either to a surviving spouse (if he or she lives at the same address) or the deceased's legal representative. Either party achieves the status of named insured.

However, the legal representative is protected only to the extent of his or her duties to maintain or operate the covered watercraft.

2. The insurer will only recognize such a transfer until the policy's expiration date. The working assumption is that appropriate coverage reflecting the change in circumstances will be obtained or that coverage will either be terminated or allowed to expire.

O. Two or More Watercraft Policies

In the case that the same insurer provides more than one policy that applies to a watercraft loss, the insurer is only obligated to provide, at most, the maximum amount of coverage that would be provided by the policy with the highest applicable limit.

COVERAGE FORMAT

The ISO Watercraft Policy is made up of the following, separate sections:

- Insuring Agreement
- Definitions
- Part A—Liability Coverage
- Part B—Medical Payments Coverage

WATERCRAFT (YACHT) POLICY

- Part C—reserved for future use that is activated when WT 04 01—Uninsured Watercraft Coverage Endorsement is attached
- Part D— Coverage for Damage to Your Watercraft
- Part E—Your Duties After an Accident or Loss
- Part F—General Provisions
- Definitions
- Property Coverages
- Liability Coverages
- Uninsured Boater Coverage
- Loss Duties
- Settlement provisions, additional exclusions and limitations
- Other Policy Conditions

ISO Watercraft Policy Analysis

Many persons who need protection for watercraft property and its related liability handle things by modifying their homeowner policy. However, a separate policy is a more comprehensive method. In addition to offering broader coverage, a dedicated policy is necessary because many types of boats do not qualify for coverage under a homeowner

Boat Exclusion Not Affected By Fact That Outboard Motor Could Not Generate 50 Hp At Time Of Loss

In 1995, Andrea Dickens was a guest on the pontoon boat owned by the Robertsons. The boat was being driven by a 50 hp outboard motorboat. While it was piloted by Bob Robertson, Andrea fell from the boat and was severely cut by the outboard motor's propeller blades.

The Robertsons had a homeowners policy issued by Safeco Mutual Insurance. The policy had common language that excluded liability for watercraft, including boats powered by motors having 50 or more horsepower. Based on this exclusion, Safeco denied coverage for the Dickens' lawsuit against the Robertsons for Andrea's injuries.

The Robertsons appealed after a jury decided that the loss was excluded from coverage by the homeowner's policy. Rather than dispute that the exclusion applied to motors with 50 or greater horsepower, the Robertsons contended that their motor was incapable of producing 50 hp at the time of the loss. This contention was proved by professional tests. The higher court considered the contention, but was of the opinion that the exclusion applied to the motor's original, certified rating of 50 hp. It did not appear to be reasonable to make the policy language subject to post-loss engine/motor testing. The trial court decision was affirmed in favor of the insurer.

Agreement

Under the watercraft policy, the carrier obligates itself to provide coverage, according to the stated terms and conditions (including relevant exclusions). This obligation is triggered by the insured paying the applicable premium and doing so on time. Insureds must also comply with other policy provisions.

Example: Terrance and Julia Bowsprit are insured under a policy with an inception date of 4/2/21 to 4/2/22. Their insurer sends a renewal policy with 4/2/22 to 4/2/23 effective dates. On June 9, 2022, the Bowsprits' powerboat collides with a sailboat, demolishing the latter's hull. They turn in a claim, but it's denied as the Bowsprits had failed to pay the renewal premium.

WATERCRAFT (YACHT) POLICY

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Definitions

This section precedes the policy's coverage parts and consists of the following defined terms (which, in a typical policy, may appear either in boldface or in quotation marks):

A. "You" and "your" are references to the insured who appears in the policy declarations (or schedule) and that person's spouse. However, the spouse must live in the same household as the listed insured.

When a marital relationship ends, the status of the former spouse who leaves the residence remains as an insured temporarily. Such persons stop being an insured when the earliest among the follow takes place:

- After 90 days of having left the residence
- At the applicable policy term's expiration date
- At the moment the former spouse becomes a named insured under another policy

Example: An insured and her spouse are insured and have a small yacht with a policy term of 5/2/22 to 5/2/23. On 7/5/22 the couple splits up, with the husband leaving (the wife was the named insured). On 10/25/22, the husband brings a girlfriend onto his wife's boat and the girlfriend is injured while on board and sues. The husband no longer qualifies under the definition of "you" or "your" because he is no longer a member of the named insured's household.

B. "We", "our," and "us" mean the company that issues and maintains the watercraft coverage.

C. The following terms have a meaning while used within the policy:

1. "Bodily injury" refers to sickness, disease, or bodily harm. This definition even includes death if it is a direct result of sickness, disease or bodily harm.

Example: Klarence is insured under a watercraft policy. While cruising, he slams into a rowboat, crushing it and throwing its two occupants into the water. A couple months later, Klarence gets a notice from a lawyer. He represents the family of one of the injured fishermen. The family is suing him for medical treatment and related expenses. Three weeks after the initial notice, he hears from the same lawyer. The family's suit has been amended since the injured fisherman died from related wounds that became infected.

2. "Business" means any trade, profession or occupation. In other words, it is any activity that is intended to generate income.

Example: Lucy loves her trusty outboard and also loves to be helpful. At her favorite lake:

Scenario 1: Lucy gives boat rides to others from one point of the park surrounding the lake to another for free – losses involving this activity would not be considered commercial activity.

WATERCRAFT (YACHT) POLICY

Scenario 2: Lucy provides a ferry service, moving others from one point of the park surrounding the lake to another for a fee – losses involving this activity would be treated as business related.

3. “Family member”—persons also qualify as insureds under the watercraft policy if such persons are blood relatives, married to a person defined as the named insured, or who is an adoptee, ward or foster child of a named insured. But this expanded insured status only applies when they ALSO live with the named insured.

4. “Newly acquired property” - refers to watercraft, outboard motors or a watercraft trailer. This property qualifies as newly acquired on the date that it becomes a possession of a named insured during the applicable policy period.

The watercraft policy provides only temporary protection to such property. If a named insured acquires additional property after the policy period begins, that property is covered for a maximum of 14 days after the date it came into the insured’s possession. It also enjoys the same scope of coverage as the broadest amount that applies to the same type of property appearing on the applicable policy schedule.

Example: Jamie has a watercraft policy effective 4/1/22 – 4/1/23.

Jamie Jamer’s Watercraft Schedule

Equipment	Liability	Physical Damage
2006 Lakelord OB Motorboat	\$100,000	\$8,900
1985 Slymline OB Motorboat	\$100,000	NA

On 6/12 Jamie is on her favorite lake with her newest outboard motorboat—a ’14 model for which she paid \$12,000 on May 31. Unfortunately, Jamie is talking excitedly with a friend as she brings it in to dock and she slams the boat against the wharf. Because one of her boats has physical damage coverage and the loss was within 14 days of purchase, the accident is covered.

After having a new item for more than 14 days, that property can gain coverage **ONLY** by being reported to the insurer and added to the policy.

5. “Non-owned watercraft” is any boat, motor or boat trailer that is in the possession of a named insured, that insured’s spouse or relative; however, it is not owned or is regularly available to any of those parties.

Non-owned watercraft is eligible for coverage due to it representing a very minor exposure under the watercraft policy. That is the reason that merely “not owning” such property is not the only criterion for classifying it. This definition excludes coverage for situations where an insured has constant use of property that belongs to other persons. It is logical to exclude such exposure since protection is the responsibility of property owners.

6. “Occupying” is defined as instances of a watercraft that someone is in, upon, getting in, getting on, getting out or getting off.

Example: Betsy is filing a claim under her watercraft policy. Her friend, Jim, is suing her because, while he was climbing onto her boat, he slipped and fell backwards onto the pier. The loss should qualify for coverage because, at the time of the accident, Jim was occupying the covered property.

WATERCRAFT (YACHT) POLICY

7. **"Outboard motor"** refers to motors designed to facilitate the movement of a boat via its being attached to the outside of a craft. The term also includes fuel tanks, pressure-control tanks, starters (electric) and other, motor-related controls.
8. **"Personal Watercraft"** means any object powered by an inboard motor, propelled by a jet of water, carrying at least one person and used for recreation. Riders may be accommodated in a sitting, standing or kneeling position.
9. **"Property damage"** means the loss of use of, damage to or destruction of tangible property.
10. **"Watercraft trailer"** is a trailer with a purpose of transporting watercraft via a non-commercial motorized vehicle (van, car or pick-up truck).
11. **"Covered Watercraft"** refers to either the watercraft that appears on the declarations or schedule, watercraft an insured secures after the policy period begins (but only up to 14 days of its acquisition date) and any outboard motor that is shown on the declarations. Leased watercraft, motors and trailers, if under a written agreement for a period of at least six months, is treated as owned equipment.

Note: The policy addresses replacement watercraft via its definition of newly acquired watercraft.

PART A – Liability Coverage

A. Insuring Agreement

1. The watercraft policy covers both "bodily injury" and "property damage" for which a covered person is legally obligated to pay because of an accident involving a covered watercraft (craft that is specifically described in the policy or schedule). The agreement also obligates an insurer to defend a claim or lawsuit. However, once the policy's limit of liability has been exhausted, the insurer's obligation to continue paying to legally defend an insured ends.

Example: Bill Badboater is being sued for colliding with another boat. Bill's insurer defends his suit and dutifully pays lawyer fees and court costs. Bill's policy has a combined single liability limit of \$100,000. The claimant is suing for \$300,000 in damages and her claim is bolstered by a very credible group of witnesses. After a careful evaluation of the case, Bill's insurer determines that it isn't viable to refute the amount of damages being claimed and that their effort, even if made, couldn't guarantee a victory. The insurer offers to pay out the full policy limits. The claimant accepts their payment but continues the suit for the additional damages. The cost of continuing any defense is now Bill's responsibility.

The watercraft policy contains a, potentially, unlimited defense obligation since it has no specific monetary limit on the amount paid to defend a covered person. However, the policy does allow a company to have some control over their financial duty to protect a covered person in a given claim. A company does not have to provide a defense under ALL situations. An insurer doesn't have to defend any "bodily injury" or "property damage" loss that isn't covered by the policy.

The insuring agreement also gives the insurer the right to offer a settlement as it sees fit. If a settlement or judgment completely depletes the applicable policy limit, that also ends the insurer's obligation to provide a legal defense.

2. Under the liability section, the definition of an insured includes:

a. You (the person or persons appearing on the policy) and relatives (as defined by the policy). Coverage exists only with regard to such persons owning, using or maintaining covered property. Coverage also applies to a loss involving a non-owned watercraft used by an insured.

WATERCRAFT (YACHT) POLICY

b. Any person using a watercraft that qualifies as a covered craft.

Example: Fred's "Horizon Bounder" is insured under a watercraft policy. One day, his neighbor, Jeri, asks to use his boat for a Saturday fishing trip. While returning to shore, Fred's neighbor fails to see a canoe in time. He smashes into the canoe and injures its owner. The watercraft policy would cover the loss but only up to the policy limit.

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c. Other persons or organizations are eligible for coverage against damages which they cause, but for which a named insured, a resident spouse or a "family member" is responsible because of their acts or omissions in providing the watercraft.

d. Other persons or organizations also are covered for their acts or omissions in providing a watercraft to a named insured, a resident spouse or a "family member" who causes damage or injures others with that non-owned craft or its trailer.

B. Supplementary Payments

This section advises the insured of several, additional coverages that are available. The amounts that may be paid under this section have the added benefit of NOT reducing the policy's other insurance limits.

1. The watercraft policy makes a maximum of 10% of the policy's Part A insurance limit available to cover expenses the insured is required to incur because of the Maritime Salvage Law when a covered watercraft is wrecked. Funds are available for addressing the costs to raise, move or destroy the craft.

Example: Two months earlier, Wanda's sailboat was among the many boats at Municipal Pier that were destroyed during a severe storm. She receives a notice from her city's Recreation and Parks Dept. that she has been charged \$2,300 for the cost to have her boat wreckage cleared. Wanda's policy will respond to this expense.

2. One supplemental coverage will pay for the cost of bail bonds, but this coverage is limited to a total of \$250. Also, the bond must be connected with an accident covered by this policy.

3. The policy pays for the costs of premiums on appeal bonds and attachment bonds, but only those involved in a suit that the insurance company is defending.

4. The Watercraft policy also pays for any interest on judgments that have been entered. However, any payment obligation ends if the policy's limit of insurance is reached.

5. The watercraft policy pays for loss of earnings caused by hearings or trial attendance and other reasonable expenses caused by an insurance company's request.

Example: June Unlukki is asked to appear at a preliminary hearing involving her boating accident where she collided with a group of swimmers. June gets permission to take an unpaid day off from work to attend and testify at the trial. The insurer says that they will pay for her loss of a day's wages.

Concerning loss of pay, the policy pays a maximum of \$200 per day because of lost earnings; this supplemental coverage does not include loss of other sources of income.

WATERCRAFT (YACHT) POLICY

6. Finally, under Supplementary Payments, the policy will pay any reasonable expenses that are due to activity requested of an insured by the insurer.

Example: Sammi Kollum's insurer is defending a lawsuit filed against him for an accident that occurred during an out-of-state boating trip. Sammi's insurer has arranged for him to travel to a lawyer's office in that state so that he can participate in a deposition. The insurance company assures Sammi that they will pay for all expenses including travel, meals, hotels, etc.

C. Exclusions

1. The following situations do not qualify for protection under this section of the policy:

a. The Watercraft Policy doesn't provide liability protection to insureds who intentionally injure other persons or damage another party's property. Because this point sometimes causes confusion, it's important to examine what is meant by intent.

Example: Jimmy is on his way home from a really horrible day of fishing. Jet skiers have discovered his favorite fishing spot, ruining his day. As he nears the dock, he sees a couple of jet skiers who, at the rate Jimmy was originally traveling, should have passed safely in front of him. Jimmy floors his throttle and races forward. Both skiers are shocked and then collide with each other as they try to avoid Jimmy's boat.

Unfortunately, Jimmy ends up striking both skiers too. In this case, the intent lies with Jimmy's frame of mind. Yes, he intentionally sped up toward the jet skiers, but what he meant to do was to harass them, not cause the injury and property damage that resulted. Certainly, one could argue that what happened was foreseeable, but in Jimmy's mind, it was still an accident.

b. BI to either a named insured or a relative is ineligible for coverage.

Example: John's PondPounder Inboard/Outdrive boat is insured under a Watercraft policy. While using the boat, it suddenly loses power and Kevin, John's son, is pitched onto the deck. He is treated for a broken leg. The medical expense is not eligible for reimbursement.

This particular exclusion also denies coverage to the named insured and the named insured's household when a third-party attempts to file a claim or lawsuit for damages or costs that third party owes for injury to the named insured or the named insured's family member.

c. The policy won't respond to loss of or damage to property that is rented to, cared for or used by anyone in the insured household. In other words, the Watercraft policy can't be used directly or indirectly to pay for first party injuries or property claims.

d. No coverage is provided to a person who suffers bodily injury if that person's loss should be handled by other sources as specified under Workers Compensation, the Jones Act or other disability/disease (both occupational and non-occupation) laws.

e. Coverage is not permitted for an insured's watercraft or its trailer while it is rented to others.

Example: Jeff rents George's 17 ft. outboard boat and pays an agreed rental fee before getting the boat. Jeff then goes out to connect the boat trailer to his SUV. While checking the trailer, he trips and slams his face against the hull. The related medical expense does not qualify for coverage under George's policy because the injury was connected to the rental.

The exclusion applies to ALL incidences related to the rental. It also applies to using covered property to transport persons or cargo as well as to chartering the property.

WATERCRAFT (YACHT) POLICY

f. Unless the person doing maintenance to the named insured's watercraft is the named insured, an insured relative or an agent/employee of the named insured or relative, no coverage applies for injury or damage involving a person in the watercraft business (sales, service, repairs, deliveries, storing, mooring, etc.)

Example: Aaron and Patty decide to eat out at the "Floating Asia Dinery" and, as required, they were helping a "Dinery" employee aboard so he could moor their boat to the restaurant's dock. The employee slips while boarding, breaking an arm. His injury would not be eligible for coverage under Aaron's policy.

g. Unless the activity involves the exception appearing in exclusion 1.f., no BI or PD protection applies to losses that involve business use of a watercraft, even when the activity consists merely of maintaining a watercraft that is used in business. However, if the watercraft is used for non-compensated business entertainment there is coverage.

Example: Clyde Speartide reports a loss under his watercraft policy. He and another boat collided, due to Clyde attempting to pass it on his way to a lake's far shore.

Scenario 1: While investigating the loss, Clyde's insurer discovers that Clyde was operating an informal water taxi. The claim was denied.

Scenario 2: While investigating the loss, Clyde's insurer discovers that Clyde was entertaining a business client. The claim is covered.

h. No protection is available to any loss that is connected to watercraft that is operated without the express permission of an insured party. The exclusion doesn't apply to situations where permission is implied, such as use by an insured's family member.

Defendant Not Considered Driver With Permission

Phil Brondes, Jr.(Brones) purchased a boat in 1979. He kept it in Toledo during the summer and in Florida during the winter. During the winter of 1979-1980, he experienced some mechanical difficulty while the boat was in Florida, and had it shipped from Florida to Brenner Marine in Toledo for necessary repairs.

Brondes was personally acquainted with Selz, the store manager and primary service manager of Brenner Marine. He directed Selz to make the boat operational for the upcoming summer season. The repairs were completed on June 15, 1980, and the boat was placed in a berth at Brenner Marine, where it remained until June 25th when Selz and some friends used Brondes' boat.

Selz and his passengers traveled about five or six miles from the marina, and then water-skied for about an hour. The boat, driven by Selz, then collided with a pontoon boat occupied by Norman Peiffer, Connie Peiffer, Walter L. Scott and Ida M. Scott.

Brondes' insurance carrier, Frankenmuth Mutual (Frankenmuth), denied liability for injuries because Selz had not obtained Brondes permission to take the boat.

Frankenmuth filed for declaratory judgment to determine whether its policy covered the accident, and named as defendants Selz, his homeowners' carrier, Brenner Marine, and their carrier (Buckeye), the Scotts and the Peiffers.

The trial court found that Selz had neither the express or implied permission of Brondes to operate his boat at the time of the accident; therefore, Frankenmuth did not cover the accident. The court further ruled that Selz was not operating the boat within the scope of his employment so as to make Brenner Marine or Buckeye liable. The court decided that only Selz's homeowners' policy covered the accident.

WATERCRAFT (YACHT) POLICY

On appeal, the higher court found that Selz and Brondes were close friends who had waterskied many times together. In addition, Brondes had offered Selz the use of the boat while Selz was on vacation in Florida, but Selz did not take advantage of the offer. It was also shown that Selz had never before operated the Brondes boat without him being present. Brondes testified that the personnel at Brenner Marine had his permission to test-drive the boat, if they believed it was necessary to make the boat operational but the court pointed out that a test drive would have required approximately 20 to 30 minutes to complete. In this case, the accident occurred more than an hour after Selz had taken the boat out, while he and friends were water-skiing.

The judgment of the lower court was affirmed.

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i. Either BI or PD related to an insured person who also qualifies for coverage under nuclear activity policy is not eligible for duplicate coverage under the watercraft policy. The exclusion applies even if the source of nuclear activity protection no longer has available limits (due to exhaustion by payment/settlement).

2. The following situations don't qualify for liability protection related to watercraft use, maintenance or ownership:

a. No protection applies to loss involving property that is defined as personal watercraft, such as ski-doo's, that are owned by insured or family members.

b. The Watercraft policy is intended to protect boats (and trailers) that are specifically listed and rated. Therefore, coverage does not apply to watercraft that an insured owns but has not added to the policy.

c. No coverage exists for watercraft that is regularly available for the named insured's use or that is owned by a named insured's family member. However, an exception exists for a loss involving such property that is merely related to it being maintained or occupied by an insured.

The exception makes sense. It permits the watercraft policy to provide protection to instances that DO NOT involve significant, unrated exposures.

d. Except for sailboats, any boating loss (injury or damage) related to using a covered watercraft for any racing or similar activity does not qualify for coverage. The exclusion even extends to preparations or practices for such activities. In other words, the only activity that MAY be covered might be an impromptu (unplanned, spur-of-the-moment) event.

Examples:

Scenario 1: James and his friend happen to spot each other on the lake. They are both on their way back from fishing. Suddenly, James' friend revs his outboard and takes off with James doing the same. About a minute later, James catches up and then collides with his friend's boat. The loss and injury would be eligible for coverage.

Scenario 2: James and his friend meet each other on the lake. Both recently bought new boats and boasted about them. A day earlier, the two agreed to a race. Both boaters rev up their outboards and take off. James' friend takes the lead and, about a minute after starting the race, James catches up and then collides with his friend's boat. The loss and injury would NOT be eligible for coverage.

WATERCRAFT (YACHT) POLICY

D. Limit of Liability

1. This provision explains that the monetary limit that appears on the policy declarations page is the maximum amount of coverage that applies to the damages from any single loss. This maximum is not affected by the number of watercraft, insureds, or claims involved. This arrangement is true of both bodily injury and property damage claims. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum.

2. The Watercraft policy's Limit of Liability section explains that, regardless of whether coverage exists under more than one coverage part, no duplicate payments will be made. This limitation means that, even if portions of a single claim qualify for coverage under the policy's liability as well as Medical Payments and/or Uninsured Watercraft coverage, an insured will not be paid more than once for any portion of his loss. This clarifies the purpose of the Watercraft Policy to indemnify rather than enrich a claimant for their accidental loss.

E. Other Insurance

<p>Example: Let us examine a boat loss that totals \$10,000 in damages. The loss is covered by a watercraft policy and some other source of coverage and both sources have coverage limits greater than the loss amount.</p>		
<p>Scenario 1: The loss involves a boat owned by the insured and the watercraft policy and the other coverage source offer the same coverage limits. In this case, payment would be:</p>	<p>Watercraft Policy Payment: \$5,000</p>	<p>Other Source Payment: \$5,000</p>
<p>Scenario 2: The loss involves a boat owned by the insured and the watercraft policy and the other coverage source offer different coverage limits. Let us assume that the Watercraft's limit represents 40% of the available coverage. In this case, payment would be:</p>	<p>Watercraft Policy Payment: \$4,000</p>	<p>Other Source Payment: \$6,000</p>

WATERCRAFT (YACHT) POLICY

Scenario 3: The loss involves a boat that is NOT owned by the named insured and the watercraft policy and the other coverage source offer the same coverage limits. In this case, payment would be:	Watercraft Policy Payment: \$0	Other Source Payment: \$10,000
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Note: If a nonowned boat is involved, it would not matter if the watercraft policy and the other source had different limits. The other source would have to pay out its complete limit before the Watercraft Policy would contribute any payment.

In the event that other sources of liability insurance exist, the liability portion of the watercraft policy will pay on a basis that equals its share of the total amount of insurance available to cover an eligible loss involving an owned watercraft. If the loss involves a non-owned craft, the Watercraft Policy responds on an excess basis, paying only after the primary policy has paid its limit. This policy will also respond on an excess basis to any other source of coverage for ANY watercraft while it is being transported by a land motor vehicle.

PART B – Medical Payments Coverage

A. Insuring Agreement

1. The watercraft policy covers medical payments up to the amount shown in the policy (declarations page or elsewhere). The payments are for medical expenses connected to injury suffered by a person who qualifies under this section as a covered person. Any paid expenses must not be extraordinary costs and they have to have been incurred no later than three years from the date of a covered accident. Eligible expenses include funeral costs as long as the injury or death is related to use or ownership of a watercraft (including craft maintenance).

2. The following qualify as insureds under the medical payments section:

- You (the person or persons appearing on the policy) and any person who is a family member (as defined by the policy) of the named insured, but only while occupying or being towed by a watercraft or while in the water and being struck by a watercraft.
- Any person (except insureds and their household relatives) while occupying, being towed by, or when in the water and struck by a craft that qualifies as a covered watercraft.

Example: Bill's cabin cruiser is insured by a watercraft policy, which includes Medical Payments Coverage. Laura, Bill's daughter, is at a beach party. She is injured during horseplay that occurs on the party host's boat. Laura would be eligible for medical payments coverage.

WATERCRAFT (YACHT) POLICY

Example: Bill is enjoying a swim near his cruiser. As he heads back to his boat, a teen operating a jet ski sideswipes him, breaking a leg. Bill's medical payments coverage would be available to handle treatment costs.

B. Exclusions

Under this section, there are a variety of situations that do not qualify for coverage:

1. No coverage applies to losses involving a personal watercraft that is owned either by the named insured or a named insured's household relative.
2. No protection applies to losses that involve business use of a watercraft. Business use includes an insured that rents out his property, transports persons or property for a fee, or chartering the property.

Example: Jeff rents George's sailboat and, while attempting to adjust the boom, he trips and breaks his ankle. Jeff's injury is not covered under the medical payment portion of George's watercraft policy.

3. No coverage applies to losses involving watercraft that is acting as a residence or a premises.
4. No coverage is provided to a person if that person's loss should be handled by other sources as specified under Workers Compensation, the Jones Act or other disability/disease (both occupational and non-occupation) laws.
5. The Watercraft Policy is intended to provide coverage involving boats that are specifically listed and rated. Therefore, coverage does not apply to injuries suffered on watercraft that the named insured owns but has not added to the policy. It also would not apply to a craft that is regularly available for the named insured and family members to use.
6. Similar to item 5., coverage does not apply to injuries suffered while either occupying or being struck by watercraft that is owned by a family member or which is regularly available to a family member. Both of these are situations where coverage is denied because another party should be providing separate insurance, particularly the actual owners of such watercraft.
7. Medical payments coverage does not apply to persons who are injured while operating a covered watercraft without the insured's permission. However, this exclusion is void for family members using an insured-owned, listed watercraft.

Example: Brenda and Paula, as a prank, decide to move a friend's boat from his slip to an empty one on the other side of the dock. While entering the boat, Paula stumbles and breaks her wrist. The injury's treatment is not eligible for coverage.

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8. No coverage exists in instances where a watercraft is occupied while being used for commercial/business activity involving an insured. An exception exists for business-related entertainment. However, the exception only applies to such instances that do NOT involve direct compensation.

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9. Except for sailboats, any boating loss (injury or damage) related to using a covered watercraft for any racing or similar activity does not qualify for coverage. The exclusion even extends to preparations or practices for such activities. In other words, the only activity that MAY be covered might be an impromptu (unplanned, spur-of-the-moment) event.

Note: The policy has a specific exception for sailboats or to predicted log cruises. Why this exception? Because these activities do not significantly increase the chance for loss that an insurance company assumes when it decides to provide watercraft coverage.

10. No coverage exists for loss involving ANY instance of nuclear discharge or any sort of war/military activity.

11. No coverage exists for any loss related to any instance of nuclear activity, such as nuclear reactions, radiation or radioactive contamination.

C. Limit of Liability

The monetary limit that appears on the policy declarations page is the maximum amount of coverage that is possibly available to a single injured person related to a single, eligible incident. This maximum is not affected by the number of crafts, insureds, or claims involved, nor the number of crafts or premiums appearing on the declarations page. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum. Therefore, even if there are losses that might qualify for coverage under another section of the policy, duplicate payments will NOT be made.

D. Other Insurance

In the event that other sources of medical payments insurance exist, the Medical Payments section of the Watercraft Policy will pay on a basis that equals its share of the total amount of insurance that is available to cover an eligible loss involving an owned watercraft.

Example: Jason is eligible for medical payments coverage and two other sources of recovery. Source 1 has limits of \$3,500; source 2 (the limits under his Watercraft medical payments section), \$5,000; and source 3, \$6,500. The total amount available is not \$15,000 (the sum of the three sources). The medical payments portion of the policy will pay only on a basis that equals its share of the total amount of available protection. In this case, the policy would pay approximately 33% of the loss (limit of \$5,000 divided by total amount available of \$15,000).

If the loss involves a non-owned craft, the watercraft policy responds on an excess basis, paying only after the other available coverage has paid its limit.

PART C

In the actual policy, this portion of the policy is not used, but is designated for use in the future.

PART D – Coverage for Damage to Your Watercraft

A. Insuring Agreement

1. Typically, a watercraft policy's physical damage section will provide protection against a wide variety of loss sources that may damage or destroy covered property. Under this policy, protection against tangible, accidental loss is provided for any property that meets its definitions of:

- "your covered watercraft"
- "boating equipment"

WATERCRAFT (YACHT) POLICY

However, coverage is subject to the policy's applicable deductible. That deductible only applies once per a given loss. In other words, if an insured suffers a loss to her boat and then, on another date, to her boating equipment, the deductible would apply to each loss. If she experienced a loss to her boat AND equipment in a single loss, then the deductible would only be applied once.

2. The Watercraft policy defines what it means by boating equipment, but only with regard to the coverage offered under this section. The policy does not consider outboard motors to be boating equipment. However, it does classify property that is owned by the insured and which is related to the covered watercraft due to being a part of its normal operation or maintenance as boating equipment. This status is conferred whether such equipment is used within or outside of the applicable, covered watercraft.

The policy offers the following items to illustrate what is considered to be boating equipment:

Anchors	Electronic navigation equipment	Life preservers	Pumps
Batteries	Fire extinguishers	Lines	Sails
Covers	Flares	Oars	Seat cushions
Dinghies	Horns	Oar locks	Tenders

Items similar to the above would also qualify as boating equipment.

B. Additional Coverages

1. Salvage Expense Coverage

Should circumstances dictate, this policy will provide a maximum of one-quarter of the liability limits that apply to this section. The amount is to handle the expense related to salvage law. More specifically, it handles salvage liability that is imposed by maritime law, such as a responsibility to recover items that have gone overboard.

2. Towing and Assistance Expense Coverage

This coverage responds to a number of expenses that may be caused when a loss disables covered watercraft. It pays for transporting the craft to where repairs may be made; delivering fuel, oil or repair parts; the cost of labor to make repairs at the location where the covered craft is disabled; and roadside repairs for any watercraft trailer that is listed under covered property.

Note: Only a modest amount of \$500 is available for all expenses related to a single event. Further, only \$1,000 is available during a single policy period. However, no deductible is applied to this protection and it doesn't affect the policy's limit of liability.

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3. Personal Effects Coverage

Like towing and assistance coverage, a total of \$500 is available for covering loss to personal effects; no deductible applies and it has no affect on the policy's other insurance limits. Unlike it, there's no \$1,000 policy period aggregate limit. It protects against loss or destruction of an insured's personal effects.

It can pay for property belonging to an insured as well as to third parties (when the named insured requests). The protection applies to property such as the following while located on, in or during the time it is loaded or unloaded from a covered watercraft.

Items that qualify as personal effects:

Cameras Cell phones Fishing equipment Water skiing equipment

Clothing Coolers Portable radios Sporting equipment

Items that do NOT qualify as personal effects:

- Animals
- Boating equipment
- Fuel
- Jewelry
- Money
- Watches
- Permanently attached equipment

C. Exclusions

There are a variety of instances when physical damage protection is denied, specifically the following:

1. Loss involving business activity which includes insureds who rent their craft to others, who receive income from transporting property (cargo) or persons or who make their craft available for charter trips.

Example: Linzie's sailboat is damaged when the pilot smashes into a steel dock. Linzie's insurer turns down her claim when they find out that the boat was being returned by a group who frequently rent the boat.

2. Losses that solely involve the following are disqualified from coverage:

- a. Any source of loss that can be attributed to regular wear and tear, aging, property defects and/or due to breakdown are excluded

WATERCRAFT (YACHT) POLICY

- b. Loss that is attributable to the insured's failure to properly maintain covered craft
 - c. Damage from scratching, marring, denting and chipping
 - d. Damage caused by either extreme heat or freezing
 - e. Loss due to temperature extremes including improper winterizing. However, an exception exists for damage occurring to winterized craft IF the process was performed by a competent source.
 - f. Damage caused by icing to a covered craft either while afloat or while moored
 - g. Loss that is indirect, due to loss of use or similar incidents
 - h. Loss caused by the physical nature and defects of the covered property (inherent vice/latent defects)
 - i. Breakdowns, both electrical and mechanical
- 3.** There is no coverage for loss related to using or preparing watercraft for racing; however, there is an exception for sailboats. It is likely that the exception is due to the fact that, even in racing, the handling of a sailboat is not likely to significantly increase the exposure to loss; also, sailboat operators tend to have much more experience in boating than their motorized peers.
- 4.** Loss due to any type of war, military activity, nuclear or radioactive activity or event is ineligible for coverage, including a loss that is covered by any special nuclear energy policy
- 5.** Loss or damage (including confiscation) of property by any government agent due to an insured's illegal activity.

Note: This exclusion does not affect payments to which loss payees may be entitled. However, such payments would likely result in subrogation activity by the insurer against the insured.

- 6.** Diminished value is not covered

Example: Lindsay's boat, a 2012 Puddleup, was just repaired by her insurer. A week after she gets it back, she decides to sell it and she goes to a nearby dealer for help on establishing a sales price. The dealer says that, since it had been damaged and repaired, she should list it for at least \$2,500 less than a comparable boat that had never been in an accident. This loss in her boat's market value is not eligible for coverage.

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D. Liability Limits

The maximum watercraft policy limits that can possibly apply to a given loss are the lowest among the options of the actual dollar amount appearing on the declarations, the stolen or damaged property's actual cash value or the amount needed to properly repair or replace the property.

The policy makes specific mention of the following:

- Any loss that is considered 'total' will take into consideration the property's physical condition just prior to the time, including depreciation when determining that property's actual cash value.

WATERCRAFT (YACHT) POLICY

- Should a replacement result in the use of property that has a greater value than the property that was lost or destroyed, the insured will be responsible for that difference in value.

Note: Replacement assumes that the property used is of similar type and quality of the damages or lost property.

E. Payment of Loss

This provision discusses a company's options in settling a loss. The insurer may handle a loss by a cash payment or it may repair or replace the property. If the loss is due to the theft of a covered craft and it is recovered, the insurer must pay the expense of returning it to either the named insured or to the latest address shown on the declarations page. Also, the insurer must repair any damages caused by the theft.

Further, should the company exercise the right to keep the property, it must be at a price that's acceptable to both parties. Cash payments made by the insurer will also include any applicable taxes.

F. No Benefit to Bailee

The watercraft policy's intent is to perform its contractual obligations to the named insured and other parties defined in the definitions, insuring agreements and other policy provisions. To do otherwise would be to open the policy up to parties who haven't been rated or underwritten for coverage and for more exposures than contemplated.

Other parties may benefit unintentionally from the policy without this provision. Such persons or organizations can't piggyback their obligations to the watercraft policy.

G. Other Sources of Recovery

This provision is to make sure that any payment under the Physical Damage coverage takes other sources of loss payment into account. If other insurance policies, provisions or sources of recovery apply to a physical damage loss, the policy will only pay its proportion of the total available coverage. But the proportional payment is only for owned crafts. If other sources of payment exist for a loss involving a non-owned craft, this policy responds on an excess basis. It is excess over every other available source of payment, including the policy of the owner of the craft.

Note: The provision to pay its proportionate share on owned-craft losses effectively assures that the policy won't pay more than the limits of liability listed on the declarations page. Of course, it has no other way to control the amount paid by other sources.

H. Appraisal

1. This system works quite similarly to an arbitration clause, except that the only point of dispute is the amount of payment, rather than whether any payment is due. This provision may be invoked when the company and the insured don't agree on the amount of the loss. Each party must select its own qualified appraiser. The two appraisers then select an umpire. The appraisers submit their opinion of the actual cash value and the amount of the loss. If they don't reach an agreement, they submit this information to the umpire. An agreement by any two persons establishes the amount for the insurer and the insured.

WATERCRAFT (YACHT) POLICY

The company and the insured have to pay for the expenses of their own appraiser, as well as equally share the expenses of the umpire. No other insurer rights are affected by their agreeing to an appraisal. For instance, if another party has some responsibility for the loss, the insurer, after paying the appraised amount of loss, may still subrogate the claim.

2. It is becoming more common for such clauses to state that participation in the process does not harm any other rights belonging to either party.

Example: Henrietta and Concrete Bay Insurance disagree on the amount of damage suffered by her boat. The two parties submit to an appraisal and the appraisers agree that the loss amount should be \$21,700. However, Concrete Bay continues to investigate the loss and, later, decides to deny the claim because the appraisal process did not affect its on-going right to dispense with the claim as it saw fit.

PART E – Duties after Accident or Loss

This section explains what an insured must do in order to fulfill his obligations once a loss occurs. It is important that these conditions be met, since failing to comply may relieve an insurer from having to pay for a loss.

IMPORTANT - The insured risks endangering his or her coverage by failing to comply with any post-loss duties.

1. Notification. The insurer must be provided the accident details as soon as possible. The notification may be to an agent, and, ideally, should include the identity and addresses of any people hurt in the accident, as well as accident witnesses.

Item 1 is critical, because it initiates the entire claims process, and it gives the insurer its first and best opportunity to control the expense of the claim.

2. The following are also critical responsibilities owed by any person seeking coverage under the policy.

a. Assist the insurer in the claim's investigation and settlement, as well as help with defending against any claim or suit.

b. Immediately send the company copies of ANY material received that's related to the accident.

c. Agree to attend as many:

(1) Physical exams, involving doctors selected by the insurer and/or

(2) Interviews under oath

as are reasonably requested by the insurer. These requirements are at the insurer's expense.

d. Permit the insurer complete access to medical and other records that relate to the accident.

e. Give the insurer any requested proof of loss.

3. If the loss involves physical damage to a covered boat, the insured is further obligated to:

a. Protect their property from further loss. The company is obligated to reimburse the insured if any additional expense is involved.

b. Quickly notify the authorities (police or coastguard) if the covered craft or other property vehicle is stolen.

WATERCRAFT (YACHT) POLICY

- c. Allow the company to inspect and evaluate the damaged property BEFORE it is repaired or removed.
- d. Provide the insurance company with an inventory of damaged personal effects IF a request is made to do so.

Preserving the damaged property after a loss is extremely important.

Example: Tina returns to the dock in the late morning and strikes a piling. The damage appears minor, but it does include a gash near the bow. Since she's in a hurry to get some family errands done, she loosely ties off her boat and decides to check it again the next morning. That evening, the area experiences high winds and, the next day, Tina is surprised to find that the boat has a larger hole and is two-thirds submerged. When she reports the loss, including the details of her post loss action, she is warned that she may have to handle the aggravated cost of the damage repairs.

Note: Having any damage repaired or getting rid of damaged property before allowing the insured to look over the property is an extremely serious breach of contract. It could easily result in an insurer's refusal to make payment. If the insured craft is repaired or disposed of, the insurer has no chance to evaluate whether coverage was due, nor determine how much was due.

PART F – GENERAL PROVISIONS

A. Abandonment

This provision merely states that the insurer has no obligation to accept covered property that has been abandoned by an insured.

B. Bankruptcy

This provision states that an insured's bankruptcy or insolvency doesn't release the company from any obligations under this policy. This fact appears clear enough but a situation could easily end up having to be resolved in the courtroom.

Example: An insured's watercraft policy is cancelled for nonpayment and, a day later, the insured suffers a boat loss. The insured has documents proving that his bankruptcy prevented payment of the policy premium in time. The insured files suit, alleging that this provision can be interpreted as still obligating the insurance company to adjust the loss and offer a settlement.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

C. Changes

- 1. This states that the policy is a complete agreement that can't be changed, except by the company issuing an endorsement.

This is important. If the insured were allowed to change the policy, the most common changes would involve waiver of premiums for life, guaranteed renewals and unlimited liability limits. Note that, from a consumer's point of view, these would be good policy features; it's just that the provisions would make it a little tough to earn a profit.

Fortunately, insurers are eager to help their customers make valid changes to their policy to fit their current circumstances.

WATERCRAFT (YACHT) POLICY

2. This provision also explains that the policy premium was based on a certain set of facts. If any of this information changes, it could affect the rating of the policy, and the insured's premium may be changed. Items that could cause the policy's cost to change include the acquisition of additional watercraft, changes in household residents (craft operators) and any address change. Other items that may affect policy premium are changes in the type of watercraft, change of rating territory, and changes in deductibles or limits.

This provision makes a reference that falls outside of the policy. It states that if a rating change is necessary, the change will be performed in compliance with the applicable company's filed rating plan and rules.

3. Changes in coverage are typically introduced by an insurer via adopting a new edition of a program and policy forms or by using an amendatory endorsements. In case a change occurs that broadens coverage for policies in the insured's state, but is NOT accompanied by a premium adjustment, the change will automatically apply to all policies as of the effective date of the change.

D. Financial Responsibility

In instances where the watercraft policy is used as a certified source of financial responsibility in a given state, this provision acts to make this policy's provisions comply with state requirements. However, such compliance is only with regard to meeting financial responsibility demands.

E. Fraud

This provision explains that, if an insured speaks or acts with the intent to mislead others regarding any loss or claim, the insurer can deny coverage. Of course, this part of the insurance contract is implied throughout the policy.

F. Lay-Up Period

Under this provision, the named insured is informed that no coverage exists if the applicable watercraft is operated during the term of any lay-up period that appears in the policy. This provision is also considered breached if the covered craft is not stored at the location indicated in the declarations.

Coverage for operation during the lay-up period may apply in two instances. One, when the insurer consents to its use in writing. Two, if the craft is operated due to an emergency; but only if the insurance company is notified within 10-days of the emergency use.

G. Legal Action Against Us

This provision of the Watercraft Policy stands as a tool to make a lawsuit the last recourse to resolving a dispute between the 1st and 2nd parties to the contract.

1. The provision forces the parties to use all of the tools within the policy before a suit is attempted. In other words, an insured, disputing the existence of liability or the amount that should be paid, cannot skip arbitration or appraisal or cooperation with the company or providing proof of loss, etc., and go straight to filing a suit. Further, even after compliance with all of the policy provisions has occurred, no action can be filed unless there's been a written agreement that the "insured" is responsible for a loss payment OR the amount of the payment has been settled via judicial proceedings.

WATERCRAFT (YACHT) POLICY

2. This provision denies any person or organization's right to bring action against the insurer to determine if the "insured" is liable for an accident. This part is needed to limit the persons who may rightfully expect performance under the boat contract. Without this clause, the policy would be forced to provide protection to parties who, rightfully, should secure their own coverage.

H. Loss Payable Clause

When another party has a separate financial interest in the covered craft (typically due to its holding a loan with regard to the property), it has separate policy rights. This provision advises that, should any payment be made, it will be distributed in accordance to the extent of that party's financial interest.

The loss payee may have its own coverage continued even if the insured is involved in concealing information or committing fraud. However, this exception does not apply if the act involves conversion, embezzlement or secretion of applicable property.

If coverage is terminated, the insurer has the obligation to provide separate advance notice to the loss payee and it will be in the same manner that is provided to the insured.

If the insurance company pays a loss to the loss payee under an instance where coverage has been terminated or voided for the insured, the insurer is entitled to pursue recovery of that amount by using the loss payee's separate subrogation rights.

I. Our Right to Recover Payment

1. This provision of the policy typically states that, while an insurer will fulfill any valid obligation to make payment under the policy, when payment is made, it acquires the insured's right to recover payment from another responsible party. Just as important as acquiring this right is the duty it imposes on the insured. The insured must cooperate fully with the insurer to pursue recovery AND must be certain that he or she does nothing to undermine this right. However, this provision doesn't apply under the physical damage coverage part when the responsible party is a person who operates the covered watercraft with an insured's permission.

There is one exception. The right to recovery still exists against a permissive user who is in the watercraft business, such as having possession of the craft related to sales, lease, maintenance, repairs, mooring, etc.

2. Another part of this provision explains that if the company compensates the insured for a loss and then collects payment from the responsible party for the same damages, the insured HAS to hold onto the money on behalf of the insurance company and then reimburse the company up to the amount of the settlement.

J. Out of State Coverage

In case of a loss occurring in a state or province that is different than the one where the policy was issued, the policy is treated in accordance to that state or province (with regard to handling the loss).

1a. If that location has a financial responsibility or similar law, the contract will be handled as if its limits were at the amount necessary to comply with the law (if the written policy limits are LOWER than what is required).

1b. If that location has a compulsory insurance or similar law, the contract will be handled as if its coverage provisions were the type necessary to comply with the applicable law's minimal requirements (if the written policy's coverage scope is less than what is required).

2. No duplicate payments for the same elements of loss will be permitted.

WATERCRAFT (YACHT) POLICY

K. Policy Period

This policy's coverage only applies to accidental loss that takes place in the time period specified in its declarations.

L. Policy Territory

Coverage is granted only to loss that occurs within either of the following:

- The territory shown in the declarations
- When no territory is specified, coverage applies to loss if covered when it occurs on land, inland waters, or coastal waters within 12 miles of the shore or, in the Great Lakes BUT ONLY when within the U.S., its territories or possessions, Puerto Rico or Canada.

M. Termination

The watercraft policy addresses both cancellation and non-renewal of coverage. However, a detailed discussion of this topic is fairly academic, since it may be the most frequently amended or replaced policy provision. This provision is necessary due to various state requirements, as well as individual company preferences. It is critical to keep in mind that state and company rules are what must be followed when terminating a customer's coverage.

1. Cancellation

a. The insured has it simple. All she or he has to do is either return the policy to the company or send prior written notice of the date the policy is to be canceled. The insured can request cancellation at any time during the policy period.

b. It's a little more complicated for the insurer to cancel coverage. The company has to mail written notice to the named insured at the address shown on the policy declarations page. The insurer must give 20 days advance notice of cancellation. However, if it is within the first 60 days that the policy has taken effect (and it is NOT either a renewal or continued policy) or it is for not paying the premium, the insurer may give 10 days' advance notice.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

2. Non-renewal

This option to end coverage is just a company privilege. However, if an insured sent in advance a written notice not to renew coverage at the policy's expiration date, it technically would be an insured's request to non-renew.

In any case, if a company doesn't want to continue coverage, it has to give an insured at least 20 days advance notice of non-renewal.

Note: It is critical that you understand the rules of your company and state provisions, since the differences center around the amount of notice and the specific reasons for non-renewing.

3. Automatic Termination

This section of the termination provision allows for coverage to end without any written request or notice being required. If a company sends a renewal policy, and if the insured or insured's representative doesn't accept it, coverage ends at the latest expiration date. Nonpayment of the renewal premium is considered non-acceptance. If an insured obtains another insurance policy, coverage automatically terminates at the effective date of the replacing coverage.

WATERCRAFT (YACHT) POLICY

Automatic termination also occurs should a third party become owner of the covered watercraft or when this coverage is replaced by another policy. Another reason for automatic termination is when a covered craft suffers a total (including constructive total) loss.

4. Other Termination Provisions

a. This provision informs the insured that a cancellation notice may be delivered or mailed and that proof of mailing acts as sufficient proof of notice. **IMPORTANT:** Many states mandate how the notice has to be delivered (for instance, registered or certified mail), so you need to be aware of state law and any form that amends or replaces this provision.

b. The insured is also told that the company may be refunding the premium if a policy is canceled, but that the refund transaction has no effect on the cancellation. In other words, an insured may not claim that, after receiving legal notice as well as any other notification requirements, the cancellation is voided because of a delay in returning the premium.

c. This is a technicality but, in the event that a policy is cancelled, the cancel effective date that appears in any notice becomes the official end of the applicable policy period.

N. Transfer of Your Interest in This Policy

1. A policyholder can assign his or her rights and duties under the watercraft policy to another person, **BUT ONLY** with the written permission of the insurer.

There is one exception to the rule of having to get the insurer's permission to assign a policy: if the policyholder dies. In this event, this policy provision automatically transfers coverage either to a surviving spouse (if he or she lives at the same address) or the deceased's legal representative. Either party achieves the status of named insured.

However, the legal representative is protected only to the extent of his or her duties to maintain or operate the covered watercraft.

2. The insurer will only recognize such a transfer until the policy's expiration date. The working assumption is that appropriate coverage reflecting the change in circumstances will be obtained or that coverage will either be terminated or allowed to expire.

O. Two or More Watercraft Policies

In the case that the same insurer provides more than one policy that applies to a watercraft loss, the insurer is only obligated to provide, at most, the maximum amount of coverage that would be provided by the policy with the highest applicable limit.

ENDORSEMENTS

Endorsements tailor the coverage forms to customize the protection needed for specific situations. Examples are the various state amendatory endorsements and those containing the terms for cancellation and suspension. Others are used only with certain types of boating situations. Some cover additional insureds and others with a financial interest in the covered craft. A few endorsements add coverage, such as expanded emergency service or personal effects, while others add additional provisions.

[ISO Watercraft Policy Available Endorsements And Their Uses](#)

INTRODUCTION

The following identifies endorsements available to modify the Insurance Services Office (ISO) Watercraft Coverage Form. It is arranged by form number and title and includes a brief explanation of the use of each form. This section does not include any state specific endorsements, changes or amendments.

WATERCRAFT (YACHT) POLICY

Note: ISO makes all of the forms listed below available in both English and Spanish

FORM NUMBERING

The ten-digit numbering sequence of ISO forms and endorsements has a very specific meaning.

- The first two entries are alphabetical characters that indicate the line of insurance involved. In this article, WT denotes Watercraft.
- The next two digits designate the specific insurance category such as coverage forms or amendatory endorsements.
- The next two digits are the form or endorsement number within the insurance category.
- The last four digits are the edition date of the form or endorsement expressed in month and year format. These digits are not used in this article.

ENDORSEMENTS

WT 03 01–Watercraft Joint Ownership Coverage

This form permits altering the policy definitions of “you” and “your.” The result is that the persons appearing on this form’s schedule are granted named insured status in recognition of jointly owning the covered property.

WT 03 02–Watercraft Additional Insured-Lessor

This is a schedule for adding the party from which some covered property has been leased. Besides full info on the lessor, there are sections for describing the applicable property and coverage and limits information. The form also adds a new definition “your leased watercraft.”

WT 03 03–Watercraft Increased Limits Towing and Assistance Expense Coverage

The unendorsed Watercraft policy provides supplementary coverage for handling expenses connected to wrecked craft. This option adds critical coverage for disabled craft. It provides funds for expenses such as towing to a repair site, cost of fuel and parts deliveries, roadside repair for trailers and repair labor costs. A description of the covered craft and limits must be entered on the forms schedule.

WT 03 04–Watercraft Haul Out Expense Coverage

This option provides coverage to handle haul out expense. In other words, it assists with the expense of taking a covered craft out of (and later, returning into) the water when the NWS (National Weather Service) has issued a hurricane watch or warning. The total amount of coverage available is \$500.

WT 04 01–Uninsured Watercraft Coverage

WT 04 01–ISO UNINSURED WATERCRAFT COVERAGE

The WT 00 01–Watercraft Policy lists Part C as reserved for future use. This endorsement fills that gap and provides Uninsured Watercraft Coverage which is similar to uninsured motorists coverage. It is subject to all provisions and conditions within the WT 00 01 except as noted.

Schedule

An Each Accident Limit of Liability must be entered along with the policy premium. In some cases, the Watercraft Policy Declarations may have this coverage listed and then this schedule would not need to be completed.

WATERCRAFT (YACHT) POLICY

Part C - Uninsured Watercraft Coverage

A. Insuring Agreement

1. The insuring agreement agrees to protect an “insured” against “bodily injury” damages caused by an accident with an uninsured watercraft. In other words, an insured boater can rely on his own policy to take care of injuries resulting from an accident where the person who caused the injuries lacks the coverage to take care of his or her legal obligation. However, this coverage is not bound by any judgment for damages that are determined by a lawsuit that’s filed without the company’s written consent.

2. The uninsured watercraft coverage insuring agreement defines who is considered an insured. An insured includes the named insured and resident spouse, any “family member,” and any other person “occupying” the covered watercraft. In addition, any person eligible for payment because of bodily injury damages suffered by an insured is an insured. Another such person is the executor of the insured’s who pays for the funeral expenses of an insured that dies from bodily injury in an accident with a watercraft that is not insured.

3. An “uninsured watercraft” is either of the following:

a. Any craft that is not subject to the financial protection of either a bodily injury liability policy or a bond.

Note: A craft could qualify as an “uninsured watercraft” if a bond or policy does apply but the writer of the coverage denies coverage or becomes insolvent.

b. A hit-and-run watercraft is also an “uninsured watercraft” when it hits the named insured (includes resident spouse) or a family member, any craft occupied by these classes of people, “covered watercraft” or a person being towed by a covered watercraft.

The definition of an uninsured watercraft doesn’t include any craft (including related equipment) that either belongs to or is regularly available to the named insured or any family member. Crafts used as a residence also are disqualified as uninsured watercraft. A craft that is protected under a lawful self-insurance arrangement is NOT considered uninsured, unless the self-insurer is insolvent at the time of a loss. Finally, craft owned by a government unit or agency is not considered uninsured.

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B. Exclusions

1. The following situations are ineligible for protection against bodily injury:

a. No coverage exists for any insured if he or she is hit by or hit while occupying an owned watercraft or its trailer that isn’t protected under the Watercraft policy to which this endorsement is attached.

b. No family member is covered if they are hit by or occupying a watercraft that is owned by the named insured, but that is covered by any other policy.

c. No insured qualifies for uninsured watercraft coverage if a bodily injury claim is settled without the company’s consent.

d. No coverage exists if the insured is in a watercraft that’s transporting people or property for pay, or if the craft has been made available for charter.

WATERCRAFT (YACHT) POLICY

Example: Sidney's operating her mom's outboard engine and boat that is substantially damaged when Sidney strikes a dock on the lake located at a large campground where she is vacationing. In order to make some spending money, Sidney's been regularly using the boat to take other campers to and from fishing areas.

Scenario 1: At the time of the loss, Sidney was using the boat for her own pleasure – the loss is eligible for coverage.

Scenario 2: At the time of the loss, Sidney was returning a camper from a fishing area – the loss is ineligible for coverage.

e. No coverage exists for a loss involving watercraft operated or used without permission by the insured. However, the question of permission does not apply to a "family member" who is operating a "covered watercraft."

2. No coverage exists under this form if coverage should be handled by workers compensation, Federal Longshore and Harbor Workers Compensation benefit, similar disability benefits law, or under The Jones Act.

3. No payments are made for amounts owed as either punitive or exemplary damages.

C. Limit of Liability

1. The monetary limit that appears on the endorsement schedule or on the policy declarations page is the maximum amount of coverage that is possibly available for all injuries to parties involved in a single, eligible incident. This maximum is not affected by the number of crafts, insureds, or claims involved, or the number of crafts or premiums appearing on the declarations page. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum.

2. No duplicate coverage is available for a single element of loss that is also eligible for coverage by any other parts of the Watercraft Policy.

3. This coverage won't pay for a single element of loss that already has been paid by any party responsible for that loss.

Example: Carla Applecheek and her son were on their way back home from a leisurely sail when they're hit by Jonni, who was speeding around in his dilapidated power boat; he is not insured. The Applecheeks were injured, so they applied for coverage under the

\$25,000 uninsured boaters coverage part of their own policy Their company pays them

\$3,700 for their injuries but later, after finding out that Jonni paid them \$1,250 that he was saving for a new boat, the insurer requires the Applecheeks to return an equal portion of the payment it made.

4. No coverage will be paid under this form if coverage should be handled by workers compensation, Federal Longshore and Harbor Workers Compensation benefit, similar disability benefits law, or under The Jones Act.

D. Other Insurance

If other sources of insurance or other policy provisions apply to an uninsured watercraft loss, this provision intends to make sure that such sources are contemplated when compensating an insured for a loss. This part takes financial consideration of the total amount of coverage available to pay for losses involving uninsured watercraft to ensure that any amount paid for a given loss is no higher than the greatest amount provided for a single craft.

WATERCRAFT (YACHT) POLICY

Further, the total amount that may be paid on the loss may not exceed the total amount of primary and excess coverage available for any single watercraft. If the loss involves a non-owned watercraft, the uninsured watercraft coverage part responds on an excess basis, paying only after the other available coverage has paid its limit.

Regardless whether this part provides coverage on a primary or on an excess basis; it will only pay its proportionate share with other sources providing coverage on the same basis.

E. Arbitration

If the company and their insured aren't on the same wavelength regarding whether an insured qualifies for loss payment or how much is due in an uninsured watercraft loss, the argument may go to arbitration. However, both the company and the insured must want the disagreement to be handled by representatives of their own choosing. A judge may be called upon to select a third arbitrator if this person isn't selected by the first two arbitrators within 30 days.

Binding Agreement - The insurance company and the insured must accept the decisions agreed on by any two arbitrators as legally binding in the areas of determining a valid claim and the amount to be paid.

The process will be held in and controlled by the laws of the county of the insured's residence.

F. Part E - Duties after an Accident or Loss

The following provision is added to this Part of the Watercraft Policy but only as regards the coverage granted under this endorsement.

A person who seeks coverage under this coverage has the obligation to quickly report a loss of any hit-and run incident and must send the insurance company copies of any legal papers related to a lawsuit.

WT 05 01—Personal Watercraft Coverage

The unendorsed Watercraft policy does not cover personal watercraft. That coverage gap is closed by this option.

WT 05 02—Watercraft Agreed Value Coverage

Watercraft losses are typically settled on the basis of taking age and other factors that diminish value into consideration. In some instances, the features of some property may make this form of valuation impractical. This option allows an insured to, for an additional premium, increase the chance that a loss will be compensated more fairly. In the event of a loss, the insurer becomes obligated to settle according to the lesser of the ACV value or the amount appearing in the form's schedule. The insurer has some additional protection too. If a repair or replacement results in a betterment to the insured, that additional cost must be borne by the insured.

Example: James and Jenna's '63 Clavot Shoreliner is destroyed in a fire. Its market value as an antique boat in wonderful condition is \$39,000, far above its ACV of

\$14,500. While they won't be able to recover its full value, they are consoled by their having endorsed a \$34,000 limit on their watercraft policy via a WT 05 02 form.

ISO YACHT COVERAGE FORM

INTRODUCTION

The Insurance Services Office (ISO) Yacht Coverage Form is designed for vessels operated for pleasure use. "Yacht" is a generic term. As used with this coverage form it means larger pleasure boats such as cabin cruisers, sailboats and houseboats.

WATERCRAFT (YACHT) POLICY

These vessels are propelled in a variety of ways including outboard and inboard motors, inboard/outdrive motors, sail boats with or without power units and water jets. The yacht's equipment and machinery, motor, personal effects, boat trailers and accompanying dinghies are all considered covered property under the policy. Bodily injury and property damage arising from ownership, maintenance, use, operation, loading, unloading, boarding and disembarking from a covered yacht are provided by the liability coverages. Medical Payments, uninsured boater, underinsured boater and the United States Longshoremen's And Harbor Workers Compensation Act, Uninsured and Underinsured Boaters coverages are also provided.

ELIGIBILITY

Each insurance company determines its yacht eligibility criteria based on its individual underwriting appetite. The yacht's total length, engine horsepower, navigational limits, and the type of master and crew are some of the eligibility issues considered. Some companies write only "brown water" exposures, meaning navigation on inland lakes, rivers and other bodies of water. Others specialize only in "blue water" exposures, meaning navigation on oceans and seas. Coverage is typically limited to only vessels operated for pleasure use such as recreational boating, leisure time activities, and limited types of business entertainment.

POLICY CONSTRUCTION

Yacht Coverage requires at least these two forms:

- IH DS 82–Yacht Declarations
- IH 00 82–Yacht Coverage Form

DECLARATIONS

The advisory Yacht Declarations contains the following information:

General Information

- Company Name Area is for the name of the insurance company providing the coverage.
- Producer Name Area is for the name of the agent or broker producing the business.
- Named Insured is the listed insured.

Note: It is common for there to be multiple owners and therefore should be multiple named insureds.

- Mailing Address is the street, road or Post Office Box where the first named insured listed receives his or her mail.
- Policy Period is the inception and expiration dates, beginning at 12:01 a.m. Standard Time at the named insured's mailing address.
- The Insuring Agreement states that the insurance company provides the insurance coverage in the policy, subject to its terms and conditions, in exchange for payment of the premium.

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WATERCRAFT (YACHT) POLICY

Property Coverages - Limits

- The Yacht section has two spaces for the entry of the covered yacht's manufacturer, year built, model, length, registration number, type of motor and its horsepower and limit of insurance.
- The Boat Trailers section has two spaces for entry of the covered boat trailer's the manufacturer, model, serial number and limit of insurance.
- The Personal Effects section has a space for a limit of insurance for personal effects.

Liability Coverages - Limits

The following limits must be entered

- Each Accident
- Medical Payments per person
- Uninsured Or Underinsured Boater
- Longshore Or Harbor Worker Compensation is part of this section but its limit is that required by statute

Coverage Amendments

- The exclusion for Paid Captain and Crew does not apply if the box is checked.
- Navigational Limits describes the operating territory or waters where the covered vessel is permitted to navigate.
- Lay-Up Period(s) is the inclusive dates that the covered vessel is laid up, out-of commission, and not operating.
- Home Port(s)–Storage Location(s) is one or more home ports and/or one or more storage locations for the covered vessel.

Deductible

Separate deductibles are entered for each of the following:

- Yacht
- Personal Effects
- Tenders and Dinghies

Loss Payee

The Loss Payee name and address is needed because notification is required if the policy is cancelled or non-renewed.

Premiums

Separate premium are provided for each of the following:

- Hull
- Personal Effects
- Liability
- Medical Payments

WATERCRAFT (YACHT) POLICY

- Uninsured or Underinsured Boater

Form Analysis—IH 00 82—Yacht Coverage Form

Note: This is an advisory form that has not been filed for use with state insurance departments. Insurance companies that choose to use the form must specifically file it for its use. The form cannot be adopted in the same manner filed ISO forms are adopted.

A. DEFINITIONS

Defined terms are used throughout the policy. Restricting their meaning to the definition provides the means for all parties involved with the policy to have a clearer understanding of the coverage intended. You and your refer to the named insured on the declarations and also the named insured's spouse if the two are living in the same household. We, us and our, refer to the insurance company providing the coverage.

Nine other terms are defined:

1. Bodily injury is bodily harm to persons. Sickness, disease, or resulting death are also bodily injury. The costs of required care and loss of services that are a direct result of the injury are also considered bodily injury.

2. Insured is the named insured. It is also relatives living in the named insured's household. It is also unrelated persons who are under 21 years of age and living in the named insured's household. These persons are covered only if in the care of the named insured or one of the resident relatives.

Note: Remember that the named insured includes the named insured resident spouse. That means that the children and relatives of the spouse have the same status as children and relatives of the named insured. However, if a separation occurs, the spouse and his/her relatives are automatically no longer insureds. The paid captain and members of the crew are insureds.

Corporations, firms and any person not described above are also insureds but only when using the named insured's yacht with the named insured's permission.

3. Pleasure use is a term used in the policy to restrict coverage. Coverage applies only when the yacht covered is being used for pleasure use. Pleasure use includes such activities as recreational boating and leisure time activities. Pleasure use is also business entertainment but only when the named is not receiving any direct compensation or remuneration for allowing the covered property to be used in this way.

4. Pollutants is a broad and expansive term. It includes solids, liquids, thermal or gaseous contaminants and irritants including, but not limited to, acids, alkalis, chemicals, fumes, smoke, soot, vapor and waste. Waste also includes materials intended for recycling, reclamation and reconditioning, as well as for disposal.

5. Pollution is any actual, alleged or threatened release of oil, fuels, petroleum products or other pollutants.

6. Property damage is destruction of or physical injury to tangible property. The loss of use of any tangible property is also property damage even when the tangible property itself is not damaged.

Example: Marjorie's yacht, Pretty Boy, escaped damaged during a serious storm. However, she is unable to use it as its anchor is entangled by debris stirred up during the storm. She has to hire divers to assist in freeing the vessel. Further, she has to rent another yacht to host a planned anniversary celebration.

WATERCRAFT (YACHT) POLICY

She turns in these expenses to her insurer as a loss of use claim.

7. Suit is a civil proceeding that seeks damages. The allegation must be that damages resulted from bodily injury, property damage, or pollution and that those damages are covered by this insurance. Arbitration and other alternative dispute resolution proceedings that allege such damages are also considered suits but only when the insured is required to submit to them or does so after obtaining the insurance company's prior written consent.

8. Uninsured or Underinsured Boater is the party that owns or operates a boat or yacht not scheduled on this policy and is legally responsible for an accident. In addition, they must meet one or more of the following criteria:

- At the time of the accident, the party did not carry a bond or insurance policy to cover liability
- At the time of the accident, the limits of bodily injury bonds or policies carried were not sufficient to fully pay its obligations
- Is not identifiable. Commonly called a hit and run.

9. Yacht is any vessel or boat. The following property that is associated with the yacht is also considered yacht:

- Machinery and equipment but only when considered integral to the yacht's operation
- The yacht's masts, spars, sails, rigging and tackle
- Small boats called tenders or dinghies that are either carried on the deck or towed behind the yacht. These boats must be less than 16 feet with no more than 35 horsepower.
- Any equipment that is considered necessary in order to maintain the yacht or to operate it in a safe manner.

B. PROPERTY COVERAGES

1. Coverage

a. Covered Property

The insurance company covers the yacht(s) and boat trailer(s) on the declarations. If a limit of insurance for Personal Effects is on the declarations, it also covers Personal Effects but only while on board the covered yacht or while being loaded on or unloaded from it.

b. Property Not Covered

Certain property is not covered.

- Money, securities, accounts, bills, currency, deeds, evidence of debt, notes, letters of credit, and stamps
- Gold, silver, platinum, other precious metals or alloys, jewelry, costume jewelry and precious and semi-precious stones

Note: Much of this property is more correctly insured under a Personal Articles Floater.

- Aircraft

Note: This property is more correctly insured under aircraft coverage forms and policies.

WATERCRAFT (YACHT) POLICY

Hydrocycles, jet skis, waverunners, windsurfers and similar personal watercraft

Note: This property can be covered under personal watercraft coverage forms and policies.

[AAIS Boatowners Coverage Form Overview](#)

INTRODUCTION

The AAIS Boatowner policy approach provides protection to watercraft as well as against a boat owner's liability to third parties for both injuries and damage to their property.

ELIGIBILITY

Though individual companies can decide upon their own criteria, AAIS does supply some critical parameters for acceptance.

[AAIS Boatowner Coverage Form Eligibility](#)

Eligible boats are those with a length no greater than 30 feet, manufactured within the last 20 years, have a maximum value of \$75,000, and with maximum operating speed of 50 mph.

Ineligibility, besides boats that fall outside of the criteria above and other situations that fail to qualify for coverage under the boatowner program, includes machines that can also travel on land, air powered (including hover) craft, homemade boats, any boats operated with a home-built or converted auto engine, and boats used as a regular residence.

There are other ineligible situations include sailboards, craft used in business activity, converted military crafts, experimental crafts, hydrofoils, hydroplanes, ice boats, boats used in racing/competitive/stunt activities, and craft that operate underwater.

Example: Chelsea and Lora are sisters who own a powerboat which they use at Lake Leisure Resort. In the summer, the resort is notorious for boating parties. They found a lucrative side hustle. For the last couple of seasons, they have operated "Party Favors," a service in which they make the rounds of the lake, delivering orders of food and package alcohol. This is an ineligible business use of their boat!

POLICY MAKE-UP

The AAIS Boatowners Special Coverage Form consists of the following forms:

- Boatowners Declarations
- BT 0100–Boatowners Special Form
- Policy Cover Page or Jacket. This form is designed by individual insurance companies for their own purposes and may include a table of contents or index to meet the requirements of some states.

BOATOWNERS COVERAGE FORM

The AAIS Boatowners Special Form is designed to address property and liability exposures faced by a wide variety of pleasure boat owners. The optional endorsements available to use with it should be examined and used to tailor the coverage to meet the needs or requirements of a given owner.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

WATERCRAFT (YACHT) POLICY

COVERAGE FORMAT

The Boatowners Special Form is made up of the following, separate sections:

- Definitions—terms that have a special meaning which are used throughout the policy
- Property Coverages—discusses the protection provided to boats (including certain non-owned boats), boating equipment and boat trailers
- Liability Coverages—identifies the liability coverage provided. This includes personal liability and medical payments
- Uninsured Boater Coverage—includes information on coverage, exclusions, and arbitration
- Loss Duties
- Sections on settlement provisions, additional exclusions, and limitations
- Other Policy Conditions—which apply separately to property, liability and to the entire policy

[BT 0100—AAIS Boatowners Special Coverage Form Analysis](#)

This article discusses the (05 08) edition of the boatowners program offered by the American Association of Insurance Services (AAIS). It is structured in the same manner as its other lines of business, opening with a table of contents.

TABLE OF CONTENTS

This form's table of contents consists of items appearing above in this article's collapsible index. Any endorsements and schedules that are part of the policy will be identified on the "declarations."

AGREEMENT

The agreement section states that the policy is subject to all its "terms" (see definition below) and it will provide the applicable coverages that are described in the policy.

These coverages are provided for a specific policy period. In return for this protection, the insured must pay any required "premium." In the agreement section, it states that a "limit" must be shown on the "declarations" for the principal coverages to apply.

DEFINITIONS

The definitions section appears in the beginning of the policy and it contains the following important terms.

1. "You" and "Your"

The person or persons named as the insured on the "declarations." That person's resident spouse is also "you." However, if that spouse ceases to be a resident, he or she is no longer considered "you."

2. "We", "Us," And "Our"

The company providing the boatowner insurance.

3. Actual Cash Value

WATERCRAFT (YACHT) POLICY

The amount it takes to repair or replace property using comparable materials; but that amount includes consideration of depreciation.

Example: Kim and Joe both own nearly identical sailboats (Joe's model is two years older) and are protected by a BT 0100 from the same insurance company. Both insured's boats are destroyed during a storm that devastates their marina. Joe receives

\$3,200 less for his loss than Kim. The difference was due to a greater amount of depreciation for Joe's boat.

4. Boat

Refers to property designed to travel on water and includes sails, its permanent equipment, spars, and fittings. Outboard motors are not considered boats.

5. Boating Equipment

A wide variety of property that is used in conjunction with boats is listed. Items considered as equipment are property used for communication (radios), navigation, sonar, radar, outboard motors, dinghies, along with water skis and sports equipment (recreational flotation devices) that are towed by boats. As a rule of thumb, the more related an item is to the ownership and use of a boat, the greater the justification to classify it as boating equipment.

6. Boat Trailers

Trailers designed for transporting boats. It remains a boat trailer even if it isn't hauling a boat.

Example: Keri sent photos of the boat trailers she had just added to her new boat policy to her agent. Her agent contacted her to say that only one of the trailers could be added.



Boat trailer – YES



Boat trailer - NO

WATERCRAFT (YACHT) POLICY

7. "Bodily Injury"

Actual or physical harm to a person. Harm includes sickness, disease, or death. Any required care and loss of services also qualifies as Bodily Injury (BI).

Example: An insured invites his old college friend to go fishing with him. While his friend gets up to get a beverage, he slips on some fishing line leads and slams face front on the boat's deck. His broken wrist qualifies as bodily injury.

This definition is not as broad as it may appear since it contains some important exceptions. The term does NOT apply to physical harm, sickness, disease, or death that is due to any of the following causes:

- Mental or emotional injury
- Suffering
- Distress

These conditions fail to qualify as BI only when they are not related to a person being tangibly harmed.

Example: An insured invites several friends to go fishing with him. When one friend gets up to check his line, his pants are snagged on a spar and are pulled off. He is ridiculed by everyone for the rest of the trip. While he is deeply embarrassed, this feeling does not qualify as bodily injury.

8. "Business"

A trade, profession, or occupation. This term includes the operation of yacht clubs, shipyards, and marinas. The policy also refers to boat sales, charters, rentals, repairs, services, storage, mooring and anchoring as examples of business activity.

This definition has an important exception. An insured who is entertaining a business client on covered property is not considered to be performing a business activity.

Example: Julie has invited Paula onto her boat, "Light Tymes," for an evening meal and cruise. Paula is Julie's Accounting Firm's largest client. Paula falls while trying to get a closer look at a nearby yacht. The treatment for her injury should be eligible for coverage as her presence on "Light Tymes" is not considered a business activity.

Note: The reason for the exception? Likely because the exposure to loss is not significantly different than having a non-business guest on a boat. This is the opposite of the approach used in homeowner policies where the mere status of a person being a business client may endanger coverage for a loss or injury.

9. "Covered Property"

This term refers to the relevant property that is described on the policy's declarations, specifically boats, equipment, and trailers. The term also applies to property referenced under the policy section on newly acquired property.

WATERCRAFT (YACHT) POLICY

10. "Declarations"

This refers to any document that is called or titled Declarations, Supplemental Declarations, or coverage schedules that are related to the policy. A list of eligible property appearing on a document with descriptions and values would qualify as a declarations.

11. "Insured"

The Boatowner policy considers all the following to be insureds (with notes on any exceptions):

- a. The named insured and any resident spouse.
- b. Relatives of the named insured and/or the resident spouse. However, relatives are insured only if residents of the named insured's household.

(meaning relatives who live at the insured location with the named insured)

- c. Persons under the age of 21 residing in the named insured's household and in the named insured and/or resident spouse's care or in the care of resident relatives as defined above.

Note: Such persons must BOTH be younger than 21 AND have a named insured, his or her spouse or a relative of the named insured/spouse as their caregiver.

- d. Other entities are also insureds but only for under Coverage X and Y, Personal Liability and Medical Payments. These entities are:

- 1) Any person taking care of or using property that qualifies as covered property. However, the possession or use must be with the named insured's and/or resident spouse's permission.
- 2) Any person who can be held legally responsible for an insured's, as defined in a. b. or c. above, use of covered property may also qualify as an insured, but only to the extent of loss directly involving covered property.

But the insured status granted in d.1) or d.2) does not apply if property use is business related.

Example: James has agreed to repair Peter's boat for \$1,300. To determine if the repair is complete, James takes the boat out for a spin. James hits another boat. Peter would be covered for his liability (if any) but James would have no coverage because he was using Peter's boat for the business use of repairing it.

- e. The policy's Uninsured Boater Section (Coverage Z) has a more limited definition of "insured." Specifically, the only insureds under Coverage Z are:

- 1) Any person while on or in covered property or non-owned boats. This status is extended even when that person is either entering or exiting. Persons being towed by either covered property or "non-boats" are also insureds. However, the insured status does NOT apply if the person is being towed on a device that is designed to fly.
- 2) A person who is in any way entitled to receive Coverage A. damages because of injuries sustained by a person described in item e.1). The damages must involve bodily injury and are limited JUST for the extent of damages.

WATERCRAFT (YACHT) POLICY

Example: Larry is towing Angel, and she is thoroughly enjoying her session of water-skiing.... until Paul swoops over and cuts her line. Angel is injured and sues Paul. Paul is uninsured. Larry's uninsured boater coverage will cover Angel's injuries. In addition, Angel's mother is an insured because she incurs damages on Angel's behalf. Angel's mother's new, custom water-skis were demolished in the accident, but that loss is not covered because they are property damage, not bodily injury.

Of course, no matter how carefully a definition is worded, confusion may arise.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

12. "Limit"

The policy merely defines this as the amount of coverage that applies, the inference being the amount of insurance that appears on the declarations related to the boat policy (or, if applicable, given coverage part).

13. "Motor"

Refers to an outboard motor as well as certain equipment such as motor starter, controls, batteries, fuel tanks, pressure control tanks, harnesses, and similar items.

14. "Non-owned Boat"

Any boat that is not owned by the named insured or resident spouse but is used by them, a resident relative or by persons under the age of 21 who reside in the named insured's household and are in care of the named insured, resident spouse, or other resident relatives. The term boat includes any trailer used with such property. However, a boat does not qualify if it exceeds 30 feet in length. Besides not owning such property, to be considered non-owned, it cannot be available for the regular use of an insured.

Example: Marnie just rammed into a pier, mostly because she was surprised at the power in the custom outboard motor attached to Joe's boat. She swore she would never trade boats "just for fun" again. Luckily, Joe's boat qualifies as a non-owned one so Marnie has coverage on her boatowners policy.

15. "Occurrence"

An accident from which "bodily injury" or "property damage" results during the policy period. Repeated exposure to similar conditions is considered one occurrence.

Example: An insured's teenage son borrows his boat and, ignoring instructions, goes roaring by several rowboaters and water-skiers. He gives them all serious scares but doesn't injure anyone. The scares do not qualify as occurrences because there is no bodily injury or property damage.

16. "Personal Watercraft"

Refers to equipment that moves via jets of water (waterjet propulsion). Besides the method of power, the equipment must also be designed for the operator to kneel or sit or stand in the craft. Wave runners and jet skis are examples of personal watercraft.

WATERCRAFT (YACHT) POLICY

17. "Pollutants"

Any irritant or contaminant. It can be solid, liquid gaseous or radioactive. Acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste are examples of pollutants. Materials to be recycled, reclaimed, or reconditioned are considered waste, as well as materials that are being disposed of. All electrical or magnetic emissions either visible or invisible are considered pollution along with sound emissions.

18. "Property damage"

Destruction or merely physical injury of tangible property. It is also the loss of use of tangible property. There can be loss of use even when the tangible property is not physically damaged.

19. "Terms"

All provisions, limitations, exclusions, conditions, and definitions used in this policy or pertaining to it.

PROPERTY COVERAGES

Principal Property Covered

This policy provides coverage for boats, motors and trailers that appear in the declarations. The listed property must include a coverage limit and coverage applies according to the policy's property definitions.

Note: Qualifying as eligible property is important.

A policy with a declarations that, through some error, listed an amphibious craft would run into a coverage problem, despite its appearance on the declarations.

Example: Yarty had a boat policy that included the following:		
Property	Limit	Premium
Sunsmyley 24 ft. Sailboat	\$7,800	\$129
Waveslug 18 ft. trailer	\$2,900	\$46
2009 WaterPlus 4200XL	\$27,000	\$490
The WaterPlus is destroyed in an accident. When investigating the loss, it's discovered that the craft was destroyed in a collision at a marina's parking lot. The loss is denied since it was an amphibious craft. The insurer also refunds the premiums Yarty paid for coverage.		

WATERCRAFT (YACHT) POLICY

Property Not Covered

1. Business

The boatowner policy does not insure boats, motors, equipment, or trailers when the property is used in business activity including the chartering of such property, renting it out to others and if used to move either property or persons (when paid to do so).

2. Racing and Stunt Activity

There is NO coverage for boats, motors, equipment, or trailers when used in either races or stunt activity. The exclusion applies to either organized or spontaneous events and extends to preparing or practicing for such activities. "Racing" refers to competitions against other parties as well as against the clock.

Example: Jim and Nora were headed back from their favorite areas to the docks after a long day of fishing. They spot each other and the docks at the same time. Nora shouts "last one to the dock cooks dinner!" They both rev up their engines and rush off! If a loss occurs, it would not be eligible for coverage.

One exception exists for sailboats. Sailboat races of any type still qualify for coverage.

3. Residential Use

Boatowner coverage does not apply to losses that take place when covered property is used as a residence (except for temporary use).

Example: Lannidy was entertaining some friends for dinner. One friend slipped while getting a drink from the boat's galley and slammed against the galley's sink and floor. Lannidy sent in a claim, and it was rejected when the insurer discovered Lannidy lives on the boat full-time.

Additional Property Coverages

The boat policy states that whatever limit shows in this section is the **ONLY** limit that applies to the referenced coverage. It is not in addition to the Principal Property Covered limit.

1. Boating Equipment

Such equipment (as defined under the policy) has a maximum amount of \$2,500 available for addressing tangible loss or destruction. However, when such property is lost or destroyed while being used with personal watercraft, the maximum amount of coverage is \$500. The \$2,500 limit can be increased on the declarations.

2. Newly Acquired Policy

The boat policy will cover newly purchased or otherwise acquired property. All motors and trailers are eligible, but boats are covered **ONLY** when they are no longer than 30 feet. Coverage only applies for a maximum of 30 days after the property is acquired. Coverage under this provision can end earlier than 30 days. The first case is if the policy expires prior to the 30 days and the second is when the property is reported to the insurer prior to the 30 days.

A premium must be paid for the new property effective from the date the property comes into the insured's possession and is subject to a maximum of \$25,000. It is likely that the modest maximum coverage is meant to encourage property being reported (then rated and charged) as soon as possible. The modest coverage could be a disaster.

Example: Kanera's boat and property is covered by a boatowner policy when she gets a new, much more powerful boat as a retirement present. She received the boat on May 8th and, on May 19th (before she had the chance to report its acquisition), the boat was stolen.

WATERCRAFT (YACHT) POLICY

She reports the loss, and her insurer sends her a check for \$25,000.

Unfortunately, the boat's purchase price was \$65,750.

3. Emergency Service

Under this additional coverage, the expenses related to towing and repairing a non-functioning boat or motor is covered. However, this addition's available payment does not extend to delivering fuel or oil, parts or supplies or for the cost of changing a tire (on a boat trailer). Further, the coverage only handles labor cost that is incurred at the location where the covered property is disabled and the maximum available coverage is \$500.

Note: This valuable coverage is not subject to a deductible.

COVERED LOSSES

The boat policy states that it will respond to tangible loss to all property that qualifies for coverage under the policy and that any coverage depends upon the limitations and exclusions included in the policy.

Exclusions That Apply To Property Coverages

This boat policy section refers to a dozen situations that do not qualify for coverage. If any of the listed situations do cause a loss to boats, motors, boat equipment or boat trailers, even if created indirectly, the damage or loss is excluded.

1. Animal and Marine Life

No coverage is available when a loss involves animals or marine life. Examples included in the policy are birds, insects, rodentia, and any animals owned or in the possession of any insured.

Example: Jeremy is furiously battling a swordfish during a weekend fishing trip. Just as he is hauling the magnificent specimen onto his boat, it flashes around violently gashing the hull. The hull damage is not eligible for coverage.

2. Bubbling and Delamination

Plywood or fiberglass that experiences bubbling (trapped air pockets) or delamination (where layers of glued material separate) is not eligible for coverage. This situation is treated as a design defect or inherent flaw, so it is not insurable.

Example: Brendan turned in a claim on his 4-year-old sailboat. He noticed damage to his stern's hull. His insurer, reviewing the detailed set of photos he sent in with his claim, responded that the hull was showing advanced delamination, and the loss was not covered by his policy.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

3. Civil Authority

Except for the acts of civil authorities to control the spreading of a fire, such acts that cause loss to covered property are ineligible for coverage. Property that is seized, placed under quarantine, damaged, or lost because of illegal operations, is confiscated, or destroyed are all examples of incidents that fail to qualify for protection under the boat policy.

WATERCRAFT (YACHT) POLICY

4. Contamination or Deterioration

Boat policies are intended to handle fortuitous loss or damage to covered property. Therefore, loss or damage that takes place merely due to aging and exposure to water and boating environs are not eligible for coverage. Contamination to covered property due to bacteria, fungi and rotting is excluded, as is damage or loss due to weathering corrosion, decay, and rusting. Any structural feature in covered property, such as a fault, weakness or quality that results in damage or loss is also excluded.

Example: Nancy files a claim after a guest jumps onto her boat and part of the deck caves in. The loss is denied when the insurer's investigation reveals that the deck's wood had not been properly sealed and it rotted out.

5. Criminal Acts

Involvement in illegal activities that end up damaging or destroying covered property is excluded. Transporting illegal cargo or passengers are two examples of excluded illegal activities.

6. Freezing or Overheating

There is no coverage for damage to covered property caused by freezing or overheating. Thawing and sudden temperature changes are examples of the type of losses that are ineligible for coverage.

7. Intentional Acts

The policy does not cover intentional acts of any "insured" that result in a loss. The exclusion extends to losses resulting from intentional acts committed by persons acting on the directions of any insured as well as those performed in concert with any insured.

Example: Abner is out fishing at his favorite spot on a lake near his home. Just as he hooks a large bass, another boater, towing a skier, zooms by, breaking his line. Later, Abner spots the offending boater and he rams him, severely damaging both boats. The incident is NOT covered.

The exclusion also is written to deny coverage that benefits an "innocent insured."

8. Maintenance and Repairs

Loss or damage to covered property that involves the routine care and maintenance of such property does not qualify for coverage. There is an exception. If such activity, somehow, causes a fire or explosion, the subsequent damage or loss IS eligible.

Example: Chuck recently reported a loss to his insurer. He lost one of his outboard motors. He was cleaning it a couple days earlier and, as he got up to take a lunch break, a pair of pliers fell from his pocket. Sparks were created when they hit the floor, igniting droplets of gas that led to the motor. It was quickly covered by flame. This loss is eligible for coverage.

9. Mechanical Breakdown

Though ensuing loss or damage receives the protection of the boatowner policy, direct loss involving either mechanical or electrical malfunction or failure of covered property does not.

10. Nuclear Hazard

Except for direct loss by fire, the policy excludes any damage involving a nuclear hazard. This exclusion is unaffected by whether such loss was uncontrollable or accidental. Any smoke, fire or explosion loss or damage involving nuclear activity is still excluded.

WATERCRAFT (YACHT) POLICY

11. War or Military Action

War is an absolute exclusion. Any loss connected to any war or war-like act is not covered. The exclusion does not even include damage caused by property that is seized or used for a military purpose.

12. Wear and Tear

There is no coverage for wear and tear, marring, or scratching.

Example: Bronson is distraught when his outboard motor suddenly breaks off his boat. He turns in a claim and the insurer inspects the damage. Bronson is dejected when the claim is denied. The area of the boat to which the motor was attached merely weakened with age and could no longer support the motor's weight.

LIABILITY COVERAGES

PRINCIPAL LIABILITY COVERAGES

1. Coverage X – Personal Liability

a. Coverage

The policy obligates the insurer to pay for BI or PD that is caused by an occurrence (as defined by the policy). Any payment is subject to the policy's applicable coverage limit. Any loss must be directly connected to either the use or other incidences of owning the covered property (which includes non-owned boats – again as defined).

Example: Jenna was having a lot of fun operating her jet skis on the lake. The fun came to an end when she cut across a skier's tow line and the skier was seriously injured.

Jenna's boatowner's policy will respond to the skier's lawsuit since the jet ski was listed on her boatowner policy's declarations.

b. Defense or Settlement of Suit

This portion of Coverage X explains that the insurer will handle payment and/or provide a legal defense of an insured with regard to bodily injury or property damage that qualifies for coverage under the boat policy. Any legal defense costs are paid by the insurance company and the insurer has the right to select legal representation.

However, as is the case with other lines of business, the legal obligation to defend against a claim ends once a loss settlement or judgment has been paid.

2. Coverage Y – Medical Payments

Besides stating the insurance company's obligation to pay for certain costs that are connected to bodily injury related to the insured's incidents of covered property ownership or use (regarding a non-owned boat too), it also lists the expenses that are eligible for medical payment. Eligible items include medical care, surgery, scanning processes, dental care, emergency transportation, first aid, hospital care, professional nursing, funeral services, prosthetics, hearing aides, eyeglasses (contact lens), and drug prescriptions. HOWEVER, the policy also states that it will only pay reasonable and incurred expenses. The expenses must occur within three years of the incident that created the injury.

ADDITIONAL LIABILITY COVERAGES

The policy includes two more liability coverages. They must comply with all the applicable policy provisions that appear under principal coverages X—Personal Liability and Y—Medical Payments.

WATERCRAFT (YACHT) POLICY

1. Claims and Defense Cost

In a defense action, the insurance company will pay the following:

- Costs that are taxed to an "insured"
- Costs incurred by the insurance company
- Premium on bonds that are required because of a defended suit. Only the premium for the amount up to the policy limit is covered. The insured must pay the premium for amounts in excess of the policy limit. The insurance company is not required to furnish the bonds.
- An insured's lost earnings caused by insurer requests that time be spent away from work (subject to a \$250 daily maximum)
- Necessary costs incurred by the "insured" at the request of the insurance company
- Prejudgment interest that applies to the amount the insurance company pays, but the obligation to pay interest does not apply to the amount that accrues after the insurer makes a settlement offer
- Interest that accrues on the entire amount of a judgment. This item ends once the insurer pays or deposits its part of the judgment.

2. Removal of Wrecked or Sunken Property

a. Under this portion of the policy, the insurer is responsible for the expense to retrieve (even from underwater), remove and/or destroy covered property (which includes owned boats, equipment, and non-owned boats) that has been stranded, has sunk or has been damaged by fire. This obligation applies when the actions are required by authorities. The insurer is also obligated to pay such expenses even if the retrieval is unsuccessful.

b. This provision has a separate limit equal to a maximum of 25% of the total limit that applies to the affected, covered property.

Example: If covered property has a total applicable limit of \$10,000, the removal/wrecked/sunken property limit is \$2,500 ($\$10,000 \times .25$).

EXCLUSIONS THAT APPLY TO COVERAGE X – PERSONAL LIABILITY AND COVERAGE Y – MEDICAL PAYMENTS

Here are specified sources that do not qualify for coverage when they create loss or damage:

1. Abuse

Insurance policies, whether they cover boats, cars, homes, or planes, are designed for accidental, not deliberate, loss. In this vein, the boat policy excludes loss or damage that is due to any type of abuse. Examples are sexual molestation (including allegations), corporal punishment and abuse (both physical and mental).

Example: Gerald is sued for an incident that occurred on his boat. It is insured under a boatowners policy. The lawsuit seeks damages of \$30,000. It was filed by a female guest. She alleged that, when attempting to leave after having dinner, Gerald forced her into his boat's cabin for hours to persuade her into intimate relations. The guest was also bruised from rough handling. Gerald's insurer denies the claim.

WATERCRAFT (YACHT) POLICY

2. Business Pursuits

Bodily injury or property damage, whether it involves property owned by an insured or a nonowned boat, that occurs while it is being used in a business activity, does not qualify for coverage. Business activity includes renting such property, using it for charters or using the property to move persons or property on a paid basis.

Note: Remember the business definition's key exception. An insured who is entertaining a business client on covered property is not considered to be performing a business activity.

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3. Communicable Diseases

BI and PD that are created by any form of communicable disease fail to qualify for coverage under the boat policy.

4. Controlled Substances

A portion of Federal Food and Drug law defines a number of substances as "controlled." The boatowner policy specifically denies coverage for either BI or PD that is related to an insured's use, sale, transporting, or possession of any such substance (primarily consisting of illegal narcotics and marijuana). The exclusion has a single exception. It does not apply to BI or PD that involves drugs that are legitimately prescribed and properly used.

5. Criminal Acts

Involvement in illegal activities that end up injuring others or that result in damage to property that belongs to other persons is excluded. Example of excluded acts are those relating to transporting illegal cargo or passengers.

6. Intentional Acts

The policy does not cover intentional acts of any "insured" that result in a loss. The exclusion extends to losses resulting from intentional acts committed by persons acting on the directions of any insured as well as those performed in concert with any insured.

Note: The exclusion remains valid even when a loss may be different than what an insured meant to cause.

This exclusion does make an exception by still allowing coverage for injury or loss related to an insured's act of self-defense or the defense of other persons or their property.

7. Land Transportation

The boatowner policy does not provide coverage for injury or damage when covered property is transported across land by either a vehicle or a trailer. In such instances, coverage is typically handled as an extension of any available vehicle coverage.

8. Non-Permissive Users

A loss that involves the use of covered property including qualified non-owned boats, is not insured when that property was used by a person who did not have an insured's permission.

Note: This is an exclusion that can definitely be affected by circumstances as well as state law.

WATERCRAFT (YACHT) POLICY

Example: Larry borrowed his friend's new boat because it is a model that he is thinking of as a replacement for his current boat that is nearly 15 years old. Unknown to Larry, his visiting, 16-year-old nephew takes the boat out for a joy ride....and he crashes into another boat. This loss is not covered under Larry's policy.

Note: This exclusion does not make reference to the age of a person using insured property without permission. It is likely that the exclusion could be successfully challenged if a legal minority were involved.

Boat Owner's Liability Insurance Held Primary Over Permissive Operator's Homeowners Insurance

A young woman was operating a boat with the permission of its owner when it struck another boat, resulting in the death of a passenger. The estate of the deceased filed a wrongful death suit against the woman. The owner of the boat that she was operating was added as a defendant by virtue of a Michigan law imposing liability on the owner of a boat that is being operated by another person with the consent of the owner.

A boat owner's protection policy carried by the owner included liability coverage in the amount of \$300,000. The young woman was an insured under the provisions of a homeowners policy (\$300,000) and a personal umbrella liability policy (\$1 million) carried by her parents. The boat insurer undertook defense of the suit and paid \$300,000, the amount of a negotiated settlement.

The insurer then sought to collect the entire amount it paid for the settlement, plus \$26,000 expended for investigation and defense, from the insurance company that provided homeowners and umbrella liability coverage for the young woman. Motions for summary judgment were filed by both insurers. Their respective obligations were disputed.

It was noted that the "other insurance" clauses in the policies were virtually identical, each purporting to be excess over other valid and collectible insurance. It was also noted that the boat operator's insurer said that it was never approached by the owner's insurer to defend, and that its consent to the mediation settlement had not been sought.

The court followed what it called the majority approach, concluding that the boat insurer was the primary insurer, having issued a policy specifically to cover liability arising from boating accidents involving the described boat. It said that other insurance would have covered the young woman's liability if the boat policy were not in force.

The Michigan law imposing liability on a boat owner for negligence on the part of another, operating a boat with the owner's consent, supported the position taken.

The motion for summary judgment by the homeowners and umbrella liability insurer was granted.

9. Nuclear Energy

Accidental "bodily injury" or "property damage" is excluded when it involves an "insured" that is protected as a covered person under a nuclear energy liability policy. The exclusion applies even if the status of a covered person under a nuclear energy liability policy is lost because of exhausted policy limits. The boatowner policy defines a nuclear energy liability policy as one that is issued by one of the following insurers (INCLUDING SUCCESSOR COMPANIES).

- American Nuclear Insurers
- Mutual Atomic Energy Liability Underwriters
- Nuclear Insurance Association of Canada

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10. Parasailing or Kite Skiing

It does not matter whether the towing craft is owned or non-owned by an insured; there is **NO coverage** for incidents involving kites, parasails, hang gliders or similar devices.

Example: Paula loves boating, and she often invites friends along for water fun. She turned in a claim for a loss that occurred during an excursion. She had borrowed a friend's parasail and had, for several hours, been towing friends with her boat. During one tow, Paula abruptly slowed her boat to avoid another craft. The tow line slacked, and the parasail crashed onto the water, severely injuring the friend using the parasail. The cost of the friend's medical treatment is ineligible for coverage.

11. Pollution Damage

There is no coverage for loss caused by any conceivable incident involving pollution unless such damage is the result of a sudden accident.

Example: Lorna has to spend nearly \$5,000 to have the damage from a spill remediated.

Scenario 1: Lorna was caught dumping a nearly full, ten-gallon can of cleaning solvent overboard. The loss is ineligible for coverage.

Scenario 2: Lorna ran aground, rupturing her boat's fuel tank. The loss is eligible for coverage.

12. Professional Services

The boatowner policy's liability portion is not a form of errors and omission or professional liability coverage. Therefore, losses that have any connection with performing professional services are ineligible for the policy's protection.

Note: Persons who, because of their training or occupation, owe others a professional level of duty, should arrange for specific coverage.

13. Racing or Speed Tests

"Bodily injury" or "property damage" resulting from the use of a covered boat, non-owned boat, or equipment in, or in the practice or the preparation for, racing, speed, pulling or pushing, demolition, or stunt activities or contests is not covered. The exclusion does not make a distinction between organized and spur-of-the-moment activity. The policy states that races are events in which an insured is involved with a competition against another party or against the clock. However, competitions involving sailboats are still covered for related losses.

14. War or Military Action

"Bodily injury" or "property damage" caused by the following war or warlike situations is not covered:

- Undeclared war
- Civil war
- Insurrection
- Rebellion
- Revolution
- Warlike act by a military force or military personnel
- Destruction, seizure, or use of property for a military purpose, or

WATERCRAFT (YACHT) POLICY

- Discharge of a nuclear weapon (even if accidental)

ADDITIONAL EXCLUSIONS THAT APPLY ONLY TO COVERAGE X – PERSONAL LIABILITY

Note: Some of the exclusions assure that more than one coverage part can't be used to respond to the same loss.

1. Contractual Liability

Liability assumed under a contract or an agreement, except for a written agreement involving dock rental or boat storage, is excluded from coverage.

2. Employees

"Bodily injury" to a person who is in the course of working for an insured is excluded. The exclusion extends to relatives of an employee who may be injured as a consequence of injuries to the employee. The exclusion also prevents coverage for situations involving employer liability to either the worker or a third party.

3. Insureds

The boatowner policy denies coverage for injury suffered by any person falling under its definition of insured. Besides the person named in the declarations, insureds are those persons related to the named person, but only if they are part of that person's household. The definition (and exclusion) also extends to persons younger than 21 who are cared for by the named person or by related, household residents.

Example: Harold's household includes his sister Mara and 16-year-old Jenna. Mara is Jenna's guardian. While Jenna and Harold are not related, if she were injured while occupying or using Harold's boat, she would be ineligible for reimbursement for her injury as she is considered an insured.

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4. Property Owned, Occupied, Used, or Rented

Under the liability portion of the policy, no coverage applies to damage to property that is owned or controlled by any insured. This exclusion makes an exception, allowing property damage to launch ramps, docks and/or boat storage house that are rented to an insured (as long as the insured is the ONLY renter).

5. Workers Compensation

This policy will not respond to bodily injury when it either IS or is legally required to be handled by workers compensations coverage, the provisions of the U.S.

Longshoremen's and Harbor Worker's Compensation Act, non-occupational disability policy or occupation disease coverage.

ADDITIONAL EXCLUSIONS THAT APPLY ONLY TO COVERAGE Y – MEDICAL PAYMENTS

1. Trespassers

This policy will not respond to bodily injury that involves a person occupying covered property (including a non-owned boat) without authorization.

WATERCRAFT (YACHT) POLICY

2. Workers Compensation

This policy will not respond to bodily injury when it either IS or is legally required to be handled by workers compensations coverage, the provisions of the U.S. Longshoremen's and Harbor Worker's Compensation Act, non-occupational disability policy or occupation disease coverage.

Uninsured Boater Coverage

COVERAGE Z – UNINSURED BOATER

1. Coverage

The boatowner policy's applicable uninsured boater limit is the maximum amount of coverage available for handling bodily injury suffered by an insured from involvement with an uninsured boat. An insured must qualify for recovering payment from an owner or operator of an uninsured boat. The injury must arise out the ownership, use, or maintenance of an uninsured boat.

Example: Hank was injured while waterskiing behind his friend Jessica's motorboat. He lost his balance and the grip on the tow rope when going across the violent wake left by two racing boaters. Hank suffered a concussion and a severely wrenched back, requiring thousands of dollars in treatment and rehab. Neither Hank nor Jessica could identify or locate the racing boatowners. Initially, Jessica's boat insurer denied the claim, arguing that, since there was no contact, it was not the same as a "hit and run" incident. The insurer later settled and paid for most of Hank's expenses when Jessica threatened to sue for breach of contract.

Note: While uninsured boater coverage is very similar to uninsured motorist protection, it is neither standardized nor is it required under various state laws. Therefore, how it may apply to a given loss will depend upon the policy's wording and loss circumstances.

2. Non-Binding Judgment

This provision relieves the insurance company from an obligation to pay a judgment or settlement from an uninsured boater made without the insurer's written agreement.

Note: This is a safeguard for the insurer who, in all likelihood, will want to investigate any instance where a lack of insurance is alleged in a given loss.

3. Uninsured Boat Is

This coverage contains its own definition of uninsured boat. It refers to a boat that is not protected by insurance (or liability bond) that physically injures an insured. A boat is also uninsured when coverage is in place but the insurer either denied coverage or become insolvent. An uninsured boat may also be unidentifiable such as in a hit and run situation.

4. Uninsured Boat Is Not

The policy states that a boat does not qualify as "uninsured" when it is covered under the policyowner's Coverage X part and coverage is denied by the insurance company. It is also not uninsured if the craft is owned by the government (either unit or agency).

UNINSURED/UNDERINSURED WATERCRAFT CONSIDERATIONS

Watercraft coverage needs

Personal watercraft insurance is not limited to coverage for loss or damage to the hull and to liability protection. Many of the same coverages written for personal autos also are available for personal watercraft.

It is, of course, advantageous when insurers offer a package policy for personal watercraft because the coverages in the package can serve as a checklist.

WATERCRAFT (YACHT) POLICY

Not all insurers offer boatowners package policies, however, and when it is necessary to sell coverages piecemeal, it is important for producers to understand all the available coverages and to discuss them with the client.

Although some states have regulations with respect to the purchase of personal watercraft insurance, many boaters unfortunately still go without insurance. Even when boatowners are amenable to purchasing hull and liability insurance, some fail to realize that they themselves could be seriously injured at the hands of irresponsible or careless boaters.

Boatowners who are receptive to purchasing uninsured watercraft coverage still need to be educated on why, as with personal auto insurance, the UM/UIM limits should be at least equal to their liability limit. It is difficult to comprehend why motorists purchase high liability limits to pay for injuries to others and low limits to protect themselves. This points up the need for agents to communicate with and educate their clients about all the exposures associated with owning and operating personal watercraft.

Uninsured coverage varies

When an uninsured boater causes an accident, the other party's uninsured watercraft insurance should pay for the injuries and medical expenses incurred, up to the specified limits.

The fact that a boatowner purchases uninsured watercraft coverage, however, does not mean that the insurer becomes legally obligated to pay every time a boating accident involves an injury. As with personal auto insurance, a boating accident must involve an uninsured watercraft and must adversely affect the insured. This means that the provisions of uninsured watercraft coverage must be considered carefully, just as with autos.

In fact, some of the disputes involving uninsured watercraft are like those with uninsured autos. A case in point is *Progressive Specialty Insurance Company v. Alys Mass, et al.*, (No. 04-4016 U.S. Dist. Ct. Dist. MN 2005), which involved injuries sustained by a boatowner's friend while water skiing.

As the skier was completing a turn behind the boat that was towing him, he encountered waves created by the wakes of both the boat towing him and another boat (whose operator was never identified), causing him to fall and injure his leg. When presented with a claim under the uninsured watercraft coverage held by the owner of the towing boat, the insurer brought an action denying coverage.

The insurer asserted that it was entitled to deny coverage because the unidentified boat was not an "uninsured watercraft" and the skier (claimant) was not an "insured person."

The term "uninsured watercraft" in the boatowner's policy was defined to mean a "hit- and-run watercraft whose operator or owner cannot be identified and which strikes...a covered watercraft." In the context of motor vehicles, the term "hit-and-run" is synonymous with a vehicle involved in an accident-causing damages where the driver flees from the scene, regardless of whether physical contact between that vehicle and the insured's auto occurs.

The insurer asserted that the unidentified boat was not an "uninsured watercraft" because it struck neither the named insured's boat nor the claimant himself. The claimant countered with the argument that the policy's definition of "uninsured watercraft" did not contain a physical contact requirement and that the unidentified boat struck him with its wake.

The court did not agree with this thinking and stated that if the policy's definition of "uninsured watercraft" were limited to unidentified "hit-and-run" watercraft, the claimant's assertion that an uninsured watercraft need not make physical contact with a covered watercraft might have prevailed. The court added that to be considered an "uninsured watercraft," however, a hit-and-run watercraft must also "strike" a covered watercraft.

WATERCRAFT (YACHT) POLICY

The sole case the claimant cited in support of his argument dealt with a hit-and-run situation involving an automobile. The problem is that, although there are similarities with the uninsured motorists coverage for autos and watercraft, the two kinds of vehicles are not treated the same.

Uninsured motorists coverage for autos is mandated by law whereas coverage for watercraft is not. As a result, uninsured motorists coverage for autos does not necessarily apply in similar situations involving uninsured watercraft.

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Insured status

Another case where a serious injury was sustained by a guest (claimant) on a pleasure craft and where coverage was successfully denied because the claimant was held not to be an insured is *Mize v. Travelers Casualty Company of Connecticut* (4:09-cv-0076- TLW-TER (U.S. Dist. Ct. Dist. S.C. 2011)).

Immediately before the accident, the claimant was standing in the stern of the boat looking at the scenery. At that time, an uninsured boat struck the rear of the insured's boat, injuring the claimant and two other passengers. The claimant was immediately taken to the hospital and was diagnosed with and treated for quadriplegia.

The insured's watercraft policy at issue contained an endorsement titled "uninsured boat coverage" that stated: "We will pay damage which you or any insured are legally entitled to recover from the owner or operator of an uninsured boat because of bodily injury caused by a collision with the uninsured boat. The owner's or operator's liability for these damages must arise out of the ownership, maintenance or use of the uninsured boat. "Collision" means the striking of a fixed object such as a dock, pier, buoy or a vessel at anchor by a moving vessel."

The named insured's policy also defined "insured" as meaning "(1) you; (2) your spouse and/or relatives who reside in your household (resident relatives); and (3) any person or legal entity while operating your boat with an insured's permission and without a charge or fee."

The insurer maintained that the guest/passenger/claimant did not qualify as an insured because she was a passenger and not the operator.

Even though the term "operator" was not defined by the policy, the court held that the term was not ambiguous and did not include the claimant. To be considered an insured, the court explained, a person would have to perform a function to exert power or influence over the boat, and the claimant's position at the time of the accident, of standing in the stern looking for navigational obstructions, was not sufficient to meet that criterion.

Summing up

Whenever the owner of a pleasure craft wants to purchase insurance, the agent or broker should always recommend buying uninsured watercraft insurance because some people who own or operate watercraft go without insurance for essentially the same reasons as when they operate automobiles.

Uninsured watercraft insurance can be expensive, so clients often decline it. Unlike uninsured motorists coverage, watercraft coverage can be written without a written rejection of uninsured watercraft. It is not until an accident happens that boatowners learn for the first time what uninsured watercraft insurance might have done for them.

WATERCRAFT (YACHT) POLICY

Also, unlike uninsured motorists insurance, uninsured watercraft insurance is not required by law, and courts therefore do not use the same interpretations of coverage that are commonly used in cases involving auto accidents.

Another problem with uninsured watercraft insurance, as seen in the Mize case, is that coverage does not always apply to persons other than owners and their resident relatives. Whether coverage applies to guests will depend on the endorsement.

Even though the exclusions in uninsured watercraft policies track closely with those in uninsured motorists coverage, uninsured watercraft coverage is much less standardized. This means that agents, brokers, and their clients must understand and carefully consider the provisions of uninsured watercraft insurance.

Because personal watercraft are used for pleasure, the occupants may not only be family members but also friends and invitees of friends who are not even acquaintances of the boatowner. Since watercraft policies are not standardized, they need to be reviewed to properly determine the possible beneficiaries of insurance in the event of an accident.

Despite the problems with uninsured watercraft coverage, agents and brokers should still recommend it. If a client or prospect refuses coverage, get it in writing to protect yourself against potential errors and omissions claims in the event of an accident involving your client and an uninsured watercraft.

EXCLUSIONS THAT APPLY TO COVERAGE Z – UNINSURED BOATER

This section of the Boatowner policy lists sources of loss that ARE NOT covered.

1. Business Pursuits

No coverage is available for injury to an insured when the loss surrounds the use of a boat (owned or non-owned) in business activity which includes being paid to carry persons or goods, or chartering (or renting) out the property to others.

Example: Richtowne H.S. holds its senior prom on a privately-owned island. Many students from nearby Plainburg H.S. would like to attend. Markie, an enterprising Plainburg student who has operated his dad's boat many times, borrows a neighbor's uninsured boat and charges his fellow students \$20 a person to ferry them out to island to crash the party. During the last trip back from the island, Markie slips and severely cuts his hands and arms. Markie's father's boatowners uninsured motorist protection would not respond to Markie's injury even though it occurred on an uninsured boat.

2. Criminal Acts

Involvement in illegal activities that end up injuring a person is excluded, including losses related to transporting illegal cargo or passengers.

3. Owned or Rented Property

Under the uninsured boater portion of the policy, no coverage applies to injury suffered by any party that qualifies under the policy's definition of "insured" when the injury involves a boat that is either rented by or is regularly accessible to an insured.

Coverage is also barred for a boat owned by any insured but which is not listed as covered property under the boatowner policy's liability coverage part.

Note: The rationale for this exclusion is that, if an insured has exposure from a given boat, then he or she must make arrangements to specifically insure that property. This is a method for insurance companies to make sure they are properly paid for the risks they agree to write.

WATERCRAFT (YACHT) POLICY

4. Racing or Speed Tests

"Bodily injury" resulting from the use of a covered boat, non-owned boat, or equipment in, or in the practice or the preparation for, racing, speed, pulling or pushing, demolition, or stunt activities or contests. The exclusion does not make a distinction between organized and spur-of-the-moment activity. The policy states that races are events in which an insured is involved with a competition against another party or against the clock. However, competitions involving sailboats are still covered for related losses.

5. Settled Claims

This policy will not pay ANY party when an agreement for payment has, without the insurer's authorization, been made with another party that may be legally responsible for causing bodily injury.

6. Trespassers

This policy will not respond to bodily injury that involves a person occupying covered property (including a non-owned boat) without authorization.

ARBITRATION – COVERAGE Z – UNINSURED BOATER

1. This section allows either the insured or the insurance company to request (in writing) a dispute regarding coverage or coverage amount to be resolved via arbitration. However, the process is triggered ONLY if the non-requesting party agrees to participate.

Alternative Dispute Resolution–Mediation

What Is Mediation?

Mediation is a form of alternative dispute resolution (ADR) which offers an avenue that is an alternative to a lawsuit. Mediation is not litigation, a process that is often adversarial and performed in a courtroom. Further, don't confuse mediation with arbitration where each party uses a surrogate to resolve a dispute before an arbitration judge.

Mediation Steps

A typical mediation consists of introductory remarks, statement of the problem, gathering information, problem identification, bargaining and generating options, and reaching an agreement.

1. Introductory Remarks

This step involves the mediator formally introducing the parties to each other, usually at a neutral site. The mediator will then offer an opening statement that lays out the ground rules for the process and how the parties are to participate in the process. In some instances, the mediator may present or state his or her outline of the dispute, along with key issues. It is important at this point that the mediator makes it clear that both parties will be given ample time to state their position.

2. Statement of the Problem by the Parties

This part of the process allows each party to share their story about the dispute and to do so without interruption. Besides acting as an opportunity to clarify one's position in the matter (as well as one's understanding of key issues), it allows both the other party and the mediator to gain important information on understanding the points of disagreement. This part often gives the mediator insight into the emotional disposition of each party.

WATERCRAFT (YACHT) POLICY

3. Information Gathering

In this step, the parties are separated and are independently interviewed by the mediator using open-ended questions. This component is to extract complete information from each party, without the chance of arguments. It also gives the mediator the opportunity to build rapport. The mediator will likely echo and later summarize the party's statements. It is important for each party to know that their side has been heard and understood by the mediator.

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4. Problem Identification

By alternating sessions with each party, the mediator's goal is to discover points of agreement and to distill the contentious issues. This allows the mediator to identify items that can be resolved first.

5. Bargaining and Generating Options

This step makes use of the information developed in the problem identification step. Usually the mediator continues to work with the parties independently, sharing information, resolving parts of the dispute by settling the items where parties are on common ground.

The mediator, depending upon how the sessions go, may develop a proposal for settling remaining disputed elements. It is up to the mediator, based on the information gathered, assessment of each party's emotional state and experience to determine what methods to use during the negotiations. By supplying resolution scenarios, each party is given opportunities to consider parameters for reaching an agreement without commitment.

6. Reaching an Agreement

Depending upon the progress made during the bargaining step, the mediator may consider bringing the parties together for final discussions on how to resolve remaining issues. However, the mediator must have first achieved significant successes in resolving other parts of the dispute and must have the trust of each party. Parties that have successfully agreed to resolve other points of their dispute and who have faith that their side has been faithfully heard and respected are ones that are capable of meeting and reaching final agreement.

Mediator Qualifications

Mediators are normally lawyers who have years of experience in resolving tangled situations. The American Association of Arbitration (AAA) reports in its *Resolving Commercial Financial Disputes* guide that neutrals, a term for disinterested third parties who act as mediators or arbitrators, include lawyers, former judges and financial service professionals specially trained in dispute resolution techniques. The AAA uses the following criteria to qualify persons for inclusion in the National Roster of Commercial Financial Disputes:

- A minimum of 15 years professional or business experience

Note: Within the above, at least 10 years of senior-level business, industry or professional experience

- Successful completion of AAA mediator/arbitrator training programs
- Relevant academic and business/professional credentials and licenses
- Evidence of scholarship and continuing education

WATERCRAFT (YACHT) POLICY

- Must have documentation of at least 24 hours of training in dispute management and neutral skills
- A good and sound reputation in the business/professional community
- Commitment and availability to serve as a neutral arbitrator or mediator
- Must have participated in at least five mediation cases in a primary area of expertise

Most judges have lists of qualified mediators available in their jurisdiction and some of those may even be certified in their field.

Not all disputes lend themselves to mediation. As suggested above, mediation is of no benefit when two parties cannot agree about whether a loss should be covered. Only certain lines of business disputes involving loss amounts generally lend themselves to mediation. Common situations mediated involve uninsured and underinsured motorists, no-fault insurance, personal injury protection and professional liability including lawyers, accountants and architects. Mediation is extremely flexible. It focuses on resolving conflict over disputed amounts and is useful for this purpose with any line of insurance. In fact, mediation is frequently used in reinsurance disputes, since that business arrangement is filled with sensitive business relationships that encounter conflicts, such as agent-company, agent-agent, or company-company.

Mediation Clauses

The following are sample mediation clauses.

Sample One - If the contracting parties have a dispute with regard to this contract, they agree to attempt to resolve the matter via mediation in accordance with the mediation procedures of (fill in with info on a named source or jurisdiction). As a component of mediation, each party will share equally in the costs of the process.

The selected mediator will be an impartial party who will work to facilitate a mutually acceptable resolution, but no decision is binding. The parties also agree to be a good faith participant in the process and that mediation will be attempted prior to resorting to either arbitration or litigation.

Sample Two - In case of dispute, the parties agree will attempt to mediate a resolution prior to resorting to any legal action. The mediator will be chosen by and acceptable to both parties from (indicate the source or sources of mediators). The parties agree to equally split mediation costs.

This agreement does not, otherwise, alter or limit either party's legal rights.

Mediation Agreement

For contracting parties considering mediation, here are some elements that add to its viability:

Status of Mediation Decision—The parties should agree upon the finality of the decision, if any, that comes out of mediation. The parties may agree to it being binding on both parties, or that it can merely be considered and does not affect a subsequent decision to either arbitrate or file a lawsuit.

Confidentiality—Both parties need to have a solid understanding about the treatment of all information that may be used in or which is created by the mediation process.

Specifically, since other legal remedies may be pursued, the parties should be on the same page regarding the treatment of such information with regard to other proceedings. Naturally, any agreement regarding handling such information must comply with applicable laws.

WATERCRAFT (YACHT) POLICY

Fees—The parties should agree on how fees are to be billed and collected as well as the timing of payments. Another consideration might be an agreement on capping costs.

Confusion on this matter could create its own dispute.

Mediator Selection—The parties must have an agreement over the process of choosing an impartial party to facilitate the mediation which should include his or her relationship to the contract parties. Neutrality is the key issue. Neither party should have any control over this person.

Legal Advisor/Documentation—It is important for both parties to realize that the mediator is NOT a legal advisor to either party and that it is each party's responsibility to preserve its own legal rights as well as to handle any subsequent paperwork regarding possible legal activities. Further, each party should seek credible legal advice prior to finalizing any decisions reached via mediation.

Process Termination—Both parties must agree to the situations (besides reaching a resolution) that terminate the mediation process, such as a decision by either party to withdraw.

Control and Neutrality

The real advantages of mediation are that the disputing parties are active in resolving their own problems or disputes, the process is done within a friendlier setting than a courtroom and it includes a neutral third party. The third party has no agenda beyond helping the disputing parties find agreement. Litigation and arbitration proceedings frequently become frustrating because each party loses control of the process. With mediation, the two parties having the most to gain by resolving their issues and who know the most about the matter keep the responsibility for finding a way to resolve the dispute.

The mediator has no authority to dominate the process and take the decision-making away from either disputing party. In addition, the mediator does not represent any one of the parties against the other. Instead, the mediator is the embodiment of both "communication and resolution."

Initially, the mediator exists to perform a duty often ignored by both sides of a dispute...the duty to listen. The first real benefit of mediation is that each party gets the opportunity to completely explain his/her position while the mediator and the other party both just listen.

After both disputing parties have explained their positions, the mediator usually asks both parties questions needed to clarify the critical issues in the dispute. Before meeting with the disputing parties, the mediator usually receives written information from them that explains the situation. In that way, the mediator should have a good understanding of what each party wants after asking each of them just a few questions.

2. Both parties have 20 days from the date of written notice to select their own arbitrator and to notify the other party. The chosen arbitrators then select a third arbitrator. A local court may choose the third member of the team if the selection isn't made within 30 days.

Note: The deadlines are a little unclear since the requesting party would actually, first, have to receive notice that the other party has agreed to participate and there's no reference to when acceptance has to be made.

3. The arbitration site is the county of residence of the insured. However, if both parties agree, a different site may be used. The local laws of the applicable site apply to the arbitration process.

4. The policy's applicable limit is the maximum that may be awarded, but any award decision is non-binding.

WATERCRAFT (YACHT) POLICY

Note: As the provision is non-binding (neither party is obligated to accept the decision), it is more likely to be used; however, it may result in being a tool to help frame a court dispute, rather than resolve an issue.

5. Each party has to pay for its selected arbitrator and share equally in the expense of the third arbitrator.

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WHAT MUST BE DONE IN CASE OF LOSS

This section of the policy discusses a very important part of the policy, the promise of the insurer, under described circumstances, to pay for a loss (including defending a lawsuit). Because the policy is a contract, both the insurer AND the insured have responsibilities. The manner in which a loss or possible loss is handled by an insured is critical to making sure that the policy properly responds to a loss.

1. Duties – All Coverages

a. Notice

1) Notice to Insurer

When a loss occurs, the insured is obligated to quickly share information about the occurrence with the insurance company ("us" or "our" agent).

The company providing coverage has a right to ask that the notification be in writing.

While speed in reporting a loss is important, quick notification is useless if it doesn't include enough information with which to make decisions. Therefore, the notification has some content requirements. Specifically, the notice should include all of the following:

- The name of the "insured"
- The policy number
- The time, place, and loss details
- The names and addresses of all known potential claimants and witnesses.

2) Notice to Others

If a boat-related loss (either owned or non-owned), involves a person disappearing from a boat, death, theft, vandalism or other criminal activity, the named insured is obligated to notify the U.S. Coast Guard, policy, or local authorities.

b. Cooperation

"Insureds" must cooperate with the applicable insurance company in performing all acts required by this policy.

The policy requires that an insured work with, rather than against, the insurer in order to investigate and process a possible claim.

WATERCRAFT (YACHT) POLICY

c. Volunteer Payments

When an "insured" makes payments, pays, or offers rewards, or assumes obligations or other costs it does so at that insured's own cost. However, this limitation does not apply when such costs are allowed by this policy.

Note: The policy allows an insured some leeway to make payments to respond to emergencies or to help mitigate problems. However, an insured has to take great care in making payments that fall outside of the parameters permitted by the company.

EVEN when an insured agrees to make payments out of his or her own pocket, he or she needs to be aware of the ramifications of such payments.

Certain actions may be interpreted as an admission of guilt or responsibility for a loss when that interpretation may be wrong.

2. Other Duties - Property Coverages

a. Proof of Loss

If the insurance company requests it, the "insured" is required to provide the insurer with a signed, sworn proof of loss. The proof of loss must be submitted within 60 days from the date of the insurer's request and it must show the following:

- The time, place, and the details of the loss
- The (insurable) interest of the "insured" and the (insurable) interest of all others, such as mortgagees and lienholders, in the property. If a party cannot demonstrate an insurable interest in the damaged property, the insurer is not obligated to make payment to an insured.
- Other policies that may cover the loss, since other policies may have to also provide coverage for an eligible loss
- Changes in title or use
- Detailed repair estimates
- The quantity, description, cost, amount of loss, and actual cash value of the personal property involved in the loss. Copies of all bills, receipts, and related documents must be given by the insured to the insurer in order to confirm all information.

b. Repairs

The Boatowner policy places a premium on preserving property. An "insured" is required to extend a good faith effort to protect covered property at and after an insured loss to avoid additional loss. The company agrees to reimburse the insured's reasonable costs incurred for necessary repairs or emergency measures performed solely to protect covered property from further damage. However, the preservation effort must involve covered property that is endangered by a covered peril or a covered peril which has already damaged covered property. The "insured" must keep an accurate record of such costs.

Example: The hull of Noel's sailboat was punctured while docked during a summer squall. The hole occurred at the waterline. Noel sent his insurer a supplemental, \$600 claim for his loss. When his insurer questioned the additional amount, Noel explained that the expenses were for transporting, inflating, and installing a set of pontoons and anchors to keep the boat from taking on additional water and sinking. The insurer paid the amount along with the repairs.

WATERCRAFT (YACHT) POLICY

However, the insurer will not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against. This action does not increase the "limit."

c. Examination Under Oath

"Insureds" must, as often as the insurance company reasonably requests, agree to be questioned under oath regarding items connected to a loss or claim. If more than one person is questioned, the questioning may be done in isolation from other persons involved with a loss or claim.

This duty helps to protect a company against attempts to conspire to file false claims. On the positive side, it may also assist in getting the most details concerning a valid loss.

d. Show Damaged Property

Any damaged property involved in a claim must be displayed for the insurer. Further, the insured must give access to the property to the insurance company, including granting permission to take samples of damaged property for inspection, testing, and analysis as often as the insurer (reasonably) requests.

Example:

Scenario 1: Meddlesum Marine Insurance Co. asks the insureds, the Jaysons, to exhibit a damaged outboard motor three times during their claim investigation. This would be reasonable.

Scenario 2: Meddlesum Marine Insurance Co. asks the insureds, the Jaysons, to exhibit a damaged outboard motor 13 times during their claim investigation.

This would NOT be reasonable and the Jaysons could refuse further access.

e. Records and Documents

The insured must show records and permit copies to be made of them as often as the insurance company reasonably requests. Records include tax returns and bank records of all canceled checks that relate to the value, loss, and costs and similar information.

f. Assisting With Enforcing Right of Recovery

The insured must help the insurer with any effort it exercises in order to take action against another party in order to be reimbursed because that party has some responsibility for causing a loss.

3. Other Duties—Coverage X - Personal Liability and Coverage Z Uninsured Boater

a. Notices Demands and Legal Papers

Claims that involve personal liability insurance can have very high stakes since they may expose a company to tens or even hundreds of thousands of dollars in payments. In case of an "occurrence" that might result in a claim, the "insured" is required to provide the insurer with copies of all related papers such as notices, demands, and legal papers.

b. Assistance with Claims and Suits

When the insurer asks, insureds have the obligation to help with a claim or lawsuit in the following ways:

- Helping to settle a claim

WATERCRAFT (YACHT) POLICY

- Participate in activities related to conduct suits, such as attending trials and hearings
- Helping the insurer's effort to recover payment all parties who may be liable to an "insured" for the injury or damage
- Helping to round up and present evidence
- Assisting with making sure that witnesses appear and participate in suit activity

4. Other Duties – Coverage Y - Medical Payments

When there is a loss, the injured person or his or her representative must provide the insurance company with written proof of a claim as soon as it is practical. Note that, if required, the statement may have to be made under oath. The insurer must also receive permission to get copies of medical records.

The insurance company has a right to investigate the medical claim. Therefore, the injured person must submit to medical exams. These exams will be conducted by doctors chosen by the insurance company and be conducted as often as the company requests. However, the requests must be reasonable.

HOW MUCH WE PAY

In this portion of the policy, the company's obligation to provide insurance protection to an insured is described.

1. Property Coverages

a. Actual Cash Value Terms

Actual cash value includes a deduction for depreciation. The boatowner policy settles loss to all covered property on an actual cash value basis. The smallest of the following amounts is used in applying the "terms" under the insurance company's "limit":

- 1) The actual amount spent to repair or replace the property with materials of like kind and quality. This must involve following the manufacturer's specifications and repair practices that are considered acceptable.
- 2) The actual cash value of the property at the time of loss
- 3) The applicable policy limits

b. Deductible

The deductible is applicable to all property coverages provided by the boatowner policy except the form's Emergency Service protection. A single deductible applies to a given loss, except when more than one boat is involved. In such instances, the deductible applies to each boat, including its motor and, if applicable, its trailer.

The deductible that appears on the policy declarations page applies to losses caused by all covered perils. The insurance company providing coverage will pay the part of the loss that exceeds the deductible.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

WATERCRAFT (YACHT) POLICY

c. Loss to Parts

If there is a loss to a part of a covered item that is made up of several parts when it is complete, the insurer is only obligated to pay for the value of the lost or damaged part or the cost to repair or replace it.

This provision is meant to control the insurer's exposure. In this case, the insurer makes it clear that it is not automatically obligated to treat a partial loss as, for all intents, a total loss. Of course, the loss circumstances and the type of property involved have a great deal to say about the values involved and what is considered to be fair.

Example: Bessie's custom painted skiff has a matching outboard motor. Bessie's friend, a professional artist, used a special metallic and lacquered mixture paint to do the work, creating a mural that spread from the motor to the boat's hull. One day, a violent wind caused swells that pitched Bessie's boat backwards, smashing her motor against a pier. Her insurer pays for a brand-new outboard motor that was the same model and brand that was destroyed. Bessie's claim included the expense to have the custom paint job done again, but insurer denies that portion of the claim.

d. Insurable Interest

This provision of the boatowner policy limits the insurance company's payment obligation to the actual insurable interest of the named insured, even if the covered property has multiple insurable interests.

2. Liability Coverages

a. Coverage X—Personal Liability

The "limit" shown on the "declarations" for this coverage is the absolute maximum the insurer is obligated to pay for a given, eligible "occurrence." This maximum (applying to BI and/or PD) is not affected by any of the following:

- Number of persons insured under this policy
- Total parties who sustain injury or damage
- Number of claims made or suits brought
- Number of boats involved in a loss
- Number of boats, motors, trailers, or premiums that appear in the policy's declarations page
- Number of policy periods related to a given loss

Example: Jules and Krista Hungleson's graduation party for their youngest daughter takes a bad turn. They hold it on their houseboat and the boat is taken on a cruise along the shore. While distracted watching their daughter react to gifts, Jules allows the boat to drift too close to the shore and it strikes the riverbed. The hull is not breached, but the severe jerking sends most of the guests sprawling and three were tossed overboard.

WATERCRAFT (YACHT) POLICY

Every injured person files a suit against the Hunglesons in the following manner

Plaintiff	Damages	Sought	Defendant (named in suit)
Guest A	\$24,000	Jules	
Guest B	\$33,500	Krista	
Guest C	\$16,800	Jules & Krista	
Guest D	\$29,000	Jules	
Guest E	\$36,500	Jules	
Total	\$139,800	Jules (3), Krista (1), Both (1)	

The fact that there are five separate suits and that Jules and Krista have been sued both singly and as a couple has no effect on the policy limit of \$100,000 being the most available to respond. The policy treats the event as one loss. One area that will be substantially affected is the amount provided for defense costs because the carrier could, conceivably, have to defend all six suits.

b. Coverage Y—Medical Payments

1) Limit - The "limit" shown on the "declarations" under this coverage is a per person limit. It is the most available to pay for all medical expenses due to "bodily injury" for each person in a single accident. If a person has more than one accident in a policy term, that person would be eligible for additional payments.

2) Reduction of Amounts Payable - If, for a given loss, the boatowner policy has made payment (for medical expenses) under either the sections for Personal Liability or Uninsured Boater, the amount payable under Medical Payments for those particular expenses is reduced by that amount.

3) No Admission of Liability - The payment of a claim under Coverage Y does not imply liability under Coverage X. In other words, the policy may cover the medical expenses of an injured person without giving up the right to investigate and decide upon the merits of any related liability claim.

Example: Helen is sued by her friend who claims that she was injured due to Helen improperly storing equipment on her boat and that she tripped and broke her hip while a guest on an excursion. At the time of the injury, Helen's friend was transported from the marina to an emergency room. Helen paid for the transportation and for the emergency room visit and was later reimbursed by her insurance company under Coverage Y. When Helen submits the paperwork on her friend's lawsuit, her insurer explains that they will fully investigate the matter. Later, after interviewing Helen's friend, they discover that she was hurt while trying to win a bet with another guest that she could balance herself on one leg.

The insurer pays Helen's friend another \$3,500 to handle some additional medical expenses but informs the friend they will pay nothing more because Helen was not negligent. The lawsuit is then dropped.

WATERCRAFT (YACHT) POLICY

3. Coverage Z—Uninsured Boater

a. Limit - The boatowner policy includes a limit on the declarations page for uninsured boater coverage (a defined term). This amount is the absolute maximum available for payout on a single, eligible loss and the amount is unaffected by any of the following:

- Number of persons insured under this policy
- Total parties who sustain injury or damage
- Number of claims made or suits brought
- Number of boats involved in a loss
- Number of boats, motors, trailers, or premiums that appear in the policy's declarations page
- Number of policy periods related to a given loss [Only Single Watercraft Limit Applied To Entire Loss](#)

Progressive Premier Insurance Company sought a summary judgment involving an accident involving a policy it issued that covered personal watercraft. The policy was written for the Kay Family. The Kay's daughters, Stephanie and Felicity, were operating the family's two, insured, jet skis on a portion of the Illinois River when they collided. A friend, Abigail Cannon, was riding as a passenger on the jet ski used by Stephanie.

Abigail was injured and her parents sued the Kays for her injuries and medical expenses. The Kays and Progressive disagreed on the amount of liability coverage available to respond to the Cannon's lawsuit.

The Kays and Progressive filed separate declaratory judgment motions.

The Kays asserted that a total of \$200,000 was available while Progressive argued that a maximum of \$100,000 applied to the accident. A lower court ruled in favor of Progressive and the decision was appealed by the Cannons.

The Progressive Boat and Watercraft Policy issued to the Kays listed both of the jet skis involved in the accident on the policy declarations. Further, the declarations listed a premium for each jet ski and indicated that Bodily Injury Limits of \$100,000 per person and \$300,000 per accident was available. Policy wording stated that the applicable limits were the maximum that would be paid regardless the number

of claims, watercraft, insured persons, lawsuits, premiums and covered watercraft were involved in a given accident. The policy also stated that, when split limits were used, the limit appearing for "each person" was the maximum coverage available for BI to one person.

The higher court reviewed the policy language as well as upon a number of relevant cases that involved the question of stacking coverages. The court stated that, in its opinion, the current case was distinguishable from the others it studied in that the policy only listed a limit of liability a single time and more than one covered craft was involved in a single loss.

In the court's opinion, besides not being convinced of the applicability of stacking, the policy language was clear to the point that a given reader should interpret that only a single \$100,000 limit applied to the loss. The lower court decision in favor of Progressive was affirmed.

WATERCRAFT (YACHT) POLICY

b. Reduction of Amounts Payable – Payments that are eligible to be made under the boatowner policy's Uninsured Boater provisions are affected by other sources of payment. Under any given loss, an obligation under Uninsured Boater will be reduced if payment has been made (or if coverage is available) under the Personal Liability section. Further, reductions may also be made when payments:

- For BI that occurs from parties who are legally responsible for the injuries
- For BI that is due to laws and regulations such as workers compensation, U.S. Longshore and Harbor Workers Compensation Act, non-occupational disability, or occupational disease

Any payment made to an insured under Coverage Z will reduce payments available to that insured under Coverages X and Y.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

4. Insurance Under More Than One Coverage

If more than one part of the boatowner policy's parts qualifies for paying for a loss, this provision limits protection to the actual amount of the loss. This condition assures that a person is not allowed to benefit from a technicality that, otherwise, would result in duplicate payment.

5. Insurance Under More Than One Policy

Depending upon the source of coverage that is available (in addition to this policy), the policy may respond to the loss on either a proportional or an excess basis.

When the other source of coverage is issued to the named insured by the same insurer that provides the boat coverage, payment works similarly to the "other part of policy provision," with only the highest amount of protection available applies (no duplicate payments). This policy is primary if that the other coverage is an excess policy.

When the other coverage is provided by another carrier, how this policy reacts is based on the type of coverage. The insurance company providing property coverage under this form is only obligated to pay its share of the loss. This policy's share is based upon the portion of coverage it provides in relationship to the total amount of coverage available from all sources of coverage which apply to the loss. Under personal liability, medical payment, and uninsured boater coverage this policy responds on an excess basis unless the other source of coverage is specifically issued as an excess layer of coverage in which case the boatowner policy responds on a primary basis.

Example: Jana's flatboat is insured by HayboyWaterz Boaters Insurance. However, Jana also has an umbrella policy from Beshuransave P&C. That policy shows the boatowner policy as an underlying coverage. When Jana is sued for severely injuring several persons in a boat she collided with, the HayboyWaterz policy will handle everything until and unless its coverage is exhausted.

PAYMENT OF LOSS OR CLAIM

- 1. Your Property**
 - a. When We Pay**

WATERCRAFT (YACHT) POLICY

Losses are adjusted between the named insured (including resident spouse) and the insurance company. The insurance company is obligated to pay an insured loss within **60** days after receiving an acceptable proof of loss and coming to a written agreement on amount of the loss.

If there is a dispute between the insured and the insurer, the insurer has to make payment within 60 days after the filing of an appraisal award.

b. Our Options

The insurance company (our) has some flexibility in paying for an eligible loss. The settlement may be paid in money or the insurer may choose to rebuild, repair, or replace the property. The insurance company is obligated to give the insured notice of its intent within 30 days after the insurance company receives an acceptable proof of loss.

c. We Take Property

The insurance company has a right to take all or part of the damaged property at the agreed or appraised value. If the insurance company pays for or replaces property, it then belongs to them.

Example: During the off-season, Handerby's boat is kept in dry dock at Acme Marina. Handerby's boat is heavily damaged when a fire is caused by lacquer fumes from a ceiling renovation job ignite. Handerby is paid \$36,000 for the loss of his boat. His insurer later reduces their payment to \$32,000 when they discover that Handerby was paid \$4,000 in salvage for his boat's remains.

This last option is another way to make certain that an insured is indemnified for, rather than enriched by a loss. Insurers also salvage property as one way to help recoup their loss payments.

d. Payment Made to You

Unless there is a loss payee (or some other party that is legally entitled) payment is made to the named insured.

2. Coverage X – Personal Liability

This part of the How Much We Pay for Loss or Claim section notifies the policyholder that a third party that secures a right to payment because of a judgment or a valid written agreement may recover for their injuries or damage to their property. The recovery, naturally, is limited to the boatowner policy's applicable limit. In other words, the insurance limit shown on the declarations is available to respond to a court judgment or a written settlement.

3. Coverage Y – Medical Payments

This part of the How Much We Pay for Loss or Claim section notifies the policyholder that expenses for eligible medical treatment may be paid to the party that is injured, that party's representative or, directly, to the medical service provider.

Example: Josh's college friend broke his leg while on a fishing trip. His X-rays and treatment costs totaled \$672. Josh's friend sent the bill he received from Bassville Medikare to Josh and Josh turned it into his insurer. The insurance company sent payment directly to Bassville Medikare.

WATERCRAFT (YACHT) POLICY

ADDITIONAL EXCLUSIONS AND LIMITATIONS

1. Fines Penalties or Tax Liens

The boatowner policy restricts its payment obligation by stating that no coverage applies to amounts that represent fines, penalties or tax liens that are due to breaking a law or are assessments made by the government.

2. Seaworthiness Warranty

This provision specifically states a couple of expectations that the insurance company demand to be met by the policyholder. First, the boatowner is to have property that is in safe condition and can be used to navigate bodies of water. Second, no coverage applies when a loss is related to an insured who fails to keep the insured property in navigable condition.

Example: Nate turned in a loss after a storm sent his moored boat against a dock, severely cracking part of the hull. After an investigation, the insurer denied the claim. They discovered that the boat had not been properly stored during the off-season and the hull had been weakened by dry rot.

OTHER POLICY CONDITIONS

CONDITIONS APPLICABLE TO ALL COVERAGES

1. Assignment

This policy may not be assigned without the written consent of the insurance company providing coverage.

Note: Insurance policies are underwritten based on the named insured. Assigning a policy to a different named insured requires a total re-underwriting of the account.

2. Change, Modification, or Waiver of Policy Terms

Only the company has the option of waiving or changing this policy's "terms" and it must be in writing. When the insurance company requests an appraisal or examination under oath, it does not waive policy "terms."

3. Conformity with Statute

"Terms" in conflict with the laws of the state in which the premises shown on the "declarations" is located, are changed to conform to such laws.

4. Death

If the named insured dies, the protection provided by the insurance policy will pass to one of the following:

- The legal representative of the insured
- Any other persons having proper but temporary custody of the covered property but this applies only until the legal representative is appointed.

The policy's extended coverage only applies to loss related to use of the covered property and only during the time that a representative is performing duties on behalf of the deceased insured.

This coverage extension ends at the policy term's expiration.

WATERCRAFT (YACHT) POLICY

5. Liberalization

If the insurance company providing coverage creates a revision of the edition of this boatowner coverage that both broadens coverage and does NOT create a premium charge, that broader coverage applies to the policy effective the date that the change is adopted in the insured's state (rather than when the policy renews for another policy term). However, the automatic extension of coverage does NOT apply to changes due to the insurance company adopting a new edition of the boatowner policy.

6. Misrepresentation, Concealment, or Fraud

Any intentional concealment or misrepresentation on the part of any insured can void the policy for ALL insureds. Lying or hiding a material fact concerning the reason for securing the insurance, the property or person(s) covered, the insured's interest in the covered property or similar actions can result in the dissolution of the agreement. This may occur either before or after any loss.

Example: Erin turned in a claim for her sailboat that was lost during a storm. She didn't expect any problem when she turned in a claim for her loss. She was surprised several weeks later when her claim was denied. The insurance company's letter stated that her insurance policy was being voided. Their investigation concluded that the boat was nearly 15 years older than reported on her insurance application.

Simply put, the company should be able to rely on the statements made by an insured in making its decision to insure a person or property. If the statements are seriously in error, the insurance contract has no right to exist and the company has no obligation to honor it.

7. Recoveries

There are instances when the insurer pays for a loss and then the property is recovered. Similarly, after the insurer's payment, damages are received from those responsible for the loss. When this happens, the insured and the insurer are obligated to inform each other and then to proceed with one of the following options:

- The insured may keep the property but must then return any claim payments (or some agreed upon amount) to the insurer
- If, because of a deductible or other reason, the subsequent amount received is LESS than the actual loss amount, the recovery may be distributed between the insured and the insurance company. Each party's share would be based on their financial interest in the loss.

Under this provision, costs paid by the insurer and/or the insured to recover the items are paid before an action is selected and such payments are taken into consideration.

What is important about recoveries is that they are resolved in a manner that is fair to the insurer and the insured. One party should not significantly benefit from the recovery of property or money if it comes at the expense of the other party.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

WATERCRAFT (YACHT) POLICY

8. Subrogation

When an insurer pays damages, it may ask the insured to give up his or her right to legally recover damages from another party (which has responsibility for causing a loss to the insured). This act of seeking payment from a party responsible for a loss is called subrogation. This right is very valuable to an insurer. In fact, if an insured weakens this right to recover payment after a loss has occurred, the insurer may no longer be obligated to pay for the loss.

The insured may waive all rights to recover before a loss occurs—but this waiver must be in writing. Signing this waiver BEFORE a loss does not affect coverage under the policy. However, if the insurance company pays for a loss and the insured later receives payment from another party, the insured must reimburse the company providing coverage as outlined above in “Recoveries.”

Note: This policy condition does not apply to Coverage Y – Medical Payments.

9. Territory

The AAIS boatowner program includes a large area where coverage is in effect. Protection applies:

- On the Great Lakes
- In the United States and Canada (including up to 100 miles from either country’s coasts)

Note: The 100 miles is limited to 10 miles for “personal watercraft” (as defined in the policy).

CONDITIONS THAT APPLY ONLY TO PROPERTY COVERAGES

1. Abandonment of Property

The insured may not abandon property to the insurer without the insurer’s permission.

Of course, if the insurer agrees to accept the damaged property, the act is NOT abandonment.

2. Appraisal

If the insurer and the insured do not agree over the value of the covered property or the amount of the loss, each party has 20 days (after receiving a written request from the other party) to select an appraiser. The two appraisers will select an umpire.

If they do not agree on an umpire (once selected, the party’s appraisers have 15 days to choose one), either the insured or the insurer may ask a judge of a court of record of the state where the appraisal is pending to make the selection. ALL disputed amounts are resolved (as far as determination) when written agreement of any two of these three persons is reached.

Each party will pay its appraiser and the two parties will share the cost of the umpire and related expenses equally.

Note: Each initial appraiser will make their own determination and, if they don’t agree, will share these amounts with the umpire to get an opinion which will set a final determination.

IMPORTANT: This provision does NOT state whether the appraisal decision is binding on any party.

WATERCRAFT (YACHT) POLICY

3. Inspections

This provision allows the insurance company the option of inspecting boating property and such work may be done by either insurer personnel or other parties hired or used by the insurer.

Example: Barbara just received a new policy from Blu-Cees Insurance Company, via the Newbee Agency. Since the agent was recently appointed by the insurer, it is evaluating the new business being sent into the company:

Scenario 1: Blu-Cees sends one of its claims adjusters to take photos of Barbara's boat.

Scenario 2: Blu-Cees hires a retired, former insurance agent to take photos of Barbara's boat.

Both instances are valid exercises of this inspection provision.

Inspections, when performed, are intended to get firsthand information on whether the boating property insured under the policy is safe, free of health hazards (pollutants, toxins, bacteria, fungi, etc.), is capable of being safely operated on water, and complies with applicable codes, laws, and regulations.

When inspections are made, they are only for use by the applicable insurer. The information is not intended to certify or create warranties about the boating property to the insured or to other parties.

4. No Benefit to Bailee

This policy is not intended to provide protection for the direct or indirect benefit to parties who are paid to assume custody of the covered property.

In other words, such persons or organizations should secure their own insurance instead of "piggybacking" onto an "insured's" coverage.

5. Suit Against Us

The insured is not permitted to file suit against the insurer without, first, complying with all of the policy's "terms." Further, any lawsuit must be filed within two years after the loss.

Note: In some states this time frame may conflict with state law. If so, the suit must be brought within whatever time frame is allowed by that state.

CONDITIONS THAT APPLY ONLY TO LIABILITY COVERAGES

1. Bankruptcy of an Insured

Bankruptcy or insolvency of an "insured" does not change the insurance company's obligation to fulfill the provision of the boatowner policy. Naturally, things would change IF the insured lost his or her insurable interest in the property protected by the policy.

Example: Hanna has fallen on hard times. She loses her business and, to meet other bills, she sells her boat to Tina. While showing off her new boat, Tina hits a pier and hurts several persons who were fishing there. Several injured persons sue Tina. Tina asks Hanna to file a claim since she hadn't arranged for her own boat insurance.

Hanna's insurance company denies the claim since the sale was completed before the loss.

2. Suit Against Us

The insured is not permitted to file suit against the insurer without, first, complying with all of the policy's "terms." Also, no legal action can move forward until the amount of the "insured's" liability has been determined by either of the following:

WATERCRAFT (YACHT) POLICY

- A final judgment against the "insured" as a result of a trial
- A written agreement between the "insured," the claimant, and the insurer.

Note: No person has a right under this policy to join the insurance company or to speak for the insurance company in actions related to determining the amount of an "insured's" liability.

ENDORSEMENTS

Endorsements tailor the coverage forms to customize the protection needed for specific situations. Some cover additional insureds and others with a financial interest in the covered craft. A few endorsements add coverage, such as expanded emergency service or personal effects, while others add additional provisions.

UNDERWRITING AND RATING

Underwriting and rating boatowner coverage involves understanding the applicable boat's features, such as its actual cash value (based on features and equipment), method of power and value of other boating property. Information on craft length and horsepower of motor and/or engines is also critical.

AAIS Boatowner Special Coverage Form Rating Considerations

Boat and Motor Rating

1. Round up the combined ACV for the boat and motor to the nearest \$1,000
- * 2. Calculate the Basic Property Premium by multiplying the Base Property Loss Cost by the applicable insurance limit relativity
- ** 3. Multiply the result of step 2 by the applicable Navigation Territory Factor
4. Multiply the result of step 3 by the applicable Type of Boat Factor
5. Multiply the result of step 4 by the applicable deductible factor
6. Multiply the result of step 5 by any applicable premium modification factor

Liability

1. Select the liability rate group using the craft's total length and engine horsepower
- * 2. Based on the rate group, select the applicable base liability loss cost *
3. If applicable, multiply the base liability loss cost by the applicable increased Liability Limit factor
4. If applicable, add the additional flat charge for the increased Medical Payments limit to either the amount from step 2 or step 3.
5. Multiply the result from Step 4 by any Premium Modification Factors
6. Add any flat charges for any selected endorsement options

Total premium – Add results of the Boat and Liability rating steps.

* This figure should also be subject to a given company's loss cost multiplier.

** Use the highest territory factor if boat is operated in more than one territory.

WATERCRAFT (YACHT) POLICY

PREMIUM CREDITS AND SURCHARGES

Equipment

Certain equipment used for navigation, safety or theft prevention typically results in premium credits: such as alarms (fire, smoke, and theft), built-in extinguishing systems, depth-finders, diesel powered engines, fume/vapor detectors, radar, and ship to shore radios. When a boatowner policy includes property that is towed, a trailer attachment locking/security device may also receive a credit.

Operators

Situations that typically generate a premium credit are training in navigation and having craft operating experience of above a certain minimal level.

The only item that generates a surcharge (depending upon the applicable insurer) is multiple-ownership of the craft.

The most important underwriting factor is evaluating the boat operators' training and experience as well as the navigable waters (i.e., Great Lakes v. coastal waters) where the craft is used and amount of use (lay-up periods).

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

AAIS BT 4800 AGREED VALUE SETTLEMENT PROVISION

This form is to accommodate boats that have an appreciating value that may only be acceptable for an insurer to protect according to an agreed value.

Example: Kelly Twinstar owns a 2001, 22-foot Coronado Cardel with a V8 Mercury Cruiser engine. It belonged to her father and he passed along his love of the boat to Kelly. Regular market value should be about \$22,000. It is in immaculate shape, with low hours use. A qualified appraiser studied the boat and, as a result, her insurer accepted the documentation and insured it on a Boatowner Policy with the BT 4800 form for \$37,500.

Normally, boats suffer significant depreciation in the first few years and then, value may stay quite stable for a decade or longer. Value depends on the market's desire for the type and use of craft, its availability and, naturally, how well it is maintained. When a craft checks enough boxes, it becomes a piece of property that may appreciate in value over a number of years.

BT 4800–Agreed Value Settlement Provision form helps both the insurance company and the craft owner. It secures a higher amount of coverage for the person who owns property that defies depreciation because of property care and attributes. It benefits the insurance company by securing additional premium while creating a value ceiling in the event of loss to that insured property.

The form begins with a schedule where up to three boats may be listed along with the following, key identifying information:

- Year
- Manufacturer
- Model
- Type

WATERCRAFT (YACHT) POLICY

- Length
- Serial Number

Using this form, the boat policy's actual cash value is replaced for the property that is listed in the schedule. Below are the replacing terms.

LOSS SETTLEMENT TERMS

1. Total Loss

Total losses are settled by paying the applicable policy limit (that amount selected and shown in the endorsement schedule. Any payment for a total loss to covered property is net of (reduced) by the value of salvage.

2. Partial Loss Which You Repair or Replace

Partial losses are settled based on a determination of the cost to repair or replace the damaged property. Reasonableness includes consideration of current customary repair practices and manufacturer specifications.

For a partial loss, the insurer's payment is limited to the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

ACV settlement is also used for several specified property items (regardless whether involved in a total or partial loss) including motors, upholstery, carpet, canvas, sails, rigging, boating equipment and other property.

3. Other Loss Which You Do NOT Repair Or Replace

For a partial loss involving property in which no replacement or repair is made, the insurer's payment is limited. The insurer will use the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

4. Loss to All Other Property

Separate settlement circumstances also apply to any loss involving boat trailers, motors, boating equipment, outdrives, jet drives, carpeting, sails, and canvas, rigging and upholstery. For losses to this property, the insurer will use the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

AAIS BT 4800 Agreed Value Settlement Provision

This form is to accommodate boats that have an appreciating value that may only be acceptable for an insurer to protect according to an agreed value.

Example: Kelly Twinstar owns a 2001, 22-foot Coronado Cardel with a V8 Mercury Cruiser engine. It belonged to her father, and he passed along his love of the boat to Kelly. Regular market value should be about \$22,000. It is in immaculate shape, with low hours use.

WATERCRAFT (YACHT) POLICY

A qualified appraiser studied the boat and, as a result, her insurer accepted the documentation and insured it on a Boatowner Policy with the BT 4800 form for \$37,500.

Normally, boats suffer significant depreciation in the first few years and then, value may stay quite stable for a decade or longer. Value depends on the market's desire for the type and use of craft, its availability and, naturally, how well it is maintained. When a craft checks enough boxes, it becomes a piece of property that may appreciate in value over a number of years.

BT 4800—Agreed Value Settlement Provision form helps both the insurance company and the craft owner. It secures a higher amount of coverage for the person who owns property that defies depreciation because of property care and attributes. It benefits the insurance company by securing additional premium while creating a value ceiling in the event of loss to that insured property.

The form begins with a schedule where up to three boats may be listed along with the following, key identifying information:

- Year
- Manufacturer
- Model
- Type
- Length
- Serial Number

Using this form, the boat policy's actual cash value is replaced for the property that is listed in the schedule. Below are the replacing terms.

LOSS SETTLEMENT TERMS

1. Total Loss

Total losses are settled by paying the applicable policy limit (that amount selected and shown in the endorsement schedule. Any payment for a total loss to covered property is net of (reduced) by the value of salvage.

2. Partial Loss Which You Repair or Replace

Partial losses are settled based on a determination of the cost to repair or replace the damaged property. Reasonableness includes consideration of current customary repair practices and manufacturer specifications.

For a partial loss, the insurer's payment is limited to the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

ACV settlement is also used for several specified property items (regardless whether involved in a total or partial loss) including motors, upholstery, carpet, canvas, sails, rigging, boating equipment and other property.

WATERCRAFT (YACHT) POLICY

3. Other Loss Which You Do NOT Repair Or Replace

For a partial loss involving property in which no replacement or repair is made, the insurer's payment is limited. The insurer will use the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

4. Loss to All Other Property

Separate settlement circumstances also apply to any loss involving boat trailers, motors, boating equipment, outdrives, jet drives, carpeting, sails, and canvas, rigging and upholstery. For losses to this property, the insurer will use the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

- Devices designed for flight, such as parasails and hang gliders
- Fuel for the yacht and fuel (food and beverages) for the people along with similar items.
- Contraband and property that may be legal but in the course of illegal transportation or trade.

Example: Cigarettes are legal goods but, when Kenneth decided to buy cigarettes in Kentucky and then travel up the Ohio River and sell them in Pittsburg in order to circumvent higher local cigarette taxes, they are being traded illegally and coverage for the cigarettes is excluded.

- Property that is over 50 miles from the home port(s) or storage location(s) shown on the declarations. This applies only if the property is in transit by any type of carrier for hire.

c. Covered Causes of Loss

Covered causes of loss are risks of physical loss or damage that is either direct or indirect. Causes of loss that are part of the Exclusion section are not covered.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

d. Additional Coverages

- Additional Acquired or Replacement Property

There is coverage for up to 30 days when the named insured acquires a yacht or boat trailer that is either an addition to the described yachts or is replacing one of them.

When the acquired item is a replacement, the coverage is identical to that which is on the replaced item. However, if the acquired item is an addition, its coverage is the same as the broadest coverage on any scheduled yacht.

This is not free coverage. The named insured is required to report the value of the newly acquired property to the insurance company within 30 days from the acquisition date and to pay any premium due starting from the acquisition date.

WATERCRAFT (YACHT) POLICY

If not reported, coverage automatically ends 30 days after the acquisition date or at the end of the policy period, whichever comes first.

Example: Fred Finkelstein insures his Classic Curmudgeon Cabin Cruiser under a Yacht Coverage Form. Fred purchases a 30-foot sloop, the Johnnie B., a week before the expiration date but forgets to tell his insurance agent of the acquisition before he takes it out for a shakedown cruise and to check out its sails and rigging. The coverage on the Classic Curmudgeon renews but this additional coverage on the Johnnie B. ended on the expiration date. When the Johnnie B. takes on water during a sudden squall and capsizes three days into the renewal policy period, the wind goes out of Fred's sails when he discovers that the loss is not covered.

· Operating Other Yachts

There is coverage for a covered loss when the named insured is using, with permission, another yacht. The maximum payment is the limit of insurance for the named insured's yacht. However, this insurance is excess over any other insurance that applies to the same loss.

There is no coverage, however, if the named insured has any ownership in the other yacht, if it is rented to or chartered to the named insured, if it is furnished for the named insured's regular use, or if the named insured was using it for other than pleasure use.

Example: Fred lets his son and his wife borrow the Classic Curmudgeon and Barney Brookstone lets Fred borrow his yacht, the Blinkin' Blarney. Fred is an

experienced navigator but the Blinkin takes more getting used to than expected and he runs it aground on the rocks. Because Barney has valid insurance on the Blinkin, this additional coverage stands ready to respond on an excess basis over Barney's coverage just in case his limit of insurance is inadequate.

· Protection And Recovery

Reasonable costs to protect a covered yacht following a loss are covered as are the costs to recover a yacht that has been damaged. However, the payment will not exceed that yacht's limit of insurance.

When the National Weather Service issues a hurricane watch or warning there is coverage for having the yacht pulled from the water and then put back following the storm. As an alternative to removing the yacht, payment will be made to have the yacht navigated to a safe harbor provided the individual is qualified to do so.

Example: Fred is going through an interesting series of trials. This time it appears that a powerful but extremely localized hurricane will brush Fred's homeport but points south should escape unscathed. Fred realizes that his homeport's haul-out facilities are full and pays Captain Crunchbottom, an experienced navigator, to pilot the Curmudgeon to a safe port 30 leagues south. This coverage extension pays Captain Crunchbottom's navigation fees.

· Towing And Assistance

This coverage applies to the necessary and reasonable expenses the named insured incurs for services to the yacht if it is disabled. These are:

o Labor charges for technicians who repair or attempt repairs on a covered yacht but only for those operations that take place where the yacht was disabled

o Towing to the closest service facility where repairs can be made, such as a marina or boat yard

WATERCRAFT (YACHT) POLICY

- o Delivery charges for fuel, oil, parts or batteries
- o Roadside assistance for a covered yacht trailer

The cost of the fuel, oil, parts, batteries or yacht trailer tire is not a covered part of this supplement.

The maximum payment is \$500 in a single occurrence and \$1,000 per 12-month policy period.

Note: This additional coverage is not subject to a deductible.

Example: Fred drove the Curmudgeon into a harbor he was planning to put into for the night. Unfortunately, he hit a jetty that protected the harbor from excessive wave wash. The yacht was dead in the water and a tugboat had to tow it down the coast to a shipyard that could make repairs. The good news was that this coverage extension applied to the cost of the tow. The bad news was that it only paid \$500 of the total

\$1,200 tow bill and Fred had to pay the other \$700 out of his own pocket.

2. Exclusions

The insurance company does not pay for loss or damage caused directly or indirectly by any of the following:

a. War

Coverage does not apply to loss or damage caused by any act of war. This includes undeclared and civil war, insurrection, rebellion, revolution or warlike action by a military force or by military personnel. It also includes property destroyed, seized or used for military purposes, including their consequences. The capturing, seizing, arresting, requisitioning, confiscating or detaining of the yacht by lawful or unlawful means by order of any civil or military authority, or attempts at any of these, is also excluded.

When destruction or seizure takes place for a military purpose, it is considered an act of war. If the destruction or seizure results in further loss or damage, the resulting damage is also considered an act of war.

Note: What is being destroyed or seized is not mentioned. This is important because it means that insured property may sustain loss or damage because of its close proximity to such property that is not covered.

Example: Homeland Security is searching for a vessel fitting a certain description that is carrying contraband to assist in a terrorist plot. Authorities board Bud's yacht because it closely matches the description. His yacht is heavily damaged because of the authority's hurried search. Because Bud's yacht was damaged during a military seizure, the damage to his yacht is not covered.

b. Nuclear Hazard

There is no coverage for loss or damage caused by weapons that use atomic fission or fusion, nuclear reaction or radiation, or radioactive contamination from any cause.

However, direct loss or damage by fire resulting from nuclear reaction or radiation or radioactive contamination is covered if this coverage form insures fire.

c. Non-Pleasure Use

The insurance company does not pay for loss or damage while the yacht is being used for other than pleasure use.

WATERCRAFT (YACHT) POLICY

Example: Fred Finkelstein charters the Classic Curmudgeon to a local game-fishing company whose own vessel was in dry dock for repairs. The company planned to use it for some fishing excursions. During one of them, it struck another vessel,

damaging both of them and injuring two passengers on the other vessel. Fred has no coverage because the yacht was being used for business purposes.

d. Flaws

Coverage does not apply to damage to the hull or machinery resulting from flaws that were present at the time the vessel was built and that cannot be detected by conventional testing methods. However, coverage does apply to damage to other covered property that the flawed hull or machinery causes.

Note: This is sometimes referred to as latent defect. It is a fault in the property that cannot be discovered by a reasonably thorough inspection. Even then, inspections alone may not be sufficient to detect certain deficiencies without themselves being destructive. For example, wood beams in a vessel cannot be fully assessed without actually destroying them.

e. Wear and Tear

Loss or damage caused by or resulting from wear and tear is excluded. In addition, gradual deterioration, weathering, bubbling, osmosis, delaminating of plywood or fiberglass, corrosion, rust, electrolysis, mold, rot, inherent vice, vermin, insects or marine life caused loss or damage is also not covered.

Note: Wear and tear is damage, diminishment in value or erosion due to long or hard use or exposure, including breakdown over time and eventually becoming unusable because of previous use. This includes the tendency of property to pull apart or break down into pieces because of forces applied to it. Osmosis is diffusion of water through a semi-permeable membrane.

An example of blistering involves paint where small to medium size bubbles develop under the paint film. Electrolysis is chemical decomposition produced in an electrolyte by an electric current. Many of these represent qualities, faults or weaknesses in covered property that causes it to damage or destroy itself.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

f. Failure to Maintain Property

There is no coverage for loss or damage if the named insured does not maintain covered property in good condition and repair. The good condition requirement is that the yacht not be damaged by ordinary weather, water conditions, or the stress of normal use.

g. Intentional Acts

Loss or damage caused by the named insured's willful or intentional acts is excluded.

Note: Only the intentional acts of the named insured are excluded.

Example: Fred Finkelstein decides to play a trick on his children who are holding a birthday party for a friend on the Classic Curmudgeon. He arranges for a flare to launch and ignite when they open the cooler to retrieve the seafood they plan to cook on deck.

WATERCRAFT (YACHT) POLICY

However, the flare propels sideways instead of up, penetrates the side of the cabin, and starts a fire in the lounge area. There is no coverage for the fire or resulting smoke damage. However, if Fred's son had played the same trick, there would have been coverage because he is an insured but not a named insured.

h. Marring and Scratching

The insurance company does not pay for loss or damage caused by marring, scratching, chipping or denting. However, coverage from these events does apply if caused by a sudden and accidental impact. That impact must be with another object that is not under the control of the named insured and also not in control of a person being directed by the named insured.

i. Temperature Extremes

Loss or damage caused by extremes of temperature is excluded. However, coverage does apply if the loss or damage is caused by or results from improper winterizing done by a competent marina or similar facility.

j. Ice

If the covered yacht is moored or laid up, there is no coverage for any ice damage that occurs.

k. Loss of Use

There is no coverage for loss caused by delay, loss of use, or any other consequential loss.

Note: This appears to contradict the Covered Loss statement above that states that Covered causes of loss are risks of physical loss or damage that is either direct or indirect.

l. Design Error

Coverage does not apply to loss or damage due to errors in or improper design.

Note: Because there is no explanation as to who must make the design error in order for this exclusion to apply, it could lead to coverage being denied with resulting court challenges.

3. Limits of Insurance

The most the insurance company pays for loss or damage in a single occurrence is the limit of insurance that applies for the particular coverage or the specific yacht as stated on the declarations.

Any payments made under Additional Coverages—Protection and Recovery reduces the limit of insurance to pay for other damage. However, the limits that apply to all other Additional Coverages are in addition to the Limits of Insurance.

4. Deductible

The insurance company does not pay for loss or damage until the amount exceeds the deductible amount on the declarations. This deductible applies per occurrence. The insurance pays the amount of the adjusted loss or damage in excess of the deductible up to the limit of insurance that applies.

No deductible applies to a covered yacht that sustains a total or constructive total loss.

WATERCRAFT (YACHT) POLICY

5. Valuation

a. Yacht, Excluding Outboard Motors

· Total Loss

The insurance company pays for a total loss to the named insured's covered yacht if it is completely lost or destroyed or if the cost to recover and/or repair it is more than the limit of insurance.

This provision does not apply to outboard motors.

· Partial Loss

If the covered yacht sustains partial loss or damage, the insurance company does not pay more than the limit of insurance that applies or the cost to repair or replace with materials of similar quality, whichever is less. There are no depreciation deductions except for losses involving plastic or canvas coverings and sails.

This provision does not apply to outboard motors.

Repair costs are determined by yacht repair yards, equipment repairers, or surveyors who are considered acceptable by the insurance company.

b. Outboard Motor, Boat Trailer or Personal Effects

The amount the insurance company pays for losses to outboard motors, boat trailers and personal effects is the least of the following:

- The limit that is available to pay for the particular property
- The actual cash value of the item that it is damaged or has been lost. The value is established as of the time of the loss, not at the time of the settlement.
- The actual amount that is spent in the repair or replacement of the item that is damaged or has been lost. The material used in the repair or replacement must be in accordance with manufacturers specification or approved repair practices.

C. LIABILITY COVERAGES

1. Liability Insurance

a. Coverage

The insurance company pays for the damages the insured is legally liable for up to the limit of liability. Coverage under this policy will respond only if the damages are from a claim or suit brought against an insured. The damages must result from bodily injury or property damage that arises from the ownership, maintenance, use, operation, loading, unloading, boarding, and off-boarding or leaving the covered yacht.

The damages include prejudgment interest awarded against the insured.

Note: The prejudgment interest is unusual. Usually this is provided within the Supplemental payments section. By being part of the damages, it will reduce the limit available to pay losses.

Even if a suit is groundless, false or fraudulent, the insurance company must provide a defense and must do so at its own expense. The insurance company will choose the counsel and decide when and how to investigate or settle each claim or suit. The duty to defend ends when the amount paid for damages exhausts the limit of liability.

WATERCRAFT (YACHT) POLICY

b. Operating Other Yachts

There is coverage for the named insured's liability due to damages when the named insured is using, with permission, another yacht. This insurance is excess over any other insurance that applies to the same loss.

There is no coverage, however, if the named insured has any ownership in the other yacht; if it is rented to or chartered to the named insured; if it is furnished for the named insured's regular use; or if the named insured was using it for other than pleasure use.

c. Additional Liability Insurance Coverages

- If an insured is legally obligated to respond to any of the following this insurance will pay: Any and all attempts to raise or the actual raising, removal or destruction of the wreck of the named insured's covered property

Note: There is no reference as to who actually does the work or on whose behalf, only that an insured is held liable and the property is considered covered property belonging to the named insured.

- Not raising, removing or destroying the wreck of the named insured's covered property

- Property damage that arises out of pollution. Also, any federal, state or local statute or regulation-imposed assessments, clean-up costs or expenses to contain pollution.

Example: The Classic Curmudgeon sank upon entering Callow Cay. The area was so shallow the government required removing the Curmudgeon to prevent damage to other vessels. When it sank, its fuel leaked and pollution control activities to contain the spill and then to clean it up began. This coverage applied to the \$600,000 cost to remove the wreck and the \$100,000 pollution containment and cleanup costs.

d. Liability Exclusions

The insurance company does not cover:

- The named insured's liability to other insureds

Note: This is referred to as "cross liability" in other liability coverage forms and policies.

- Liability of other covered persons to the named insured, the named insured's spouse, or other persons that live in the named insured's household

- Liability to any paid captain or crew for loss of life or for bodily injury when required under The Merchant Marine Act Of 1920 (The Jones Act), the Death On The High Seas Act, or General Maritime Law

Note: This exclusion does not apply if the box to eliminate it on the declarations was checked.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

WATERCRAFT (YACHT) POLICY

The Merchant Marine Act Of 1920 (The Jones Act)

BACKGROUND

The Merchant Marine Act of 1920 (also known as the Jones Act) is a federal law that regulates maritime commerce in waters of and between ports in the United States. One part of the act prevents any vessels except for those that are United States Flag vessels to transport people and cargo in those waters. In addition, those vessels are required to have been constructed in the United States, be owned by citizens of the United States, and be crewed by citizens and permanent residents of the United States.

One part of the Act contains provisions allowing injured sailors to make claims against and collect from their employers based on negligence by other crew members, the masters, or the owners of such vessels. Such claims must be based on negligence in the working environment or unseaworthiness. The act considers a negligent working environment to be one where the vessel owner fails to exercise a reasonable degree of care under the circumstances and that such negligence results in unintended injuries to other parties.

The intent of this portion of the Act is to help the injured person receive the medical benefits he or she is entitled to on a timely basis without litigation costs. However, the Act is complex, and many employees must seek out legal assistance just to file their claims.

The definition of a seaman under this act is an individual engaged or employed aboard a vessel in any capacity, and this includes offshore oil rigs. The definition includes the master and the crewmembers.

2006 RECODIFICATION

Changes in the maritime industry resulted in the need to significantly rewrite the Jones Act in 2006. Although there were many changes, the law itself and seamen's rights did not change. The Act was recodified to remove ambiguities, contradictions, and imperfection, but the actual Act itself did not change.

The only deviation from the strict recodification was the introduction of an amendment to preserve the spirit and meaning of the statutes being recodified. The amendment was added because of a review of language in a cause of action for a seaman's

personal injury or death that was found to be inconsistent with the interpretation of Jones Act claims that the U.S. Supreme Court had adopted in a 1924 case, *Panama Railroad Company v. Johnson*, (264 U.S. 375). The amendment revised the language to keep it consistent with the purpose of the original Jones Act as the Court had interpreted it.

WHO IS COVERED

The Act applies to the master, sailors, and other crewmembers of vessels that operate on navigable waters of the United States. It also applies to workers who perform duties on offshore oil platforms. Only workers who have a permanent connection to the vessel or platform are covered. Examples are employees who are responsible for the vessel or platform's maintenance, repair, welfare, operation, or navigation.

Examples:

- A dockworker boards a vessel to deliver a package. The Jones Act does not cover him, even if he is injured while aboard the vessel.
- The vessel's owner does not sail with the vessel. He is not covered, even if he is seriously injured while aboard the vessel to inspect it before it sails.

WATERCRAFT (YACHT) POLICY

Some interesting court cases have centered on the issue of who The Jones Act covers. One of them is *McDermott International, Inc. v. Wilander*, 498 U.S. 337, 111 S.Ct. 807, 112 L.Ed.2d 866 (1991). In this case, a paint foreman assigned to a “paint boat” was injured. He filed to recover under the Jones Act, but the workers compensation carrier initially denied coverage because he did not assist in the navigation of the vessel.

The United States Supreme Court reviewed the law and determined that a seaman could do many types of functions on board a vessel and was not limited to only transportation-related functions. The end result was that members of a crew who work permanently aboard a vessel that service or maintain the vessel are considered seaman and therefore covered.

A similar case was *Chandris, Inc. v. Latsis*, 115 S.Ct. 2172, 132 L.Ed.2d 314 (1995). An engineer of a cruise ship company who supervised ship engineering departments while the ship was at sea sustained an eye injury that eventually resulted in him losing 75% of the sight in that eye. He filed a claim under the Jones Act. The claim was initially denied based on him not being a seaman because he did not have anything to do with navigating the vessel. The United States Supreme Court ruled that workers who have work-related duties that contribute to the vessel's function in a significant way in terms of the nature of the activity and the time involved are seaman.

MARITIME ENDORSEMENTS AND COVERAGE AVAILABLE

There are three maritime endorsements that can be used to modify WC 00 00 00 C– Workers Compensation and Employers Liability Insurance Policy.

WC 00 02 01 B–Maritime Coverage Endorsement (01 15 change)

A. How This Insurance Applies

One item is modified, and one is added.

Item 2 is amended to reflect that only employment necessary or incidental to work described in Item 1 of the Maritime Coverage Endorsement Schedule is covered.

A new item is inserted as item 3. It provides territorial limitations as to where the bodily injury must occur. It is required to be in the territorial limits of the continental United States of America, Alaska, Hawaii, or Canada or within a vessel that is sailing between ports within those limits.

The other items in this section are renumbered but unchanged.

C. Exclusions

Exclusion 10, which excludes bodily injury to a master or crew member of a vessel, is deleted.

The following two exclusions are added:

13. Any bodily injury covered by a Protection and Indemnity coverage form or policy or a similar policy issued to the named insured or for its benefit is excluded. This exclusion applies even if the other policy has an insurance clause, deductible, limitation of liability clause, or a similar clause that causes it not to apply.

14. The named insured's duty to provide transportation, wages, maintenance, and cure is excluded. However, this exclusion does not apply when a premium is entered in Item 2 on the endorsement schedule. **Exclusion 14 in the endorsement is amended to clarify that even when premium is paid to remove this exclusion that punitive damages related to this exclusion continue not to be covered.**

WATERCRAFT (YACHT) POLICY

D. We Will Defend

A statement is added to this section. It explains that the insurance company treats any suit or other legal action in rem against a vessel the named insured owns or charters as a suit against the named insured.

Note: In rem within the United States is often about the court taking and holding an object for some legal purpose. An example is a vessel found to have illegal narcotics on board.

G. Limits of Liability

Item 2 Bodily Injury by Disease is changed in two significant ways:

- The Bodily Injury by Disease—each employee limit is deleted, which means that there is no each employee sublimit.
- It is further broadened to be a per-state limit, not just an aggregate limit.

Schedule

The endorsement schedule has spaces to enter the following:

- A description of the work. The description must be complete because only employment necessary for the work described is covered.
- Entering a premium for Transportation, Wages, Maintenance, and Cure in the space provided deletes exclusion 14 above, except for certain limitations.
- Limits of Liability:
 - \$ _____ Bodily Injury by Accident (each accident)
 - \$ _____ Bodily Injury by Disease (aggregate)

Note: This broadens the limits because there is no each employee disease limit. **WC 00 02 03—Voluntary Compensation Maritime Coverage Endorsement** The purpose of this endorsement is to extend workers compensation coverage to seamen instead of only providing coverage under Employers Liability. The Voluntary Compensation Maritime Coverage Endorsement does not stand-alone. WC 00 02 01 B—Maritime Coverage Endorsement must also be attached when it is used.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

A. How This Insurance Applies

This insurance applies to bodily injury by accident and bodily injury by disease. It also covers death because of such bodily injury. The following explains the conditions of coverage:

- Only the master or crewmembers of the vessel described on the endorsement schedule are covered. They must also be employees.
- Referring to item 2 on the endorsement schedule, coverage applies to only bodily injury that occurs during employment considered necessary or incidental to the work described on the endorsement schedule.

WATERCRAFT (YACHT) POLICY

- There is a territorial limitation. The territory is the continental United States of America, Alaska, Hawaii, or Canada. The bodily injury must occur within those limits or on a vessel that sails between ports in that territory.
- Only bodily injury by accident that occurs during the policy period is covered.
- Bodily injury by disease is different because of the long-term aspects and as an attempt to limit it to a single policy period. Conditions of the employment must cause or aggravate the bodily injury. The employee's last day of last exposure to the conditions that caused or aggravated such bodily injury by disease must occur during the policy period.

Example: Paul worked on a barge for 20 years. After he retired, he contracted a disease he believed the barge caused. The policy that responds is the one that was in effect the day Paul retired. It would be the only one to respond, even if he had worked for many different barge companies.

B. We Will Pay

This is the major coverage statement. It explains that the insurance company pays those amounts that are equal to the benefits the named insured would be required to pay if the employer and its employees listed in Item 1 on the endorsement schedule were subject to the workers compensation law entered in Item 1 on the endorsement schedule. The insurance company agrees to pay, but only the amounts an injured person would be entitled to receive under the state's law.

Note: This is not the same as fully providing workers compensation coverage. It is only using a specific state's workers compensation benefit schedule and pays as it requires.

C. Exclusions

Two new exclusions are added:

- Any obligation that a worker's compensation, occupational disease, or similar law imposes is excluded.
- Bodily injury, the named insured intentionally causes or aggravates is excluded.

D. Before We Pay

Note: This section is particularly important because the employee who receives these voluntary benefits is giving up his/her rights to sue the named insured. This is similar to workers compensation coverage that is continued as the exclusive remedy. No double dipping permitted!

Persons entitled to benefits must do the following before the insurance company pays the benefits:

- Release the named insured and the insurance company from all responsibility for the injury or death. The release must be in writing.
- Transfer their rights of recovery from others who might be responsible for the injury or death to the insurance company.
- Cooperate with the insurance company and do everything necessary to help it enforce its rights of recovery from others.

The insurance company's duty under this endorsement ends immediately when the person who is entitled to these insurance benefits fails to do the actions above or when that person claims damages from the named insured or the company for the injury or death.

WATERCRAFT (YACHT) POLICY

Example: Matthew is injured while working on a tow boat. His employer has purchased the voluntary compensation maritime coverage endorsement, so the insurance company contacts him and explains his available benefits but also explains his obligations and the rights he must relinquish.

Scenario 1: Matthew accepts the benefits. He signs the releases and is soon able to return to work.

Scenario 2: After the discussion with the insurance company, he talks with an attorney who explains how much more he could receive for his injury because of the available limits under the Jones Act. Matthew likes the case presented to him, so he refuses to sign the releases and instead waits for the case to proceed through investigation, settlement, and a potential jury trial.

E. Recovery from Others

If the insurance company recovers from others, it keeps an amount equal to its expenses of the recovery and the benefits it paid. It then pays the balance to the person entitled to it. Similarly, if the person entitled to benefits of this insurance recovers from others, he or she must reimburse the company for the benefits it previously paid.

Schedule

Schedule entries consist of the following:

- One or more vessels must be listed under the heading Employees. Only the master and crewmembers of the listed vessel(s) are covered.
- The state whose workers compensation law is to apply must be listed beside the vessel for which it is to apply. When more than one vessel is listed, more than one state may be listed.
- A description of the work must be entered. The description must be complete because only employment necessary for this work is covered.

WC 00 02 04–Limited Maritime Coverage Endorsement

This endorsement is used when some of a non-maritime employer's workers employees perform some of their work on a vessel and therefore could be excluded under WC 00 00 00 C based on Exclusion C. 10. A good example is a carpenter or a caterer who occasionally works on a vessel.

Part Two–Employers Liability Insurance, C. Exclusion 10. is deleted when this endorsement is attached, but that deletion is conditional. It is deleted only when employees whose payroll would be included in the scheduled codes and classifications perform the work.

Example: Jerry's Sandwich shop offers delivery service. His shop is located on the pier, so his employees often deliver to workers on the docked vessels. To prevent any potential denial of coverage, Jerry requests this endorsement to be attached. He lists only the classification and code for his delivery drivers.

COVERAGE TERRITORY

Coverage under the Jones Act applies when the ship or vessel is subject to admiralty law or jurisdiction. This means it applies only when the ship or vessel is in or on navigable waters. Navigable waters are considered bodies of water that provide a continuous route that facilitates interstate or international commerce.

WATERCRAFT (YACHT) POLICY

WC 00 00 00 V–Workers Compensation and Employers Liability Insurance Policy provides coverage when a vessel is not in waters described above and does not fall under maritime or admiralty law. In those cases, the vessel is usually subject to the workers compensation laws, statutes, and regulations of the state involved.

MORE THAN ONE JURISDICTION

Situations occasionally arise where a worker's duties are such that it is difficult to determine whether state workers compensation, USL&HWCA, or Jones Act coverage applies. In those cases, the worker may not recover under both state and federal laws or under two or more federal acts. Any awards made are offset by any other compensation already awarded or received.

CONCLUSION

The Jones Act provides financial benefits to both the employer and the employee. It has provided a lifeline to many sailors injured in their jobs of sailing vessels. Unfortunately, because of the very lucrative benefits available and the Act's complexity, it has also produced numerous lawsuits, despite the original law's best intentions.

- The named insured's liability for injury or damage in the time period when a land vehicle or trailer transports the covered yacht

Example: The Classic Curmudgeon was being hauled on a trailer from Muskegon, Michigan to Superior, Wisconsin. The chains holding it down snapped under the excessive strain when turning a curve. The yacht slid off and landed on the highway, causing a multi-car pileup, a few minor injuries and a day-long traffic delay. Separate lawsuits were filed against the transportation company and Fred Finkelstein, but his insurance company denied coverage because of this exclusion.

- Injury or damage that any insured person intends or expects
- Liability that the named insured assumes under any contract or agreement

Note: This means that even written contracts involving dock rental or indemnity agreements related to vessel storage are excluded.

- Fines or penalties any governmental entity imposes on the named insured

2. Medical Payments

a. Coverage

The insurance company pays necessary medical expenses resulting from bodily injury caused by an accident. These expenses must be incurred within one year after an accident. In very unusual wording, medical expenses that are not yet incurred but that are deemed to be medically necessary at a future date are also covered as long as that future date is within the one-year time frame.

The accident must arise out of ownership, maintenance, use, operation, loading, unloading, boarding, off-boarding or leaving of a covered yacht. It also pays similar expenses as a result of taking part surface water activities such as water-skiing or aquaplaning but only when they start from the covered yacht.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

WATERCRAFT (YACHT) POLICY

b. Exclusions

This coverage does not apply to:

- Any person covered under any federal or state workers compensation law or act
- The named insured's employees
- Trespassers
- Persons injured resulting from or in connection with being towed in or on a device intended for flight

Examples are parasailing or kite skiing

c. Proof of Loss Requirements

The insurance company requires a complete sworn proof of loss from the injured person making a claim under this coverage or a person acting on that person's behalf. It must include:

- Information on each service provider who performed covered services, including names and addresses
- The dates of the services provided and the nature and extent of the service provided
- Detailed statements of charges, indicating amounts already paid

The insurance company must receive the proof of loss as soon as reasonably possible after the services are rendered.

d. Additional Requirements

Any person making a claim under Medical Payments coverage must submit to physical examinations by the insurance company's selected physicians. However, requests for such examinations must be reasonable and the insurance company must pay for the cost of the exam(s). The injured person must also provide pertinent medical reports and records or give the insurance company permission to obtain them.

e. Limit of Liability

The Medical Payments Limit of Insurance on the declarations is the insurance company's total liability for all medical expenses paid to one person for bodily injury as the result of one accident.

f. Admission of Liability

Payments made under this coverage are not an admission of liability by the named insured or the insurance company.

3. Longshore and Harbor Workers Compensation

The insurance company pays the named insured's liability as the covered yacht owner under the Federal Longshore and Harbor Workers Compensation Act. This applies only when coverage is provided under Paragraph 1. Liability Insurance. The loss payment will not exceed what is required by the act.

WATERCRAFT (YACHT) POLICY

4. Uninsured or Underinsured Boater Insurance

a. Coverage

There are uninsured and underinsured boats just like there are uninsured and underinsured motor vehicles and this coverage recognizes the fact. The insurance company pays all compensatory damages a covered person is legally entitled to recover from an uninsured or underinsured boat's owner or operator because of bodily injury to an injured person who was on the named insured's yacht when that injury arises from ownership, maintenance or use of an uninsured or underinsured boat.

b. Exclusions

This coverage does not apply:

- To claims settled without the insurance company's written consent
- If a governmental entity owns the uninsured vessel
- If the uninsured or underinsured vessel is owned by the named insured.
- If the uninsured or underinsured vessel is furnished to the named insured or any other insured for his or her regular use
- Where the physical evidence does not support the claims that the named insured's yacht was actually struck by an uninsured or underinsured vessel
- To the direct or indirect benefit of any insurance company or self-insurer under federal or any state compensation law or act

c. Limit of Liability

The most the insurance company pays is the Uninsured or Underinsured Boater Limit of Liability on the declarations. This limit applies regardless of the type of expense, the number of persons injured, claims made, or number of vessels involved in an accident or a series of accidents arising from the same occurrence.

D. GENERAL CONDITIONS

This conditions section also includes exclusions. It is important to read all exclusions carefully.

1. Bankruptcy

The insurance company is not relieved of its obligations if an insured becomes bankrupt or insolvent.

2. Cancellation

a. The named insured can cancel at any time by returning the policy to the insurance company and advising it in writing of the date cancellation is to be effective.

b. The insurance company can cancel by providing written notice to the named insured at least 30 days before the date cancellation is to be effective. However, the notice period is 10 days if the cancellation is for non-payment of premium. The company can either deliver the notice to the named insured or mail it to the named insured's last known mailing address. If it mails the notice, proof of mailing is sufficient proof of notice.

c. Return premium is calculated on a pro rata basis if the insurance company cancels. It is calculated at 90% of pro rata if the named insured cancels.

WATERCRAFT (YACHT) POLICY

Note: There may be multiple named insureds but this section does not address which of the named insured has the right to request cancellation and to whom the cancellation notice must be mailed.

3. Changes

All agreements between the named insured and the insurance company are contained in this policy and none can be changed. The only exceptions are those endorsements issued by the insurance company. The company adjusts the premium on the effective date of change in cases involving a premium adjustment.

4. Concealment, Misrepresentation or Fraud

This is an unusual condition. In most policies concealment, misrepresentation or fraud by any insured would void coverage. Under this condition, such action on the part of the named insured will result in a loss not being paid. However, the policy remains intact.

Furthermore, such actions by an insured (not the named insured) do not impact a loss. This means that a child or relative could fail to disclose information with no impact on coverage.

5. Dishonest, Illegal or Intentional Acts

Note: This is a common exclusion and so it is unusual to see it as a condition.

Coverage does not apply to any loss, injury, damage or expense caused by dishonest, illegal or intentional action taken by any person who has been entrusted with covered property. This condition applies, regardless of whether a criminal court convicts such persons or not.

Note: Damage caused by the named insured's willful act is excluded under the Property Coverage Exclusion g. Liability Exclusion (5) excluded coverage for injury or damage expected or intended by an insured. This condition must work with those two exclusions because they are not the same and involve different parties and different actions.

6. Navigational Limits and Lay-Up Period

The Navigational Limits or Lay-Up Period on the declarations may be breached by an event beyond the named insured's control. In that case, coverage remains in effect only if the named insured notifies the insurance company of the breach in writing within 10 days of the breach. The named insured must then pay any additional premium the company may require. However, coverage does not apply if the named insured voluntarily breaches the Navigational Limits or Lay-Up Period without prior notice to and written approval by the insurance company.

Note: This policy does not explain what constitutes a navigational limit or lay-up period breach.

7. Policy Period

The insurance company pays only covered losses that take place during the policy period. However, covered yachts in the course of navigation when this policy expires are covered until they arrive at the next port and are safely moored for 24 hours. The named insured must inform the insurance company that the expiration was extended and pay any additional premium required.

Example: The Classic Curmudgeon goes out to sea for a three-week vacation cruise. However, its insurance policy expires halfway through the voyage. Fred Finkelstein suddenly remembers this on his way out and calls his agent. The agent, in turn, notifies the insurance company and it extends the policy until the Classic Curmudgeon returns from the trip.

WATERCRAFT (YACHT) POLICY

8. Premium

The first named insured on the declarations pays all premiums and also receives any return premiums the insurance company pays.

9. Racing

Note: This is a common exclusion but, in this policy, it is listed as a condition.

Coverage does not apply to loss, injury, damage or expense arising from or during any race or speed test.

This limitation does not apply to sailboats or predicted log events.

Note: A predicted log event is a contest where each skipper attempts to provide the best estimate of the time his vessel will take to navigate a specified course. The course is published in the race instructions issued by the host club several weeks prior to the contest. It usually consists of four or more legs totaling about 25 miles. Before the contest, skippers turn in predicted logs that specify the time they expect to use on each leg of the course. To maintain integrity, no watches or time-keeping devices are allowed on the vessel during the event. As each mark is passed, the Observer records the time on the actual log. After completing the course, the Race Committee computes the percentage error between the predicted and actual logs for each boat. The skipper with the lowest error is then declared the winner.

10. Transfer of Interest

This coverage ends when the covered property or this policy is sold, assigned, transferred or pledged unless the insurance company agrees and gives its written consent to the transfer.

11. Broadened Coverage

Any policy revision put into effect during the policy term that broadens coverage without an additional premium charge applies to this policy.

Note: This is the same as the "Liberalization Clause" in other coverage forms and policies.

12. No Benefit to Others

This insurance does not benefit any party having custody of the covered property.

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E. LOSS CONDITIONS

1. Your Duties after Loss

The named insured must do certain things following an accident, loss, damage or expense involving covered property.

a. Covered property must be protected from further damage. The insurance company reimburses reasonable expenses the named insured incurs to recover the property and keep it from any additional damage. Payments made to recover or protect damaged property are in addition to any other payments the company makes for covered losses but the most paid for the recovery and protection is the limit of insurance that applies to that property.

b. The named insured must maintain accurate records of repair expenses.

WATERCRAFT (YACHT) POLICY

c. The named insured must give prompt notice of a loss to the insurance company or its agent. The notice must include the time, place, and details of the loss as well as the names and addresses of all known witnesses. In addition, the appropriate law enforcement agency must be notified if the property is stolen or vandalized.

2. Abandonment

No property of any kind can be abandoned to the insurance company.

Note: The insurance company may agree to accept abandoned property. If it does, it does so in writing.

3. Proof of Loss

The named insured must send a signed, sworn proof of loss to the insurance company as soon as possible after receiving the company's written request to do so. The proof of loss must present the facts of the loss based on the named insured's best knowledge and belief. The insurance company has the right to require the named insured to submit to an examination under oath.

4. Claim or Suit Against You

The named insured must promptly send notices, demands, summonses and other process papers that relate to the accident to the insurance company. Because the company then pays the ensuing costs of the suit, it has the option of naming the attorney or attorneys to represent the named insured.

Note: An important feature of this condition is that payments the insurance company makes for the named insured's legal defenses are in addition to payments it makes under coverage for liability claims against the named insured. Because there is no stated amount, defense costs are technically unlimited.

5. Assistance and Cooperation

Persons making claims have certain obligations. They must:

a. Cooperate with the insurance company as it investigates, settles or defends claims or suits brought under this policy

b. Assist the company in enforcing any right of contribution or indemnity against any party that may be liable to any covered person

c. Let the insurance company inspect and appraise all damaged property before it is repaired or disposed of

Note: This condition obviously does not apply to property that was stolen or is otherwise unrecoverable.

d. Provide proper written authorization enabling the insurance company to obtain medical files and any pertinent or related records

e. Submit to physical examinations by physicians the insurance company selects as often as reasonably required and at appointed times and places

f. Obtain the insurance company's prior written consent before assuming any obligations or accepting fault or liability.

WATERCRAFT (YACHT) POLICY

g. Obtain the insurance company's prior written consent before incurring expenses on behalf of the company. Written consent is not required for medical expenses under Paragraph C.2. Medical Payments or for expenses made to protect covered property from further loss under Paragraph E.1. Your Duties After Loss.

Editorial Note: This condition creates obligations for persons who may have no relationship to the insurance contract. This means it may be difficult to enforce and that could be to the detriment of the named insured.

6. Payment of Loss

The insurance company pays or makes good on covered losses within 30 days after it either reaches an agreement with the named insured, a final judgment is entered, or an appraisal award is filed.

The insurance company does not pay any part of a loss that others paid or made good on because this is indemnity coverage.

7. Our Right to Recovery

a. Subrogation

Any party whose losses are paid for by the insurance company must relinquish its right of recovery against others to the insurance company. The amount is limited to the amount the insurance company paid. That party must do everything necessary to secure those rights and must not do anything after a loss to impair them.

b. Recoveries or Salvage

Recovery or salvage on a loss accrues exclusively to the insurance company's benefit up to the amount it paid.

Note: There is no mention as to recovery expenses, deductibles paid by the insured or if the named insured has an option to take the recovery in return for the return of the loss payment.

8. Legal Action Against Us

Before any legal action can be brought against the insurance company, all policy provisions must have been met.

The insurance company cannot be brought into any action against an insured. In addition, no action can be brought against the insurance company until the insured's obligations have been determined by a final judgment or an agreement the insurance company signed under Coverages, C.1. Liability Insurance and C.3. Longshore and Harbor Workers Compensation.

9. Other Insurance

a. Section B. Property Coverages

If other insurance coverage applies to a covered loss, the insurance company pays only the proportion of the loss that its limit of insurance bears to the total amount of insurance that applies, whether or not the other insurance is collectible.

b. Section C. Liability Coverages

This insurance coverage is excess over any other valid and collectible insurance except insurance that specifically applies as excess over this insurance.

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ENDORSEMENTS

ISO does not offer any specific endorsements for exclusive use with the Yacht Coverage Form. ISO has developed one form that can be used to respond to specific situations.

IH 99 19—Additional Covered Property

This endorsement can be used to include coverage for types of property ordinarily excluded or not covered, such as hydrocycles, jet skis, parasails, hang gliders, fuel, food, beverages and electronics.

UNDERWRITING CONSIDERATIONS

Yacht underwriting involves analyzing a wide range of property that can be covered, such as the yacht itself (commonly referred to as the hull), motors, sails, machinery, equipment, boat trailers, and personal effects. In addition to Bodily Injury and Property Damage liability coverage, Liability insurance also includes coverage for Medical Payments, Longshore and Harbor Workers Compensation, and Uninsured and Underinsured Boaters coverages.

The year built, manufacturer, and model of the vessel and its motor or motors must be considered. The vessel's length, weight, style, hull material, value and limit of insurance must be examined, as must the type of motor (inboard, inboard/outboard, or outboard), horsepower, maximum speed, and type of fuel. Older vessels must be underwritten more carefully. A licensed marine surveyor should inspect the yacht periodically to determine that its condition is sound, that it is seaworthy, and that it is not subject to any operating limitations or qualifications. In all cases, the yacht should be operated only for the purpose for which it was designed and should not be used for any activity that exceeds its capabilities.

Along the same line, the motor's maximum horsepower should not exceed the yacht manufacturer's maximum operating horsepower. Speed is a relative issue. Yachts that tow skiers will need more speed than those engaged in pleasure cruising or fishing. A very important thing to keep in mind is that faster vessels are more likely to be stolen.

Consider the fuel used. Diesel fuel is less volatile than gasoline, so gasoline-powered yachts are more susceptible to fire losses. Equipment should be suitable to the type of vessel involved and how it is used. A small sailboat that operates on large inland lakes or bodies of water does not need much of the equipment found on power craft that operate on the ocean well away from shore. The type of navigation equipment must be examined. This includes Global Positioning Satellite (GPS) systems, plotters, depth finders, radar and other navigation equipment. Fire extinguishers, automatic fire extinguishing systems, fume detectors, and carbon monoxide detectors are very important for powered craft. All navigation equipment and protective devices should be inspected and tested periodically.

Operator experience is extremely important. Because many of the characteristics of operating a motor vehicle also apply to vessel operators, a Motor Vehicle Report (MVR) is a good first step to gain insight into an operator's skill and experience. The same line of thinking applies to youthful operators. Operators should be encouraged to take recognized instructional operating courses before operating the yacht.

All operators should be encouraged to take advanced courses depending on the size of the yacht. Paid captains and crews are favored over individual operators in almost all cases.

Navigation area is a significant consideration. While conventional wisdom suggests that vessels on inland waters are more desirable, keep in mind that they may be exposed to barge traffic, congestion and underwater trees and stumps on man-made lakes and reservoirs in addition to ordinary navigational issues.

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Regardless of the body of water, smaller vessels should operate relatively close to shore and only larger vessels with experienced operators, captains or crews and extensive navigational and protective equipment should never get more than 15 miles from shore.

The lay-up period and storage facilities must be examined carefully. Some vessels in certain areas can operate year-round. Others, such as those that operate in northern waters, are laid up, primarily during the winter months. The lay-up period should be commensurate with climatic and water conditions. Lay-up can be on shore or in the water, with on shore storage preferred. Lay-up in the water usually requires a deicer system or other means to keep the water from freezing and damaging the hull. In any case, some degree of winterizing the vessel may be required. A qualified professional should always do this and do so at a marina or similar facility.

Land transit is an important consideration. Many yachts are moved overland from port to port based on where the owner lives and vacations. The named insured may transport the vehicle or may hire another to do so. The size of the yacht is one of the more important considerations along with the experience of the person or entity transporting the yacht, the land distance between ports and the frequency of the transport.

Loss experience is very important. At least five years is preferred.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

All About the Personal Inland Marine Policy

This policy can be used to schedule personal property items that may be limited or difficult to cover properly under the Coverage C – Personal Property Coverage.

This ebook covers everything insurance agents need to know about insuring personal property items that may be limited or difficult to cover properly under the Coverage C – Personal Property Coverage, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the watercraft insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking a link.

The link will take you to a quiz with 10 multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects).

To get the most out of this eBook, you need to sign up for a FREE account at <https://quizizz.com/>

[Overview Of the ISO Personal Inland Marine Program](#)

Inland marine coverage is one of the oldest forms of insurance. Personal Inland Marine (PIM) forms insure classes of personal property which have several characteristics.

First, such property is subject to minimal (or no) coverage under an unendorsed homeowner's policy. Second, the property has very high value, particularly in proportion to its size. Property that is routinely covered by PIM is quite vulnerable to loss or destruction, is particularly targeted by thieves and, finally, has a higher likelihood to be the subject of fraudulent claims.

The Insurance Services Office (ISO) Personal Inland Marine Program includes a variety of policies designed to provide various levels of direct physical loss coverage to personal property.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

- The name and address of the insurer (with or without a company logo)
- Name and mailing address of the insured
- Residence location but only when different from the mailing address
- Policy period including effective and expiration date with month, day, and year, as well as time of day
- Deductible, this requires that the property class and deductible type must be entered
- Insuring Agreement
- Prepaid and installment premium information
- A listing of all coverage parts and endorsements that are part of the policy at inception must be provided.
- Address of another location where property (fine arts) may be stored
- Loss payable information

Note: This is particularly important because cancellation and non-renewal notices must be mailed to any loss payable.

- Countersignature

Optional Coverages

This section notes options that can be selected for different property classes.

- Fine Arts
 - o Breakage Coverage
 - o Exclusion of windstorm, hurricane or tornado damage at locations listed
- Jewelry
 - o Vault Restriction and Credit
 - o Additional Person Insured For Ring
- Musical Instruments
 - o Named Perils Coverage (Musical Instruments)
 - o Coverage that permits some performance coverage
- Stamps and Coins
 - o Vault Restriction and Credit
- Personal Effects
 - o Exclude theft coverage
 - o Property covered while at the domicile
 - o Coverage when property is in a trailer home
 - o Adding a described person as an insured
- Outboard Motors and boats

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- o Coverage for towing
- o Recovery costs coverage
- o Increased property damage liability
 - Motorized Vehicles for Handicapped Person
- o Coverage for emergency repairs
- o Increased property damage liability
 - Motorized Ground Maintenance Vehicles
- o Extension for a limited amount of business use
- o Increased property damage liability
 - Motorized Golf Carts
- o Increased property damage liability
 - Motorized Snowmobiles
- o Increased limits for property damage liability Other classes and coverage changes can be added.
 - Common Provisions

PM 00 01–Common Policy Provisions

The ISO Personal Inland Marine Program offers coverage on a standalone basis for a variety of personal property that, when owned in sufficient volume, is inadequately protected by basic residential policies. Specifically, the program consists of policies that protect the following:

- Jewelry
- Furs (including fur-trimmed items)
- Fine arts
- Stamp collections
- Coin collections
- Silverware
- Bicycles
- Musical instruments
- Cameras
- Golfers equipment

Naturally, some aspects of these policies differ according to their applicable property class. However, other aspects are identical. Rather than replicate language in each coverage form, ISO's program builds complete coverage by requiring the attachment of the PM 00 01–Common Policy Provisions Form.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

ANALYSIS OF PROVISIONS

A. Agreement

Under this provision, the insurance carrier agrees to provide protection as described in the following policy pages. This is done in exchange for the named insured paying the policy premium AND complying with the required policy provisions.

Note: The named insured has to meet BOTH conditions in order to qualify for coverage.

B. Definitions

1. This portion of the form defines the terms that are critical to understanding how it responds to coverage situations. The following are the defined terms that, throughout the policy, appear in quotation marks:

a. "You" and "your"

These are used in the policy to refer to the "named insured" that appears on the policy's declarations. "You" and "your" also extend to the named insured's spouse, but only if he or she lives in the same household.

b. " We", "us" and "our"

These three terms are used as references to the company providing the inland marine coverage.

2. The Common Provisions form also makes use of the following, defined term: insured - The Common Provisions form considers all of the following to be insureds:

- You and your spouse (refer to separate definition)
- The relatives of the named insured plus the relatives of the named insured's spouse but only when those relatives are considered residents of the named insured's household (meaning relatives who live at the insured location with the named insured)

Important – The form clarifies how to interpret the phrase "an insured." When that phrase is used in the policy, it refers to either one or more insureds, as defined by the form.

C. Exclusions

There is no insurance protection for either direct or indirect loss that is due to any of the sources of loss that appear in this form section. The loss is excluded:

- regardless of any other cause or event contributing concurrently or in any sequence to the loss, and
- regardless of whether the damage is localized or widespread.

1. War

War is considered to include any of the following and any consequence of any of the following:

- War
- undeclared war
- civil war
- warlike act by military force or personnel rebellion
- revolution
- insurrection

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- destruction, seizure or use for a military purpose

Even if a nuclear event is completely accidental, discharge of a nuclear weapon will be treated as a warlike act.

2. Nuclear Hazard

This refers to the following:

- Nuclear reaction
- Radiation
- Radioactive contamination

This exclusion applies regardless of the incident being controlled and no matter how the event is caused. Any consequence of a nuclear hazard is also considered a nuclear hazard.

Losses created or involving a nuclear hazard are not considered to be a fire, explosion, or smoke loss, even when these three perils are included within those, otherwise, insured perils.

This policy does not respond to loss involving either direct or indirect nuclear hazard. However, an exception exists so that fire damage that directly arises from the nuclear hazard is covered.

3. Governmental Action

The policy does not allow coverage for property which is destroyed or seized under the orders of any government unit or public authority. There is a very important exception connected to this exclusion. If the government action or order is related to a fire or the prevention of the spread of fire, any loss caused by the fire IS eligible for coverage provided that fire would be otherwise covered by the policy except for this exclusion.

4. Intentional Loss

This exclusion refers to any loss that is due to any intentional act of any insured. An intentional act includes any act that is meant to create a loss. Any conspiracy to commit such an act also qualifies as an intentional act. The exclusion applies even to innocent insureds (insureds who do not participate in an intentional act, including its planning).

Adding the reference to innocent insureds is a response to decisions in various jurisdictions that obligated insurers to settle certain intentional losses.

Example: Gerald and Gessie had their extensive stamp collection insured by a Personal Articles Form that was effective from 3/2/2023 to 3/1/204. On 5/7/2023, most of the collection was destroyed in a fire. Their insurance company became suspicious when, during their investigation, they found evidence that part of the collection's most valuable items were removed before the loss. However, those items were included as part of the insureds' claim. They later discover that Gerald had set the fire. The entire claim is denied, even though it was also proven that Gessie had no knowledge of Gerald's intentional act. Gessie sues her insurance company and wins. However, on appeal by the insurer, the higher court rules that, in accordance with the intentional loss provision, Gessie still is ineligible for coverage due to Gerald's intentional act.

5. Neglect

This exclusion bars coverage for any failure on the insured's part to use all reasonable means to save and preserve property at and after the time of a loss. This exclusion fits perfectly with the intent of insurance to cover losses that are accidents or, in other words, which are beyond the control of the policyholder. It is logical to exclude payment for losses that could have been prevented by an insured taking care to protect his or her property.

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Remember, though, that the exclusion is for failure to take ordinary, rather than heroic, measures.

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D. Loss Conditions

1. Loss Settlement

a. Standard Loss Settlement

(1) Scheduled Property

This condition applies to all specifically described items that are NOT subject to settlement at an agreed value.

Note: Agreed value applies to items appearing in the schedule with a double asterisk ** next to them.

Regardless of the value that appears in the schedule, any loss payment is actually determined according to the least expensive among the following options:

- (a)** Item's actual cash value (market value less depreciation) that exists at the time of loss
- (b)** The cost of reasonable repairs it would take to restore the damaged property to its pre-loss condition
- (c)** The amount necessary to replace a damaged or loss item with a substantially identical item
- (d)** The insurance limit that appears for the lost or damaged article

(2) Newly Acquired Property

Regardless of the value that appears in the schedule, any loss payment involving eligible, newly acquired property is actually determined according to the least expensive among the following options:

- (a)** Item's actual cash value (market value less depreciation) that exists at the time of loss
- (b)** The cost of reasonable repairs it would take to restore the damaged property to its pre-loss condition
- (c)** The amount necessary to replace a damaged or loss item with a substantially identical item
- (d)** The insurance limit that is applicable for the class of property

(3) Loss To a Pair, Set or Parts

When property that is part of a pair or set (or has multiple parts) suffers a covered loss, the insurer can choose to settle on one of the following basis:

- (a)** Repair or replace any component that results in returning the pair or set to its pre-loss value

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- (b) Pay the amount equal to the pair or set's pre-loss and post-loss actual cash value
- (c) Pay an amount that represents the value of the item that has been damaged or lost.

Example: Lamie Lenskuva's Camera Schedule includes coverage for a Perspektivs Company Custom Lens Package. The package contains four lenses (a coated extension lens, wide-angle lens, close-up lens, and telephoto lens). The package is valued at \$1,000. While on a walk, some rotten kid on a bike snatches at the camera that's hanging around Lamie's neck. Lamie tugs at the lanyard and pulls the camera out of the kid's hands. However, the kid has ripped off the extension lens from its mounting and, as he pedals away, smashes the lens on the street, destroying it.

Scenario 1: The extension lens is no different than the other lenses in the set. It attaches and detaches independently of the other members.

Scenario 2: The extension lens is the foundation of the lens package. While the extension may be used by itself, all of the other lenses may not be attached to Lamie's camera without first attaching the extension lens.

Under Loss to Pairs and Sets, the insurer may consider the different circumstances. Under 1, the settlement may assume that the extension lens' value is no greater than the other parts and settle the loss, accordingly, say at \$250 (\$1,000 divided by four lenses). Under 2, the loss to the lens is settled for \$400 because the extension must be attached in order to use the other three lenses. The settlement takes this feature into account.

Example: Catelun loads up her car with her camera gear and starts to head home. She stops as she hears a "CRUNCH" under one of her rear tires. Catelun gets out of her car to investigate and finds that she has run over the camera mount. The mount allows her to attach cameras to her Stabilizer Model 450 Camera Tripod. When Catelun turns in a loss request for replacement of the \$300 tripod, she is paid \$45 to cover the loss of the mount which is a standard piece that can be purchased from any camera department.

Note: This condition **DOES NOT** say whether the insurer has the option of paying the least or most expensive of these options. However, it would be consistent with other settlement provisions of the policy that an insurer is likely to select the least expensive option.

When such a loss involves fine arts, the insurer will pay an amount equal to the property's pre-loss value and will take possession of the existing, remaining parts.

(4) Recovered Property

The named insured and the insurer are obligated to tell each other when, after a loss has been paid, property involved in the claim has been recovered. What happens next is up to the named insured. The named insured may allow the company to have or keep the property or the property may be kept by (or returned to) the named insured. If the property is returned to the named insured, any payment has to be adjusted to reflect the condition or value of the property. In other words, the named insured may have to return part or all of any loss payment.

b. Agreed Value Loss Settlement – Scheduled Property Only

- (1) **This condition applies to all specifically described items that are subject to settlement at an agreed value.**

Note: Agreed value applies to items appearing in the schedule with a double asterisk ** next to them.

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The value that appears in the schedule, per agreement, is the established value that the insurer will pay for any lost or damaged item. If the insurer requests, the insured is obligated to surrender any existing property.

(2) When property that is part of a pair or set (or has multiple parts) suffers a covered loss, the insurer can choose to settle on the following basis:

(a) Pay the scheduled amount which, as agreed, represents the full value of the items (pair, set or multi-part property) that has been damaged or lost.

(b) After payment, the insurer at its option may take possession of any existing, remaining parts.

(3) If, after a loss has been paid, lost, or stolen has been recovered, the named insured must surrender property to the insurance company.

(4) If the named insured wants the recovered property back, the item or items may be returned at a price negotiated between the named insured and the insurer.

c. **Unscheduled Property – Blanket Insurance**

(1) Postage Stamp or Rare and Current Coin Collections

The insurance company is obligated to pay for losses involving items under blanket coverage on a proportional basis. Payment for lost to unscheduled stamp or coin collection property will be based on the percentage of actual cash value of the lost or damaged property compared to the total, listed blanket amount. However, the proportional payment is also subject to the following payment caps:

(a) A maximum of \$1,000 for any unscheduled coin collection or

(b) A maximum of \$250 for any individual item (stamp or coin) or for a single stamp pair, strip; block series sheet, cover, frame, or card.

(2) Cameras, Fine Arts, Golfers' Equipment, Musical Instruments and Silverware The insurance company is obligated to pay for losses involving cameras, fine arts,

golfers' equipment, musical instruments, and silverware under blanket coverage on a proportional basis. Payment for loss to such unscheduled property will be based on the percentage of actual cash value of the lost or damaged property compared to the total listed blanket amount. However, the proportional payment is also subject to a maximum of \$500 for any individual item.

2. **Loss Clause**

Making an eligible payment under this form for a given loss (except for a total loss) will not reduce the amount of coverage available to pay for other eligible losses that involve scheduled property. When there is a total loss of an item the insurance company will return any applicable premium that has not been earned. If the property is replaced, any such return premium may be applied to the amount of premium due for the replacement property.

3. **Loss Payment**

a. The insurance company will adjust all losses with the named insured. The insurance company will pay the named insured unless another party has already paid such claim or some other person is named in the policy or has a legal right to receive payment.

b. All losses will be payable 60 days after the insurance company receives the named insured's proof of loss and after one of the following occurs:

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- (1) The insurance company reaches an agreement with the named insured
- (2) An entry of final judgment is entered
- (3) The insurance company receives filing of an appraisal award.

This condition explains to the insured that the insurance company is only obligated to deal with persons who have a valid interest in the loss and not with disinterested third parties such as lawyers or independent brokers or specialists.

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4. Duties after Loss

This provision reinforces an insured's prime obligation to strictly comply with the terms "take action." It explains that if an insured fails to perform the specified duties and if that failure adversely affects (prejudices) the insurer, the insurer is no longer obligated to provide coverage. An insured's cooperation is critical to an insurance company's ability to perform under the insurance contract.

In case of a loss to covered property, the named insured, the insured seeking coverage or a representative of either party is responsible for:

- a. Giving prompt notice to the insurance company or the insurance company's agent.
- b. Notifying the proper authorities in case of loss by theft.
- c. Protecting the property from further damage.

If repairs to the property are necessary, the insured is required to do both of the following:

- Make reasonable and necessary repairs to protect the property
 - Keep an accurate record of repair expenses because most are covered under the policy.
- d. Cooperate with the insurance company in the investigation of a claim.

This item acts as an important reminder that the insured must be an active and willing participant in the claims process.

Example: The Hardingtons submitted a claim for \$8,000 for damaged musical instruments. The Stonewalls sent in a detailed list of the instruments, but they never allowed their insurance company to view the damaged property. Later they claimed that they saw no need to keep the property around as they expected to replace it with claim funds from the insurer. The Hardingtons filed suit after their insurer denied coverage, citing failure to cooperate.

Example: Primberly Bellwether notices that her emerald necklace she was wearing when she went on a dinner cruise on September 15th is missing. She hunts around her home for it and then stops searching, thinking she will ask the cruise boat owner about it. Primberly is reminded about the missing necklace when her husband buys her a pair of matching earrings for Christmas. She asks the boat owner if he found it and then she files a claim for it. The insurer receives the claim report a couple of days after it is mailed, on January 29th. The insurer springs into action, immediately notifying Primberly that, due to the delay in reporting the loss, her claim is denied.

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e. Prepare an inventory of damaged personal property.

The inventory must show the quantity, description, actual cash value and amount of loss. The insured should also attach any bills, receipts and related documents that will justify the figures reported in the inventory.

f. As often as is required by the insurance company; the insured must do all of the following:

(1) Show the damaged property

(2) Provide the insurance company with the records and documents that they request and allow them to make copies

(3) Submit to and sign an examination while under oath and without being in the presence of any other insured

(4) Assist in making any other relevant parties (household employees, household members or others) available to the insurer for questioning under oath. However, this requirement is only to help to a reasonable degree.

This condition may appear to be heavy-handed, but the insurer is in the vulnerable position of having to rely on the insured concerning the scope of the loss. The insurer is merely asserting its chances of getting accurate information for investigating a claim.

Unfortunately, this condition often becomes a battleground between insurers and claimants. The interests of insureds may have been better served if this condition contained some wording that obligated an insurer to exercise courtesy and reasonableness when enforcing this provision.

(5) The named insured must send to the insurance company, within 90 days after its request, a signed, sworn proof of loss which to the best of the named insured's knowledge describes the following:

(a) The time and cause of loss

(b) The interest of all "insureds" and all others in the applicable property, including all available information on any property liens

(c) Other insurance which may cover the loss

(d) The inventory of damaged personal property described in an earlier part of this section

5. Loss Payable Clause

The purpose of this provision is to change the way the policy operates when a loss payee appears on the policy declarations. When a loss payee appears, the loss payee is included in the definition of insured with regards to the covered property. Further, the loss payee is entitled to written notification if the policy is cancelled or not renewed. And the insurance company agrees to make such notification.

E. Other Conditions

1. Policy Period

This item merely states that the coverage supplied by this policy is only valid for loss that actually occurs during the applicable policy period.

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2. Insurable Interest and Limit of Liability

Regardless of the number of people who have an insurable interest in the property covered, the insurance company providing coverage is limited in its response. It won't pay an insured more than the amount of that insured's interest applying at the time of loss. It also will pay no more than the limit of liability for the covered property.

Specifically, this form is only obligated to pay the policy limit that applies to a covered person who has suffered a loss to covered property.

3. Claim Against Others

This part of the policy allows the insurer to recover against any person who is legally responsible for a loss that is paid under this policy. When the insurance company believes such a party exists, any payment it makes to the named insured for a loss is deemed a loan.

Example: Yancy Trustem is happy to help her neighbor by lending her new camcorder. Unknown to Yancy, her neighbor gives the camcorder to her son, Firebran, who needs it for an extra credit project for school. Firebran is doing a homemade documentary on his skateboard gang. Firebran ends up destroying the camcorder after deciding to tape it to the top of his skateboard for "some really awesome action shots."

Yancy's insurer, Point 'n' Pay Mutual, pays her nearly \$1,900 to replace the camera. Point 'n' Pay's adjuster then asks Yancy to sign over her rights to recovery. The adjuster then goes next to discuss arrangements for repayment with little Firebran's parents.

The insurer may require the named insured to actively assist with all efforts to secure payment from other parties as well as permit the insurance company to assume the legal right to pursue applicable recovery payments. In other words, the rights assumed by the insurance company are only good for the maximum amount that the insurer paid to handle the loss.

Any amounts received by the named insured from other, responsible parties must be repaid to the insurer up to the amount of the loan it previously paid.

4. Appraisal

If the named insured and the insurer disagree on the amount of loss, either party can demand that the loss be appraised. In this process:

- each party chooses a competent, impartial appraiser no later than 20 days after getting the other party's request for an appraisal,
- the two appraisers will choose an umpire
- each party has to share the cost of the judge and pay the entire expense for their own appraiser.

If the appraisers cannot agree upon an umpire within 15 days, either the insurer or the named insured can ask that a judge be selected by a court of record in the state where the "residence premises" is located.

The appraisers have to submit separate opinions on the loss amount and an agreement (submitted to the insurer in writing) between any two persons (among the appraisers and the judge) becomes binding on both the insurer and the policyholder.

5. Other Insurance and Service Agreement

This represents a broader intent than the traditional other insurance provision since it addresses other sources of protection.

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If a covered loss is also protected by other insurance, the insurer's payment obligation is shared with the other coverage source. Specifically, the insurer becomes obligated to pay only its share of the loss. The share is determined by taking the total amount of available insurance and determining the insurer's percentage of coverage.

If any valid service agreement applies to the covered property, this insurance is triggered once the amount available under the service agreement is paid. Service agreement refers to the following:

- Service plan
- Property restoration plan
- Warranties.

This condition applies even if, rather than being called a warranty or plan, the other source of coverage calls itself insurance.

Note: This condition only refers to other coverage but does not specify whether the other source has to be valid and collectible. Therefore, a dispute could arise depending upon how this condition is exercised.

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6. Suit Against Us

This condition states that no one can sue the insurer until all terms and conditions under this form have been complied with. Further, any suit has to be filed no later than two years after the loss date. The intent of this provision is to make certain that an insured follows the terms of the policy in order to avoid a lawsuit so that the lawsuit becomes a last resort. It should be to everyone's advantage if conflicts can be resolved without having to go to court. However, suits happen and if this alternative is chosen, the insured must file the action within two years of the loss date.

Example: Primberly is furious about her insurer denying coverage for her missing emerald necklace, just because she reported the loss "fashionably late." Primberly eventually files a lawsuit against her insurer over two years after the loss date. Her insurer notifies her that, since she filed the lawsuit after 24 months from the original loss date, she is barred from suing.

7. Insurance Not To Benefit Others

Through this policy provision, an insurer denies any policy benefit to entities (personal or commercial) that charge or receive a fee for providing a wide variety of services that involve having custody of the property:

8. Changes In Policy

An insurer has to give written permission or approval in order to make any valid waivers or changes in the policy.

9. Concealment or Fraud

This provision voids coverage to all persons otherwise eligible for protection if the insurer discovers any incidents of significant information being kept from it (either due to concealment or misrepresentation). Loss of coverage also results if any otherwise, covered persons are guilty of fraudulent behavior or lying (false statement) regarding any aspect of the applicable insurance coverage.

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The provision attempts to be comprehensive, barring coverage to all parties, including innocent insureds. However, the provision wording may likely cause confusion over how it applies and appears to be vulnerable to court scrutiny in the event of claims.

10. Liberalization Clause

If the insurance company makes a change which broadens coverage under this edition of the policy and there is no additional premium charge for that change, it automatically applies to this policy as of the date the change is implemented in the state in which the policy is issued. However, this applies only if the implementation date falls within 60 days prior to the policy inception date or during the policy period stated in the declarations.

It is very important to note that this clause does not apply to changes introduced in a general program revision which includes both broadening and restricting features. A general program revision can be implemented through either a subsequent policy edition OR through an amendatory endorsement.

11. Cancellations

a. The named insured has the right to cancel the policy at any time and for any reason. The only requirement is that the policy be returned or that a written notice be given to the insurance company. The named insured must specify that date upon which the cancellation is to be effective.

b. The insurance company is more restricted in how it may cancel the policy. A written notice must either be given to the named insured or mailed to the mailing address on the declarations.

Note: Proof of mailing (or delivery of notice) will be sufficient proof of notice.

The insurance company may cancel at any time by providing no less than 10 days' notice before the date cancellation takes effect.

The premium for the unused days of insurance must be refunded when the policy is cancelled. The refund must be calculated on a pro rata basis when initiated by the insurance company but may be on a short rate basis when cancellation is initiated by the named insured.

12. Nonrenewal

The insurance company has the right to not renew this policy. If they do, they must either deliver a non-renewal notice to the named insured or mail such a notice to the mailing address on the declarations. The notice must be provided no less than 30 days before the expiration date of this policy. Only proof of mailing is required as a proof of notice.

13. Death

If an insured dies the insurance company will insure the legal representative of the deceased. This insurance is limited to only the property of the deceased covered under the policy at the time of death. Whoever was a member of the insured's household at the time of the death is an insured but only while a resident of the residence premises. Also, whoever has temporary custody of the insured's property is an insured but only until the appointment and qualification of a legal representative.

- Applicable ISO Personal Inland Marine Base Policy Form(s)
- PM 00 09–Personal Articles Standard Loss Settlement Form
- PM 00 10–Personal Articles Agreed Value Loss Settlement Form

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ISO PM 00 09–Personal Articles Standard Loss Settlement Form

Purpose

Personal articles coverage, whether in the form of an endorsement or a separate policy, protects property against direct damage. Coverage includes valuable property associated with family and home life.

Separate coverage or scheduling facilitates protection at amounts that accurately reflect its value. Valuation is typically based upon relevant documentation such as a current appraisal or sales receipt. Separate protection is important since severe coverage limitations exist in standard homeowners policies for such property.

Personal articles coverage may be written as a separate policy, as an endorsement to a Homeowners policy or, by some companies, as an endorsement to other types of personal policies.

ANALYSIS OF POLICY

ISO provides inland marine personal articles coverage using one of two forms: PM 00 09–Personal Articles Standard Loss Settlement Form and PM 00 10–Personal Articles Agreed Value Loss Settlement Forms. The only difference between the forms is the settlement option. This analysis is based on the PM 00 09. The settlement difference will be discussed at the end of this analysis.

SCHEDULE

The schedule has space to enter the limit of insurance and premium that applies to one of more of the following classes of property:

- Jewelry
- Furs (including fur-trimmed items)
- Cameras
- Musical Instruments
- Silverware
- Golfers Equipment
- Fine Arts (including information on additional locations and whether breakage coverage applies)
- Collections (postage and coins)

The form has additional space for specifically listing items including indicating whether breakage coverage (fine arts) or in-vault coverage (jewelry) applies.

However, even if a limit is shown there is no coverage for a particular item unless it is specifically scheduled. The only exception is property that is considered *Unscheduled Property* subject to a blanket amount. A description of the unscheduled property and a limit for it must be provided. This is considered for Fine Arts but other classes can use this approach.

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A. Property Covered

Personal Articles Floater coverage applies globally to all items listed as covered property.

1. Scheduled Property

Insures against all risks of direct loss to the property of a given property class for which an insurance amount and premium is entered.

The amount of payment for a particular item is subject to Paragraph D. 1. Loss Settlement in the Common Policy Provisions Form PM 00 01 since that provision includes coverage limitations.

2. Unscheduled Property – Blanket Insurance

This provision affects only coverage to eligible classes of property other than jewelry and furs.

Insures against all risks of direct loss to the property of a given property class for which an insurance amount and premium is entered.

The amount of payment for a particular item is subject to Paragraph D. 1. Loss Settlement in the Common Policy Provisions Form PM 00 01 since that provision includes coverage limitations.

3. Fine Arts – Scheduled and Unscheduled

Regardless whether protection applies specifically or on a blanket basis, items classified as fine art are subject to the following:

a. The applicable premium that appears in the schedule is based on the information the named insured supplied on that property's location

b. If any covered items are moved from or to the listed location, it may only occur if the items are properly handled (packed and unpacked) by competent personnel.

In other words, losses involving any fine arts might be voided if the loss circumstances involved either unlisted locations or improper handling.

4. Classes of Property Described – These descriptions apply to such property that is owned by the name insured

a. Cameras

The following items listed are examples of what a camera is but the listing should not be considered a limitation:

(1) Cameras – Analog and Digital, (whether they have motion or still capabilities)

(2) Projection machines – whether movie, multi-media, overhead or slide variety

(3) Portable Sound Equipment – but it must be related to motion or still film processes (operation, projection recording or reproduction)

(4) Other ocular equipment (binoculars, microscopes, telescopes), but only if used with photographic equipment

(5) Related photographic and projection media (CDs, Diskettes, DVDs, Film, and Tapes)

(6) Accessories and Equipment, but only such property that is related to photography

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b. Musical Instruments

This class includes all listed musical instruments. It also applies to accessories, equipment and sheet music that are related to the instruments covered by the policy.

Example: An insured turns in a fire claim that includes damage to guitars, keyboards, and drums. Since the Personal Article Form's schedule only refers to guitars and drums, no coverage applies to the keyboards.

c. Silverware

(1) This class of property includes silverware, silver plate, gold plate, pewter and platinum (as well as dinnerware that are plated with these metals)

(2) Flatware, hollowware, tea sets, trays and trophies are deemed silverware property if it is made of silver, gold, pewter, or platinum

d. Golfers' Equipment

This property class applies to golf clubs, golf clothing and golf equipment belonging to an insured. It also covers other clothing belonging to the insured while it is kept in any locker situated in a clubhouse or other building used in connection with golfing. Not that the following is a substantial point, but golf balls are insured only against loss by fire or burglary (if burglary appears to be the likely cause). In order to qualify for coverage, there must be evidence that balls were taken from within a building. Further, there must be evidence that a person broke into a covered location.

Example: Jada's sleeve of custom, monogrammed golf balls disappeared from a clubhouse dining room table - not covered.

e. Fine Arts

This applies to the following private, as opposed to commercially oriented property:

(1) Drawings (refers as well to etchings, lithographs, paintings, pictures, or tapestries)

(2) Windows made of art glass

(3) Legitimate artwork (includes, but not limited to antique furniture/silver, bric-a-brac, porcelains, rare books [including manuscripts], rare glass, rugs, and statues [bronze or marble])

(4) Other property that qualifies under this class are other rare items that have measurable artistic merit or historical value.

f. Postage Stamp Collections

This property class applies to a wide variety of philatelic property that is either owned by or in the care, custody, or control of an insured such as the following:

(1) Postal stamps (due, envelope, official, match, medical and revenue)

(2) Covers, essays, locals, proofs, and reprints (as well as similar property)

(3) Stamp books, mountings, and pages (but only when they contain covered philatelic property)

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g. Rare and Current Coin Collections

This property class applies to a wide variety of items that facilitated financial transactions or with honorific value that are owned by or in the care, custody, or control of an insured such as the following:

- (1) Bank notes, medals, and paper money
- (2) Money, tokens, and similar numismatic property
- (3) Property used to display, contain, or mount property that qualifies as coins and numismatic property

Example: Shimmerly Jimstonz has a Personal Article Floater with the following schedule:

Personal Article Policy Schedule

<u>Item</u>	<u>Coverage Amount</u>	<u>Premium</u>
Diamond Bracelet	\$3,355	\$42
Emerald Ring	\$3,200	\$51
Diamond Earrings	\$2,900	\$30
Black Pearl Necklace	\$4,780	\$93
Total	\$14,235	\$216

Scenario 1: On June 1, Shimmerly's latest gentleman friend celebrates their six months of dating by giving her a ruby pendant valued at \$2,100.

Shimmerly wears the pendant frequently on a favorite jacket. During a July 8 dinner date, with yet another gentleman admirer, Shimmerly returns to her table from the dance floor and notices that the pendant has been removed from her jacket. When she files a claim, her adjuster from Snooterly Property & Casualty denies coverage. Shimmerly is informed via certified mail that the pendant should have been added to her floater by July 1.

Scenario 2: On August 5, Shimmerly is visiting a friend who takes her to a private estate auction. Shimmerly falls in love with an authentic bronze statue of a Roman gladiator that is valued at \$3,500. On August 9, Shimmerly loads the statue and luggage in the back seat of her car for the long drive home. When she returns to her car that she had parked while eating at a highway restaurant, she discovers her back window smashed and her statue gone. She reports the loss as soon as she gets home on August 10 and she is furious to hear that the loss does not qualify for scheduled coverage. Shimmerly points out that she only owned the statue for several days. The Snooterly P&C adjuster explains that the Newly

Acquired provision would apply to a new piece of jewelry (which is on her current schedule), but not an entirely different class of property such as her statue.

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5. Newly Acquired Property

An important coverage benefit of the personal articles form is the automatic coverage for newly acquired items of jewelry, furs, cameras, musical instruments, and fine arts. However, the coverage for new purchases only applies when scheduled coverage already exists for similar property.

a. Jewelry, Furs and Cameras

The automatic limit is 25% of the amount of insurance for the class of property involved or \$10,000, whichever is less.

b. Musical Instruments

The automatic limit is 25% of the amount of insurance for the class of property involved or \$10,000, whichever is less. However, another restriction applies. If the policy covers any musical instruments on a blanket basis, newly acquired property in that class is ineligible for coverage if it is owned by (or rented to) a municipality, school, or school board.

Note: This class of property's location requirement would also act to further limit coverage.

c. Fine Arts

The automatic limit is 25% of the amount of insurance for the class of property involved.

d. Reporting Condition

The newly acquired property feature is particularly helpful since persons who schedule coverage are likely to be persons who collect higher-valued property. This coverage feature allows such persons reasonable time to remember to report their new property and, most importantly, have their coverage adjusted. Of course, prudent action often needs encouragement, so, it is a condition that coverage ceases on a newly acquired item if it is not reported within 30 days, except for fine arts which is 90 days.

B. Property Not Covered

Personal Articles Floater coverage is inapplicable to a number of situations in several property classes. Specifically, under the following:

1. Jewelry

- a. Gems that are not in jewelry mountings
- b. Precious metals (silver, gold, platinum, etc.) not in common form, including bullion
- c. Goldware, pewterware, platinumware, and silverware, including such property plated with these metals
- d. Flatware, hollowware, tea sets, trays and trophies made of which include precious metals (including plating)

Coverage is denied as the above items are either too prone to loss, difficult to value, or which are covered under other property classes.

2. Cameras

Ineligible property extends to property highly likely to be used commercially. Therefore, items failing to qualify include aerial and radar cameras (including related accessories and equipment), TV cameras, accessories, and equipment (when used commercially), cameras operated by coins/tokens, cameras, equipment, and accessories that are owned by dealers or manufacturers.

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3. Musical Instruments

Ineligibility under this class is created by property use. Unless such coverage is purchased as an option, getting paid for instrument use disqualifies the property. This exclusion is lifted if a performance for pay appears in the form's Declarations.

Playing for pay includes use of the property as a paid music instructor anytime within the policy period. Also, payment for other instrument use any time during the policy period qualifies as paid performance.

4. Silverware

Ineligibility under this class extends to pens, pencils, flasks, smoking accessories, or jewelry that are made of or which includes silver or other precious metals.

5. Fine Art

Ineligibility under this class occurs according to who, effectively, owns or controls such property. Specifically, disqualification extends to the following instances:

- a. Fine arts held by an art gallery, art institution, auction house, art dealer or which is on public display in a room or museum. Ineligibility applies when such property has existing coverage under the applicable party having custody.
- b. Fine art that is on exhibit at fairs or at expositions (national or international). However, such property is still eligible if the personal articles policy lists the location as a covered location.
- c. Fine art that is owned by and insured on the behalf of government authorities (County, Federal, Municipal or State).

6. Postage Stamps and Coins

Ineligibility under this class occurs for the following several reasons:

- a. The property is NOT part of a collection (either stamp or coin)
- b. The property while being mailed (unless it is registered mail)
- c. The property is in the custody of a transportation company Finally, legal status also affects eligibility.

7. Contraband and Illegal activity

Regardless the type of property, if it is contraband or is involved in any form of illegal activity, it is disqualified as covered property.

Example: Billy's guitar is made of Brazilian rosewood which is subject to a ban in the United States. The guitar was destroyed and, because the guitar was made of contraband material, its loss was not eligible for coverage. The only exception would be if there was authenticated provenance that the rosewood used in the guitar had been purchased prior to the ban.

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C. Perils Insured Against

The ISO Personal Articles Policy protects against all forms of direct, physical loss. However, it does not insure against loss or damage caused by:

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1. Wear and tear, or gradual deterioration
2. Insects, vermin, or inherent vice
3. With regard to a covered, permanently installed organ (Musical Instruments section), no protection applies to:
 - a. Loss involving breakdown or failure (electrical or mechanical)
 - b. Repairs, adjustments, service, or maintenance (except coverage still applies to fire or explosion that occurs along with such activity). However, regarding the ensuing fire or explosion exception, coverage applies only to the portion of loss directly attributable to those perils.
4. With regard to any applicable Fine Arts coverage, no protection extends to the following:
 - a. Loss due to breakage that occurs to art glass windows, bric-a-brac, glassware, marble, porcelains, statuary, and similar articles.
 - b. An exception is made to breakage loss when it is due to any of the following:
 - Fire or lightning
 - Aircraft, collision, or explosion
 - Earthquake, flood, or windstorm
 - Malicious damage or theft
 - Conveyance derailment or overturn
5. With regard to any applicable Postage Stamps or Rare and Current Coin Collection coverage, no loss applies to any of the following:
 - a. Loss directly connected to covered property being handled or worked upon
Example: John has taken a framed, prized stamp cover to have it examined and appraised. As the appraiser attempts to remove the cover from the frame mounting, he tears it in two. This damage is not covered.
 - b. Loss from ordinary sources such as:
 - (1) Creases, dents, fading, scratches, tears or thinning
 - (2) Color transfer, dampness, depreciation, inherent defect, or temperature extremes
 - (3) Individual article disappearance (including coins or stamps). However, exceptions exist for individual items that are specifically described and insured as well as items that are mounted in a volume and the volume page containing the item also disappears.

D. Deductible

This insurance is subject to the policy deductible that appears on the declaration page.

E. Options

The ISO Personal Articles Policy offers several additional coverages as options that supplement its base coverage. The following options are in effect if the policy shows that they have been selected either in the declarations or elsewhere.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

1. Safe or Vault Premium Credit for Postage Stamp and Coin Collections

A premium credit applies to the amount charged for insuring property under these classes. However, the credit is contingent upon keeping 75% of the collections within either a fireproof safe or within a vault that is equipped with a combination lock. The storage requirement applies only when property is not being used or exhibited.

The 75% of the collection stipulation is based on the collection's total value covered, not on its volume.

2. Named Perils Coverage for Musical Instruments

When this option is selected, the risk of direct physical loss coverage for musical instruments is replaced with protection granted only for loss created by the named perils of fire, lightning, cyclone, tornado, flood, theft, or conveyance accident.

3. Breakage of Fragile Articles Coverage for Fine Arts

When this option is selected, the breakage limitation does not apply to described articles where a dagger mark is printed next to those articles.

4. Windstorm, Hurricane or Tornado Exclusion for Fine Arts

When this option applies, all items within the fine arts property class are stripped of protection against severe wind loss (windstorm, hurricane, or tornado). The exclusion applies to both direct and indirect severe wind loss and is unaffected by the location of the property.

5. Jewelry in Vault Credit

When the named insured accepts this premium credit, the following stipulations apply:

a. Specified jewelry indicated on the policy Schedule with a number mark (#) next to the item description must be stored within a vault. The vault must be located at an institution (bank or security firm) appearing in the declarations or elsewhere in the policy.

b. No coverage applies to article damage or loss when such articles are not located as stipulated. However, an exception is granted if, before removing the property, the insurance company is notified and has already been paid an applicable premium to cover the additional exposure during the removal period.

6. Jewelry Pair or Set Broad Coverage

When this option is selected, the Loss To A Pair, Sets Or Parts in PM 00 01–Common Policy Provisions Form that applies to jewelry is replaced by this item which provides the following:

When loss occurs to scheduled jewelry which is a pair, set, or consists of multiple parts, the insurer has the option of paying the full, scheduled value for the complete pair, set or multiple part item and then the named insured must surrender any remaining parts of the item to the insurance company.

This option lends reasonableness to the settlement process. Sometimes a loss will involve matched set property which, for all practical purpose, cannot be made complete if part of the set is lost or destroyed. Though a cash settlement is not a perfect option, it at least provides some level of compensation when property just cannot be restored or replaced.

7. Additional Person Insured – Engagement Ring, Wedding Ring Or Guard Ring Only

When this option applies, another party with a legitimate financial interest in a specified article of jewelry must be listed on the policy or in the declarations. However, that status is ONLY with regard to the identified jewelry item.

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The insured specifically agrees that such additional interest has no covered status regarding any other part of the policy.

F. Loss Conditions

Under this provision, Item D.1. b. Agreed Value Loss Settlement – Scheduled Property Only under PM 00 01 Common Policy Conditions form is modified so that it ONLY applies to items classified as Fine Arts.

PM 00 10–Personal Articles Agreed Value Loss Settlement Form

This form is identical to the PM 00 09 described above except for two sections.

Under Section E. Options, the Jewelry Pair or Set Broad Coverage is eliminated.

Under Section F. Loss Conditions, all references to PM 00 01, Paragraph D.1.a, Standard Loss Settlement is deleted. This means that the Agreed Value Loss Settlement – Scheduled Property Only applies along with Unscheduled Property – Blanket Insurance Loss Settlement.

PM 00 11–Jewelry and Furs

[ISO PM 00 11–Jewelry and Furs Form](#)

The Jewelry and Furs Form is an inland marine coverage focusing on individually owned furs and jewelry.

Purchasing separate coverage facilitates protection at amounts that best reflect a special property's value. Valuation is typically based upon relevant documentation such as a current appraisal or sales receipt. Separate protection is important because severe coverage limitations exist in standard homeowners policies for such property.

Inland marine coverage can be purchased using this form to cover a single class of property. Coverage is also available under a personal articles floater. The latter provides protection for jewelry and furs along with several other property classes.

ANALYSIS OF POLICY SCHEDULE

The schedule has space to indicate coverage for the following:

- Amount of insurance and premium for all jewelry that is scheduled
- Amount of insurance and premium for all furs that are listed as scheduled property
- Property Scheduled

The schedule includes a reference that property, if specially marked, will be subject to the Agreed Value Loss Settlement provision in PM 00 01–Common Policy Provisions. There is also reference regarding separate indication that must be made to items that the policyholder is to store in a vault.

A. Property Covered

Jewelry and Furs Form coverage applies globally to all items listed as covered property. Such property must be owned by the named insured.

Example: Gregory is upset over news from his insurer. His claim involving theft of expensive, jeweled cufflinks and a ring has been reduced. The ring belongs to Gregory, but he had borrowed the cufflinks from his grandfather and that part of the loss is not covered.

Of course, other provisions or conditions may affect coverage.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

1. Scheduled Jewelry and Furs

Insures against all risks of direct loss to the property (jewelry and furs) that is specifically listed in the schedule. Coverage applies only when an insurance amount and premium is shown next to a given property class.

Reference must be made to Paragraph D.1. Loss Settlement in the PM 00 01–Common Policy Provisions because that provision includes coverage limitations.

2. Newly Acquired Property

a. An important coverage benefit of the jewelry and furs form is the automatic coverage for newly acquired items. The automatic limit is 25% of the amount of insurance for the class of property involved or \$10,000, whichever is less.

b. The newly acquired property feature is particularly helpful since persons who schedule coverage are likely to be persons who collect higher-valued property. This coverage feature allows such persons reasonable time to remember to report their new property and, most importantly, have their coverage adjusted.

This form states that coverage ceases on a newly acquired item if it is not reported within 30 days (or at the end of the policy period if it arrives first). Another requirement is that the named insured pays all due, additional premium for the new item as of the acquisition date.

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Example: An insured has a separate fur and jewelry policy with 2/1/21 to 2/1/22 policy dates. The policy has the following schedule:

Item	Insurance Limit
Mink coat (long)	\$7,500
Rabbit coat w/hood	\$400
Leather raincoat	\$1,600
Lynx jacket	\$5,200
Raccoon jacket	\$2,400
Total	\$17,100

Scenario 1: On May 5th, the insured buys an ermine-trimmed leather coat for \$5,500. On May 23, the coat is stolen during a break-in at the insured's home. If the purchase were not yet reported, the insured could recover a maximum of \$4,275 on the item since that represents 25% of the current scheduled coverage.

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Scenario 2: On May 5th, the insured buys an ermine-trimmed leather coat for \$5,500. On June 11, the coat is stolen during a break-in at the insured's home. If the purchase were not yet reported, the insured could not recover anything for the loss since the acquisition was not reported within 30 days or in this case, by June 5th.

Scenario 3: On May 5th, the insured buys an emerald ring for \$3,200. On May 23, the ring is stolen during a break-in at the insured's home. If the purchase were not yet reported, the insured could not recover anything. Even though the loss occurred less than 30 days from the ring's acquisition, the insured has only scheduled FURS (and leather), so the 25% limit is inapplicable to the JEWELRY.

B. Property Not Covered

Jewelry and Furs Forms coverage is inapplicable to a number of situations. Specifically, under the following:

1. Gems that are not in jewelry mountings
2. Precious metals (silver, gold, platinum, etc.) not in common form, including bullion
3. Goldware, pewterware, platinumware and silverware, including such property plated with these metals
4. Flatware, hollowware, tea sets, trays and trophies made of materials which include precious metals (including plating)
5. Regardless the type of property, if it is contraband or is involved in any form of illegal activity, it is disqualified as covered property.

C. Perils Insured Against

The ISO Jewelry and Furs Form protects against all forms of direct, physical loss. However, it does not insure against loss or damage caused by:

1. Wear and tear, or gradual deterioration
2. Inherent vice, insects, or vermin

D. Deductible

This insurance is subject to the policy deductible that appears on the declaration page.

E. Options

The ISO Jewelry and Furs Form offers several additional coverages as options that supplement its base coverage. The following options are in effect if the policy shows that they have been selected either in the declarations or elsewhere.

1. Jewelry Pair or Set Broad Coverage

When this option is selected, the Loss To A Pair, Sets Or Parts in PM 00 01–Common Policy Provisions Form that applies to jewelry is replaced by this item which provides the following:

When loss occurs to scheduled jewelry which is a pair, set, or consists of multiple parts, the insurer has the option of paying the full, scheduled value for the complete pair, set or multiple part item; then the named insured must surrender any remaining, existing parts of the item to the insurance company.

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This option lends reasonableness to the settlement process. Sometimes a loss will involve matched set property which, for all practical purposes, cannot be made complete if part of the set is lost or destroyed. Though a cash settlement is not a perfect option, it at least provides some level of compensation when property just cannot be restored or replaced.

2. Jewelry in Vault Credit

When the named insured accepts this premium credit, the following stipulations apply:

a. Specified jewelry indicated on the policy Schedule with a number mark (#) next to the item description must be stored within a vault. The vault must be located at an institution (bank or security firm) appearing in the declarations or elsewhere in the policy.

b. No coverage applies to article damage or loss when such articles are not located as stipulated. However, an exception is granted if, before removing the property, the insurance company is notified and has already been paid a premium to cover the additional exposure during the removal period.

3. Additional Person Insured – Engagement Ring, Wedding Ring Or Guard Ring Only

When this option applies, another party with a legitimate financial interest in a specified article of jewelry must be listed on the policy or in the declarations. However, that status is ONLY with regard to the identified jewelry item. The insured specifically agrees that such additional interest has no covered status regarding any other part of the policy.

Example: Tara is on her way home from work when she's robbed. Besides her purse and necklace, the robber also takes her platinum engagement ring. The ring contained diamonds. Kevin, her fiancé, shared an appraisal for the ring 10 months earlier when they became engaged. Tara added it to her policy's jewelry schedule for the appraised value of \$6,500. Tara also listed Kevin as an additional person insured.

Scenario 1: Tara's insurance company pays Tara \$4,000 and Kevin is paid \$2,500, the amount he still owed on payments.

Scenario 2: Tara's insurance company pays Tara \$6,500 and Kevin is paid nothing since, at the time of the loss, the ring had been paid for in full.

PM 00 12–Stamp and Coin Collections

ISO PM 00 12–Stamp and Coin Collections Form

The Stamp and Coin Collections Form is a type of inland marine coverage focusing on philatelic and numismatic property and related items. It may help to know the following:

- Numismatic property - Refers to coins, medals, tokens, and similar property.
- Philatelic property - Refers to postal or revenue (tax) stamps and related material.

Purchasing separate coverage facilitates protection at amounts that best reflect a special property's value. Valuation is typically based upon relevant documentation such as a current appraisal or sales receipt. Separate protection is important since severe coverage limitations exists in standard homeowners policies for such property.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

ANALYSIS OF POLICY SCHEDULE

The schedule has space to indicate coverage by entering a limit and premium for each of the following:

- Unscheduled Property – Blanket Insurance (Postage Stamp Collections and Rare/Current Coin Collections)

Note: This is only for low valued items because the maximum payment is \$1,000 per coin collection or \$250 per stamp or coin, subject to even more limitations.

- Scheduled Property

Example: Pete Lamina's Schedule		
Schedule		
Items Covered	Amount of Coverage	Premium
Collection of stamps (200), Stamp books and mountings	\$1,500	\$25 (policy minimum)

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

Example: Klara Blank's Schedule

Schedule		
Item Covered	Amount of Coverage	Premium
1878 Hunter Silver Dollar - mint cond.	\$1,500	\$12
1906 Native Bust Cent - very good cond.	\$900	\$8
1916 Running Servant Half Dollar - extra fine cond.	\$180	\$1
1909 St. Baubles \$20 Gold Piece - very good cond.	\$1,790	\$15
1796 Draped Hair Half Nickel - extra fine cond.	\$1,400	\$10

The form has additional space for specifically listing items and to indicate whether Agreed Value Loss Settlement in Common Policy Provisions Form applies.

A. Property Covered

1. Stamp and Coin Collections coverage applies globally to all items listed as covered property. However, such property must meet the following requirements:

a. It has to be either owned by the named insured or in an insured's possession or control.

Example: Fred returns from a long weekend and finds that his condo was burglarized. He files a claim that includes theft of two separate coin collections. His insurer contacts him, questioning one collection because none of the items he documented as having been stolen appear on his policy's schedule. Fred sends documentation of the items, explaining that they belonged to a nephew who he was helping to organize and categorize. The nephew's property, subject to Fred's policy limit, is eligible for coverage.

b. A coverage limit and applicable premium must be entered next to the property appearing in the declarations.

The property covered by this form is subject to Paragraph D.1. Loss Settlement in PM 00 01—Common Policy Provisions since that provision includes coverage limitations.

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2. Postage Stamp Collections

This property class applies to a wide variety of philatelic property such as the following:

- a. Postal stamps (due, envelope, official match, medical and revenue)
- b. Covers, essays, locals, proofs, and reprints (as well as similar property)
- c. Stamp books, mountings, and pages (but only when they contain covered philatelic property)

3. Rare and Current Coin Collections

This property class applies to a wide variety of items that facilitate financial transactions or with honorific value such as the following:

- a. Bank notes, medals, and paper money
- b. Money tokens and similar numismatic property
- c. Property used to display, contain, or mount property that qualifies as coins and numismatic property

Philatelic property

Postage stamps	Stamped envelopes	Postage due stamps
Official stamps	Revenue (tax) stamps	Match stamps
Medicine stamps	Covers	Locals
Locals	Reprints	Essays
Proofs	Books	Pages and mountings

Numismatic Property

Rare coins	Current coins	Medals
Paper Money	Bank notes	Tokens
Coin albums	Containers	Frames
Cards	Display cabinets	

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

Coverage is provided for all of the above and similar property that is in an insured's possession or control.

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B. Property Not Covered

1. Stamp and Coin Collections Form coverage is inapplicable to a number of situations. Ineligibility under this class occurs for the following reasons:

a. The property is NOT part of a collection (either stamp or coin)

Example: A fire occurs at Stephanie's home. She includes a claim for \$1,750 as part of loss in unscheduled coin property. Her insurer later settles the loss but reduces the coin portion. In its investigation, the company's adjuster finds out that \$800 of the loss involved commemorative Olympic medallions, which is ineligible property.

b. The property while being mailed (unless it is registered mail)

c. The property is in the custody of a transportation company Finally, legal status also affects eligibility.

2. If the property is contraband or is involved in any form of illegal activity, it is disqualified as eligible, covered property.

C. Perils Insured Against

The ISO Stamp and Coin Collections form normally protects against all forms of direct, physical loss. However, it does not insure against loss or damage caused by:

1. Work that is performed on or from handling of covered property

2. The action of:

a. Wear and tear, gradual deterioration, or inherent vice

b. Insects or vermin

c. Creasing, denting, fading, scratching, tearing, or thinning

Example: Mary decides to update her stamp collection inventory and, when opening one album, she notices that a cover sheet had folded over and the pressure of the crease created a wear line on one of her most valuable stamps. This loss in value is not eligible for coverage under her policy.

d. Color transferring, dampness, depreciation, inherent defect, or temperature extremes

e. An individual article disappearing (such as a coin or stamp or other property). However, exceptions exist for individual items that are specifically described and insured as well as items that are mounted in a volume and the volume page containing the item also disappears.

D. Deductible

This insurance is subject to the policy deductible that appears on the declaration page.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

E. Option

The ISO Stamps and Coin Collections Form offers an additional coverage that supplements its base protection, but only if the policy shows that it has been selected either in the declarations or elsewhere.

Safe or Vault Premium Credit for Postage Stamp and Coin Collections

A premium credit applies to the amount charged for insuring property under these classes. However, the credit is contingent upon keeping 75% of the collections within either a fireproof safe or within a vault that is equipped with a combination lock. The storage requirement applies only when property is not being used or exhibited. The 75% of the collection stipulation is based on the collection's total value covered, not on its volume.

Example: Patty reports a theft loss of several coins. Her collection consists of nearly 200 coins. Her coin policy's premium includes a safe or vault credit and she keeps nearly all of her collection in a special home vault. When her loss is settled, the insurance company removes the premium credit and charges her full premium. As it turns out, while the stolen coins that were kept outside of the vault and kept in display cases only accounted for around 10% of her number of coins, they were worth more than 40% of her collection's total value.

UNDERWRITING

The best prospects for Stamp and Coin Collection Floater insurance are individuals who seriously collect stamps or other philatelic property or coins or other numismatic property. Most earnest collectors take pride in their special property and typically exercise great care in handling and protecting their collections. Applications for the insurance should be rejected where there is any indication of a moral hazard.

Policies may not be issued to dealers, auctioneers, societies, clubs, organizations, or in other instances under which insurance or replacement of property is granted to or enjoyed by individuals under an insurance certificate (group coverage).

Coverage is typically only available in the name of two or more persons when the insureds are related and reside together. Property that is jointly owned by two or more unrelated parties can be problematic to handle in the event of a loss. Requests to provide coverage on a blanket basis should be carefully reviewed, making certain that the amount of insurance requested is in line with the actual cash value of the property. Providing specific coverage for described major items with the balance of a collector's property covered on a blanket basis is often a smart coverage option.

PM 00 13—Cameras

ISO PM 00 13—Cameras Form and Underwriting Notes

The Cameras Form is a type of inland marine coverage focusing on photographic and related equipment. Purchasing separate coverage facilitates protection at amounts that best reflect their value. Valuation is typically based upon relevant documentation such as a current appraisal or sales receipt. Separate protection is important since severe coverage limitations exist in standard homeowners policies for such property.

Example: Tara's home was insured under a standard, HO 00 03 policy when burglars broke in. She received a settlement check on the claim she filed, but she was shocked that barely one-tenth of the value of her thousands of dollars in photography equipment the burglars stole was covered.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

Inland marine coverage can be purchased using this form to cover a single class of property. Coverage is also available under a personal articles floater. The latter provides protection for cameras along with several other property classes.

ANALYSIS OF POLICY

Schedule

The schedule has space to indicate coverage for the following classes of property:

- Unscheduled Property – Blanket Insurance

Note: This is only for low valued items because the maximum payment is \$500 per item and cover is based on the actual cash value of the item.

- Scheduled Property

The form has additional space for specifically listing items and to indicate whether the Agreed Value Loss Settlement from the Common Policy Provisions Form applies to that item.

A. Property Covered

Cameras Form coverage applies globally to all items listed as covered property.

1. Scheduled And Unscheduled Cameras

Insures cameras, photographic equipment and accessories listed in the form's schedule. Protection is against all risks of direct loss. Coverage is indicated by the appearance of an insurance amount and premium next to the property class.

Example: Schutt R. Bug reported a loss to his insurer under his Camera Form Policy. While camping out, Schutt awoke to find that some animal ran off with his backpack. Schutt found it later., Besides his food being devoured, several pieces of camera equipment were destroyed. The demolished equipment included:		
Klutz-shot, Single Lens Reflex, 35mm	\$580	Listed on schedule
Klutz-shot, Wide Angle Lens	\$270	Listed on schedule
Cringewell Telephoto Lens	\$295	Listed on schedule
Meeksmann, Night-vision Binoculars	\$410	Does not appear on schedule
Schutt is reimbursed for the camera and lens, but not the binoculars because, unlike the camera and accessories, the binoculars were not listed on his floater schedule.		

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Of course, the form also protects unscheduled property. This is useful to avoid having to describe a plethora of items that are of minor, individual value.

Example: Kathie Kamera's Property Schedule is as follows:

VirtuaVue Panoramic Camera	\$3,975	
Portable VirtuaVue "Skypod"	\$390	
Compu-Shot 300	\$1,473	
Cyber-View ver. 2.0		\$2,377 Kondascend
Condenser/Enlarger		\$3,540 BigView Large Format Camera
		\$4,380
Davelupa King Film Tube Set		\$1,750
Total	\$17,885	

Kathie contacts her agent and says that in addition to the above, she has dozens of camera-related items that she would like coverage for, but it would take forever to describe everything such as lenses, filters, focus cloths, developing equipment, etc. Her agent checks with her insurer.

The company tells the agent that, if Kathy provides a general description of her collection, she may cover them on a blanket basis. They evaluate her property and decide to add \$4,200 as a blanket limit.

Reference must be made to Paragraph D. I. Loss Settlement in the Common Policy Provisions Form PM 00 01 since that provision includes coverage limitations.

The following items listed are examples of what a camera is but the listing should not be considered a limitation:

- (1) Cameras – Analog and Digital (whether they have motion or still capabilities)
- (2) Projection machines – whether movie, multi-media, overhead or slide variety
- (3) Portable Sound Equipment – but it must be related to motion or still film processes (operation, projection recording or reproduction)
- (4) Other ocular equipment (binoculars, microscopes, telescopes), but only if used with covered photographic equipment
- (5) Related photographic and projection media (thumb drives, DVDs, film, and tapes)
- (6) Accessories and Equipment, but only such property that is related to photography

The Cameras Form wording about eligible property is flexible, acknowledging the impact of technology, including how, in the past, coverage may have suffered because of blurred distinctions among formerly distinct classes of property.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

List A

List B

Consider these two lists:

35 mm camera

Pentium PC

Condenser/Enlarger

Optical Scanner

Wide Angle Lens

Laser Copier/Printer

Hot Shoe Flash

Data Cartridges

On the surface of it, the two lists appear to be distinct types of property with the items under list B having to go elsewhere than a Cameras Form for coverage. However, if all of the items under list B are used in an insured's camera hobby for handling, processing, and storing digitized photographs (say for publication on a Website or to e-mail to friends, etc.), then the property could be considered photographic accessories, eligible for scheduled protection.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

2. Newly Acquired Property

An important coverage benefit of the camera's form is the automatic coverage for newly acquired items. The automatic limit is 25% of the amount of insurance for cameras or \$10,000, whichever is less.

The newly acquired property feature is particularly helpful since persons who schedule coverage are likely to actively acquire more camera and photographic property. This coverage feature allows such persons reasonable time to remember to report their new property and, most importantly, have their coverage adjusted.

Specifically, new acquisitions have to be reported within 30 days. It's also required that additional premium will be charged and must be paid effective that same acquisition date.

B. Property Not Covered

Cameras Form coverage is inapplicable to a number of situations, specifically, protection is denied under the following circumstances:

Ineligible property extends to property highly likely to be used commercially. Therefore, items failing to qualify include aerial and radar cameras (including related accessories and equipment), TV cameras, accessories, and equipment (when used commercially), cameras operated by coins/tokens, cameras, equipment, and accessories that are owned by dealers or manufacturers.

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

Example: Harry turns in a claim. One of his cameras, worth \$1,780, was stolen. His insurer denies the claim when it discovers that the theft occurred at Phyllis Photog Haven, the dealer that sold Harry the camera. The newly ordered camera (that Harry had already paid for) had just come in. That same day, the business was broken into and Harry's camera was among the items stolen.

Further, no coverage applies to contraband nor to any property used in illegal activities.

C. Perils Insured Against

The ISO Cameras Form Personal Articles Policy normally protects against all forms of direct, physical loss. However, it does not insure against loss or damage caused by:

1. Wear and tear, or gradual deterioration
2. Insects, vermin, or inherent vice

Example: Ellen's Cameras Form contains a schedule that includes coverage for her Niklone 35mm camera and telephoto Lens.

Scenario 1: The camera and lens are destroyed during a living room fire that breaks out after a burning log tumbles out of her fireplace. Her policy would respond to this loss.

Scenario 2: The camera and lens are discovered as useless when all of the rubber seals and casing have cracked and crumbled, causing the lens to fall out. The form does not respond to this loss.

Example: A camera becomes useless because the transport (camera component that advances and rewinds film) breaks due to age. The loss is not covered.

Example: A camera is taken along on a picnic. While the insured and family go for a hike, ants invade their picnic supplies and, because some jelly was smeared on the camera, it becomes infested and then hopelessly clogged up with ants. The extensive damage to the camera would not be covered.

Example: A mouse gets to a leather camera casing that is stored in a closet and gnaws a large hole in it. There is no coverage for this loss.

Example: A telephoto lens detaches from a camera as the insured is about to take an outdoor photo. The lens shatters. Upon investigation, coverage is denied because the rubber seal that secured the lens to the camera had aged, hardened, and cracked, rendering it unable to be attached to the camera. The damage is not covered.

D. Deductible

This insurance is subject to the policy deductible that appears on the declaration page.

Underwriting

Applications for coverage should be checked for indications of any unusual or unwanted loss exposures. It is important to ask the right questions about the cameras and equipment. Of course, the extent of additional information pursued should be related to the type and extent of the property to be covered. Items to consider are:

- How is the equipment used? What type of equipment exists?
- What is the value of the equipment? What is the extent of the equipment?
- What is the insured's or applicant's loss history?

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

How is the equipment used?

Normal personal use is expected and desired.

Example: The underwriting assistant with Incredible Inland Mariners Agency sends several camera insurance submissions to the underwriter:

- application one includes a person who lists tornado-chasing photographer as a hobby
- application two mentions a note that the potential insured lost a camera due to it being broken by a bodyguard when she was taking pictures of a celebrity, she stalked
- application three advises that the applicant states that he often uses his equipment as an amateur newshound, seeing photos of newsworthy events, especially first-responder events

A much more common concern is whether the use is personal, recreational or professional. Not only is professional use accompanied by a greater equipment loss exposure (typically more equipment with higher value), but it also introduces a separate, significant liability exposure.

What type of equipment exists?

Again, equipment that is used for regular purpose is desired. You may wish to avoid persons who own equipment that may represent unusual use or exposure.

Example: Marnie receives an application on a Jayne Jonz for camera insurance. Her application states that photography is a hobby. However, the schedule includes several thousand dollars' worth of equipment that is specially made for nighttime use. Marnie sends an email to the agency that sent the application, asking for details on the equipment's use. The agency responds a couple of days later that Jayne is a part-time private investigator and the equipment is for surveillance. Marnie rejects the application.

What is the value of the equipment?

A person who owns many thousands of dollars of equipment that is new and state-of-the-art may be a warning flag. It may indicate a professional photographer who needs to buy commercial insurance. The fact that his or her application shows some other full-time job is no reason to assume that a professional exposure doesn't exist. A part-time or free-lance professional photographer should not be written under a personal camera floater policy.

What is the extent of the equipment?

This is also a good indicator of the exposure you're being asked to write. An unusually high amount of processing equipment and materials could indicate that you're dealing with a professional. Even if he or she is an amateur, you should determine whether you are comfortable with the insured's set up. Is there a separate darkroom? Where is it located? Are processing chemicals stored safely? Does the hobbyist safely operate his equipment? It is very important to ask enough questions to determine your true exposure.

Example: Let us look at one of these lists from a different perspective:

List A

35 mm camera
Camera Bag
Rangefinder

List B

35 mm camera
Condenser/Enlarger
Wide Angle Lens

THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

Diffuser

Film Magazine

Again, just looking at the two lists, you may not notice a difference. You may think it is safe to assume that the property shown under List B should be just as eligible for camera floater coverage as the List A property. However, you discover that, while the List A property averages about two years in age, the List B property has an average age of 30 years, consisting of vintage and even classic equipment. The owner of List A is a hobby photographer while the List B owner is an antique collector. The List B property should be insured elsewhere.

What is the insured's or applicant's loss history?

Any loss information should be fully developed, especially details that might provide underwriting insight on the insured's camera hobby. Two camera equipment owners may have experienced two theft claims in the last two years. There's a difference between owner A, who still keeps much of his equipment in full display in his home and garage, and owner B, who installs a central alarm system and keeps all of his equipment in a room dedicated to his hobby. Loss details could also reveal other concerns.

Example: June Silvershyne applies for a cameras form to cover roughly \$5,000 worth of camera and video equipment. June's coverage used to be handled by a scheduled property endorsement attached to her homeowner's policy. Three months earlier, June submitted a theft loss of a mirrorless camera and the loss was settled for \$3,000. You notice that a brand-new camera, which replaced the stolen camera, has a value of less than \$1,000. You question June about the loss and discover that her insurer paid more than \$2,000 to have hundreds of wedding pictures converted and edited into a video.

Why? June's stolen camera contained the only copy of a wedding and reception she was paid to record. The bride and groom sued to recover the costs of "creating" a wedding video.

Note: The additional \$2,000 was paid under June's HO liability insurance. The insurer paid after admitting that its policy did not specifically exclude the activity, but the insurer also refused to cover her cameras at her HO renewal.

PM 00 14–Musical Instruments

ISO PM 00 14–Musical Instruments Form

The Musical Instruments Form is a type of inland marine coverage focusing on personally owned musical instruments.

Separate coverage facilitates protection at amounts that best reflect a special property's value. Valuation is typically based upon relevant documentation such as a current appraisal or sales receipt. Separate protection is important since severe coverage limitations exists in standard homeowners policies for such property.

Inland marine coverage can be purchased using this form to cover a single class of property. Coverage is also available under a personal articles floater. The latter provides protection for musical instruments along with several other property classes.

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THE ULTIMATE GUIDE TO THE PERSONAL INLAND MARINE POLICY

ANALYSIS OF POLICY

SCHEDULE

The schedule has space to indicate coverage for the following:

- **Unscheduled Property – Blanket Insurance**

Note: This is only for low valued items because the maximum payment is \$500 per item and coverage is based on the actual cash value of the item.

- **Scheduled Property**

The form has additional space for specifically listing items and to indicate whether Agreed Value Loss Settlement in Common Policy Provisions Form applies to that item. An individual item may also be marked to indicate that the Optional Performance for Pay Coverage option applies.

A. **Property Covered**

Musical Instruments Form coverage applies globally to all items listed as covered property.

1. **Scheduled and Unscheduled Musical Instruments**

Insures against all risks of direct loss to the property (musical instruments) that is specifically listed or is part of the blanket coverage in the schedule. Coverage applies only when an insurance amount and premium is shown.

Example: Pam Plunker's Instrument Schedule:			
Item	Description	Limit	Premium
Oakenkrome Pedal Harp	Made in 1912, brass with ivory inset pedals and vine engraved frame	\$11,800	\$380

It is necessary that a full description of an instrument appears in order for it to qualify for scheduled coverage:

Example: Joanna, as a hobby, is an oboist with the Pariahville Symphony (a volunteer group). Her 1922, Acme Oboe is described and insured under an instruments floater. One evening, while returning from practice and before flagging down a taxi, Joanna stops by an ATM machine. She is held up immediately after making a withdrawal and, besides \$200 in cash, her oboe is taken. However, the oboe she lost was a 1997 Plunktone Oboe that was not listed on her floater. It was lent to her by a local musical instrument dealer while her own oboe is undergoing some maintenance. In this case the replacement oboe would be ineligible for coverage under the form.

Reference must be made to Paragraph D. 1. Loss Settlement in the PM 00 01-Common Policy Provisions Form since that provision includes coverage limitations.

All listed musical instruments are covered. In addition, accessories, equipment, and sheet music that are related to the instruments can be covered by the policy.

2. **Newly Acquired Property**

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a. An important coverage benefit of the musical instruments form is the automatic coverage for newly acquired items. The automatic limit is 25% of the amount of insurance for the class of property involved or \$10,000, whichever is less.

Example: Emma Dayus has the following schedule on her policy.

Instrument	Insurance Limit	Premium
Florea Cello	\$1,600	\$22
Florea Double-Bass	\$3,400	\$40
Engelhardt Upright Bass	\$2,600	\$38
Yamaha Electric Cello	\$2,300	\$35
Total	\$9,900	\$135

Emma gets both good and bad news. Her granny who introduced her to the world of stringed instruments passes on. However, Emma's sadness is tempered when the lawyer from her granny's estate delivers Granny's beloved, handcrafted cello. She receives the cello on July 12. On August 8, during a dinner get together with her string quartet friends, she opens the case and sets Granny's cello on a stand to display it.

After her guests go home, Emma is horrified to find that the cello had slipped off the stand, fallen against a chair and has a split neck.

She reports the loss and, getting outside assistance, the insurer estimates the loss at \$3,400. Since the loss occurred within 30 days of her receiving the cello, it is eligible for coverage. However, the maximum amount available is \$2,475 (25% of \$9,900).

b. The newly acquired property feature is particularly helpful since persons who schedule coverage are likely to be persons who collect higher-valued property. This coverage feature allows such persons reasonable time to remember to report their new property and, most importantly, have their coverage adjusted.

This form states that coverage ceases on a newly acquired item if it is not reported within 30 days (or at the end of the policy period if it arrives first). Another requirement is that the named insured pays all due, additional premium for the new item as of the acquisition date.

c. If the form's schedule provides musical instrument coverage on a blanket basis, then no protection is granted for instruments that are either owned by or rented to a school, school board or a municipality.

B. Property Not Covered

Musical Instrument Form coverage is inapplicable to a number of situations. Specifically, under the following:

1. Ineligibility under this class is created by property use. Unless such coverage is purchased as an option, getting paid for instrument use disqualifies the property. This exclusion is lifted if a performance for pay appears in the form's Declarations.

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Playing for pay includes use of the property as a paid music instructor anytime within the policy period. Also, payment for other instrument use any time during the policy period qualifies as paid performance.

Example: Let us assume the exact scenario of Emma Dayus and the loss to the cello she inherited from her granny. Again, she receives the cello on July 12 and has the \$3,400 loss on August 8. However, rather than at a dinner get together, the loss occurs after the cello was used during their paid performance at a local university's Trustees Dinner. Emma's insurer tells her that the loss is not covered since, when they wrote the policy, the premium was based on personal rather than professional use.

The form does not refer to professional or business, but to performing with instruments for pay. Since it uses "performance," there could be some ambiguity issues. Consider a person who instructs students in his or her home. A distinction might be made between performance and instructive use.

Example: Muddy Eyre has a Musical Instrument Form that covers his extensive guitar collection. One day his home is damaged by smoke from an oily, kitchen fire. Most of his guitar collection is ruined. The insurance company adjuster discovers that, on weekends, Muddy and his band perform at local jazz clubs and his guitar loss is denied. Muddy argues that his guitars are covered since he only plays keyboards in his band and that instrument is insured under a commercial policy. In this case, coverage would be available for his guitars.

Example: Myra's home is damaged during a violent summer storm. The damage included the destruction of her upright piano (\$3,500 loss) and her custom maple drum set (\$3,600 loss). Both of these instruments were listed and insured for their full value under an instrument floater.

Myra is a music teacher and she earns several thousand dollars each year giving instruction to up to a dozen students. Her insurer learns this and tells her that she will not be paid for the loss of her instruments. Myra then explains to the insurer's satisfaction that she only gives lessons to persons interested in drumming. The piano is not used for music lessons. The insurer then agrees to pay for the loss of the piano.

2. Property that is considered contraband or which is used in any form of illegal activity is not covered.

C. Perils Insured Against

The ISO Musical Instruments Form normally protects against all forms of direct, physical loss.

1. However, it does not insure against loss or damage caused by any of the following:

- a. Wear and tear, deterioration, or inherent vice
- b. Insects or vermin

2. With regard to a covered, permanently installed organ no protection applies to:

- a. A loss involving breakdown or failure (electrical or mechanical)
- b. Repairs, adjustments, service, or maintenance (except coverage still applies to fire or explosion that occurs along with such activity). However, regarding the ensuing fire or explosion exception, coverage applies only to the portion of loss directly attributable to those perils.

D. Deductible

This insurance is subject to the policy deductible that appears on the declaration page.

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E. Options

The ISO Musical Instruments Form offers an option that modifies its base coverage. The following option is in effect if the policy shows that it has been selected either in the declarations or elsewhere.

Perils Insured Against - Named Perils

When this option is selected, coverage for musical instruments is replaced with protection granted only for loss created by fire, lightning, cyclone, tornado, flood, theft, or conveyance accident.

PM 00 15–Silverware

[ISO PM 00 15–Silverware Form](#)

The Silverware Form is a type of inland marine coverage focusing on various types of personally owned silverware.

Purchasing separate coverage facilitates protection at amounts that best reflect its value. Valuation is typically based upon relevant documentation such as a current appraisal or sales receipt. Separate protection is important since severe coverage limitations exists in standard homeowners policies for such property.

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ANALYSIS OF POLICY SCHEDULE

The schedule has space to indicate coverage for the following classes of property:

- Unscheduled Property – Blanket Insurance

Note: This is only for low valued items because the maximum payment is \$500 per item and cover is based on the actual cash value of the item.

- Scheduled Property

The form has additional space for specifically listing items and to indicate whether Agreed Value Loss Settlement in Common Policy Provisions Form applies to that item.

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Smith Silverware Schedule

Item	Limit	Premium
1832 Mayfair Apostle spoon	\$207	\$2.70
Klineposh, silver 16 oz. gravy-warmer	\$335	\$3.60
Set of 12 Britannia spoons	\$1,690	\$17.50
1906 Waysmythe Candle Cup	\$312	\$4.90
Antique plate with family coat of arms	\$2,940	\$43.00
Sterling Silver hand mirror with Acanthus border	\$1,800	\$21.00
Kline posh, engraved Epergne	\$570	\$9.30
Total	\$7,854	\$102.00

A. Property Covered

1. Regardless, whether protection applies specifically or on a blanket basis, items classified as silverware are eligible for coverage as long as an applicable insurance amount and premium appears in the schedule. The form's coverage is subject to limitations found in PM 00 01—Common Policy Provisions.

2. Silverware property consists of:

a. Silverware, silver plate, gold plate, pewter and platinum (as well as dinnerware that are plated with these metals)

b. Flatware, hollowware, tea sets, trays and trophies are deemed silverware property if it is made of silver, gold, pewter or platinum

B. Property Not Covered

Ineligibility under this class extends to pens, pencils, flasks, smoking accessories or jewelry that are made of or which includes silver or other precious metals.

Regardless the type of property, if it is contraband or is involved in any form of illegal activity, it is disqualified as eligible, covered property.

C. Perils Insured Against

The ISO Silverware Form normally protects against all forms of direct, physical loss. However, it does not insure against loss or damage caused by:

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1. Wear and tear, deterioration or inherent vice

2. Insects or vermin

D. Deductible

This insurance is subject to the policy deductible that appears on the declaration page. PM 00 16–Golfers Equipment

ISO PM 00 16–Golfers’ Equipment Form and Underwriting Notes

The Golfers’ Equipment Form is a type of inland marine coverage focusing on property used for playing and enjoying golf.

Purchasing separate coverage facilitates protection at amounts that best reflect its value. Valuation is typically based upon relevant documentation such as a current appraisal or sales receipt. Separate protection is important since severe coverage limitations exist in standard homeowners’ policies for such property.

Inland marine coverage can be purchased using this form or combined with other types of items under a personal articles floater.

ANALYSIS OF POLICY SCHEDULE

The schedule has space to indicate coverage for the following:

· Unscheduled Property – Blanket Insurance

Note: This is only for low valued items because the maximum payment is \$500 per item and cover is based on the actual cash value of the item.

· Scheduled Property

The form has additional space for specifically listing items and to indicate whether Agreed Value Loss Settlement in Common Policy Provisions Form applies to that item.

A. Property Covered

1. Golfers’ Equipment Form coverage applies globally to all items listed on that form as either scheduled or unscheduled golfing equipment. Coverage applies when a limit and a premium amount is shown for such property.

Golfer’s Equipment Form covers the following (and similar) property:

Putting Drill Guide	Sweet Spot Finder	Strength Trainers
Bags (cart, staff, standing, travel, etc.)	Balls	Display Stands
Irons	Putters	Additional Club Heads
Gloves	Additional Shafts	Shoes (a.k.a. spikes)
Custom Grips	Head Covers	Driving Nets
Bag Rain Covers	Golf Apparel	Shag Bags

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Chipping Nets	Putting Mats	Tees
Putt Returns	Periscopes	Woods
Rangefinders (telescopic and laser)	Towels	Ball Retrievers
Shaft Adapters	Cleaning Brushes (balls, shoes)	Regrooving Tools
Dual Hinge Drivers	Wedges	Grip Swing Trainers

Example: Rhea came back from her annual business conference in a poor mood. She went through the trouble of bringing her new golf clubs with custom grips so she could play in the conference's annual tourney. Unfortunately, they were stolen from outside the conference center's clubhouse. Though it won't make up for the bad experience, her policy will handle the theft.

The schedule includes a reference that property covered by this form is subject to Paragraph D. I. Loss Settlement in the PM 00 01—Common Policy Provisions because that provision includes coverage limitations.

2. This property class applies to golf clubs, golf clothing and golf equipment belonging to an insured. It also covers other clothing belonging to the insured while it is kept in any locker within a clubhouse or other building used in connection with golfing. However, golf balls are insured only against loss by fire or burglary (if burglary appears to be the likely cause). In order to qualify for coverage, there must be evidence that balls were taken from within a building. Further, there must be evidence that a person broke into a covered location.

Example: Rhea's sleeve of custom, monogrammed golf balls also disappeared with her clubs but those were not covered because there were no signs of forcible entry.

B. Property Not Covered

The Golfers' Equipment Form is not designed to cover all such property under all circumstances. Specifically, it denies coverage for any such property if it is contraband or is involved in any form of illegal activity.

C. Perils Insured Against

The ISO Golfers' Equipment Form normally protects against all forms of direct, physical loss. However, it does not insure against loss or damage caused by:

Wear and tear, gradual deterioration, or inherent vice

Example: Joe is excited to be invited to play at a new friend's golf club. It has been several years since he played. When he digs his clubs out, he is upset to find that all of his custom rubber grips have hardened and fallen off. This would not be covered.

2. Insects or vermin

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D. Deductible

This insurance is subject to the policy deductible that appears on the declaration page.

Underwriting

Insurers asked to review a substantial golf risk may be concerned with any moral hazard since coverage is typically written on a blanket basis. Although certain types of golf equipment are expensive, particularly the various types of clubs and bags, the bulk of any aggregate golf property consists of smaller, less expensive property such as balls, clothing, and minor accessories. To minimize adjustment and coverage problems, care should be taken to gather proper information on the less expensive property so that appropriate items are written on a blanket basis. Exceptionally expensive items, such as custom or specialty clubs, should be scheduled at agreed values, with the insured amounts being supported by receipts or appraisals.

Other important underwriting considerations include:

- Acquiring information on coverage available from the clubhouse where the insured usually keeps his clubs and equipment
- What golf property is typically kept at home and what is kept at another location (golfing club)
- Information on security at a golfing club
- Loss experience of the applicant, particularly regarding golf-related losses
- Loss experience of location where scheduled/insured golf equipment is typically kept
- Does insured travel frequently with covered golf equipment
- Is there evidence that an insured is a golf professional
- Length of time insured has been a golfer

Again, experience and other coverage are meaningful compensating factors. PM 00 17–Fine Arts

ISO PM 00 17– Fine Arts Form

The ISO Fine Arts Form is an inland marine coverage, protecting objects of fine arts against direct damage. Besides existing as separate coverage, protection may be written as an endorsement to a Homeowners policy.

Inland marine coverage can be purchased using this form to cover a single class of property. Coverage is also available under a personal articles floater. The latter provides protection for objects of art along with several other property classes.

Hobbies—Hazards and Opportunities

An applicant's or insured's hobbies or interests may have some significant underwriting implications as well as represent additional, profitable sales opportunities.

Hobby Definition

The Merriam Webster Dictionary defines hobby as "a pursuit or interest engaged in for relaxation."

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When a person finds an activity of particular interest, he or she often invests a lot of time and money in order to enjoy it. There is absolutely no limit to the types of activities that can become hobbies. Remember, the only qualification is that some person chooses to pursue the activity for recreation.

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ARE HOBBIES SOMETIMES CONSIDERED A BUSINESS?

The horse barn belonging to Wanda Bailey and Carma Foster (Bailey) was destroyed by fire. The property was covered by a homeowners policy issued by Farmers Insurance Company, Inc. (Farmers). The policy covered separate buildings including the barn and contents. Farmers denied coverage claiming the building and contents were used for business and therefore excluded from coverage under the policy.

Section I, Coverage B of the homeowner's insurance policy provided:

"We do not cover separate structures which are intended for use in "business" or which are actually used in whole or in part for "business purposes"."

The policy defined two important terms as follows:

"business" is "any full or part-time trade, profession or occupation"

"business property" is "property pertaining to or intended for use in business." Bailey filed suit alleging breach of contract, breach of good faith and fair dealing. Farmers filed for summary judgment and provided evidentiary material including:

Barn usage include housing horses, tack, washing and drying machines for blankets, veterinary supplies and other items to care for and train horses

Bailey owned about 15 horses

In an interview, which was recorded, Plaintiffs stated that they used the barn for their "horse business"

Baileys' federal income tax return included Schedule F which listed "principal crop or activity" as "Horses/Breeding/Boarding" and listed \$52,533 in related expenses

A State Agricultural Exemption Permit was applied for and obtained by the Bailey; such permits are issued to specific "for profit" farming or ranching operations

Bailey had registered three colts to increase their value One horse was sold following the fire

Bailey filed in opposition and provided evidentiary material indicating the horses were a hobby:

Bailey was known as "horse collectors" and not "sellers"

No horse had been sold in the five-year period prior to the 2003 fire and the horse sold in 2004 was for living expenses

Bailey did no training for third parties No horses were boarded for profit There had been no breeding since 2000

Bailey denied being motivated by profit; if money was made it was by "chance"

Bailey did not advertise as a business and as such, did not have separate books or bank accounts and supported themselves with retirement and social security.

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Farmers paid a collapse claim with respects to the same barn and the use of the barn had not changed since that time

The trial court granted summary judgment to Farmers. Bailey appealed.

The appellate court ruled that the trial court had acted too quickly in granting summary judgment on the coverage issue. The evidence provided by both parties resulted in a material fact as to whether Bailey's horses were a business as defined in the policy that had to be decided in trial.

The summary judgment of the trial court was reversed and was remanded for further proceedings to determine if the business exclusion applied.

Hobby Characteristics

While a hobby can be created out of any activity, it's more likely that a person will be attracted to an activity in which others share a similar interest. This is an important characteristic of hobbies. As more hobbies become common, the likelihood increases that a person applying for homeowner coverage pursues a particular hobby. There is then a greater chance that an underwriter or agent should be closely investigating the existence of a hobbyist.

Hobbyists tend to be either collectors or activists. Of course, there may often be an overlap, but there is a distinction.

Collector – A collector is more likely to be concerned with gathering property with a characteristic in which he or she has an intense interest. Examples include people who collect stamps, art, coins, autos, antiques (which is a world of its own), comic books, baskets, dishes, glassware, sports memorabilia, etc. The key is that the COLLECTION of the class of property is the primary goal of this type of hobbyist.

Activist – The “activist” (this writer's term) is a person who may also collect a certain type of property, but that fact is secondary to acquiring property that is related to a special activity. Examples are hunters, musicians, painters, sculptors, cyclists, and enthusiasts of many types such as fans of model or radio control planes, helicopters, etc. Activists often have an interest in special pieces of property, such as a guitarist who also owns a guitar used originally by Chuck Berry. However, their investment in special property has much more to do with acquiring property that, including extra parts, facilitates their interest.

Example: Four years ago, Greg turned away from his old interest in video games. He discovered the world of ham radios. Besides finding a quaint and challenging way to communicate with other folks around the world, Greg also had to develop another interest. Since ham radios are not nearly as popular as they used to be, it became very tough to repair and maintain his unit. To protect his hobby and reduce possible downtime, Greg started to collect spare radios and parts. Now he has an extensive inventory of radio parts.

With collectors, the focus should be placed on the nature of the property being acquired. With activists, besides attention to the property exposure, equal or greater emphasis should be placed on the liability exposure that is inherent in their activity.

Underwriting Concerns

Seeking more information from applicants and insureds on their hobbies can be quite important. While a typical personal property and liability policy is broad and flexible enough to handle a variety of needs, certain hobbies or hobbyist activities can create a special concern. An underwriter or agent should make sure that they have enough information to be comfortable about providing coverage for the individual and that the insurance meets their coverage needs. In order to reach this goal, one needs to be familiar with the particulars surrounding a hobby and answer questions in several areas:

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- Is there any concentration of valuable property?
- Are there any property dangers associated with the hobby?
- does the hobby involve chemicals, fuels or other materials that could significantly increase a home's fire load
- does the hobby involve special equipment or processes
- does the hobby involve modifications to a residence or special appurtenant structures
- is the property frequently moved or transported
- Are there any liability dangers associated with the hobby?
- frequent travel to sites or meets
- frequent visitors to home that are related to the hobby

Example: Jane Deepdive rushes home from work and changes into a set of old clothes. She spends an hour walking around her neighborhood. She salvages used popsicle sticks. Jane enjoys cleaning and drying them. Later she sprays paints them in different colors for fun. That activity is a hobby for Jane.

The hobby illustrated in the above example involves a situation that has a pretty low impact on insurance coverage, on both a property and a liability basis. But that is not always the case.

Example: Rob Raylway has a hobby of building model railroads. A huge layout is in a large pole barn. Each year he hosts a very large meeting of other RR model enthusiasts and he has hundreds of people visit his home to see the dozens of model layouts every year.

Unlike Jane's situation, Rob's hobby creates a significant underwriting concern due to the additional property and liability exposures.

- Applicant or insured publishing online hobbyist content or rendering advice that may create a liability?
- Has hobby crossed the line into a business activity, such as persons selling and trading property on or away from an insured location?

Example: Vera is a huge enthusiast of medieval fairs. She regularly attends ones held within a three-state area of where she lives. Vera is also a home brewer. She brews her own recipe for mead which she makes, bottles and trades with various fair attendees. In this case, should someone become ill from consuming her home brewed mead, Vera could face a serious claim.

In the above instance, Vera may have coverage under a residential insurance policy. But it would depend on details involving the home brewing activity and trade details.

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Opportunities

While an insurance professional must be concerned with any increased or special hazards that may be related to a hobby, it is also important to be alert to any possible business opportunity.

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Goodwill

Even if no increased premium dollars are at stake, additional goodwill may be created if the agent or underwriter can provide simple loss control advice to hobbyists. Many persons are receptive to tips on making their home and activities safer and this could result in improving retention or creating future sales opportunities.

Schedule property or special policy

If the hobby involves property that is subject to limited coverage (or is excluded) under a basic policy, an opportunity now exists to find adequate coverage. This may arise from scheduling the property, increasing coverage limits or writing a separate policy. This can create a stream of revenue as additional property is acquired.

3. Increased liability exposure

The same situation exists for a hobby that impacts the applicant's or insured's exposure to liability losses. There may be a real need to increase liability limits or to purchase umbrella coverage. The general assumption is that home visitors typically consist of a modest level of visits by friends, relatives, neighbors and businesspersons handling home maintenance issues. In a routine instance, the residential liability protection is designed to handle this modest exposure of non-business visitors. Businesspeople typically have their own commercial coverage to take care of their loss or injury while at a customer's premises. However, certain hobbies can substantially increase the flow of home visitors and this increase directly affects the chances that related losses may occur.

4. Hobby, No, Business, Yes

You may ask enough questions to discover that an activity isn't a hobby. Agents must try to find out if any insured receives compensation for his or her efforts. Note, we just said "compensation." A person can receive something other than cash that can be considered to be an equivalent of income.

Example: Bev Bartercraze regularly uses an iron to add appliqués and other creative, decorative touches to the clothing for several of her neighbors. Rather than receive cash, she has made the following arrangements:

- Neighbor one provides music lessons to her three children
- Neighbor two handles lawn mowing, raking and yard work
- Neighbor three provides housecleaning.

If Bev had to pay someone for these valuable services, it would cost up to several thousand dollars a year. Though no cash changes hands, Bev is certainly being heavily and regularly compensated. Her activity, even though it is closely associated with owning and running a home, is definitely a business exposure and, if a loss involved that activity, it may cause a coverage problem.

Example: One day, after Bev Bartercraze finished decorating a new batch of neighbor one's clothing, that neighbor's young daughter came over to pick up the items. Bev told her to go to her hobby room and pick them up. Bev went to her kitchen to start dinner. A minute later, Bev heard a loud crash and some shrieking. She ran to the hobby room and found the ironing board and extremely hot iron had toppled onto the neighbor's daughter. The young lady suffered a broken wrist and severe burns to her face, neck and left shoulder. Because she came into the home as a result of Bev's barter arrangement, the injuries may not be covered. Bev's policy has a business exclusion that is based on receiving any significant form of compensation.

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BUSINESS PROPERTY SUBLIMIT HELD APPLICABLE IN FIRE LOSS

A homeowner used his garage as a private laboratory where he conducted experiments on lobsters and other marine life in an attempt to find a way to extend the shelf-life of such products. Some of the marine life was sold or given away. The garage contained tanks, marine life and other paraphernalia necessary to support the project.

Lightning struck the garage--it was a total loss. The insured filed a claim with his homeowner's insurer for the garage and the equipment contained within it. The insurer limited the coverage on the property contained in the garage to \$2,500, the amount designated in the homeowner's policy as the maximum amount the insurer was obligated to pay for business personal property.

The insured filed suit against the insurer for the entire amount of the property contending that the laboratory was a hobby, further, that he otherwise had a full-time job, and that he made no profit from the sale of the marine life. Despite the insured's claims, the trial court ruled in favor of the insurer based upon the facts that the insured's laboratory was more than a hobby. He was in fact, an inventor, and even though the insured had not yet made a profit from his activity, it was a "continuous or regular activity...for the purpose of earning a profit or a livelihood." Further, the insured borrowed money for the express purpose of funding the potential invention(s) and gaining profit from them.

The insured appealed the decision. The case went to the appeal court where the decision of the lower court was affirmed in favor of the insurer and against the insured.

Get Serious About Hobbies and Activities

Insurance professionals may need to spend more time considering the possible opportunities and potential consequences related to how applicants and insureds spend their leisure time; it may be worthwhile to ask more questions concerning a family's recreational interests. It may also be a good idea to survey insureds about their activities. A survey could be a valuable method to discovering more information about customer coverage needs. A survey wouldn't have to be detailed, but it should ask for enough information to determine if a follow-up is necessary.

ANALYSIS OF POLICY

Schedule

The schedule includes areas to select coverage for the following classes of property:

- Unscheduled Property – Blanket Insurance

Note: This is only for low valued items because the maximum payment is \$500 per item and cover is based on the actual cash value of the item.

- Scheduled Property

The form has additional space for specifically listing (scheduling) items, to indicate whether breakage coverage is included and the type of settlement option that applies.

A. Property Covered

Fine Arts Form coverage applies globally to all items listed as covered property (which must be owned by the named insured).

1. Scheduled and Unscheduled Fine Arts

Regardless whether protection applies specifically or on a blanket basis, items classified as fine art are subject to the following:

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a. Coverage applies only to items of fine art that are owned by the named insured and:

(1) (2) The applicable premium that appears in the schedule is based on the information the named insured supplied on that property's location

(3) If any covered items are moved from or to the listed location, it may only occur if the items are properly handled (packed and unpacked) by competent personnel.

In other words, losses involving any fine arts might be voided if the loss circumstances involved either unlisted locations or improper handling.

b. This applies to the following private, as opposed to commercially oriented classes of property:

(1) Drawings (refers as well to etchings, lithographs, paintings, pictures, or tapestries)

(2) Windows made of art glass

(3) Legitimate artwork (includes, but is not limited to antique furniture/silver, bric-a-brac, porcelains, rare books [including manuscripts], rare glass, rugs, and statues [bronze or marble].

(4) Other rare items that have measurable artistic merit or historical value.

2. Newly Acquired Fine Art

An important benefit of the Fine Arts form is the automatic coverage for newly acquired items. Coverage is provided subject to the following:

a. The automatic limit is 25% of the amount of insurance that appears for scheduled fine arts.

b. Any newly acquired item has to eventually be reported. This feature is particularly helpful since persons who schedule coverage are likely to be collectors of higher-valued property. Insureds are given time to remember to report their new property and, most importantly, have their coverage adjusted. It is a condition that coverage ceases on a newly acquired item if it is not reported within 90 days (or at the end of the policy period if that arrives first). The named insured is also required to pay any necessary additional premium for the new acquisitions as of the date they are secured.

B. Property Not Covered

Fine Arts Form coverage is inapplicable to a number of situations. Ineligibility under this class occurs according to who, effectively, owns or controls such property. Specifically, disqualification extends to the following instances:

1. If it is contraband or is involved in any form of illegal activity, it is disqualified as covered property.

2. Fine arts held by an art gallery, art institution, auction house, art dealer or which is on public display in a room or museum. Ineligibility applies when such property has existing coverage under the applicable party having custody.

3. Fine art that is on exhibit at fairs or at expositions (national or international). However, such property is still eligible if the personal articles policy lists the location as a covered location.

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Example: Kenna Larderty has a camera policy covering \$9,700 in equipment. During the next month more than \$5,000 of her equipment will be displayed at her neighborhood's library branch. She has already contacted her agent who had the following information added to her policy:

The following equipment is on display at the Cityville Library Branch from 6/1/XX to 6/30/XX as part of their "Interesting Hobby" series.

1. Item of equipment	Serial No.	Coverage Amount	Premium
2. Item of equipment	Serial No.	Coverage Amount	Premium
3. Item of equipment	Serial No.	Coverage Amount	Premium
4. Item of equipment	Serial No.	Coverage Amount	Premium
5. Item of equipment	Serial No.	Coverage Amount	Premium

The property is covered for eligible sources of loss under the camera policy.

4. Fine art that is owned by and insured on the behalf of government authorities (County, Federal, Municipal or State).

C. Perils Insured Against

The ISO Fine Arts Form protects against all forms of direct, physical loss. However, it does not insure against loss or damage caused by:

1. Wear and tear, gradual deterioration, or inherent vice
2. Insects or vermin
3. Repairs, service, or maintenance (such as restoration or retouching).
4. Breakage that occurs to art glass windows, bric-a-brac, glassware, marble, porcelains, statuary and similar articles.

An exception is made to breakage loss when it is due to any of the following:

- Fire or lightning
- Aircraft, collision, or explosion
- Earthquake, flood, or windstorm
- Malicious damage or theft
- Conveyance derailment or overturn

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D. Deductible

This insurance is subject to the policy deductible that appears on the declaration page.

E. Options

The ISO Fine Arts Form offers additional coverage as options that supplement its base coverage. The following options are in effect if the policy declarations or some other part of the policy material indicates that the options have been selected.

1. Breakage of Fragile Articles Coverage for Fine Arts

When this option is selected, the breakage limitation does not apply to described articles where a dagger mark is printed next to those articles.

2. Windstorm, Hurricane or Tornado Exclusion

When this option applies, all items within the fine arts property class are stripped of protection against severe wind loss (windstorm, hurricane, or tornado). The exclusion applies to both direct and indirect severe wind loss and is unaffected by the location of the property.

PM 00 18–Bicycles

PM 00 19–Personal Property PM 00 20–Personal Effects

PM 00 30–Outboard Motor and Boat

PM 00 31–Motorized Vehicles For Handicapped Person PM 00 32–Motorized Ground Maintenance Vehicles PM 00 33–Motorized Golf Carts

PM 00 34–Motorized Snowmobiles

- All mandatory state specific forms and endorsements
- Optional endorsements

PRINCIPAL COVERAGES

Owned Property

This portion of the policy protects the property described in the base form's schedule and is, typically, defined within the policy.

Newly Acquired Property

Under this provision, protection is granted to property that is acquired within a specified time frame during the applicable policy period. Such property is similar to the covered property defined in the applicable base coverage form.

Replacement Property

This grants protection to property that is similar to the defined covered property. Coverage applies only when such property is acquired as a replacement of previously owned property.

AVAILABLE ENDORSEMENTS

Many endorsements are available to tailor a Personal Inland Marine policy.

ISO Personal Inland Marine Program Available Endorsements and Their Uses

Protection under an unendorsed ISO Personal Inland Marine (Personal Article, Personal Property, or various specific property) Form is designed for a residence that includes a significant, high-valued property exposure. Use of such forms achieves several goals.

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A basic policy that can be used for a very large base of customers creates uniformity of coverage and helps to control the cost of coverage for the greatest number of consumers. How are costs controlled? By making additional or broader coverages optional, those insureds whose needs are met by the basic policy don't have to subsidize those who need or desire special coverage.

ISO has a variety of optional forms useful to consumers whose coverage needs are not met by an unendorsed personal inland marine contract. The forms typically require additional premium. ISO uses a common system to number its forms: two letters followed by a four-digit form number, then the form's edition month and year.

Note: The various endorsements are presented in order of Insurance Services Office's form numbers.

PM 02 01–Large Schedule Endorsement A

This form may be used to provide coverage under an ISO Personal Articles Form for an insured who has a substantial amount of property that is listed on a separate schedule.

Per the endorsement, the schedule that is applicable to the form is stated to be at the insurance company's designated office and the schedule has the date stipulated in the endorsement.

PM 02 02–Large Schedule Endorsement B

This form may be used to provide coverage under an ISO Personal Articles Form for an insured who has a substantial amount of property that is listed on a separate schedule. The endorsement includes information on where the applicable schedule is located. It must be at the described agency location or another agreeable location. An important stipulation is that the schedule must be signed by the insurance company's representative on the date entered on the endorsement.

PM 02 03–Coverage at Additional Residence

This form may be used with the ISO Personal Property Form. It includes the location of additional residences and provides coverage for the indicated property classes and for indicated amounts at locations one and/or two.

PM 02 04–Automatic Increase in Insurance

This form may be used to provide coverage under an ISO Personal Property Form. The schedule includes a percentage that is applied to the Unscheduled Property located at the insured's described residence and additional residence. The indicated coverage increase applies every three months from the endorsement's effective date.

PM 02 05–Renewal Certificate

This form allows for scheduled coverage to be renewed for the policy period indicated in the endorsement.

PM 02 06–Restriction of Individual Policy

This form may be used to provide scheduled coverage according to a given restriction that is specified in the endorsement.

Example: Jill arranges for scheduled coverage under a Personal Property Form that includes \$15,000 protection on furs. She is charged according to her stipulating that, for 6 months out of the year, the furs are kept in a commercial, secure storage facility. Her policy is issued with PM 02 06 indicating that coverage only applies during the indicated period in which the furs are NOT in storage.

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The agreement is solidified by including signatures of the named insured and the insurer.

PM 02 07–Coverage at Increased Rates

This form may be used to provide coverage at higher, mutually agreed-upon rates. In certain circumstances, the nature of the property needing protection is such that an insurer's standard, filed rates are insufficient. This form allows for special, higher rates to be applied in order to secure scheduled coverage. The agreement is solidified by including signatures of the named insured and the insurer.

PM 02 08–Coverage at Increased Rates Subject to Prior Approval Of Insurance Regulator

This form may be used to provide coverage at higher, mutually agreed-upon rates. In certain circumstances, the nature of the property needing protection is such that an insurer's standard, filed rates are insufficient. This form allows for special, higher rates to be applied in order to secure scheduled coverage. The agreement is solidified by including signatures of the named insured but is contingent upon the applicable insurer receiving rate approval from the applicable insurance authority.

PM 02 09–Restriction of Individual Policy Subject to Prior Approval of Insurance Regulator

This form may be used to provide scheduled coverage according to a given restriction that is specified in the endorsement. The agreement is solidified by including signatures of the named insured but is contingent upon the applicable insurer receiving rate approval from the applicable insurance authority.

PM 02 10–Estates Endorsement

This form amends the PM 00 01–Common Policy Provisions. It changes the form's E.13 Death Condition. It substitutes a different provision, resulting in the coverage applying to property of the deceased insured (insured's estate) including eligible property acquired by the applicable estate.

PM 02 11–Conformity to Law Clause

This form may be used to automatically change any applicable policy provision to align with the requirements of a given state's law.

PM 02 12–Deferred Premium Payment

This form may be used to allow payment for coverage to be made in annual installments. The installments may be recalculated in accordance with possible premium changes. Further, the form advises that coverage will be cancelled should an installment be missed.

PM 02 13–Multiple Company Insurance

This form may be used to facilitate more than one company to partner up to provide portions of unscheduled (blanket) and/or scheduled coverage for a given insured. The form includes space for entering property description, total amount of coverage and the applicable company's chosen percentage, coverage amount and premium. The form also includes a definition of "multiple company insurance" and a separate coverage provision.

PM 02 14–Change Endorsement

This form may be used to attach a needed policy amendment along with appropriate premium adjustment.

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Personal Articles Vs Personal Effects

Personal Articles

Personal articles are classes of property owned by individuals that are often used in close proximity to persons, but which are also types of property that tend to be collected since they usually appreciate in value over time or are otherwise highly desirable. They also usually contain a high level of value in relationship to their physical size and are fragile, so are easily damaged or lost. These factors make them a higher risk to insure. The personal property coverage under a homeowners policy may provide coverage, but it is likely to be minimal or with serious coverage restrictions, so proper coverage is usually only attained by acquiring separate protection at a separate cost (premium).

Both the PM 00 09 Personal Articles Standard Loss Settlement Form and the PM 00 10, Personal Articles Agreed Value Loss Settlement Form can be used to provide coverage for combined classes of personal articles.

When either of these forms is used, the individual class coverage forms are not to be attached. Although the rules state that any class can be added to either the PM 00 09 or the PM 00 10, the following classes are specifically listed:

Cameras	Coin Collections	Furs
Jewelry	Golfers' Equipment	Musical Instruments
Stamp Collections	Fine Arts	Silverware

Personal Effects

Personal effects are classes of property owned by individuals that are often used in close proximity to persons but which do not typically appreciate in value or are not collected as a hobby or as investment property. The personal property coverage under a homeowner's policy is fully capable of covering such property except in limited circumstances, such as when there is no eligible, accompanying residential situation, such as retired persons living in a nursing facility, persons living in RVs or who are living outside an insurer's territory (such as tourists). In such instances, personal effects coverage acts as an alternative source of protection against damage or loss to property such as:

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Cameras (lower-valued, personal/tourist use)

Instruments (recreationally used)

Watches

Jewelry (frequently worn, wedding bands, engagement rings, costumesignificance to the owner jewelry)

Books (recreationally used)

Clothing

Sports equipment

Toiletries

Personal care items

Items needed because of an owner's physical or medical condition, such as the following:

Hospital Beds

Wheelchairs

Walkers

Canes

Prosthetics

Medical equipment

PM 0003—AAIS Personal Effects Coverage Form Analysis

AGREEMENT

The form's opening advises that the policy is subject to all of its terms and will provide the coverages described in the policy. Its protection is contingent on receiving payment from the named insured.

These coverages may be affected by various amendments (endorsements) and schedules (detailed property descriptions and limits) that are made part of a policy. The agreement also points out that there are a number of terms and references with special meaning and they are explained in the policy's Definitions section.

DEFINITIONS

The definitions section appears immediately after the Agreement.

1. You and Your

The person(s) who appear on the declarations as insured(s). The named insured's spouse is also defined as you, but ONLY if he or she lives in the insured's household.

2. We, Us, And Our

The company providing the personal effects coverage.

3. Declarations

This term refers to any document that is related to the personal effects policy and which may be called Declarations, Supplemental Declarations, or Schedules.

4. Insured

The term insured is the person or persons named in the declarations (named insured) and that person's spouse who lives in the household. In addition, there are a number of persons who are insured based on conditions and circumstances:

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- Relatives of the named insured but only when they live in the same household as the named insured
- Relatives of the named insured's residential spouse that live in the same household as the named insured
- Non-relatives of the named insured, who are under the age of 21, live in the household with and are in the care of the named insured or in the care of a relative of the named insured who also lives in the household.

5. Limit

The policy merely defines this as the amount of insurance.

6. Student

A person who was a member of an insured's household, but currently attends school full-time at a location that is away from the insured's residence. Full-time student status is determined by the applicable school's rule.

Example: The Cardisens are insured under a Personal Effects form. Their daughter Jana is a college student, who goes to school an hour away from their home and takes 13 hours of semester hours.

Scenario 1 – She attends Collegeville Tech which requires 15 hours to be a full-time student. Jana would not be considered a member of her parents' insured household.

Scenario 2 – She attends Collegeville Tech which requires 12 hours to be a full-time student. Jana would be considered a member of her parents' insured household.

Example: Thelma turns in a claim for her son, Jeff. Jeff's off-campus room was burglarized, and he suffered a loss of nearly \$1,700. Thelma's insurer turns her claim down. Jeff rents his own apartment, lives two hours away from Thelma and only takes part-time acting classes.

A person up to 21 years old may meet the student definition if he or she is in an insured's care or in the care of a relative of an insured who is also a member of the insured's household. A person up to 25 years old may meet the student definition if he or she is a relative of either the named insured or the named insured's spouse.

7. Terms

Refers to any written policy components including exclusions, conditions, defined words, etc.

8. Vermin

Refers to a wide variety of creatures which, by their nature, damage property because of their tendency to infiltrate structures as a source for dining or housing. Policy examples include raccoons, possums, skunks, snakes, bats and.... armadillos.

Coverage Under an Automobile Policy

Under automobile insurance, loss caused by contact with a bird or animal is covered. Depending on the form used by the insurer, protection against such losses will be in either the collision or other than collision areas of the given policy's physical damage section. The scope of coverage is the same.

Vehicles versus deer, cows, birds and other animals are routinely handled by insurance company claims departments as a form of "other than collision" loss.

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Example: Hailey was enjoying her brand-new convertible. She loved the feel of the wind as she crossed the city's tallest suspension bridge. Suddenly, she caught sight of an object crossing in front of her; then a large "thump" as her windshield splintered. She pulled off to the bridge's breakdown lane since she could no longer see. She also discovered it was a seagull that had demolished her windshield.

Claims are subject, of course, to the applicable deductible. Nevertheless, recovery can be substantial, as anyone will attest whose car has been hit by a leaping deer.

Coverage Under A Homeowner Policy

Regarding animal damage under a homeowner's policy, let's use ISO Homeowners 3, a widely written residential insurance form. It provides such coverage under its dwelling and other structures sections, subject to specific exclusions.

The policy has exclusions for damage caused by birds, rodents, insects and animals owned or kept by an insured. A policyholder (and company personnel) must rely on dictionary definitions when words and terms are not defined in policies.

Birds are warm-blooded, winged, feather-covered vertebrate. Rodents are animals that belong to the order of Rodentia. They are mammals that gnaw or nibble, including mice, squirrels, porcupines and beavers. Some policy forms include wording that opens the exclusion to also apply to other, similar animals, such as armadillos.

An exclusion for direct damage to property within the scope of dwelling coverage, caused by "animals owned or kept by an insured," would apply to either domestic or non-domestic animals owned or kept by an insured. In other words, damage caused by a dog owned by an insured or one kept by an insured would not be covered.

Example: Mary Karnivore has known her neighbors and their dog, Smoky, for years. When their regular dog-sitter becomes sick, Mary happily agrees to keep Smoky during their vacation. The first two days with Smoky pass without incident. Unfortunately, the rest of the week is filled with episodes of the dog destroying bedding, table and chair legs. When Mary documents the damage and sends a claim into her insurer, the company tells her it's not covered. The damage was done by an animal in her custody.

Example: One day, the Garderlies were all transfixed by a deer browsing in their front yard. The deer was startled by the opening of their neighbor's garage door. . It crashed through the Garderlies' bay window, thrashed around their living room and then jumped back out and ran off. The damage to the living room's furniture, carpeting, window and wall is covered.

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Personal property coverage (Coverage C under HO 3 - Special Form) is provided on a named peril basis. There is no named peril for damage caused by animals. So, while the dwelling itself is covered as the animal makes its way into the home, the personal property that is destroyed as the animal panics and attempts to find an exit is not covered. However, the part of the dwelling that is destroyed as the animal exits is also covered.

The personal property can be covered for such animal damage, however, in one of two ways:

- HO 5 – Comprehensive Form can be purchased that provides the same causes of loss for both dwelling and personal property.

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- A scheduled property endorsement or personal articles floater can be attached so that the more comprehensive causes of loss apply to the scheduled property.

Another consideration is how certain types of losses are treated. Not all activity may qualify for coverage because of how an insurer may characterize a given event. For instance, while direct damage may be covered, that may not be the case for damage from animal odor or damage that is wholly attributed to attempts to extricate an intruder.

Coverage Under an Umbrella Policy

Increasingly, umbrellas are written on a following form basis. Under this condition, excess coverage would be available for any home or auto loss that would be eligible on the primary (underlying) policies that are listed on the umbrella policy.

9. Your Residence

The primary residence of the named insured but only if the named insured plans on returning to that residence following any traveling.

PROPERTY COVERED

Personal Effects

1. Coverage

The policy insures against tangible loss to personal effects that are both of the following:

- Owned by and used by an insured
- The type of property that is generally worn or carried by a tourist or traveler

Example: Custom-fit hiking boots used by an insured while enjoying a tour of the foothills in Rome.

2. Limit

Whatever limit appears in the declarations for personal effects acts as the highest possible amount that may be paid for the loss or destruction of that property.

Example: Emily's Colorado ski trip takes a nasty turn. Her room is burglarized, and she loses nearly \$3,000 in ski clothing and equipment. Unfortunately, her Personal Effects Policy only has a limit of \$2,000. She'll have to absorb a third of the loss if she replaces everything.

3. Coverage Limitation

The insurer has a more restrictive obligation on higher-valued property such as jewelry, watches and furs that include gold, silver or platinum as well as fur/fur-trimmed items. Losses involving such property are restricted to 10 percent of the policy's personal effects limit. A single item is further subject to a maximum recovery of \$250.

Example: George is insured by a personal effects policy and he is mugged while touring in the nation's capital. His policy has a personal effects limit of \$6,800. The thieves steal the following:

Item	Value
Full-length Leather Jacket	\$1,150
Calf-skin Gloves	\$200

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Gold Wristwatch \$830

Total \$2,180

George turns in a claim after he returns home and, a couple weeks later, he receives a claim payment of \$1,600. His coat and gloves were fully covered but the watch payment was limited to \$250.

PROPERTY NOT COVERED

Some categories of property are ineligible for coverage under the Personal Effects form.

1. **Accounts, Bill Securities and Valuable Papers**

All such property is excluded from coverage. It refers to accounts, bills, securities (even negotiable instruments), property deeds, debt instruments, letters of credit, passports, all forms of passes/tickets and similar, valuable documents.

Example: Let's slightly modify an earlier situation. George is insured by a personal effects policy and he is mugged while touring in the nation's capital. His policy has a personal effects limit of \$6,800. The thieves steal the following:

Item	Value
Full-length Leather Jacket	\$1,150
Calf-skin gloves	\$200
Gold Wristwatch	\$830
1 st Class Plane Tickets	\$1,150
Total	\$3,330

George turns in a claim after he returns home and, a couple weeks later, he receives a claim payment of \$1,600. His coat and gloves were fully covered but the watch payment was limited to \$250 and the tickets are ineligible property.

2. **Aircraft, Watercraft and Trailers**

All such property is excluded from coverage, including campers. This exclusion also extends to parts, equipment and accessories. Coverage should be sought under primary policies that are specifically designed for such property.

3. **Animals** – No creatures, including aviary and marine life, are eligible for coverage.

Example: Jeffery's camp cabin room is broken into and, apparently in the thief's rush to steal items, Jeff's aquarium is knocked over and smashed. His loss of tropical fish valued at more than \$500 is not covered.

4. **Bicycles**

The PEF form offers no protection for bicycles.

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5. Contraband

Illegal (stolen or illegally held) property is ineligible for coverage. There's no valid insurable interest in either stolen property or in property that, even if actually owned by an insured, is possessed in violation of the law (such as smuggled property).

6. Money, Money Orders, and Travelers Checks

No coverage is available for paper or coin currency, bank notes, money orders or the popular money substitute, traveler's checks.

7. Furniture

Specifically, the PEF will not respond to losses involving household furniture.

8. Limbs, Teeth, Lenses, or Hearing Aids

Under this form, no coverage is provided for loss involving prosthetics, false teeth, contact lenses or hearing aids. It is interesting that contact lenses are not covered but eyeglasses would be.

9. Personal Effects in You Residence or In Storage

Effects located at the residence described in the PEF or that are held in storage are not eligible for coverage. However, if such property is owned and/or used by an insured, it is protected while the insured is traveling.

10. Personal Effects of Student

Personal effects owned by a student who is an insured does not qualify for coverage when such property is located in a school, college, sorority or fraternity house, dorm or private off-campus housing (such as part of a private residence or an apartment rented by an insured while attending school). An exception does exist for loss involving fire.

11. Physicians and Surgeons Instruments

Doctor and surgical equipment or instruments are not protected by the PEF, regardless their location.

Example: Dr. Handover's luggage is stolen while waiting at the airport for a friend to pick her up from a vacation overseas. While her clothing, jackets and shoes are covered, the stethoscope and tonometer she brought along were not.

12. Property More Specifically Insured

Personal property, regardless the category, that has separate, more distinct coverage, is ineligible for protection under this form.

Note: Refer to Valuation Section Insurance Under More Than One Policy to see how duplicate coverage would be handled.

13. Sales Samples and Merchandise for Sale

Property that can be classified as a sales representative's property or merchandise is not covered under the PEF.

Example: Fran's apartment is broken into. She loses nearly \$8,000 in the theft. When she turns in the claim, she only receives reimbursement for less than half of the loss. During investigating the claim, her insurer discovers that \$4,500 of the property stolen were electronics from her employer that she kept at home to deliver to customers.

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14. Theatrical Property

Regardless the type of property, any item or object that is used by a theater for plays or musicals does not qualify for coverage under the PEF.

Example: Lara's property kept in a locker behind the main stage of the acting camp she is attending is lost when the stage catches fire. As the property consists of costumes and props, they are not covered by her PEF.

15. Vehicles

Vehicles are excluded without exception.

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Optional Coverages and Premium Credits

The Personal Effects Form includes the following features that apply IF the items are indicated in the form's declarations page:

1. Additional Insured

The person appearing on the declarations under this option attains status as an insured. He or she will benefit from all coverage aspects of the policy, but ONLY while that person lives at the insured residence.

Note: This is, in all likelihood, a person who is a long-term or permanent member of the insured's household. Of course, as long as the insurance company is willing to add a resident, this option will apply.

2. Personal Effects of Student

When this option is selected, it nullifies Property Not Covered item 10. so that effects located at any school-related residency become eligible for coverage.

3. Property in a Recreational Vehicle

a. Recreational vehicles loom large in the areas of vacationing and travel. This option allows the PEF to respond to cover personal effects when they are located in, or which use is related to a recreational vehicle. However, coverage only applies when the RV is owned, rented or leased by an insured. The coverage extends to furniture and furnishings located within such an RV.

Any reference to an RV includes the following:

- Folding camping trailers
- Motor homes
- Travel trailers
- Truck campers

b. Even when this option is selected, no coverage applies to items classified as RV accessories, equipment, parts or items that are typically attached to vehicles.

Example: Custom rims, worth \$3,000, are stolen from Harriet's rented RV. This loss is not eligible for coverage under her PEF.

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c. The following exclusions are added to the Perils Excluded section but only as they relate to the coverage provided under this Optional Coverage:

· **Electrical Currents**

With the exception of what is caused by lightning, no loss or damage caused by arcing or other electrical activity is covered by the PEF.

· **Mechanical Breakdown**

Except for damage or destruction caused by fire or explosion, such damage or loss involving mechanical breakdown is excluded from the PEF's protection.

· **Temperature/Humidity**

A personal effect that is damaged or destroyed by temperature or extremes in weather is ineligible for coverage unless such damage is caused by a resulting fire or explosion.

· **Marring and Scratching**

No form of this qualifies for coverage.

Example: Patty and some of her relatives join her on vacation. While giving her young niece a tennis lesson, she watches in horror as her niece picks up her custom racket and drags it around the perimeter of four tennis courts. One side of the racket is heavily scarred and a quarter inch narrower than the other. The loss is not covered by the PEF.

d. Limit

The amount of coverage shown in the declarations for this property (furniture and furnishings in an RV) is the maximum available to respond to an eligible loss involving such property. This maximum applies to each, separate, eligible loss.

4. Residence Coverage

a. Coverage

This is an exception to item 9. Personal Effects in Your Residence or in Storage under the Property Not Covered section. Items carried or worn by a tourist are covered when owned and used by an insured within the named insured residence. However, the exception does not extend to items in storage.

b. Limit

This coverage does not have a separate limit. The limit for personal effects applies to these items. Any loss for these items reduced the amount of loss to pay for any other personal effects items in the same occurrence.

PERILS COVERED

The personal effects form obligates an insurer to pay for any tangible cause of loss to any covered property EXCEPT for any source that is specifically listed as being ineligible.

PERILS EXCLUDED

1. The personal effects form does not respond to losses that involve a variety of sources. The policy wording attempts to make it clear that any instance of loss or destruction where an excluded cause of loss exists renders that situation ineligible for coverage. Where the excluded event occurs within a series of events and whether the excluded item occurs over a large area (is catastrophic) has no effect; the exclusion still applies. The sources of loss that are ineligible for coverage include the following:

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a. Civil Authority

If civil authorities confiscate, destroy, quarantine or seize property that is covered under the personal effects form, there is no coverage. However, if the civil authority destroys property as a way to create a fire stop, the loss is covered, provided the fire would have been covered by the policy.

b. Intentional Acts

The policy does not cover intentional acts of any insured that acts alone or in collusion with another that results in a loss. The exclusion extends to losses resulting from intentional acts committed by persons acting on the directions of any insured.

Note: Not only must the act be deliberate, but also the intent must be to cause a loss. Further, when one insured intentionally damages property that is owned or co-owned by another insured, all insureds are barred from collecting payment of that loss. Under this exclusion, even innocent insureds lose their protection.

c. Nuclear Hazard

If nuclear reaction, radiation or radioactive contamination causes a loss, such loss is not covered. It makes no difference how the nuclear reaction, radiation or radioactive contamination is caused and whether it occurs under controlled or uncontrolled circumstances.

Any loss that is a consequence of the above is also not covered. Fire, explosion and smoke often are part of a nuclear incident, but even if these perils are covered under the policy, when they occur as part of a nuclear reaction, radiation or radioactive contamination loss, they are not covered.

There is one exception. If there is a direct loss by fire that is a result of the nuclear reaction, radiation or radioactive contamination, it is covered.

d. War and Military Action

War is an absolute exclusion, including undeclared wars and civil wars. Warlike action taken by a military force is not covered even if the action is one of defense by a governmental authority and not offense. There is also no coverage if a loss is caused by internal domestic disputes such as insurrection, rebellion, revolution, and usurped power including the action the government takes to curtail the event. The discharging of a nuclear war, intentional or accidental, is defined as a warlike action.

2. There is no coverage when loss or damage is caused by the following. These exclusions are not subject to the anti-concurrent cause wording that appears in exclusion 1.

a. Breakage

Coverage is excluded for fragile items that are vulnerable to breaking, but an exception exists. Protection is granted when breakage is due to fire, collision/overturn of transporting vehicle, or theft (including attempted theft).

Example: Rita has been enjoying her birdwatcher's vacation, especially since she saved up her money and bought a high-powered, custom set of binoculars that cost her nearly \$700.

Scenario 1: She and some friends had finished a roadside lunch and had popped into a rented jeep to head back up to a promising site. She hears a "CRUNCH" as the jeep backs up.... over her binoculars – this loss is not covered by the PEF.

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Scenario 2: She and some friends are walking back to their hotel when a thief on a bike snatches her binoculars, breaking its strap. She lunges at the thief who falls off the bike. The binoculars are dropped, and they smash on the sidewalk – this loss IS covered by the PEF

b. Neglect

Insurance policies are contracts that obligate an insurance company to help a customer whose property is damaged or destroyed under described conditions. Insurance contracts are meant to respond to accidental loss so, inherent in the agreement, is the assumption that the insured will act to preserve or protect their property. In case an insured doesn't act in this manner, the insurer is relieved of any obligation to pay for any damages caused by the insured's failure. Of course, an insured is not required to go through heroic efforts to save property.

c. Repairing or Processing Work

Such handling exposures are under an insured's control, so are not deemed as accidental exposures. No coverage applies to loss to effects while they are being repaired, processed or worked on for similar reasons.

Example: Patty is having little luck with tennis during her vacation. She takes her 2nd favorite racquet to a sporting goods store to have it re-strung in time for a family tournament. The worker uses too much pressure and the frame snaps. The PEF will not handle this loss.

d. Birds, Vermin, Rodents, Insects or Animals

Loss and destruction created by, well, critters and bugs are ineligible for coverage. Damage caused by animals that are owned or in the custody of an insured is also excluded.

Example: Randy's camping gear is insured under a personal effects form. When Randy returns from a long day of hiking, he fully understands the camp's warnings about leaving food out. A bear, attracted by the leftover sandwiches and chips, completely trashed the cooking and campfire area, demolishing his cookstove, lanterns, pots, pans and other gear. This loss is covered because while the bear is an animal, it is not in this case owned or in the custody of the insured.

e. Wear and Tear, Deterioration, or Inherent Vice

There is no coverage for loss caused, essentially, by the passage of time and handling/use of covered property, including wear and tear, deterioration (form refers to gradual deterioration, so a loss involving rapid deterioration may be an exception), inherent vice. This is to prevent the PEF from having to respond to loss due solely to property deficiencies.

Example: Rita has enjoyed using her customized, high-powered binoculars on weekend and vacation outings for bird watching. She watches a speckled flysniffer leave its nest and, sighing with satisfaction, she lets go of her binoculars. Unfortunately, the worn leather binocular strap snaps. The binoculars break as they hit the ground. Her insurer denies her claim, pointing out that her strap had aged and dried, making them incapable of supporting the binoculars.

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What Must Be Done in Case of Loss

1. Notice

When a loss occurs, the insured is obligated to do all of the following:

- Promptly notify the insurance company or the insurance company's agent

Note: The company providing coverage has a right to ask that the notification be in writing.

- IF the act that causes the loss is a crime, the insured must promptly notify the police, and
- The notification must describe the property affected by the given loss

The above actions serve important functions. First, they permit the company to begin the loss investigation process, including any action to protect its rights. Second, quick notification to the police may increase the chance for property recovery and third, the reporting duty also minimizes fraud on the part of an insured.

2. You Must Protect Property

A named insured is required to extend a good faith effort to protect covered property at and after an insured loss to avoid additional loss.

a. The company agrees to reimburse the insured's REASONABLE costs incurred for necessary repairs or emergency measures performed solely to protect covered property from further damage. However, the preservation effort must involve covered property that is endangered by a covered peril or a covered peril that has already caused damaged. The insured named must keep an accurate record of such costs.

b. However, the insurer will not pay for such repairs or emergency measures performed on undamaged property. This provision does not increase the insurer's policy limit.

3. Proof of Loss

If the insurance company requests it, the named insured is required to provide the insurer with a signed, sworn proof of loss. The proof of loss must be submitted within 90 days from the date of the insurer's request and it must show the following:

- The time, place, and the details of the loss
- The (insurable) interest of the insured and the (insurable) interest of all others, such as mortgagees and lien holders, in the property. If a party cannot demonstrate an insurable interest in the damaged property, the insurer is not obligated to make payment to an insured.
- Other policies that may cover the loss, since other policies may have to also provide coverage for an eligible loss
- Changes in title
- Detailed repair estimates and an inventory of lost items (other, similar information may also be requested by the insurer)

4. Examination

All insureds must agree to be questioned by the insurer with regards to a claim and the questioning can include answering questions under oath. This duty helps to protect a company against attempts to file false claims. On the positive side, it may also assist in getting the most details concerning a valid loss.

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Note: While an insurance company has the right to make requests concerning gathering insured statements, seeing the damaged property and securing related records, the emphasis is on the insurer making reasonable demands. The request must be for the purpose of moving along their claims investigation and a formal decision on accepting or denying the claim.

5. Records

The named insured must show records, including tax returns and bank records of all canceled checks that relate to the value, loss, and costs, and permit copies to be made of them as often as the insurance company reasonably requests.

6. Damaged Property

The named insured must display the damaged property and allow the insurer to take samples of damaged property for inspection, testing, and analysis. Such requests can be made at the insurer's discretion and the number of requests should be kept reasonable. Of course, what is considered reasonable is subjective.

7. Volunteer Payments

A named insured must not make payments, pay or offer rewards, or assume obligations or other costs, except at the insured's own cost. This stipulation does not apply to costs that are allowed by this policy. The policy allows an insured some leeway to make payments in order to respond to emergencies or to help mitigate problems. However, an insured has to take great care in making payments that fall outside of the parameters permitted by the company.

8. Abandonment

Property cannot be abandoned to the insurer without the insurer's permission. Of course, if the insurer agrees to accept the damaged property, the act is NOT abandonment.

Note: Agreeing to accept property relinquished by an insured must be in writing.

9. Cooperation

The named insured must cooperate with the insurer in performing all acts required by this policy. The policy requires that the named insured work with, rather than against, the insurer in order to investigate and process a possible claim.

VALUATION

1. Actual Cash Value

Property losses are adjusted on an actual cash value basis. That means that a current value determination includes consideration of depreciation, reducing any loss payment.

2. Loss to A Pair or Set

Under this provision, any property that is part of a pair or set that is lost or damaged is settled by either replacing the item or repairing the item. The insurer may choose to pay an amount that reflects the difference between the pair or set's pre-loss and post-loss value. Finally, settlement may be made by paying the value of the particular lost or damaged part.

HOW MUCH WE PAY

In this portion of the policy, the company's obligation to provide insurance protection to the insured is described, including explanations of limits, deductibles, and loss settlement terms.

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1. Insurable Interest

The insurance company's obligation to pay for an eligible loss is constrained by the total insurable interest held by the named insured, regardless what may appear as limits or the property's applicable value.

2. Deductible

This provision explains that any loss paid is net of any deductible selected and appearing for any given class of property that is protected by the personal effects form.

3. Loss Settlement Terms

This provision explains that the applicable insurance company has the option to pay according to the property's valuation (determined at the time of loss), what it takes to repair an item, what is needed to replace the property (substituting property that is comparable in value and quality), the policy's applicable insurance limit or according to the cost to replace the property with the best substitute practically available. Further, the insurer has the right to use whichever option is the cheapest; though this term is subject to the policy's other "How Much We Pay" provisions.

4. Insurance under More Than One Coverage

If more than one coverage of this policy applies to a loss, no more than the actual loss itself will be paid. This condition assures that a person is not allowed to benefit from the fact that coverage under the policy exists from more than one area.

5. Insurance under More Than One Policy

When there is other insurance that applies to the loss, the insurance company providing coverage under this form is only obligated to pay its share of the loss which exceeds what is provided by any other coverage source. This is true even if such other sources of loss are not collectible. Further, any shared/excess payment is still subject to any limit applying to such damaged or lost property.

6. Coverage under a Service Plan

The policy's available coverage is directly affected when a service plan or similar agreement (such as warranty plans and product protection plans) applies to an occurrence. In such instances, the policy responds on an excess basis and is subject to any applicable insurance limit.

LOSS PAYMENT

1. Loss Payment Options

This section may cause insureds confusion since it could be interpreted as treading the same ground as the earlier, "How Much We Pay" section's "Loss Settlement Terms" provision.

a. Our Options

When a loss occurs, this provision states than an insurer may choose the most cost effective of the following:

- Pay the lost, damaged property's immediate, pre-loss value
- Pay to repair the damaged property to its immediate pre-loss condition
- Pay the cost to replace the lose/damaged property with substitutes that are comparable in quality and nature

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Pay based on any value previously establish via agreement or appraisal (whether the situation involves partial or total loss).

b. Notice of Our Intent to Repair, or Replace

When an insurer decides to either repair or replace covered property, it must let the insured know of its intent. The notification has to take place within 30 days after the insurer receives a valid proof of loss.

2. Adjustment and Payment of Loss

This provision addresses settlement according to the ownership of the lost/damaged property:

a. Your Property

If no other insurable interest (including a loss payee) exists and if no third party exists (that is also responsible for payment), then any payment will be settled between the insurance company and the insured.

b. Property of Others

When the policy pays for damage to or loss of property that belongs to a third party, the insurer has the option of making payment either to the named insured (who is then responsible to getting payment to the applicable party) or directly to the property owner. This provision also states that such payments will not be duplicated. Only one party will be paid for a given, eligible loss. Finally, the provision states that the insurance company has the option to handle the expense of defending an insured.

3. Conditions for Payment of Loss

Here the form states that an insured is due payment for a loss no later than 60 days after the amount of a given loss is determined. The determination may result from a written agreement between the insurance company and the insured, the final filing (entry) of a judicial award or after an appraisal award has been filed with the insurer.

Example: Jana has almost lost her love of camping. She and her insurer hotly disputed the value of her clothing, boots, and other camping gear that were destroyed when her car top carrier was stolen off her car. On March 11 she received a letter from her insurer, agreeing to a payment of \$1,734. The letter is dated March 8. She calls the insurer and says she'll expect payment no later than May 7.

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CONDITIONS

In this portion of the policy, the policy's general provisions are described.

1. Appraisal

If the insurer and the named insured do not agree over the value of the covered property or the amount of the loss, each party has 20 days (after receiving a written request from the other party) to select an appraiser. The two appraisers will select an umpire.

If, within 15 days, they do not agree on an umpire, the two appraisers may ask a judge of a court of record of the state where the described location is located to make the selection. If the two appraisers agree in writing, that sets the amount of the loss.

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However, if they do not agree, the differences are submitted to the umpire and then the written agreement of any two of the parties sets the amount of loss. Each party will pay its appraiser and the two parties will share the cost of the umpire and related expenses equally.

Notes:

- An appraisal is about the amount of an eligible loss not whether coverage applies.
- This provision does NOT state that this decision is binding

2. Assignment

No insured or other party can sign this policy and its coverages over for use by any other party unless, first, getting the insurance company's permission (in writing). Of course, assignments can arise via separate channels.

3. Benefit to Others

This policy is not intended to provide protection for the direct or indirect benefit to parties who are paid to assume custody of the covered property. In other words, such persons or organizations should secure their own insurance instead of piggybacking onto an insured's coverage.

4. Change, Modification, or Waiver of Policy Terms

Only the insurance company has the option of waiving or changing this policy's terms and such waiver or change must be in writing. If the insurer initiates either an appraisal or any examination under oath, the requests do not affect any other policy terms, so an insured may not consider other policy provisions to be waived or rendered moot.

5. Conformity with Statute

Terms in conflict with the laws of the state in which the premises shown on the declarations is located, are changed to conform to such laws. This provision is rarely relied upon since amendments or endorsements are added to policies to match the state where the policy is used. However, there are instances where the condition is relied upon.

6. Death

If the named insured or the named insured's in-resident spouse dies, the legal representative of the person who died becomes an insured as respect to the deceased insured's premises and property but only for the coverage provided by the policy at the time of that person's death.

Recognizing that the status of the residents in the household change in the policy once the named insured or spouse dies, the definition of insured is changed for the time of transition following the death. Specifically, the definition is expanded to include members of the deceased person's household who were members at the time of death but only while residing at the described premises. In addition, if a person is granted temporary custody of the covered property belonging to the deceased, that person is an insured but only for that property and only until a legal representative is appointed.

7. Inspections

The insurer reserves the right to inspect the property it insures, and it can do so with its own personnel or it can have another organization inspect on its behalf. The condition also warns the named insured that, while an inspection and related information about the results of the inspection may imply a type of warranty or guarantee about the fitness of the insured location, that is not an assumption that should be made.

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What purpose does this serve? This is a warning and a notice to an insured that a company inspection cannot be used as evidence of the worthiness of the property. A company has its own underwriting rules and philosophy for providing coverage and will not permit its actions to be used to the benefit of other parties. This also prevents the company from being held liable to other areas of authority concerning the property.

8. Liberalization

Sometimes a program undergoes revisions that affect coverage for all policies, yet there may not be any additional premiums involved. If such a change occurs during a policy period or if it occurs no later than 60 days of the current term's effective date, the applicable policy automatically changes to reflect those revisions.

Note: No changes take effect when overall program changes are implemented via a program edition change or via a separate endorsement.

9. Loss Payable Clause

If the form includes a loss payee with an insurable interest in any covered contents, that loss payee (appearing in the declarations) is granted status as an insured. However, any coverage is only to the extent of the amount and nature of their interest in any personal effects that is protected by this policy. A copy of any termination notice or non-renewal sent to the insured will also be sent to the applicable loss payee.

10. Misrepresentation, Concealment, or Fraud

Any intentional concealment or misrepresentation on the part of any insured can void the policy's protection for all insureds. If an insured lies or hides a material fact or any circumstance that relates to the insurance that is granted by this policy, that act or omission may eliminate the insurer's obligation to provide coverage for any insured. This may occur either before or after any loss (depending when an act or concealment is discovered).

Simply put, the company should be able to rely on the statements made by the insured in making its decision to insure a person or property. If the statements are seriously in error, the insurance contract has no right to exist and the company has no obligation to honor it.

11. Policy Period

The policy period sets the time frame in which a loss must occur in order for it to be covered under the policy. In other words, a loss must take place within a stated policy period in order to qualify for coverage during that given period.

12. Recoveries

There are instances when the insurer pays for a loss and then, later, the property is recovered. Similarly, after the insurer's payment, damage payments are received from those responsible for the loss. When this happens, the named insured and the insurer are obligated to inform each other. The costs of the recovery efforts are paid first.

The named insured can decide to keep the property or give it to the insurer. If the recovery is not wanted, then nothing changes. But if the named insured wants the property, claim payments received from the insurer, or some lesser agreed upon amount, must be returned to the insurer. If the named insurer did not receive a complete payment for the claim, due to a deductible or a coverage limitation, the recovery is prorated based on the interest of each party in the loss.

What is important about recoveries is that they are resolved in a manner that is fair to the insurer and the insured. One party should not significantly benefit from the recovery of property or money if it comes at the expense of the other party.

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13. Restoration of Limits

This provision states that partial losses have no effect on the total insurance limit available for subsequent, eligible losses. Therefore, policy limits are restored to their full amount after such losses.

14. Subrogation

When an insurer pays damages, it may ask the insured to transfer his or her right to attempt to recover damages from another party. The insured must agree, in writing, to do so and to fully cooperate with the insured in pursuing the recovery. This act of seeking payment from a party responsible for a loss is called subrogation. This right is very valuable to an insurer. In fact, if an insured harms this right to recover payment after a loss has occurred, the insurer may no longer be obligated to pay for the loss.

The insured may waive all rights to recover before a loss occurs—but this waiver must be in writing. Signing this waiver AFTER a loss does not affect coverage under the policy.

15. Suits against Us

While, during a serious dispute, an insured has a right to sue the insurer to resolve the situation, that right may only be sought AFTER complying with the personal effects form's terms. Also, any lawsuit has to be filed within two years of the date the insured first becomes aware of the applicable loss.

Note: The policy provision makes an important exception. It permits an insured to file a lawsuit according to the time period allowed by applicable state law.

16. Territorial Limits

The coverage provided by the PEF applies to eligible property on a global basis.

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All About the Personal Umbrella Policy

This ebook covers everything insurance agents need to know about the Personal Umbrella Policy, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the watercraft insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking a link.

The link will take you to a quiz with 10 multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects).

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An umbrella serves two purposes. First, it provides excess liability limits over the scheduled underlying policies. Second, it fills some gaps in the underlying coverage. There is no standard umbrella policy. Therefore, coverage comparison is a must. Key areas of comparison are exclusions, deductible, whether a follow-form is offered over unusual underlying exposures, limits, and defense cost (in or out of the limits).

The Ultimate Guide to Understanding the Personal Umbrella Policy

The following is an analysis of the ISO (Insurance Services Office) Umbrella Coverage Form. A detailed discussion of each section is provided along with, where possible, examples and relevant court cases.

INTRODUCTION

The full name of ISO's form is the Personal Umbrella Liability Policy (**PUP**), DL 98 01 02 15 edition. The PUP handles individual, catastrophic exposures. Umbrella policies, originating as a commercial specialty product, evolved into covering the "deep pocket" liability exposures of wealthy individuals and those in high profile professions such as entertainers, doctors, lawyers, politicians and professional athletes. Umbrellas continued their evolution as a routine product in response to the growth in the number of lawsuits and the trend of higher jury awards.

Finally, insurers recognized that, potentially, everyone faced the possibility of causing losses that would either exceed or not be covered by the liability limits of primary (or underlying) auto or homeowner policies. Even a minor event can create a huge liability.

Example: Carl Ruffshot just loves golf. One day he is practicing putting in his backyard when, frustrated by his poor results, he rears back and smashes the next ball. The ball sails toward a nearby street where a construction crew is doing some excavation work. Carl's ball crashes through the cab window of a new crane, striking the crane operator. The operator loses control, the crane tips over into a hole and the crane arm falls, destroying several vehicles and injuring a dozen drivers and passengers. It turns out to be Carl's most expensive golf lesson (though he was able to recover his ball).

Example: In the previous situation, Carl may have even a bigger problem. Because of the circumstances in hitting the ball, the insurer may even question its obligation to respond to a loss, especially if a decision is made to treat the loss as involving an intentional act.

PURPOSE

The ISO PUP shares the goals of nearly all personal excess coverage since it is designed to do the following:

- Act as a source of additional coverage which increases a person's protection above the limits of liability provided by an individual or family personal auto, homeowners and personal liability policies and endorsements
- Provide broader coverage to protect against liability to exposures that are not covered by underlying policies such as personal injury or certain non-owned exposures.

ANALYSIS OF POLICY

The PUP consists of an agreement, definitions, liability coverages, exclusions, additional coverages and conditions. Let's take a closer look at each form part.

AGREEMENT

The insuring agreement for the Personal Umbrella Policy is similar to most other insuring agreements. The insurance company agrees to provide certain coverage (specified in the policy) in return for the premium paid by the insured. Since differences in wording could result in unanticipated coverage gaps, it is important to compare the umbrella insuring agreement with those found in the underlying policies.

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I. DEFINITIONS

A number of words of particular importance are defined in the ISO Personal Umbrella Liability Policy and are referenced throughout. The defined terms include the following:

A. The PUP uses the terms **"you"** and **"your"** when discussing the "named insured" appearing on the Declarations page and the named insured's spouse. The spouse must be living in the same household as the named insured to be considered "you."

B. The terms **"our," "us,"** and **"we"** are used as a reference to the company writing the umbrella coverage.

C. The PUP defines any private passenger auto, pickup truck or van that an insured controls under a long-term (at least six months), written lease as an owned vehicle.

D. "Aircraft," "Watercraft," "Recreational Vehicle" and "Hovercraft" Liability

1. These forms of liability refer to either BI or PD that result from owning, using or maintaining any of these types' crafts. It also includes acts involving an insured negligently providing these crafts to others as well as to incidents where an insured oversees their use, including vicarious liability for minors.

2. Aircraft refers to devices designed for flight and air transport; it does not refer to small-scale models. Hovercraft refers to a self-propelled vehicle that travels on a cushion of air.

Note: The policy's reference to a hovercraft as a "ground effect vehicle" means that it is a vehicle capable of flight using a dynamic interaction (air movement) between any earth-level surface and the vehicle's body, particularly wings.

Recreational vehicle is defined later in this section. Watercraft refers to craft designed and used for water travel/transport and propelled by wind, engine or electric motor.

E. **"Autos"** refer to the following:

- Motorcycles, private passenger motor vehicles, mopeds and motor homes
- Vehicles built to be towed by private passenger autos and motor homes
- Trailers, farm wagons and farm implements, but only while being towed by a private passenger motor vehicle.

F. **"Bodily injury"** refers to sickness, disease, or bodily harm; and includes any resultant death. The term also means any related loss of service or needed care.

Example: Pete Johnson caused a serious auto accident with injuries and damage to several other parties and their vehicles. Three separate suits (from the same incident) are filed against him. The last suit includes a request of compensation for loss of needed care. That suit was filed by a person whose spouse died after being struck by Pete's SUV. The deceased person was the primary caregiver for her husband who is a quadriplegic. The umbrella would consider the plaintiff's claim for loss of his wife's services as "bodily injury" under Pete's PUP.

G. **"Business"**– It is any trade, profession or occupation; the level of such activities does not matter. Further, any regular activity meant to earn compensation also qualifies as "business." However, there are a number of important exceptions:

- Activities that only reimburse volunteers for expenses that are directly related to the activity

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- An insured who provides home day care to his or her relatives
- Mutual exchanges of home day care services

The policy's "business" definition also makes an exception for activities that are not described above and that involve modest amounts of income. Specifically, an activity is not considered to be a business if it generates no more than \$2,000 in compensation during the 12-month period before the policy's inception date.

Example: Josie McBakerie agreed to run the Bake Sale fundraisers for her son's elementary school band. She recruited several other school parents to assist her. One day, Josie was following another parent down some school steps. They were both carrying trays of baked goods to the school cafeteria. Josie lost her footing, and she dropped the tray. It struck the other parent, causing her to fall down the steps. Josie is sued by that parent, who ends up permanently paralyzed.

Josie's PUP insurer denies the claim when it was discovered that, as part of her duties, Josie was paid \$1,500 as well as was given a paid reservation for the band trip for which they were raising funds. The value of the trip was well over \$2,000.

H. In the PUP, "**family member**" refers to a household resident who is either of the following:

- A relative of the named insured, including a ward or foster child
- A person younger than 21 who is in the care of an "insured" who is at least 21 years old.

I. "**Fuel system**" refers to:

- One or more containers (of any type) which have a capacity of 100 or more gallons of liquid fuel which either did or does exist on an insured location and is/are used for heating/cooling, heating water, cooking food or powering motorized vehicles, watercraft or land conveyances
- Pumping equipment (including - motors, nozzles, gauges, pipes, hoses or apparatus) attached to the defined fuel containers
- Filler pipes and flues connected to the defined fuel containers
- Boilers, furnaces or water heaters, including any fittings and pipes, which are supplied to the defined fuel containers
- Any structure that is specifically designed and built to hold the liquid fuel that escapes from any defined fuel container.

J. "**Insured**" refers to the person named on the Declarations, a "family member," and any person using an "auto," "recreational motor vehicle," or watercraft that is either owned by the named insured or is a temporary substitute for a named insured's vehicle or craft. Entities, to the extent of their legal liability created by an insured's use of a covered auto, are also insureds. The term extends to those who are legally responsible for any animal owned by an insured. However, two classes of entities are specifically disqualified as "insureds":

- The owner/lessor of either an "auto" or a "recreational motor vehicle" which is loaned or rented to an insured
- Any entity which has custody of an insured's animal as a result of a "business" or without an insured's permission.

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Example: Kimmi Kindheart is the named insured under a HO and a PUP policy and she owns "O'Riley," an Irish Wolfhound. While on a family vacation, Kimmi boards O'Riley with "Gulag Kennels." While being taken for a walk by a Gulag groomer, O'Riley attacks another dog and that dog's owner. The injured person sues Gulag and Kimmi. Kimmi's umbrella insurer handles the claim on behalf of Kimmi but tells Gulag that it has to find its own coverage as Gulag is not an "insured" under its policy.

K. "Occurrence" is considered to involve either "bodily injury" or "property damage" that takes place during the policy period. Any such damage that is caused by exposure to a repeated or continual set of circumstances may qualify as a single occurrence.

Of course, anything within a contract can be disputed, including what is meant by "occurrence." An insurer may find that it may still be obligated under an excess policy long after a policy term ends.

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UMBRELLA POLICY HELD APPLICABLE TO INSURED'S NEGLIGENCE FOR PROPERTY DAMAGE OCCURRING YEARS LATER

The issue in this case was whether a commercial umbrella liability policy covered claim arising from a fire that destroyed a grain elevator sixteen years after the termination of the policy. The policy had been in effect one year. The fire was attributed to the insured's negligent installation of a heat detection and fire suppression system during the policy term. The grain elevator company's property insurer, exercising its subrogation rights after paying the fire loss, sued the installer (the umbrella insured) for approximately \$2.5 million.

The insured sought defense from the insurer that had issued its 1976-77 umbrella policy. The insurer denied liability because the damage and the lawsuit occurred sixteen years after the policy expiration. The insured initiated legal action for a declaration of coverage, whereupon the insurer filed a motion for summary judgment. The trial court determined that the policy was not applicable to the damage and claim that occurred many years later. The insured appealed from the court's grant of the insurer's summary judgment motion and dismissal of the insured's action.

On appeal, the insurer argued that there was not a covered "occurrence" during the policy period; that the fire in 1993 was the "occurrence," and outside the policy period. The insured argued that the allegedly defective installation of the equipment was the "occurrence."

The appeal court noted that "occurrence" was defined in the policy as ".....an event,

including continuous or repeated exposure to conditions, which result in Personal Injury or Property Damage neither expected nor intended from the standpoint of the insured." (There was no reference to date of loss or claim.)

The court concluded that the policy under review was an "occurrence" policy that provided protection for acts performed during the policy period, as distinguished from a "claims-made" policy, covering claims made during the term of the policy.

The judgment of the trial court was reversed in favor of the insured and against the insurance company. The policy was found applicable.

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L. "Personal Injury" means injury resulting from any of the following:

- Falsely arresting, imprisoning or detaining someone
- Malicious prosecution
- Wrongful evictions or entry, invasions of privacy
- Slandering, disparaging or libeling another entity
- Violating another person's privacy rights.

Such acts are often complicated issues since they are subject to interpretation and may also be affected by other policy language.

Example: The insured was sued for defamation of character. It was alleged that he slandered the claimant by stating that the claimant embezzled funds and was also immoral. The claim was covered under the insured's personal umbrella liability policy, subject to the retained limit. Personal injury coverage was not included in the underlying

M. "Property damage" refers strictly to tangible property that has been physically injured, lost or destroyed, including the loss of the use of tangible property. Therefore, claims involving intangible or intellectual property would not qualify for coverage under "property damage."

COVERAGE BARRED FOR INSURED'S PER SE DEFAMATION

Richard J. Schmidt (Schmidt), a gastroenterologist, was convicted of attempting to murder his lover, Janice T. Allen (Allen) by injecting her with the HIV virus. Allen filed suit against various defendants as a result of an interview given by Schmidt to a reporter for ABC News, in which he stated that Allen was a "stalker." Before the interview was aired on national television, a story was published in a local newspaper with the headline, "Schmidt Calls Victim Stalker." As a result of the interview and the story, Allen sued the paper's publisher, editor and reporter responsible for the February 20, 1999 story, as well as Schmidt. She settled her claims against the publisher, editor and reporter and dismissed them from the suit.

She amended her suit to include State Farm Insurance Company (State Farm) as an additional defendant. State Farm had issued a homeowner's policy to Schmidt that was in force at the time of the incident and Allen argued that the policy provided coverage for her damages resulting from Schmidt's defamatory statement. State Farm answered her petition and filed a motion for partial summary judgment, stating that Schmidt's homeowner's policy excluded coverage for claims arising from defamation.

The trial court heard the case, granted the motion and issued a judgment dismissing State Farm from the suit. Schmidt appealed, arguing that the trial court erred in finding that Allen's claims were excluded under his State Farm policy and that it erred in failing to find that State Farm had a duty to defend him.

The appellate court determined that defamation is a tort that involves invasion of a person's interest in his or her reputation and good name. Defamatory words harm the reputation of another and lower the person in the estimation of the community, deter others from associating or dealing with the person or expose the person to contempt or ridicule. Four elements are required in a defamation cause of action. They are a false and defamatory statement concerning another, an unprivileged communication of it to a third party, fault (negligence or greater) on the part of the publisher and resulting injury. In order for a defamation claim to be successful, the plaintiff must prove that the defendant, with malice or other fault, published a false statement with defamatory words that caused damages to the plaintiff.

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Words that are defamatory per se expressly or implicitly accuse another of criminal conduct or injure one's personal or professional reputation without considering extrinsic facts or other surrounding circumstances.

The State Farm policy issued to Schmidt excluded coverage for bodily injury expected or intended by the insured or to any person that was the result of willful and malicious acts. The words "willful and malicious" had been defined to include as little as mere negligence without intending to do harm up to and including acts so far from the proper state of mind that they are treated in many respects as if harm was intended. In a separate but related case, that court found that under the exclusion for willful and malicious acts, it was immaterial whether the defendant intended the actual resulting injuries. Instead, the exclusion applied to conduct showing that the defendant acted with a conscious indifference to the consequences with knowledge that harm would follow.

The "malicious" part of the exclusion applied to conduct that was intentional, wrongful and without just cause or excuse.

Schmidt stated he did not believe that the newspaper article had misquoted him and it was his opinion that Allen was a stalker. Stalking is a lawfully defined crime. Schmidt's statement was found defamatory per se, and malice on his part, either actual or implied, was presumed. Because of that, he implicated Allen with criminal behavior intentionally, wrongfully and without just cause. The appellate court found the State Farm policy excluded coverage for any damages suffered by Allen as a result of Schmidt's statement and affirmed the judgment of the trial court.

Schmidt also argued that the trial court erred in failing to find that State Farm had a duty of defense in the lawsuit. The appellate court also disagreed with this argument, because the policy unambiguously and clearly stated that it had a duty to defend only if policy coverage applied.

Coverage was excluded and there was no duty for State Farm to defend Schmidt. For these reasons, the judgment of the trial court granting summary judgment to State Farm and dismissing Allen's claims against it with prejudice was affirmed.

N. "Recreational motor vehicle" includes all-terrain vehicles, dune buggies, golf carts, snowmobiles or any other motorized land vehicle that is meant for off-the-road recreation.

O. "Retained Limit" means the total of the limits which exist for any "underlying insurance" or other insurance that is available to an insured, including coverage which would have been available if the insurer providing the underlying insurance had not become bankrupt or insolvent. Retained limit also means the deductible that is shown on the declarations page. The specified deductible applies when a loss that qualifies for coverage under the PUP and is not covered by any other source of coverage, occurs.

P. "Underlying insurance" refers to any source of primary liability insurance that protects an insured against the types of liabilities listed on the Declarations and for no less than the limits that appear on the Declarations page.

Q.

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[Personal Umbrella Liability Declarations Page](#)

Generally, insurers develop their own Declarations to meet their specific needs, including any requirements to conform with applicable state law. ISO provides advisory form DL DS 01,

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Personal Umbrella Liability Policy Declarations. If a company wishes to make use of it, the form must be independently filed. The form, which places the applicable policy number at the top of its page, includes space for:

IDENTIFICATION INFORMATION

- The name of the insurance carrier providing the coverage
- The name of the producer
- Named insured(s)
- Mailing address. All correspondence from the insurance company will be mailed to this address so it must be accurate.
- Description of the Residence Premises. Assumed to be same location as mailing address. If that is not correct, the actual location must appear in this space.
- Policy Period

Insuring Agreement statement, obligating insurer to provide described coverage when required premium is paid.

POLICY LIMITS INFORMATION

- Personal Limit of Liability
- Checkbox, when marked, advising that personal injury coverage is subject to the Personal Injury Coverage Aggregate Limit of Liability. The actual limit then appears directly beneath
- Deductible

SCHEDULE OF UNDERLYING INSURANCE

- Name of Underlying Personal Liability Insurer, including policy number, limits, policy period and policy limits. Includes checkbox to indicate whether the coverage is subject to an annual aggregate limit and, if applicable, the aggregate limit amount.
- Name of Underlying Auto Liability Insurer, including policy number, policy period and Bodily Injury and Property Damage Limits (either split or combined).
- Name of Underlying Motorcycle Liability Insurer, including policy number, policy period and Bodily Injury and Property Damage Limits (either split or combined).
- Name of Underlying Watercraft Liability Insurer, including policy number, policy period and Per Accident Limit of Liability.
- Names of any Underlying Insurers providing other forms of liability, including policy numbers, policy periods, types of liability and respective limits

PREMIUM

- Premiums per coverage, vehicle and total policy premium
- Coverage selected for each vehicle

FORMS AND ENDORSEMENTS

The numbers of the Forms and Endorsements that apply to the policy or coverage section at the time it is issued must be listed in order to incorporate them into the policy.

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ISO Personal Umbrella Liability Policy Endorsements

Insurance Services Office's (ISO) Personal Umbrella Liability Policy Program is designed to handle personal lines exposures with assets that exceed the capacity available under personal auto and liability policies. As is the case with other lines of business, modifications to the Personal Umbrella Liability Policy are required in order to accommodate different circumstances. These optional forms are designed primarily for handling coverage concerns represented by underlying coverages. Some of the endorsements require additional premium.

Where applicable, you'll find a reference to additional articles that discuss a particular endorsement in greater detail.

Notes:

The umbrella policy uses a "DL" prefix since it is part of ISO's Dwelling Liability Program.

Analysis Of Optional Endorsements

The following are brief descriptions of the coverage for ISO's personal umbrella program endorsements that generally have countrywide application:

DL 98 03–Personal Umbrella Liability Policy-Excess Home Business Liability Coverage

This form extends the umbrella to provide coverage for an insured's on-premises, business-related liability, but only when that specific liability has been added to the applicable, underlying coverage. This seven-page endorsement amends a number of sections and adds a provision to examine operation books and records. It also includes a requirement that the insured keeps the underlying protection for the permitted business exposure in force.

DL 98 04–Personal Umbrella Liability Policy-Excess Home Day Care Liability Coverage

This form extends the umbrella to provide coverage for an insured's home day care exposure, but only when that specific exposure is endorsed onto the insured's applicable, underlying coverage.

DL 98 04–Personal Umbrella Liability Policy Excess Home Day Care Liability Coverage Endorsement

The DL 98 04 adds coverage, on an excess basis, for a day care that is run from the premises that is part of the described underlying coverage. This can be an invaluable, additional coverage considering the potential for losses involving children.

Example: Josie has enjoyed operating "Kid Farm" out of the large house she inherited from her grandfather's estate. The home has six bedrooms and sits on four acres of land that includes a large pond and a heavily wooded section. Her homeowner's policy has an endorsement to cover her daycare so her agent recommended that she extend her liability protection onto her umbrella policy.

The form has a schedule for identifying the underlying insurance information and entering whether the excess coverage is triggered by an underlying occurrence limit or an aggregate annual limit. It also names and describes the day care business.

Definitions

The policy extends coverage by adding its own defined terms for the following:

- Retained Limit
- Underlying Insurance
- Employee

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- Home Day Care Business
- Residence Employee
- Suit

Underlying insurance is defined as the described, primary source of coverage for the insured's home day care operation and at the retained amount that appears in the schedule.

Coverage

The form would apply an excess layer over either a given occurrence amount, or after exhaustion of a given annual aggregate amount for bodily injury or property damage that is related to a home day care operation.

Example: Josie is being sued by the parents of one of the young girls who was cared for at "Kid Farm." Josie normally has a full-time assistant. One day, her helper called in sick. Josie was juggling getting all the kids down for an afternoon nap except for one girl who was filthy after playing on the shore of the property's pond. She ran water in a tub, placed her in and then went to the nap room. A few seconds later, she heard piercing screams. In her haste, she didn't check the water temperature which scalded the girl.

The damages sought were far in excess of the primary policy's day care limit.

Exclusions

Protection is added primarily by changing exclusion A.3 of DL 98 01 so that the business exclusion makes an exception for home day care services that is performed by an insured.

However, the form does NOT apply to any other business activities. Further, even when the covered day care operation is involved, the coverage does not extend to loss involving any sort of vehicle, watercraft or any incidents related to draft or saddle animals.

Example: Josie has another problem. One of the older children she cares for sneaks away from the rest of the kids and takes Josie's horse for a ride. Being inexperienced, she loses control of the horse and takes a very serious fall that includes being struck and paralyzed by the horse's hooves. Josie's umbrella coverage will not respond to this loss.

Sections IV, VI, VII

The form substitutes its own provisions for the following:

- Maintenance of Underlying Insurance
- Severability of Insurance
- Examination of Books and Records
- Changes

DL 98 05–Personal Umbrella Liability Policy-Excess Business Pursuits Coverage

This form extends the umbrella to provide coverage for an insured's business-related liability, but only when business pursuits liability has been added to the applicable, underlying coverage. The business pursuit must be described on the form (and naturally it needs to match the description used in the underlying coverage).

Example: Hanna turns in a claim for injuries suffered by a client who visited her in-home seamstress business. The adjuster contacts her with questions as her underlying policy only contains a description of a catering business.

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Coverage does not apply to on-premises operations, losses involving professional liability, or to exposures involving vehicles or animals bred for transporting persons or property. The form also includes a requirement that the insured keeps the underlying protection in force.

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HO 24 71–Designated Business Pursuits Liability Coverage

Purpose

For an additional premium, this endorsement extends Coverage E–Personal Liability and Coverage F–Medical Payments to Others to protect against the liability exposure represented by some of an insured’s business activities.

With the availability of either standard or proprietary stand-alone policies or endorsements, the applicable form should be considered a primary source for gathering the information necessary to insure a home-based business exposure.

However, this article is offered as another source for identifying possible coverage needs and may be useful as a supplement.

Client/Applicant Name _____

Is the business at the primary residence operated on a full-time basis? Yes No

Are there other separate business locations? Yes No

Business name: _____

Describe the business.

What is the form of ownership?

Proprietorship Partnership Joint Venture

_____ Limited Liability Corporation Other Describe other: _____

List the household member(s) who own the business:

Name: _____ Age: _____ %

Owned Do individuals who do not reside on the premises own any part of the business?

_____ Yes No

If yes, identify them and describe their relationship to the other owners and how they are involved with the business.

Name:

Relationship:

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Involvement:

List household members(s) the business employs.

Name: _____ Age: _____

Does the business employ individuals other than household members?

If yes, describe their relationship to the owners and the job(s) they perform. Name:

Relationship:

Job(s) performed:

When did the business begin? _____

If the applicant sells products, what are the gross annual sales? \$ _____

If the applicant provides services, what are the gross annual receipts? \$ _____

What is the business personal property's actual cash value? \$ _____

Describe the business personal property.

What is the maximum actual cash value of property of others on the premises?

\$ _____

Describe the property of others that could be on the premises.

What is the square foot area of the business operation? _____

If the business is retail (other than crafts and food), answer the following:

Is the product distributed under the applicant's own private label? ___ Yes ___ No

The inventory is stored in (check all that apply):

___ Residence ___ Attached garage ___ Other structure(s) on premises

_____ Other structure(s) off premises

The customer receives the product by:

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_____ Mail/UPS _____ Customer pickup _____ Owner delivery _____
Contract delivery _____ Other

Describe other:

Does the applicant sell the product at fairs, flea markets, or similar events? __ Yes __ No

Do customers come to the applicant's residence to purchase the product? __ Yes __ No

If the business is service, answer the following:

Does the work involve: _____ Installation _____ Consultation _____ Instruction?

Does the applicant travel to jobsites? __ Yes _____ No

If yes, describe the vehicles used.

Unit Number _____ Vehicle description _____

Does the applicant have a professional liability exposure? _____ Yes _____ No If the business is crafts, answer the following:

Does the applicant sell the product at fairs, flea markets, or similar events?

_____ Yes _____ No

The customer receives the product by:

_____ Mail/UPS _____ Customer pickup _____ Owner delivery _____ Contract
delivery

_____ Other Describe other:

If the business is food-related, answer the following:

Is food prepared on the premises? _____ Yes _____ No

Is food prepared under a private label? _____ Yes _____ No Is food served off
premises? _____ Yes _____ No

Does the applicant provide delivery service? _____ Yes _____ No If yes, describe
the vehicles used.

Unit Number _____ Vehicle description _____

If the business is an office, answer the following:

Is the applicant a telecommuter for another business? _____ Yes _____ No Does the
applicant have a professional liability exposure? _____ Yes _____ No

Does the applicant have access to confidential information? _____ Yes _____ No Do clients
come to the residence to conduct business? _____ Yes _____ No

Does the business involve use of Additive Manufacturing (3D Printing)?

_____ Y

_____ N

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o If yes, please provide details on the types of items manufactured.

Is Additive Manufacturing done in full compliance of copyright laws? ___Yes ___No

The HO 24 71 is designed for those who have a higher-than-normal level of business- related risk connected to their residence. However, the business-related risk must still be incidental to the residence.

Example: Jim's company hired a consultant to help with a major project. Since Jim lives near the airport, he was asked to pick up the consultant who was flown in to discuss his plans. Jim and the consultant returned to Jim's house in order to pick up some important papers.

While leaving, the consultant tripped and fell face forward onto the cement sidewalk at the bottom of the stairs. Since Jim's homeowner policy has the HO 24 71 endorsement attached, this loss should be covered.

Exclusions

This endorsement DOES NOT provide coverage for:

1. "Bodily injury" or "property damage" related to a "business" that is owned or controlled by an "insured." This exclusion also applies to any partnership to which an insured belongs.
2. "Bodily injury" or "property damage" liability related to professional services (except for teaching), including but not limited to the following:
 - Architectural, engineering, or industrial design services
 - Medical, surgical, dental, or other health services for either humans or animals
 - Beauty or barber services or treatment
3. "Bodily injury" to a fellow employee of the "insured" when that injury in the course of employment.
- 4.a. An "insured" who belongs to any school or college staff when "bodily injury" or "property damage" arises from the maintenance, use, loading, unloading, or entrustment by the "insured" to any person of any of the following:
 - Draft or saddle animals or vehicles for use with draft or saddle animals
 - Aircraft
 - Motor vehicles or all other motorized land conveyances
 - Hovercraft
 - Watercraft.

These acts are excluded whether any crafts, animals or vehicles are owned, operated, or hired by or for the "insured" or employer or used by the "insured" to train another person to operate such vehicles, animals, or crafts.

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FARMOWNER POLICY'S "UNFILED" HORSE EXCLUSION IS UPHeld AS BAR TO COVERAGE FOR INJURIES STEMMING FROM HORSE STABLE OPERATIONS

On February 12, 1992, Buddy Cage was assisting a person who was taking a horse riding lesson on the premises of The Hunt Club. While walking through a barn hallway, Cage was injured when a bale of hay thrown by a Hunt Club employee struck him on his head. Buddy filed suit against the club. The club filed a claim under their farmowners policy issued by Litchfield Mutual Insurance. The company denied the claim since their policy contained an endorsement that excluded any damages related to the ownership, maintenance or use of horses and similar animals. However, the company did defend the club after reserving its rights to investigate the claim. A court awarded Cage \$95,000 in damages.

The club assigned their interest in the policy to Cage who filed suit against the company. The company filed for a declaratory judgment to confirm that their policy exclusion relieved them of the obligation to pay the award. Other pertinent facts concerning this case include the following:

- at the time of the loss, the exclusion was not, technically, filed with the insurance department. The insurance department and the company had corresponded about the exclusion when it was originally filed in 1980. However, by oversight on the part of both parties, the issue wasn't addressed until 1995 when the exclusion was officially filed a second time.
- the insurance department approved the filing (as of the second filing date) and it also permitted the company to continue use of the exclusion on its existing policies.
- there was no statutory or administrative penalty associated with the use of a policy or form which had not received the insurance department's approval.
- the Hunt Club's insurance agent generally purchased a separate Horse Stable Liability Insurance Policy to handle losses arising from the Club's horse operation, but he was unable to find such coverage during the 1991-1992 policy period (the time in which the injury to Cage occurred).
- the Club routinely issued two separate premium checks to the agent for the separate policies.

The trial court ruled that the exclusion was valid, even though it had not been approved. Since the exclusion was applicable, the insurer was not obligated to indemnify Cage.

Upon appeal, the appellate court determined that, since the plaintiff never raised the question concerning the exclusion's status as an unfiled form, it could not be considered in the appeal.

The court determined that the exclusion clearly barred coverage for liability arising out incidents related to horses and it affirmed the lower court's decision in favor of the insurer.

4.b. "Bodily injury" caused by corporal punishment inflicted or ordered by an "insured" who is part of a school or college faculty or teaching staff. This exclusion does not apply if the corporal punishment box in the endorsement schedule is checked.

4.c.

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DL 98 06–Personal Umbrella Liability Policy-Excess Incidental Farming Personal Liability Coverage

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This endorsement supplements an insured's underlying coverage against loss involving modest farming exposure. The insured farming operation must be described on the form (and should match the description used in the underlying coverage) and it has its own definitions of "retained limit" and "underlying insurance." No coverage applies to non-farming business activity, nor does it apply to liability related to vehicles or crafts. The form also includes a requirement that the insured keeps the underlying protection in force.

HO 24 72–Incidental Farming Personal Liability Coverage

PURPOSE

This Insurance Services Organization's (ISO) form modifies a base HO policy's Section II – Liability to apply to low-exposure farming operations that are performed either on- or off-premises. If the farming exposure is an off-premises operation, the exact location must be shown either on the endorsement declarations section or elsewhere in the policy.

The simplicity and brevity of this endorsement make it obvious that this form is meant strictly for minor farming exposures such as hobby farmers. Such persons typically have a very small farming operation such as:

- A handful of acres that is tended by a small tractor
- A small amount of livestock that's used for personal consumption
- Every other weekend canning exposure for fruits and vegetables

MODIFICATION

The expanded coverage for an on- or off-premise farming operation is accomplished by eliminating the applicability of item **E.2.** found under the exclusions for Coverage E– Personal Liability and Coverage F–Medical Payments to Others to the operation that is specified either on the endorsement declarations section or elsewhere in the policy.

Note: The coverage is provided only as scheduled; therefore, any change in either the location or the type of operation must be reflected in the modified policy.

Example: Paul and Hanna Blandsum's home is insured under a special form HO policy that is modified by a HO 24 72–Incidental Farming Personal Liability endorsement. The current policy period runs from 05/14 to 05/14. In August, Paul submits a claim. A neighbor has sued Paul. On July 17th, a friend was visiting the Blandsums. The friend was severely burned when a pressure-cooker exploded and the errant lid struck her face. Hanna was cooking and canning tomato sauce for several neighbors with healthy tomato harvests. The neighbors paid Hanna for the canning. The Blandsums' insurer investigates the loss and, a couple of weeks later, denies the claim. The description on the HO 24 72 was the following:

A two-acre lot, 652 S. County Rd (lot located next to the Blandsums' home) containing a vegetable garden, owned, and farmed by Paul and Hanna. The garden exposure includes a riding mower with a small array of farm implements. The Blandsums sell any excess vegetables, mostly peppers and potatoes.

The insurer turned down the loss since it was a separate, on-premises activity (canning) that, because it involved tomatoes belonging to other persons, was unrelated to the scheduled farm activity.

The endorsement also eliminates exclusion **E.4.b.** for operations conducted away from premises but only for farming operations.

DL 98 07–Personal Umbrella Liability Policy-Assisted Living Care Liability Coverage

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This endorsement modifies the umbrella policy to provide liability coverage for a person who is a relative of an insured and is a resident of an assisted living facility. Normally such persons who live outside of the primary residence do not qualify as insureds.

The person or persons residing in the assisted living facility as well as the facility must be listed on the form. It modifies the definition of insured to include a relative person living in the described facility. Such coverage has to exist in the underlying coverage since this form only provides excess protection. Coverage does not apply to vehicle or craft liability, nor does it apply to either BI or PD suffered by employees of the facility.

DL 98 08–Personal Umbrella Liability Policy Trust Endorsement

This form modifies the umbrella policy to provide liability coverage for a trust arrangement or a trustee. The form includes wording that defines a trustee or trust as an insured party. The name of the trust and the trustee must appear on the form. The coverage only applies to incidents involving the liabilities of the trust that is also protected by the applicable underlying coverage.

The form now refers to “Home- sharing activities” as part of its definition of business. (03 18 change)

DL 98 11– Personal Umbrella Liability Policy Auto Liability Exclusion Endorsement

This form should be used with insureds that need an umbrella, but don't have any auto liability exposure.

The DL 98 11 specifically excludes coverage under the Personal Umbrella Liability Policy for any vehicle that is defined as an “auto.” This form's use allows umbrella coverage to be written in instances where either the underlying auto exposure doesn't exist or when an existing exposure is unacceptable to the insurer. There are various situations that may call for attachment of this endorsement.

Example: A senior-aged, male insured wants umbrella coverage for his property ownership and personal liability, but, living in the middle of a large city, he either walks or uses public transportation and has no vehicle-related liability exposure.

Example: A younger female insured has no vehicle liability because she never learned to drive.

Example: A middle-aged female executive operates a car that is provided by her employer. The employer owns and insures the car, so she does not own or use any other vehicle.

Example: A male insured owns a couple of vans for his personal use, but they're in the name of his partnership. The partnership has a separate commercial policy for the vans.

Because of the resulting lack of response to any underlying auto liability, there should be a reduced premium for the excess coverage (though an insurer's minimum premium rule may make any reduction moot).

Coverage Analysis

This endorsement gives both a potential umbrella customer and the insurer greater flexibility in providing umbrella coverage. The form works by adding an additional exclusion to the DL 98 01–Personal Umbrella Liability Policy. The exclusion makes both the “bodily injury” and “property damage” liability coverage inapplicable to any loss created by the incidences of ownership, use, maintenance or entrustment of any “auto.”

The scope of the exclusion is broad, extending even to circumstances involving vicarious liability.

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Exceptions

Since the endorsement uses the defined term “auto,” coverage would be excluded for the same types of vehicles that are typically covered by a Personal Auto Policy, such as a private passenger auto or pickup truck or van (with a gross vehicle weight rating of 10,000 pounds or less). However, there are some exceptions. The DL 98 11–Personal Umbrella Liability Policy Auto Liability Exclusion Endorsement is NOT applicable to losses involving trailers that are neither towed nor carried by an “auto,” or to any “auto” that does NOT have to be registered as a motor vehicle. However, vehicles that do not have to be registered must meet at least one of the following criteria in order to be exempt:

- **Solely service a residence (02 15 change)**

The prior edition exception required that the vehicle service only the *insured’s* residence. This slight change makes the exclusion less restrictive since exceptions would be made for a greater number of vehicles related to residential maintenance.

Example: Lana’s home was insured by a PUP. Her neighbors are elderly and she often helps by using her riding mower to take care of their lawn. Once, while mowing their grass, she got off the mower, leaving it to idle, as she ran to her house to get a drink.

While she was inside, her neighbor’s visiting, toddler grandson is severely maimed when he tried to climb the running mower. Lana is sued, but coverage is denied.

Note: Previously, the endorsement’s language would have excluded the above situation since, at the time of the loss, the mower was not serving Lana’s residence.

- **Be designed to assist a handicapped person and, at the time of loss, being used to assist a person or be parked at the residence premises or be in dead storage.**

If none of these situations exist, even vehicles that do not require registration are subject to this exclusion.

Rating impact

Due to the fact that this endorsement, for all intent, eliminates coverage for auto-related liability, the reduced exposure should be reflected in the premium charged for the Personal Umbrella Liability Policy.

DL 98 12–Personal Umbrella Liability Policy Auto Liability Following Form Endorsement

This form excludes coverage for automobile liability. However, it then adds the coverage back, but making it applicable ONLY to the extent of the coverage that exists under the applicable, underlying coverage.

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Example: Greg recently retired and decided to visit his insurance agent. “Barb? What can you do to save me some money? I moved to a house next to my favorite park. I walk everywhere I need to go and I sold my SUV.” Barb pulled out a copy of the DL 98 12 and said: “I know how we can save some money on your umbrella policy!”

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The DL 98 12 works in two stages:

- 1.** The first part acts as an exclusion that makes both the “bodily injury” and “property damage” liability coverage inapplicable to any loss created by the incidences of ownership, use, maintenance or entrustment of any recreational vehicle that appears on the exclusion’s schedule. The scope of the exclusion is broad, extending even to circumstances involving vicarious liability.
- 2.** The second part then acts to make the DL 98 01 into a servant of the underlying coverage. Specifically, the DL 98 12’s language obligates the modified Personal Umbrella to provide excess coverage for automobile liability on the same basis that exists in the underlying vehicle coverage. In other words, it follows the underlying coverage.

An item of interest may be the rationale for using this endorsement to convert the DL 98 01–Personal Umbrella Liability Policy into a following form. Depending upon the underlying coverage, the DL 98 01–Personal Umbrella policy could be modified to provide either narrower or broader coverage than the unendorsed umbrella.

It is important to be clear about any underwriting reasons for using the endorsement to change existing coverage. While it may make sense to use the DL 98 12 to exclude umbrella coverage for a type of vehicle that does not meet with the umbrella insurer’s underwriting criteria, it doesn’t make sense to use the form in an attempt to minimize harm from an unacceptable driver.

DL 98 13–Personal Umbrella Liability Policy Exclusion–Designated Auto Endorsement

This form excludes coverage for automobile liability on the same basis as the DL 98 11–Personal Umbrella Liability Policy Auto Liability Exclusion Endorsement. However, the exclusion only applies to the vehicle(s) specifically listed on the endorsement. While this form may be viable if excess coverage is to be denied to an exposure that is covered on a primary policy, if a vehicle is already excluded by the primary policy, it may make more sense to use the following form endorsement.

DL 98 14–Personal Umbrella Liability Policy Exclusion–Designated Recreational Motor Vehicle Endorsement

This form excludes coverage for BI or PD due to a recreational motor vehicle scheduled on the endorsement.

This form permits an insurer to specifically designate and exclude coverage under the Personal Umbrella Liability Policy for one or more recreational vehicles.

The Schedule

The form includes a schedule for describing the vehicle(s) that is/are disqualified from excess liability protection.

Coverage Analysis

This endorsement gives both a potential umbrella customer and the insurer some flexibility in providing umbrella coverage. The form works by adding an additional exclusion to the DL 98 01–Personal Umbrella Liability Policy. The exclusion makes both the “bodily injury” and “property damage” liability coverage inapplicable to any loss created by the incidences of ownership, use, maintenance or entrustment of any recreational vehicle that appears on the exclusion’s schedule.

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Example: Paul is insured under a Personal Umbrella Liability Policy. His son is a member of the Young Woodsfolks Troop (YWT) 300. The YWT Troop Leader's van is in the shop for repairs, so he asks Paul for help in arranging transportation for their weekend camping trip. Paul, who is the general manager for a RV dealership, lets the YWT Leader use his "demo" RV, which Paul is allowed to use too. This RV is listed on Paul's umbrella policy endorsement DL 98 14, since it is available for his regular use; but it is insured by the dealership's commercial auto policy. Should the YWT Leader cause an accident with the RV, Paul's umbrella policy would not be liable for coverage.

Note: The bar to coverage applies on a specific, rather than a blanket basis. Therefore, a policy that has the DL 98 14 form attached may exclude a certain recreational vehicle, while providing full coverage to another.

Example: Let's look at Paul and the YWT Leader again. Again, Paul is asked to save the Woodsfolks' Troop 300 camping trip. Paul has access to his dealership's "demo" RV and he also owns an older RV. Paul is unmoved by the YWT Leader's request for the newer, larger, "demo" RV; however, he does let the leader use his personal RV. While the "demo" RV is shown on endorsement DL 98 14, Paul's "owned" RV is documented as a covered vehicle in his underlying RV policy. The weekend of the camping trip, the YWT Leader causes a serious auto accident while using Paul's personal RV. In this instance, Paul's umbrella policy is available to respond to the loss.

DL 98 15—Personal Umbrella Liability Policy Exclusion-Designated Watercraft Endorsement

This form excludes coverage for BI and PD due to watercraft. However, the exclusion only applies to those watercraft specifically listed on the endorsement.

DL 98 16—Personal Umbrella Liability Policy Exclusion-All Hazards In Connection With Designated Premises Endorsement

This form excludes coverage for "property damage" and "bodily injury" related to the location described in the endorsement.

DL 98 17—Personal Umbrella Liability Policy Exclusion-Fungi, Wet or Dry Rot, or Bacteria Endorsement

This form amends the umbrella policy. First it adds a definition of "fungi." The definition does NOT extend to fungi that are on or in an edible product. Then the form bars coverage for BI, PD or PI due to breathing-in, eating or being exposed to fungi, rot or bacteria. The result is that, there is limited coverage for, essentially, food poisoning.

DL 98 23—Personal Umbrella Liability Policy Named Driver Exclusion Endorsement

This form allows excess coverage to be engineered to address an unacceptable driver exposure (when allowable by the applicable jurisdiction). The excluded party must appear on the form and the exclusion applies to direct as well as to vicarious liability related to the named party. It also adds the defined term "named excluded driver."

DL 98 24—Personal Umbrella Liability Policy Exclusion-Motorcycle & Moped Endorsement

This form bars coverage for either direct or vicarious loss involving an insured's motorcycle or moped liability.

DL 98 25—Personal Umbrella Liability Policy Exclusion-Watercraft Endorsement

This form bars coverage for either direct or vicarious loss involving an insured's watercraft liability.

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DL 98 26–Personal Umbrella Liability Policy Exclusion-Recreational Motor Vehicle Endorsement

This endorsement excludes coverage for either direct or vicarious loss involving an insured’s RV liability.

DL 98 30–Personal Umbrella Liability Policy Exclusion-Motor Home Endorsement

This form bars coverage for either direct or vicarious loss involving an insured’s motor home liability.

DL 99 01–Personal Umbrella Liability Policy Personal Injury Coverage (Aggregate Limit of Liability)

Attaching this form modifies a PUP by turning the policy’s stated limit of liability into an annual (policy term) aggregate limit. The form modifies the PUP’s Section I, Definitions, Section II, Coverages Section IV Maintenance of Underlying Insurance Section VI General Provisions and Section VII, Changes. Another significant modification is that the form makes an exception to the maintenance of underlying coverage requirement when any underlying source is subject to an aggregate limit.

DL 99 02–Personal Umbrella Liability Policy Excess Permitted Incidental Occupancies Liability Coverage Endorsement

This form expands coverage under the Personal Umbrella Policy. Its use extends liability coverage for the incidental occupancy that is described in the endorsement’s schedule. The amount of excess coverage must be entered on the schedule. It also requires that the listed, permitted, activity be covered by appropriate, underlying coverage. The form uses its own definitions of “retained limit,” “underlying insurance,” “employee,” “permitted incidental occupancy,” and “residence employee.”

DL 99 03–Personal Umbrella Liability Policy Canine Liability Exclusion Endorsement

This new form is named dog exclusion. Space is provided to enter a name and description of a dog. When attached, it eliminates BI and PD caused by the described dog. The exclusion applies to that specific dog whether it is owned or just in the care, custody or control of an insured.

Note: The form may be problematic to apply to non-owned animal situations. What would be the circumstances that this endorsement would be executed for non-owned dogs? Further, how would enforcement be affected by a dog’s name change or an ambiguous description? A photo or micro chipping requirement may have made sense.

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DL 99 08–Personal Umbrella Liability Policy Underlying Personal Injury Aggregate Limit of Liability

Attaching this form modifies a PUP. It provides an exception to the maintenance of underlying coverage requirement when any underlying source is subject to an aggregate limit.

DL 99 10–Transition Endorsement

Attaching this form modifies a **'06 edition** umbrella policy into the newer **02 15 edition. (02 15 Change)**

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DL 99 12–Personal Umbrella Liability Policy Public or Livery Conveyance Exclusion Endorsement

This form both adds a definition of “Transportation network platform” and an exclusion for losses involving an otherwise covered vehicle while used under a “Transportation network platform.”
(10 15 Change)

DL 99 53–Personal Umbrella Home-Sharing Host Activities Amendatory Endorsement

When attached, this form amends the DL 98 01, Personal Umbrella Liability Policy to align with the exposures related to Home-Sharing Host activities similar to AirBnB. Besides adding definitions for “Home-sharing host activities,” “Home-sharing network platform,” and “Home-sharing occupant,” the form expands the definition of “business” to include home-sharing activities which also expands the base policy’s applicability of its business exclusion. **(03 18 Change, New Form)**

DL 99 54–Personal Umbrella Liability Exclusion – Unmanned Aircraft (03 18 New Form)

The definition of aircraft is revised to include unmanned aircraft even when used in a hobby or as a model. This change results in eliminating most coverage for drones and other types of unmanned aircraft.

DL N 002–Personal Umbrella Liability Policy Canine Liability Exclusion Endorsement Acknowledgement

This statement is used on PUP policies that are issued with Canine Exclusion Endorsement DL 99 03. It allows the named insured to specifically acknowledge the use of dog exclusion and includes space for a signature to solidify applicability in case of a loss.

PREMIUM

- Policy Premium (net of endorsements)
- Endorsement Premium

II. COVERAGES

A. The insuring agreement obligates the insurer to pay only when damages are in excess of the retained limit. The only damages covered are those for bodily injury, property damages or personal injury. However, the insurer responds only if the insured is legally liability due to a bodily injury or property damage occurrence or is legally liability for a personal liability offense. Prejudgment interest awards are also eligible for payment as damages.

B. The ISO Personal Umbrella Liability Policy also provides coverage under its insuring agreement for the expense to defend an insured. The insurer will pay the cost to defend an insured against lawsuits, even when a suit or allegation has no merit, with the following limitations:

- The source of the suit must be the result of occurrences or offenses that are eligible for coverage under the PUP
- The insurer doesn’t have to defend in either of the following:
 - When coverage is provided by underlying insurance
 - When the claim is not covered by underlying insurance, but the claim amount (or damages sought) is less than the umbrella policy’s deductible.

The insurer also may join in the defense of a claim that has the potential to exceed the underlying carrier’s limits, but without contributing to the primary carrier’s defense costs.

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The umbrella provider must pay any legal expense incurred by an insured because a different country's laws or regulations prevent it from defending an insured. The insurer may also choose to investigate or settle any claim it decides is appropriate. The company's obligation to provide any defense ends when it pays out its limit.

C. The umbrella policy also provides the following **additional coverages**:

- The company pays for any taxes levied on the insured for the cost of defending a claim and for its costs in defending a suit
- Payment of premiums for claims-related bonds. It pays premium for only bond amounts that are within the policy's limit.
- Pays expenses incurred by an insured when assisting the insurance company. Also pays up to \$250 per day for earnings lost when assisting the insurance company. The assistance must have been requested by the insurance company.
- Finally, the umbrella insurer is obligated to pay its share of interest on any judgment, but not including the portion of interest on the sums that exceed the policy's limit.

The above coverage amounts are in addition to the limit of liability.

Let's examine the first part of the PUP insuring agreement more closely. The agreement obligates the PUP carrier to pay BI and PD damages under the following conditions:

- The damages have to be greater than the applicable "retained limit"
- The insured has to be held legally responsible to pay the damages
- The damages must qualify for coverage under the PUP

It appears that the policy's intent is to act as excess coverage over the "retained limit." As mentioned earlier, this term refers to the total of the limits that exist for any source of primary coverage available to an insured.

Note: The policy still applies on an excess basis over any stated underlying limits when the applicable primary insurers are insolvent and can't meet their obligation.

It appears that the policy's intent is to provide coverage on an excess basis in two situations. The first situation is to extend the coverage of the primary insurance policies (auto, homeowners, recreational vehicles and similar policies) that are listed on the PUP Declarations page. The second situation is one in which a valid source of coverage exists for an exposure and that primary source of coverage is not listed on the Declarations.

Example: Jane Sportsknot is covered by an ISO PAP, HO3 and PUP policy. Jane has always loved volleyball and she jumped at the chance to act as a coach for her daughter's sixth grade volleyball team. Jane files a claim to protect her against a lawsuit involving her actions during a serious brawl that occurred during a city-wide volleyball tournament. The PUP insurer delays involvement in the lawsuit because a special events policy was purchased for the tournament and coaches are covered by that policy on a primary basis.

Limit of Liability

The Limit of Liability which is shown on the policy Declarations is the maximum amount that will be paid for a single "occurrence" or offense. This maximum obligation is not affected by any of the following:

- The number of "insureds"

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- The number of claims made
- The number of persons injured
- The number of vehicles in an accident

Furthermore, ALL eligible damages that are the result of any one accident or of continuous or repeated exposure to substantially the same general harmful conditions are considered to be one "occurrence."

III. EXCLUSIONS

The items which are not covered by the ISO Personal Umbrella Policy should come as no surprise to insurance professionals who are familiar with ISO policies.

A. The PUP does not grant coverage in the following situations:

1. "Bodily Injury" or "property damage" due to an intentional act is not covered. The umbrella exclusion's wording attempts to clarify itself by mentioning that the exclusion extends to harmful consequences that differ from what the individual may have thought would happen.

Example: Ben Flaky is traveling along an interstate highway on his way to work and, after a horrible weekend and nightmarish morning, he's in a terrible mood. Ben has to slam on his brakes to avoid hitting a car that abruptly merges onto the highway in front of his car. Ben, looking for some "payback," rushes up to the driver's rear bumper and continuously honks his horn. The other driver, who is oblivious to having cut Ben off, is startled by the sudden noise and loses control of her car. The startled driver swerves across two lanes and causes a serious pile-up, including Ben's car. When Ben's umbrella insurer gets information on the claim from the underlying auto insurer, they advise Ben that the umbrella won't provide coverage, even though Ben merely intended to "shake up" the driver who cut him off.

FIREMAN'S LAWSUIT FOR PERSONAL INJURY IN FIGHTING FIRE INTENTIONALLY CAUSED BY INSURED HELD COVERED

"Occurrence" was defined in a general liability policy, carried by the owner of a music store, as "an accident, including continuous or repeated exposure to conditions, which results in bodily injury or property damage neither expected nor intended from the standpoint of the insured." Coverage was provided for events ".....caused by an occurrence, and arising out of the ownership, maintenance or use of the insured premises and all operations necessary or incidental to the business of the named insured conducted at or from the insured premises....."

Apparently overwhelmed by business problems and distraught, the insured placed a connected soldering iron on a pad that was soaked with cleaning fluid he had knocked over. He left the store and a fire ensued that destroyed the building. It damaged three adjoining properties and resulted in serious injury to a fireman, who fell from the roof of one of the neighboring stores. The insured admitted to having committed arson.

It was not disputed that, with respect to damage incurred by adjoining property owners, the fire was not an "occurrence" or "accident" covered by the insured's general liability insurance. The consequences of the insured's actions were predictable and the insurer was not obligated to defend lawsuits for property damage.

However, the firefighter and his wife sued the insured store owner for negligence and loss of consortium. Both the trial court and appeal court determined that, although the insured intended property damage, he did not intend to injure the firefighter. Accordingly, they said that the insurer owed a duty to defend the insured against the injury claim.

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The matter rested with the Michigan Supreme Court, which concluded, with dissent, that ".....the insurer has a duty to defend (the insured) in this personal injury suit because there are no facts to suggest that (the insured) intended to inflict bodily injury on anyone by setting his business on fire and that bodily injury occasioned by (the firefighter) was not the direct result of (the insured's) conduct."

This concerns a legal interpretation of the insurability of a loss that is related to an intentional act.

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The exclusion of intentional harm does not apply for bodily injury **or property damage (02 15 change)** that is the result of a person who is defending against being harmed by another party. The exclusion is also inapplicable when bodily injury or property damage is caused by an insured reacting to a perception of danger from automobiles, recreational vehicles or watercraft.

Example: Paul is insured by a PUP that acts as excess coverage over his boat owners policy. Paul lets his teenage son take the boat out with his friends. His son, who fails to pay attention to his steering, loses control of the boat and rams into an expensive yacht. The damage to the hull of the latter is so severe that it sinks. The yacht owner is so enraged that, when rescuers get him to the dock, he attacks Paul's son with a boat hook. Paul seriously injures the yacht owner as he protects his son from the attack. In this instance, the PUP would handle a claim for compensation for injuries since Paul was protecting another party from harm.

2. There is no coverage for "personal injury" when it involves any of the following:

· When the insured is aware that an action (or actions of others under their direction) invades/violates another privacy and that it is likely to cause personal injury

Note: Privacy issues continue to a sensitive area. As communication opportunities expand, particularly due to Internet/Social Media use, incidents involving this source of loss are likely to rise.

INSURER SHOULD DEFEND AGAINST SUIT INVOLVING "UNSOLICITED" FAX

An appeals court provided guidance on whether a Commercial General Liability policy obligated an insurer to defend against a claim involving the Telephone Consumer Protection Act (TCPA). Park University Enterprises (Park) was sued by J.C.Hauling.

Hauling sued on behalf of a class of claimants who complained about receiving unsolicited faxes from Park. Park asked its CGL insurer, American Casualty Company (American) to defend against the lawsuit, but the insurer denied the request. Park and American filed motions asking a court to rule on the coverage issue. A court found in favor of Park, stating that it was owed a legal defense, and American appealed.

American claimed that its denial, based on two points, was justified. The insurer argued that the incident that violated the TCPA was ineligible for coverage because Park's action was not an occurrence and that the fax transmission was not an invasion of privacy. Specifically, the insurer stated that Park intentionally sent their advertising via a fax; so the intentional act is excluded. Further, the party that received the fax did not have its rights to privacy invaded because receiving the fax did not involve revealing a secret via the act of publishing information. In the latter case, the insurer argued that the act did not qualify for coverage under the CGL's advertising injury provision.

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The appeals court focused its attention on the CGL's relevant policy language as well as on several cases cited by American in support of its position. In addressing the eligibility of the act as an occurrence, the court held the opinion that Park's sending the faxes was deliberate, but that intentional acts are based upon the perception of the party committing the act. The court record revealed that Park had sent fax advertisements to an employee of Hauling. That employee had attended a seminar offered by Park and, afterwards, provided Park with her fax number. Park argued that it believed the information it sent was welcome since they were voluntarily provided with the fax number from a customer. The court held that, under this circumstance, sending the fax qualified as an accidental occurrence since Park, while intending to send the fax, did not intend to cause harm to the fax recipient.

The next item evaluated by the court was whether sending the fax qualified under the CGL as an advertising injury. The policy wording stated that it would respond to claims involving invasion of privacy. The insurer argued that sending the fax did not invade anyone's privacy because it was not a publication of private information. The court interpreted the act as involving a violation of the recipient's right of seclusion, i.e., the right to be left alone. Therefore, the receipt of a fax it claimed to have been sent in violation of TCPA could be interpreted as violating a right to privacy. In this instance, the court held that American's position on the privacy issue did not conform with the policyholder's expectations. If it meant to use a narrower definition of "invasion of privacy", it was in the position to define the term in the policy.

The appeals court upheld the lower court's decision in favor of Park. The insurer is obligated to provide a legal defense of Park against Hauling's class action claim under the TCPA.

Although this is a business incident, it does illustrate the notions of privacy and the question of intent to cause harm.

- When the insured knows that the information that's being spread is not true
- When the information creating the claim was spread before the inception date of the umbrella policy
- When it involves a criminal act either by or at the direction of the insured
- When the act that created the claim is against a person in the employ of an insured and is related in some way to that employment

3.a. Any BI, PD and Personal Injury losses stemming from any business activity performed by any insured

3.b. An exclusion applies to any business activity that occurs at any premises that an insured owns or rents, including vacant property.

Excluded business activity also includes acts and omissions involving services that are related to that activity. The exclusion is even applicable to implied or promised services and duties that are related to business activity.

Example: Jim agrees to lease an unused, large barn on his property to a local business. As part of the agreement, Jim also agrees to enlarge the building's doors to allow easier access. A neighbor's child, while playing with Jim's daughter, is permanently injured when a door frame falls on her. The old door frame had been removed and laid against the building's outside wall. Since the child was injured due to a job being performed to facilitate a business activity, the loss is ineligible for coverage.

However, as exceptions, coverage IS extended to the following:

(1) (a) When the situation involves:

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Occasionally renting out the insured premises for use as a residence

Example: The Jones family goes for a two-week vacation and during that period rents their home to a family who is vacationing in their town.

Rental of part of the insured premises as a residence, even if on a long-term basis, but the situation is excluded if rental is made out to more than two roomers or boarders **involving a single-family unit (changed from “single family” reference in policy). (02-15 change).**

Partial rental of the insured premises for use as a school, private office, private garage or studio

(1) **(b)** When the personal liability is covered by the underlying insurance for renting a structure other than the insured’s residence – but this applies to structures designed for no more than four families.

(1) **(c)** Where the underlying insurance provides coverage for a secondary or seasonal residential condo, co-op or apartment.

(2) An insured’s public or civic functions that involve no payment more than reimbursement of expenses

(3) Losses created by a minor’s business activity when the activity is only occasional or part-time business pursuits. A minor is a person younger than 18 or, if a full-time student, a person younger than 21.

(4) When a named insured, a family member or a named insured’s or family member’s partner, employee or agent uses a covered auto in connection with selling, repairing, servicing, storing or parking vehicles made for use on public roads

(5) The use of an auto, by any insured, for business purposes, other than an activity exempted under item d. above.

Note: Please see the separate discussion on business activity that follows this section on exclusions.

4. The PUP does not respond to vehicle BI or PD losses when such losses occur during the transport of persons or goods for compensation (public livery).

Note: There is an exception for losses involving carpools that applies only as long as no income is derived from it. **An exception also exists for autos (as defined in the PUP/Underlying coverage) involving voluntary or charitable ownership or operation (02 15 change).**

Example: Janie’s auto is insured by a PUP. Janie is a lawyer who works with one of her town’s largest law firms. In her spare time, Janie is a political activist. One day Janie rushes to beat a traffic light and hits another car. At the time of the accident, she had several passengers that she was driving to a polling place to vote. The PUP will respond since the transport of persons was done as a volunteer.

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5. **The PUP added an exclusion.** No coverage will be provided to losses involving autos that are being used, under written contract, in personal vehicle sharing programs. The exclusion applies to such use by persons other than the named insured or a family member. (02 15) change.

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This change is in response to controlling exposures to losses that are part of a growing trend in the “sharing economy” of programs that allow for pooled use of vehicles, particularly in larger cities.

Example: Bill has joined “Car Companions”! It allows other “companions” to use his car during the time it is usually sitting in a parking lot. The program reimburses Bill for gas and wear and tear. The program is a Green Initiative to permit more efficient use of vehicles. However, it also involves a written agreement. If a loss occurs while the vehicle is used by a “companion,” the PUP will not respond.

6. The PUP excludes a loss that is related to professional services that an insured either provides or fails to provide.

Example: Janie's home is insured by a PUP. Janie is a lawyer who works with one of her town's largest law firms. In her spare time, Janie offers legal assistance to persons in need and she has a spare bedroom that she uses as a law library and office. One day Janie is notified of a lawsuit filed by a young lady who was severely injured when, while leaving Janie's home, she tripped on a loose stair rug and fell down the staircase.

Janie's PUP insurer denies handling the loss when the adjuster discovers that the plaintiff had just finished a meeting with Janie to get some legal advice.

7. There is no coverage under the PUP for aircraft-related “bodily injury” or “property damage.” Aircraft refers to devices designed for flight and air transport, but it does not include small-scale models. This exclusion also applies to allegations of negligent entrustment or vicarious liability. Of course, there's always room for dispute about what is meant by aircraft and what eventualities may still qualify for coverage.

8. No coverage exists under the PUP for losses involving BI or PD related to the use of hovercraft which, per the policy's definition, is a self-propelled vehicle that travels on a cushion of air.

9. There is no coverage under the PUP for watercraft-related “bodily injury” or “property damage.” Watercraft refers to craft designed and used for water travel/transport and propelled by wind, engine or electric motor.

This exclusion also applies to allegations of negligent entrustment or vicarious liability. Refer to the definition of Watercraft Liability in order to understand the coverage excluded. Coverage does exist if there is underlying watercraft coverage but only to the extent of that coverage.

10. There is no coverage under the PUP for recreational motor vehicle-related “bodily injury” or “property damage.” As you recall from the policy's definition, RV includes all-terrain vehicles, dune buggies, golf carts, snowmobiles or any other motorized land vehicle that is meant for off-the-road recreation. This exclusion also applies to allegations of negligent entrustment or vicarious liability. Coverage does exist to the extent of any underlying coverage as well as to such loss involving nonowned RVs.

11. Losses with any connection to war and warlike acts, including the discharge of a nuclear device, are not covered.

12. No coverage applies to any party's use of autos, watercrafts or recreational vehicles when that use is not accompanied by the belief that the use is authorized. However, this exclusion is inapplicable to persons who fall under the definition of a family member when using vehicles or crafts owned by the named insured.

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13. This exclusion explains that the PUP is not meant to cover racing or similar exposures. This item bars coverage for vehicles or watercraft that are either in the midst of or are preparing for any form of competition, including non-sanctioned skills competitions. The exclusion is for such activities that are pre-arranged. Similar, but spontaneous activities would still qualify for coverage.

This exclusion includes several important exceptions. With regard to watercraft, coverage still applies to losses should they occur during log cruises and should a loss involve a sailboat, no matter the use. If an event or training is connected to a Motorcycle Safety Foundation or any state agency course that is intended to improve cycle operating skills, coverage still applies if a loss should occur.

Note: This exclusion was expanded to include separate references to watercraft and vehicles as well as to add the motorcycle skills exception (02 15 change)

14. Coverage for bodily or personal injury suffered by a named insured or family member is excluded by the PUP. This exclusion also applies to any sort of claim or suit made by third parties attempting to recoup for payments they were obligated to make for damage or injury they cause to the named insured or his or her family members.

15. The PUP denies coverage for losses related to communicable diseases, sexual molestation, corporal punishment, abuse and unauthorized or illegal activity involving controlled substances.

With regard to controlled substances, the use of any Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812 brings about this exclusion. Controlled Substances include, but are not limited to:

- Cocaine
- LSD
- Marijuana
- All narcotic drugs

This exclusion makes an exception for any loss involving the legitimate use of prescription drugs by a person following the orders of a **licensed health care professional. (02 15 Change – previous edition of the PUP referred to “licensed physician.”)**

Note: Marijuana is a specifically listed controlled substance and continues to be illegal under the Federal Food and Drug Law. However, this exclusion’s application in practice will vary, especially in jurisdictions that permit the use of medicinal marijuana as well as the states that have legalized marijuana’s recreational use.

As is the case with many losses, a separate issue may exist regarding the applicable insurer having an obligation to provide a legal defense for ambiguous situations.

INSURER HAS DUTY TO DEFEND AGAINST AN ALLEGATION OF SEXUAL ABUSE

Henry Radke settled a suit filed against him by his former student, Laura H. Laura alleged that Radke molested her sexually during a school district sponsored field trip. The molestation resulted in both intentionally and negligently inflicted emotional distress; as well, it constituted assault and battery. Radke’s insurance company, Fireman’s Fund, refused to defend Radke. The insurer believed that denial was in order because the alleged damages stemmed from an intentional act and was excluded under the homeowner’s policy they wrote for him.

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After Radke settled his suit with Laura H., he filed a declaratory motion against Fireman's fund to establish that it breached its contract by denying a defense. Radke sought to recover the costs of the settlement as well as his legal fees. Fireman's Fund filed an opposing motion. The trial court granted Radke's motion and denied the motion filed by the insurer.

In the opinion of the lower court, Fireman's Fund's decision to deny a defense to Radke constituted a breach of contract. It ruled that Radke should be reimbursed for both his settlement and legal fees. Further, the breach barred the company from asserting any coverage defenses. Fireman's Fund appealed the decision.

The appeals court reviewed the lower court decision and applied the standards pertaining to the case under specific state law as well as reviewing several other cases that, in its opinion, were pertinent to analysis of the situation.

The higher court examined two different issues: first, whether the insurer's actions could be considered a breach of its duty and second, could the insurer claim any coverage defenses. However, the higher court considered the two issues as sequential, NOT as separate, issues.

After reviewing the pertinent issues, the higher court concluded that Fireman's Fund, in deciding against defending Radke, did breach the insurance contract. The key to their decision was based on Laura H.'s original allegations including a claim for negligently caused emotional injury. Such claims are debatable and so are due at least a defense under a homeowner insurance policy. The appeals court further agreed that, once the breach occurred, the insurer waived any right it had to claiming any other coverage defense. In its review, the court pointed out an appropriate action the insurer could have taken that would have recognize its duty to the insured while it preserved the right to determine whether defense and/or coverage were due. The higher court affirmed the lower court's decision in favor of the insured-plaintiff.

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16. Coverage for any damages connected to an insured's actions as a corporate or organization officer or director is excluded **UNLESS** the only compensation is reimbursement of expenses for such duties performed for a non-profit organization.

17. No coverage is available under the PUP for damage to an insured's property. Why? The PUP is a liability policy, designed to handle losses suffered by third parties that are caused by an insured.

Note: This exclusion also applies to claims involving recouping the cost to repair or maintain property in order to avoid injury or damage to others. This exclusion is not affected by the party that actually incurs such expense.

18. Unless the damage is caused by fire, smoke or explosion, no coverage is extended for damage to property that is in the custody of the insured.

Example: The Smith family's five-car garage is destroyed when heavy snow accumulation causes the garage roof to collapse. Included in the damage is a brand- new Hummer. It belongs to a family friend and was being stored there as it was a surprise Christmas gift from the friend's spouse. The car is not eligible for coverage under the Smith family's PUP.

19. The PUP does not cover "bodily injury" losses when the person suffering the loss should be reimbursed under a workers comp, non-occupational disability or occupational disease law.

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20. Coverage is excluded under the PUP for an insured whose “bodily injury” or “property damage” losses should be protected under a nuclear energy liability policy. The fact that such a policy has exhausted limits does not affect the applicability of this exclusion.

21. Liability under the PUP is denied for “bodily injury” or “property damage” losses due to fuel escaping a “fuel system.”

Related Court Case: [Oil Seepage Damage Held Covered When Caused By Negligent Spill at Neighboring House](#)

22. No coverage is provided for bodily or personal injury damages connected to the absorption, inhalation or ingestion of lead.

23. No coverage is provided for “personal injury” or “property damage” related to an incident involving the any lead contamination or any offense related to it.

HOMEOWNERS INSURANCE MARYLAND ADOPTS CONTINUOUS-INJURY TRIGGER FOR LEAD EXPOSURE

The Carpenter family (Carpenter) sued their former landlord, Kenneth Hooper, alleging that he negligently exposed the Carpenter children to lead paint during the period of their tenancy in the residence owned and leased by Hooper, and that each suffered some degree of permanent brain damage as a result. The parties disputed if Hooper's insurance policies for the premises, issued by United Services Automobile Association (USAA), applied. USAA sought to resolve the dispute and brought a declaratory judgment action against the Carpenters and Hooper, seeking to establish that their maximum exposure in the underlying tort action was \$300,000. The appellants alleged that the four consecutive policies for the policy periods involved provided \$1,200,000 in limits that applied to the case. The lead paint case was stayed pending the resolution of the insurance case. The trial court granted USAA's motion but declared the policies should indemnify Hooper for up to \$600,000 of liability. The court rejected USAA's argument that recovery should be from only one policy. It concluded that the policies were ambiguous as to whether limits could “stack” in cases of a continuous injury spanning more than one policy term. It construed the ambiguity of the policy language against USAA and declared that Hooper was exposed to \$600,000 in the underlying tort action.

The appeal and cross appeal questioned if the circuit court erred in granting the summary judgment and the amount of the award. Hooper had purchased four consecutive homeowner's policies from USAA on the property rented to the Carpenters, who lived at the premises during each of the four policy periods. The periods were 07/28/90 to 07/28/91, 07/28/91 to 03/01/92, 03/01/92 to 03/01/93 and 03/01/93 to 03/01/94. The Carpenter family moved into the house in 1989 and left in the fall of 1993. Blood-lead levels are measured in micrograms per deciliter of blood and the first tests were not conducted until the fourth insurance policy period. Additional tests conducted at regular intervals over a subsequent three-year period showed readings on all three children at or above the danger threshold level. The trial court could not establish if the Carpenter children suffered any injury during the terms of the first two policies and decided that two policies were the maximum number of USAA policies that could be implicated.

The appellate court saw the issue otherwise. Lead is a toxin with no “safe” ingestion level. It held that the trial court erred in concluding there was no genuine dispute as to whether the Carpenter children were injured during the first and second policy periods.

It found the distinction to be very simple. *If* an insurance policy was triggered, *then* some amount of the policy's coverage may be applied to indemnify the insured.

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Allocation in consecutive, primary policy cases like this one deals with the separate question of how much coverage from each policy applies to indemnify the insured for continuous injuries spanning multiple policy periods. The appellate court felt continuous injury, not solely manifestation, was the appropriate trigger in lead paint poisoning cases. The continuous nature of lead poisoning supported the argument for triggering every policy in effect during the period of ingestion.

The appellate court assumed, as an example, that the Carpenters won a total judgment of \$3,000,000 for injuries sustained during the four insurance periods and that each of the four policies was from a different insurer. In such a case, the per-occurrence liability limits would not apply to limit the availability of coverage from the other policies. In such a case, Hooper would have \$1,200,000 of coverage to apply to his liability to the Carpenters. Using this example, the language in the policy can be read to mean "total limit under *this* policy," rather than "total liability under *all* policies." USAA's interpretation would substantially alter liability allocation in continuous injury cases and the court did not feel that USAA's interpretation of the policy language was what the parties had in mind when they made the contracts. It held that the trial court erroneously concluded that the first two of four consecutive one-year policies were not applicable to the calculation of liability for the lead poisoning. In a lead exposure case, the proper coverage trigger was a continuous-injury theory, not a manifestation-of-injury theory.

The continuous nature of lead poisoning supported the argument for triggering every policy in effect during the period of ingestion, which started when the Carpenters moved into the premises and ended when they left. The trial court judgment was reversed and remanded for further proceedings.

B. The PUP does not grant liability coverage for loss assessments to an insured as a member of ANY form of organization of property owners.

C. Finally, the umbrella does not extend excess or first dollar coverage for losses involving either no-fault or uninsured/underinsured motorist liability unless the PUP is explicitly amended by an appropriate endorsement.

PP 03 11—Underinsured Motorists Coverage

Agents and insurers have, for many years, sought to educate their customers about adequate insurance protection. Many states have long established regulations for handling accidents involving uninsured motorists. However, there is a dangerous gap that lies between the coverage insureds choose for handling their own accidents and how states have structured/mandated uninsured motorists coverage. That gap is covered by Underinsured Motorists (UIM) protection. The PP 03 11—Underinsured Motorists Coverage endorsement sheds light on that zone, handling the needs of insureds who suffer losses caused by drivers with insufficient protection.

The Schedule

The form has a schedule that includes the limit of liability (per accident) and spaces for showing a premium for a maximum of three vehicles.

Coverage Analysis

The PP 03 11—Underinsured Motorists Coverage endorsement is more self-contained than most forms. It has its own insuring agreement, exclusions, limit of liability, and other insurance and arbitration provisions. Further, the form modifies the basic PAP's Additional Duties and General Provisions sections.

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Insuring Agreement

Similar to Uninsured Motorists (UM) coverage, UIM Coverage treats the policy's insureds as though they were third parties. The insurer becomes obligated to compensate the insured as a claimant for bodily injury caused by an accident with an underinsured vehicle. However, coverage does not apply until at least one of two conditions is met. One condition is that any policies or bonds that would apply to the loss must have had their limits exhausted by a judgment or settlement. Another condition could independently trigger coverage. A primary insurer and the insured can reach a tentative settlement. The insured must contact the primary carrier (in writing).

Receiving this notice, the company advances a settlement to the insured that is equal to the amount of the tentative settlement within 30 days of being notified.

Definition of Insured

An insured is defined as "You" (named insured and resident spouse), any "family member," and persons occupying a "covered auto." Any person who is entitled to damages because of bodily injury to the named insured, resident spouse or "family member" also qualifies as an insured.

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Definition of Underinsured Motor Vehicle

An underinsured motor vehicle is a motorized vehicle which operates on land (including a trailer) and which is protected at the time of the accident by either a bodily injury liability policy or bond. However, the limit of the available coverage must be less than the limit of liability for underinsured motorists written under the applicable Personal Auto Policy. The endorsement specifies several instances that disqualify a vehicle as an underinsured motor vehicle. A vehicle is not an underinsured motor vehicle if any of the following apply:

- Protected by a bond or policy which has a limit that is less than what is required by the laws of the state in which "your covered auto" is principally garaged
- Owned by any government entity
- Operated on rails or treads
- Designed principally for off-road use
- Currently being used as a residence
- Owned or operated by a self-insurer
- Protected by a bonding company or insurer that has denied coverage or has solvency problems.

Related Court Case: [ATV Ineligible As Covered Auto](#)

Exclusions

The endorsement has several situations involving underinsured coverage which are excluded. No underinsured motorist coverage is extended for bodily injuries incurred by any of the following:

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- An insured as an occupant of or as a pedestrian struck by an auto which he or she owns, but is not covered under the same Personal Auto Policy that provides the underinsurance coverage
- Any “family member” as an occupant of or as a pedestrian struck by an auto that is owned by the named insured (or resident spouse), but which is protected by another policy for underinsured motorists coverage on a primary basis
- Any “insured” while occupying a covered auto that is publicly hired to transport people or goods.
 - o It makes reference that coverage is not available when any driver is actively using any vehicle in conjunction with a transportation network platform. The exclusion applies while seeking or transporting passengers.
 - o This form contains important exceptions to this exclusion. Coverage is permitted for vehicles used in traditional carpools (where the insured gets gas and maintenance money from carpool riders). It also covers a vehicle during its use in charity and volunteer situations. Protection extends to instances of both ownership and operation during such instances.
- A person using a vehicle without an insured’s permission.
 - o It DOES NOT apply to the use of a covered auto that is owned by an insured and being operated by a “family member.”
- Any insured as an occupant or as a pedestrian struck by an auto that is owned by the named insured (or resident spouse), when it involves both of the following:
 - a) A written contract for a personal vehicle sharing program and
 - b) A person other than the named insured or a family member (as defined) of the named insured participating in a program referenced in a. above.
- Any insured as an occupant or as a pedestrian struck by flying vehicles, whether flight is their sole capability or is among their features.

Further, no underinsurance coverage is provided when doing so would do either of the following:

 - Benefit a party which is covered by either workers compensation or disability coverage
 - Result in providing compensation for punitive or exemplary damages

Limit of Liability

The limit of liability for Underinsured Motorist coverage is restricted in the following ways:

- The limit of liability that appears in the endorsement’s schedule is the maximum amount available for coverage for any single accident. The maximum is unaffected by the number of “insureds,” filed claims, vehicles/premiums shown on the Declarations or vehicles involved in the loss.
- The total amount paid will be offset by any coverage available from any entity that is legally responsible for the damages.
- Coverage under the underinsured motorists endorsement will not be duplicated by payments under any other coverage parts of the personal auto policy.

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No coverage will be provided for losses that are eligible for either workers compensation or disability coverage.

Other Insurance

If other sources of insurance or other policy provisions apply to an underinsured motorist loss, this provision takes such circumstances into consideration. The PP 03 11– Underinsured Motorists endorsement operates under an increasingly common constraint. It considers the total amount of coverage available to pay for losses involving underinsured motorists to be no more than the largest limit of liability provided by a single source, for a single vehicle.

Example: In the case of a covered underinsurance loss having two different sources of recovery, one for a \$34,000 limit and the second for \$30,000, the total amount available is not \$64,000 (the sum of the two sources); instead, it is \$34,000, the limit of the first source.

Further, the PP 03 11–Underinsured Motorists endorsement will only pay on a basis that equals its share of the total amount of insurance available to cover an eligible loss involving an owned auto. Finally, the total amount that may be paid on the loss may not exceed the total amount of primary and excess coverage available for any single auto. If the loss involves a non-owned auto, the uninsured motorist coverage part responds on an excess basis, paying only after the other available coverage has paid its limit.

Note: This form's UIM coverage applies as excess coverage even when the vehicle is a temporary substitute for a covered auto.

Arbitration

A. If We and An "Insured" Do Not Agree

If the company and their insured are not on the same wavelength regarding how much is due in an underinsured motorist loss, the argument may go to arbitration. However, both the company and the insured must want the disagreement to be handled by representatives of their own choosing. A judge may be called upon to select a third arbitrator if this person is not selected by the first two arbitrators within 30 days.

B. Distribution of Costs

Each party will handle their own out-of-pocket expenses, as well as equally share the cost of the third arbitrator. The arbitrators must follow the local rules of law in their discussions.

C. Unless Both Parties Agree Otherwise

The insurance company and the insured must accept the decisions agreed on by any two arbitrators as legally binding in the areas of determining a valid claim and the amount to be paid. An exception is made if the arbitrated amount is greater than the minimum bodily injury liability established by the applicable financial responsibility law. If this disparity occurs, either the insurer or the insured can insist on going to trial.

However, if no party contests the amount within 60 days, the decision, regardless of the amount, is binding.

Additional Duties

A person who wants to claim coverage under this endorsement has a couple of additional obligations. First, he or she has to send copies of any legal documents to the insurer. Second, the insured has to send the insurance company a written notice of any tentative settlements that he or she may accept from the "underinsured motor vehicle's" insurer.

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The insurer, upon receiving the notice, must also be granted 30 days to advance payment, equal to the tentative settlement to their insured. This part of the provision allows the insurer to protect their subrogation rights.

Our Right to Recover Payment

The PP 03 11–Underinsured Motorists endorsement’s last provision states that, if the company has received proper settlement notice but fails to advance payment within 30 days, it gives up the right to subrogate against any party that is legally responsible for the underinsured loss. However, if the company does protect its rights by advancing an amount equal to their insured’s tentative settlement both of the following apply:

- That payment is separate from any sums that the insured is entitled to under this endorsement’s coverage
- The company retains the right to recover the advanced funds.

While an insurer may want to provide its customers with adequate protection, it still wants to preserve the ability to collect from the proper party, as well as to avoid strategies that could cheat it out of recovery.

Example: Lyman Smashedfast was hit by another driver. The driver who caused the loss had a policy with limits of \$15,000. Lyman’s policy, from Guard

‘R’ Bottumlyn Casualty, included Underinsured Motorist coverage with a limit of \$50,000. Lyman suffered an estimated loss of \$27,000. The other driver’s insurance company offered Lyman an immediate settlement of \$10,000. Lyman told his insurer that he was willing to take the payment and then submit a claim for the balance of his loss under his own policy’s UIM coverage. Guard ‘R’ Bottumlyn’s adjuster said he had another plan.

The company gave Lyman a \$10,000 advance. Later it settled with Lyman for a total of \$27,000 and then sued the other driver’s insurer for its full policy limit of \$15,000. Without the recover payment provision, Lyman could have received a “low-ball” payment from the other driver’s insurer and Guard ‘R’ Bottumlyn would have been obligated to pay \$17,000 instead of a net of \$12,000 (\$27,000 payment to Lyman minus \$15,000 recovery from another insurer).

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Business and Volunteer Activities

The PUP’s exclusion under item A. 3. above may be of particular interest. Under that item, the policy explicitly bars coverage for losses involving an insured’s business activity. No coverage is provided for BI, PI or PD when the damage or injury results from an insured’s business, including acts and/or omissions.

There are several important exceptions to the broad business activity exclusion. The PUP will respond to such losses when they involve volunteer (civic or public) activities. An action is still considered voluntary if it includes reimbursement of expenses since that would not be considered income. The exclusion does not apply to traditional businesses that involve minors.

Note: The minor’s business activity has to be part-time in nature and the emphasis is that the activity is usually one that is pursued by minors. The PUP defines minors to include children younger than 18 or, if a full-time student, younger than 21.

Refer to 441.6-8, Business Activities of Minors

Another area or activity that is exempt from the business exclusion involves care giving. Home day care (of either children or adults) is not considered to be a business activity under certain circumstances. If the person being cared for is related to the insured or if the care is done as part of a mutual exchange, the exclusion is inapplicable. However, receiving compensation for home day care creates an excluded activity.

Finally, the PUP exempts a covered auto that is used in an insured's business IF the auto is used by an insured or an eligible member of the insured's family. The exemption even applies to a partner, employee or representative of the insured. However, the activity has to be related to a business involving parking, fixing, storing, selling or servicing a private passenger auto.

While carpools would not be considered a business activity, any other types of transportation of persons or property would disqualify a vehicle (and related loss) from the PUP's protection.

IV. MAINTENANCE OF UNDERLYING INSURANCE

This portion of the policy obligates the named insured to maintain the "underlying" (primary) insurance. This is critical since the rating and the underwriting of an umbrella is based on the assumption that the initial level of coverage, with its various limits, is in place. Under this provision, the named insured is obligated not to make a change that results in less protection than what appears on the forms listed on the umbrella's declarations.

The named insured is also responsible to notify the insurer if any portion of the "underlying insurance" is lost and is not replaced. If "underlying insurance" coverage is lost, the total limit of liability available under the PUP remains the same and the umbrella insurer's liability to respond to coverage is unaffected.

Example: George Pennypincher, a 74-year-old driver, owns a six-month term Personal Auto Policy (PAP written by Company A) and a one-year term PUP policy written by Company B. The PUP Declarations page shows that the PAP insurance limit is a

\$500,000 combined single limit. When the PAP comes up for renewal (and it is also the auto policy's anniversary date), Company A advises George that the auto policy can only be renewed for \$300,000 CSL because he has reached age 75. Since George has been with the company for years and does not believe he could get a better deal elsewhere, he agrees with the renewal change.

In this instance, the safest course of action is for George to notify the umbrella insurer of this change in protection. However, there are some ambiguities that could arise in George's case. Does the provision handle a possible distinction between a change made by the named insured and a change required by a primary insurer?

While the named insured is required to notify the company if coverage is lost, there's no mention of notification if coverage becomes more restrictive. Is a decrease in a policy limit a restriction of coverage? This provision may need to be clarified in a future edition of the form.

UMBRELLA INSURER ENTITLED TO PRIMARY INSURANCE DEFICIENCY FROM INSURED

A "Catastrophe Umbrella" policy included a provision that the named insured was responsible "for maintaining in full force and effect during this policy period the policies of primary insurance described below, including their renewals." It was further stated that the liability limits to be maintained in the primary insurance were "\$1,000,000 General Liability and \$500,000 Auto Liability."

A truck owned by the insured collided with a car in which two people were injured. As the driver of the truck was at fault the insured's umbrella insurer paid almost \$1 million in satisfaction of the third-party claims, and sought recovery of \$300,000 from the insured.

A policy provision permitted the umbrella insurer to pay the amount of the \$500,000 primary requirement and then recover it from the primary carrier of the insured. The primary insurer provided reimbursement of \$200,000 of the amount as its policy contained a \$100,000 per person limit. The insured filed an action against its insurance agents for failing to maintain proper primary insurance limits, a \$500,000 limit having been carried prior to the policy presently in force.

The insured's agents argued that the umbrella insurer settled for a large sum without authority, and that the insured was liable for a lesser amount that was covered by the primary policy. The trial court granted motions for summary judgment for the insured and the agents. The umbrella insurer appealed.

The appeal court found the umbrella policy "clear and unambiguous" in that it required the insured to carry primary automobile liability insurance in a limit of \$500,000. "To the extent that (it) did not do so, it became self-insured for that amount." Noting the policy provision authorizing the insurer to settle and pay the primary insurance requirement with the right to recover it, the court found the insured liable for that sum (in excess of payment made by the primary insurer) and said that it "may look to its agents for possible indemnification."

The trial court judgment against the insurer was reversed and the matter remanded for handling accordingly.

V. DUTIES AFTER LOSS

In case of an accident or "occurrence," the "insured" is required to:

A. Give written notice to the insurance company or the agent as soon as it is practical. The loss notification should include:

- 1.** The insured's name and specific policy information such as policy number and effective dates
- 2.** Details regarding the time, place and circumstances of the accident or "occurrence"
- 3.** Claimant and witness names, addresses, contact information, etc.

The requirement is that notification be made immediately and it must be in writing. It's critical that an insurer be quickly notified of possible losses in order to begin its evaluation. Insureds should make an effort to tell their agent or insurer of an incident. Prompt notification is especially important with an umbrella policy since any loss has the potential of being catastrophic.

B. Besides notifying the insurer of a claim in writing, the insured must send the insurance company every notice, demand, summons, or other process relating to the accident or "occurrence." This is the best way to make sure that the insurer is provided an adequate opportunity to evaluate and handle a possible claim.

When the insurance company requests cooperation, the "insured" must help:

- With making a settlement
- Pursue other parties who have an obligation to either share or reimburse the insurance company for a loss payment that it makes on behalf of an insured
- With lawsuit details, attending hearings and trials
- Gather and give evidence and help to secure witnesses

An insured that does not fully cooperate with an insurer could endanger his or her coverage.

Technically, an insurer may deny coverage based on non-cooperation.

However, courts are increasingly reluctant to support a loss of coverage for a "technicality." Jurisdictions are trending toward requiring the insurance company to demonstrate that the insured's action prejudiced (harmed) the insurer's rights.

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INSURED'S LACK OF COOPERATION NOT ENOUGH TO PREJUDICE INSURER

On October 14, 1998, Diana Weller and Cynthia Farris were involved in an automobile accident in which Weller sustained personal injuries. Farris had an automobile policy issued by Erie Insurance Company. Later Weller filed suit to recover damages alleging that Farris had negligently failed to yield the right-of-way. A police officer had witnessed the collision and filed an accident report.

The policy issued by Erie to Farris required her cooperation with Erie and assistance during its investigation. Farris completed the "statement of accident" form sent by Erie and returned it to the claims department, together with a diagram of the accident scene. Later, the claims department sent the file to attorney Jeffrey Hazlet and asked him to represent Farris. He sent her several letters but did not hear from her. She was sent a set of interrogatories submitted by Weller's attorney. Finally, on May 18, 1995, Hazlet sent another letter and asked for her telephone number. In that letter he told her that unless he heard from her he would withdraw his appearance in the Weller action. On May 23 and again on June 27, 1995, he wrote her notifying her that he intended to withdraw his appearance.

Due to the attorney's unsuccessful attempts to talk with Farris, Doug Fox, Erie's claim supervisor, hired investigator Jerry Hart to locate her. Hart informed Hazlet on August 17, 1995, of her current address, and the attorney sent another letter, enclosing the interrogatories and requesting a narrative of the accident. These materials were returned to him marked "no such street in city directory."

Hazlet filed a motion to withdraw his appearance on August 30, 1995, and the motion was granted by the court on October 2, 1995. Hazlet mailed Farris another letter on October 13 notifying her of his withdrawal and informing her she would have 30 days from October 2 to secure other counsel or to contact the court. In the meantime, Fox had sent her a letter, mailing copies to the two addresses they had for her, notifying her that Erie had terminated defense coverage because of her failure to cooperate.

On January 16, 1996, Erie filed a motion to intervene in the Weller action and asked for a declaratory judgment that it had no duty to defend Farris because Farris had breached her contractual duty under the policy to cooperate in Erie's investigation and defense of Weller's claim.

The trial court entered summary judgment on Erie's motion on September 24, 1996. Weller appealed on the grounds that Erie did not show prejudice from Farris' failure to cooperate.

The higher court decided that the entry of summary judgment was erroneous, and the trial court should have taken testimony from the police officer who witnessed the accident and the claims adjuster for Erie before deciding that Erie had indeed suffered prejudice. The court concluded that the lower court should have denied Erie's motion for summary judgment, and the judgment was reversed and the action was remanded for further proceedings.

Further, cooperation questions are usually tied directly to how the primary insurance claims/legal defense effort is handled. Umbrella insurers who raise an issue concerning cooperation are more likely to target the action of the primary insurer rather than the insured.

C. If the “insured” volunteers to make a payment under any other circumstance, it is at the insured’s expense. Making voluntary payments is dangerous since it could compromise the rights of the insurance company. Such voluntary payments could be interpreted as admitting responsibility for causing injury or damage.

This provision emphasizes the expectation that the insured fully cooperate with the insurer. Further, the provision also explicitly states that an insured risks loss of coverage if he or she does not comply with its requirements when non-compliance harms the insured’s rights.

VI. GENERAL PROVISIONS

The PUP provisions are, in most cases, very similar (and sometimes identical) to those found in other ISO policies. The provisions are:

A. Appeals

The umbrella insurer reserves the right to appeal a judgment that exceeds the “retained limit,” but at its own expense. Such expenses would be in addition to the policy’s limit of insurance.

Note: The PUP now states that, rather than any amounts paid are in addition to stated Limits, that any paid monies do not reduce available, stated coverage. (02 15 Change)

B. Bankruptcy of an Insured

Neither bankruptcy nor insolvency of an insured will absolve the umbrella insurer of its duty to provide coverage, nor will it cause the excess policy to act as primary insurance.

C. Bankruptcy of an Underlying Insurer

Regardless of such an occurrence, the excess policy will still respond as though primary coverage was in effect.

D. Fraud

An insured’s fraudulent statements or acts could bar coverage for a loss.

E. Liberalization Clause

This provision deals with a company’s decision to change policy coverage. When a carrier makes a change that results in an increase of coverage and if the change is done for free, that change will automatically apply to all policies within the applicable state. The automatic extension of coverage only applies to if the change was introduced 60 days prior to the PUP’s effective date or during the PUP’s policy period.

In other words, if the company makes a change that meets all of the following criteria:

- The change creates additional coverage
- No additional money has to be paid to secure the coverage
- The change is made up to 60 days prior to the policy effective date or after its effective date
- The change applies on a statewide basis for a policy form that has the same edition date as your policy, then the change will automatically apply to your policy on the SAME DATE the change becomes effective.

Liberalization does not automatically apply when a program revision occurs, regardless of how it's introduced if it includes modifications that include both broader and more restrictive coverage. In such cases, the excess policy's obligation is to respond according to the basis of the original policy.

F. Other Insurance

When a loss occurs that is eligible for coverage under the PUP and other sources of insurance are available, then coverage under this policy becomes **excess** over the other. However, this provision does not apply when the other insurance is written specifically to cover liability losses on an excess basis over the limits of liability that apply in this policy.

G. Our Right to Recover Payment

Once the insurer has made a payment for an "occurrence," it claims the rights of recovery **belonging to any party that receives that payment**. In other words, the insurer may pursue any person or entity that may bear partial or total responsibility for the loss. The **person receiving payment under the PUP** is obligated to make sure that he or she preserves the insurer's right to be reimbursed from a party responsible for the loss.

Example: John Freescreen is a computer network specialist who has very flexible hours. As a favor to his friends and next-door neighbors, the Latchkees, John allows their daughter Leslie to stay at his house when she comes home from school. Mr. or Mrs. Latchkee picks Leslie up when they come home from work, so Leslie is usually at John's home for an hour.

John allows Leslie to use one of his computers to play games. He even got her parents' permission to allow her to go to a game Web site and download new games. John is sued by a couple of game software companies for illegally distributing working prototypes of games to various addresses on the Internet. It's discovered that, unknown to John, Leslie had "hacked" her way past the software companies' security and illegally downloaded and distributed dozens of games.

John's umbrella insurer, Never Forget or Forgive Mutual, settles the claim and then, based on John's rights of recovery, sues the Latchkees to recover their payment.

H. Policy Period and Territory

Coverage under this insurance contract applies only to losses that take place during the policy period that is shown in the policy Declarations. Offenses or "occurrences" may be covered anywhere on earth.

I. Severability of Insurance

This insurance applies separately to each "insured." This provision does not increase the limit of liability for any one offense or "occurrence."

Example: The Foolhardee family is covered by a PUP with a one-million-dollar limit. During the current policy period, they suffered the following losses:

- Jim Foolhardee - sued for illegally confining two kids who were loitering in front of his house

- Joan Foolhardee - sued by three drivers and their families whom she struck with her van while traveling in the wrong highway lane

· Joy Foolhardee - stored some materials for a chemistry project in her school locker. During the night, fumes from the chemicals caught fire and burned down her high school

· Becky Foolhardee - took her dog, Slaughter, to nursery school for show and tell. Slaughter ate the school's mascot (a hamster), and bit three of Becky's classmates and her teacher.

Should all of the losses "pierce through" the underlying coverage, the PUP is obligated to provide coverage, up to its full insurance limit, for each occurrence.

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J. Suit Against Us

Under this provision, an insurer makes several things clear concerning the decision to sue:

- A suit can't be filed without first complying with the policy provisions
- No other parties can join the insurance company in any action against an "insured"
- The insurer may not be sued until the obligation of the "insured" has been determined by final judgment or agreement.

K. Termination

This PUP provision addresses both cancellation and non-renewal of an umbrella policy. However, a detailed discussion of this topic is fairly academic, since it is highly probable that the standard provision may be replaced by the subscribing carrier. This provision is necessary due to various state requirements, as well as individual company preferences. It is critical to keep in mind that state and company rules are what must be followed when terminating a customer's coverage. Understanding the PUP provision does, at least, explain the mechanics, rather than the actual rules, that control legal

non-renewals or cancellations. An exception may exist concerning the portion of the rule which describes an insured's request to cancel the policy. Still, individual companies may adopt their own rules requiring return of original policy, a lost policy receipt, or other stipulations that make it careless to make any assumptions.

1. Cancellation by You

The named insured has it simple. All she or he has to do is either return the policy to the company or send prior written notice of the date the policy is to be canceled. The named insured may request cancellation at any time during the policy period.

2. Cancellation by Us

It's a little more complicated for the insurer to cancel coverage. The company has to mail written notice to the named insured at the address shown on the policy Declarations page. The insurer must give 10 days advance notice of cancellation if the cancellation is for not paying the premium or if it is done within the first 60 days of coverage (new business).

After new business has been in effect for 60 days or for a renewal policy, cancellation may take place only if the insurer gives 30 days advance notice of cancellation.

3. Non-renewal

This option for ending coverage is only a company privilege. However, if an insured sent advanced, written notice not to renew coverage at the policy's expiration date, it technically would be an insured's request to non-renew. Regardless, if a company doesn't want to continue coverage, it has to give an insured at least 30 days advance notice of non-renewal.

4. Other Termination Provisions

Under this provision, an insured is told that cancellations are performed on a pro-rata basis. Further, any refund will be issued within a reasonable time after the policy's termination date (IF it isn't returned along with the cancellation).

L. Transfer of Your Interest in This Policy

A policyholder can assign his rights and duties under the PUP to another person, BUT ONLY with the written permission of the insurer. There is one exception to this rule and that involves the death of the policyholder. In that event, coverage is automatically transferred either to a surviving spouse (IF he/she lives at the same address) or the deceased's legal representative. Either party achieves the status of named insured.

However, the legal representative is protected only to the extent of his/her duties to maintain or operate the covered vehicles. The insurer will only recognize such a transfer until the policy's expiration date. The working assumption is that appropriate coverage reflecting the change in circumstances will be obtained.

Note: Policy rights are often reassigned in the course of litigation and the validity of such assignments often becomes a separate dispute.

INSURER HELD LIABLE FOR BAD FAITH FAILURE TO SETTLE

In October 1991 Larry Link and Jason Axsom were involved in an auto-motorcycle accident in which Axsom sustained serious injuries. Link had a policy issued by Allstate with a \$50,000 limit. Before the jury in the trial court began its deliberations, Axsom offered to settle for the policy limit, but Allstate rejected the offer. The jury returned a verdict in favor of Axsom for \$80,500.

Link assigned to Axsom any rights which he had against Allstate, and Axsom filed this action against Allstate alleging that Allstate had acted in bad faith in rejecting Axsom's offer to settle for the policy limit. In addition to the jury's award, Axsom sought to recover punitive damages and attorney's fees. Allstate contended that, as assignee of the insured's rights, Axsom was not entitled to either. The trial court granted Allstate's motion with respect to the attorney's fees but found that Axsom was entitled to punitive damages. Allstate appealed on the theory that the insured could not assign the rights to punitive damages since such damages were personal in nature.

The question as to whether the insured could assign any rights he might have for punitive damages was a matter of first impression in Indiana, and the court commented that few courts have decided the matter. The court noted that Indiana law forbids the assignment of personal tort claims, but in this case the entry of judgment against the insured constituted actual damages since it impaired the insured's credit. Punitive damages and actual damages serve two distinctive purposes. Actual damages are meant to compensate a victim for harm suffered by him/her. Punitive damages are intended to punish the wrongdoer and deter others from the same conduct.

The court commented: "If the only damages the insurer will have to pay upon a judgment of breach are the amounts that it would have owed under the policy plus interest, it has every interest in retaining the money, earning the higher rates of interest on the outside market, and hoping eventually to force the insured into a settlement for less than the policy amount."

The judgment entered in the trial court against Allstate for punitive damages was affirmed.

M. Waiver or Change of Policy Provision

The policy's provisions may only be changed by a company-issued endorsement and any premium adjustment is made effective the date of any change.

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Here Comes the Judge

This eBook focuses on real-life case studies of insurance claim disputes that have gone to trial, detailing the factors that led to success or failure in the courtroom. Each case study is accompanied by practical lessons that agents can apply to their own practices.

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Defense Still Owed For Deliberate Incident

The Lint Family was covered by a homeowners policy issued by State Farm during an incident involving their son and a friend (last name Wright) while at a party. During the party, the two argued. Shortly after, Lint followed Wright outside and threw him into a pool's shallow end. Wright struck the pool's concrete step and was hospitalized for four days due to a fractured clavicle. Wright sued over his injuries.

State Farm began investigating the loss under a reservation of rights. Afterwards, the insurer, twice, told the Lints that it would neither defend nor indemnify the loss. From its viewpoint, the incident involved an intentional act and was excluded. The company's position was unchanged even after the Lints sent a transcript of their son's deposition stating that he was involved in horseplay and didn't intend to harm Wright.

The Lints filed a declaratory motion, asking that State Farm be required to respond to the loss which, in the Lints' opinion, involved their son's nondeliberate (negligent-to-less than willful) actions toward Wright. Wright and the Lints agreed to a \$60,000 judgment, based on Wright's amended complaint that asserted only negligence, and the Lints assigned their policy rights to the plaintiff. After a trial court found State Farm obligated to defend against the suit, the insurer appealed.

The appellate court reviewed the core issue of whether there was an obligation to defend Lint. The court acknowledged that the defense obligation was broader than the coverage obligation. However, it also acknowledged that an insurer could properly deny a defense obligation if it established that coverage did not exist. Therefore, it proceeded by comparing what was alleged in the suit to the policy wording. The court found that the policy obligated the insurer to respond to accidents since the policy referred to "occurrences" and that the definition of that term included accidents. The court stated that, while there is no final definition of accident within insurance law, it's plainly understood to refer to acts that are unexpected or unintended including their consequences.

State Farm argued that regardless whether Lint intended to hurt Wright, the original act of throwing Wright was deliberate, so the incident was excluded. Further, the insurer referenced additional policy language that excluded acts done maliciously. Since, in its opinion, the act was excluded, it was within its rights to deny any defense obligation.

The insurer supported its argument with citations of court cases it felt were relevant.

In the court's view, State Farm cited cases that did not support its argument. The court cited a number of cases involving deliberate acts accompanied by either unforeseen or unintended consequences that still qualified as accidental occurrences. It also cited several cases where accidental consequences had no bearing. In the latter area, the cases involved consequences that were related to inherently dangerous acts, such as deliberate firearm use, where an intent to harm is implicit in such acts.

The court disagreed with the insurer's contention that deliberate acts nullified consideration of consequences and it offered an analogy to demonstrate its position. It wrote that in baseball, batters always have the intent to hit pitched balls, often striving for home runs. However, due to the angle of contact with the ball, the force used or other factors, different consequences arise, such as breaking windows in nearby buildings. While it is plain that a batter intends to hit a ball, it is not reasonable to assume that the goal was to damage property. The court reasoned that, taken to its extreme, State Farm's position would never allow for response to losses with any element of deliberate action.

Based upon the disposition record that Lint's action did not intend harm and since the accidental landing created Wright's injury, the court ruled that the lower court decision that State Farm owed an obligation to defend the Lints was correct.

Unlicensed Driver "Borrows" Grandparents' Van

Gertrude Finkley had an auto policy issued by Nationwide. On April 12, 1994, her grandson, Anwar Stembridge, left school and returned to her home during his lunch period. He retrieved the extra set of keys to her 1992 Chevy Astrovan and drove it back to school without her knowledge or consent. He had no driver's license. Upon returning home with her husband, and discovering that the van was missing, Anwar's grandmother reported it stolen. After school, Anwar and three friends went "joyriding" around Akron. When police attempted to stop the van, which they believed had been stolen, Anwar tried to escape. Failing to stop at a stop sign, the van crashed into a vehicle in which Dorothea and Sheko Poteete were riding. Both were injured. Anwar was arrested and charged with willfully fleeing a police officer.

Nationwide filed this action for declaratory judgment on the ground that its policy excluded injuries "caused intentionally by or at the direction of an insured, including willful acts the result of which the insured knows or ought to know will follow from the insured's conduct."

The trial court's entry of summary judgment in favor of Nationwide was affirmed, the higher court stating that "coverage for damages caused by intentional criminal activity, by willful flight from the police, flies in the face of . . . established public policy." (A discretionary appeal to the Supreme Court of Ohio was not allowed . . . 673 N.E.2d 149.)

Car Wash Assumes Liability When Customer Relinquishes Vehicle For Service

In May 1993, Robert Lamkin, d/b/a Lamkin Leather and Rubber Company, had an automobile liability policy issued by Liberty Mutual. He took the company car to Fuller's Car Wash and an employee of the car wash, Salazar, drove Lamkin's vehicle and struck and injured another customer, Mildred Kisel. The car wash had a garage liability policy issued by American States. Kisel filed suit against Fuller's and Salazar to recover damages for her injuries. American States appeared for Fuller's Car Wash and its employee. On April 24, 1996, American States tendered the defense of the action to Lamkin's insurance company, Liberty Mutual; a month later, Liberty Mutual denied liability based on its policy exclusion of someone servicing the auto.

The evidence showed that Fuller's was in the business of washing and vacuuming cars, and the court said such services are provided for maintenance purposes.

The trial court entered judgment in favor of Kisel, and the insured car wash and its insurance carrier appealed.

In affirming the judgment, the higher court found the exclusion in Lamkin's policy was clear and unambiguous. Furthermore, a bailment was created since Lamkin delivered the insured car to one of Fuller's employees and relinquished the keys so that the car could be moved by the employee. Lamkin had no control over the driver of the car or how it was driven; and the fact that Lamkin did not lose sight of his car and could have stopped the vacuuming process at any time, did not change the fact that Salazar, and not Lamkin, had actual physical control of the car.

The language of Liberty's policy clearly excluded coverage in the instant case, and Liberty Mutual had no obligation to defend the action.

The judgment entered in the lower court against the car wash, its employee, and its insurance carrier was affirmed.

Unlisted "Regularly Used" Auto Not Covered By Policy

Matthew Friedman, a college student, was driving his father's Mazda RX-7 when he was involved in an accident that resulted in serious injuries to his passenger. The car was listed on an automobile policy issued to his father by USF&G. The Friedman family had an umbrella policy from RLI Insurance Company and Hanover Insurance covered Matthew's mother. However, her auto policy listed two cars which had no involvement with her son's accident.

In a settlement between Matthew and his passenger, USF&G paid \$250,000, the limits of its policy, and RLI contributed \$500,000. (Editor's note: there are no details available regarding the liability limits provided by the umbrella policy). Hanover refused to contribute and relied upon its policy wording which excluded coverage for cars furnished "for (the) regular use" of any insured.

Hanover's policy exclusion provided that Hanover "will not pay for injuries resulting from an accident while you or a household member is using an auto which you or a household member owns or uses regularly, unless a premium . . . is shown for that auto on the Coverage Selections Page." The only cars listed on the Hanover policy were the mother's Datsun and her Plymouth.

Matthew stayed at his parents' home during his school vacations, and during those times he had his parents' blanket permission to use the RX-7 whenever he wanted. In fact, the RX-7 was one of three vehicles available to him during his 1987 vacation.

RLI contended that Hanover should contribute to the settlement and brought this action for declaratory judgment. The trial court ruled that since no premium had been paid to cover the RX-7 on his mother's policy, and since the policy plainly excluded unlisted cars which were regularly furnished for the use by insured members of the household, Hanover was not liable. RLI appealed.

The higher court ruled that the RX-7 was available for Matthew's regular use, and Hanover's policy excluded coverage under that circumstance. The judgment entered in the trial court was affirmed.

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Animal-Related Property Damage

Guidelines about how loss caused by animals is covered under automobile and homeowners policies are always useful. The expense is usually considerable when an automobile and a deer collide. It's common to hear about such losses. Less is known about occurrences such as the invasion of a home by an adventurous deer or other wildlife. While less common, the financial consequences can be very costly.

A variety of other animals that live in close proximity to us commonly cause significant damage when they target our living spaces, such as the following:

- Groundhogs
- Possum
- Raccoons
- Skunks
- Squirrels

Groundhogs are problematic because their digging can damage yards, home foundations and create trip/injury hazards because of the volume of dirt they are capable of displacing. Other animals' damage usually result from their nesting in homes, chewing through parts of a home, including wiring, insulation and supports and leaving their wastes.

Exposure to more animals can be minimized. Generally, they are attracted to homes offering easy access to food (bird feeders, outside pet food) or garbage in poorly secured containers.

An insurance agent can expect a call as soon as an insured is aware of the scope of damage after such an occurrence. Familiarity with the coverage applicable to losses involving animals can increase an agent's ability to answer an insured's "Am I covered?" inquiry. Damage caused by critters of other types may not be covered.

Liability Policy Covers Horse Accident

Issue: Roger Franklin lived on a farm and had secured a Comprehensive Liability policy. He kept some horses on his "old home place" farm near his residence, and his tenant on that farm, Donald Sullens, had permission to ride the horses while looking after the cattle which Franklin also kept on that farm.

On October 7, 1973, one of the horses was involved in a collision on a rural bridge with a car occupied by Edward and Janie Pilcher. The horse was being ridden at that time by Ray Sharp, a friend of the tenant and an acquaintance of the owner of the farm. The horse was killed and Mr. and Mrs. Pilcher were injured, and they thereafter brought an action to recover damages. Franklin notified his insurance carrier, and the latter brought this action for declaratory judgment to determine its liability.

Judgment: The Farm-Pak policy issued to Franklin covered liability for injuries caused by animals used with the permission of the insured, and the insurance company denied liability on the ground that Sharp did not have the insured's permission to ride the horse at the time of the accident. The lower court agreed, and ruled that the company had no liability under its policy.

The higher court, on appeal, reversed the judgment and relied upon the decision in *United States Fidelity and Guaranty Company v. McManus*, which held that once a car owner has given permission to a person to use the vehicle, the insurance company is obligated to provide coverage for any subsequent user, except a thief. The court said further: "...It is of no consequence that the original permissive use was of a horse and not a motor vehicle. The position of the parties and the principles involved are the same."

Animal Damage Held Not Covered By Vandalism And Malicious Mischief Peril

A bobcat gained entrance to an apartment and caused considerable damage to personal property. The tenant made claim under a renter's policy for loss by "vandalism and malicious mischief," the most likely of covered named perils to be applicable.

The insured sued the insurer, when coverage was denied, and then appealed trial court judgment for the insurer. The court concluded that "a bobcat cannot develop an intent or malice," fundamental ingredients of "vandalism."

The insured argued that a reasonable person would consider damage caused by a bobcat to be covered as "vandalism," claiming a conflict existed between the policy definition of the term and a broader meaning. The policy defined the covered peril to include only "intentional and malicious damage." The insured asserted that "vandalism" in a broader sense also connotes "ignorant destruction" of property, bringing the claimed damage within the scope of coverage.

The appeal court disagreed and stated that a reading of the policy by a reasonable person would lead to the conclusion that the peril in question would cover only intentional and malicious damage. It acknowledged that some dictionaries included "ignorant destruction of property" in definitions of "vandalism." But it noted that such definitions invariably made clear that the damage was in "conscious or intentional disregard for the rights of another."

The court determined that "vandalism and malicious mischief" could only result from an intentional act. It cited decisions to the effect that such an act requires a human mind; that an animal is incapable of intent to commit a wrongful act. An animal does not have the knowledge of right or wrong possessed by a human. The court concluded that the damage for which vandalism claim was made was not covered by the policy.

The judgment of the trial court was affirmed in favor of the insurer and against the insured.

However, if a deer or other animal not owned or kept by an insured damages property included under dwelling coverage, the policy applies.

Bat Waste Treated As Pollutant

Joel and Evelyn Hirschhorn owned a vacation home in Lake Tomahawk, Wisconsin that they insured under an Auto-Owner's Insurance Company homeowners policy. The policy provided coverage against "accidental direct physical loss." There was an exception to coverage for any "loss resulting directly or indirectly from:...discharge, release, escape, seepage, migration, or dispersal of pollutants." "Pollutants" was defined as "any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, liquids, gases, and waste." The policy also provided that the term "waste" included "materials to be recycled, reconditioned, or reclaimed."

In May 2007, the Hirschhorns met with a real estate broker to list the home for sale. The broker inspected the home and initially found no evidence of bats. However, in July 2007, upon further inspection, the broker discovered bats and bat guano. For many years, the Hirschhorns had arranged for someone to access their home at least once or twice a month to inspect, clean, and perform maintenance as required. July 2007 was the first time bats and bat guano had been discovered in the home.

In August 2007, the Hirschhorns spent a week in Lake Tomahawk and noticed a "penetrating and offensive odor emanating from their home." They met with a contractor who determined that the cause of the odor was the accumulation of bat guano between the home's siding and walls. The Hirschhorns then filed a notice of property loss with Auto-Owners. The insurer denied the claim, stating that the accumulation of bat guano was "not sudden and accidental" and, in any case, resulted from "faulty, inadequate, or defective" maintenance within the terms of the policy's maintenance exclusion clause.

Eventually, the Hirschhorns had the home demolished and built a new one in its place. After the demolition, Auto-Owners sent the Hirschhorns a revised denial letter adding another reason for the denial of the claim, specifically that bat guano was considered to be a "pollutant" within the meaning of the policy.

The Hirschhorns filed a lawsuit against Auto-Owners for breach of contract and bad faith seeking compensatory damages of \$308,500, plus interest, punitive damages, and attorney fees and costs. The lower court found in favor of Auto-Owners and dismissed the Hirschhorns' complaint. The court of appeals reversed the decision, reasoning that the exclusion was ambiguous because "a reasonable insured might interpret the term 'pollutants' as not including bat guano." The Supreme Court of Wisconsin agreed to review the decision of the court of appeals. It found that bat guano unambiguously constituted an "irritant" or "contaminant" within the meaning of the policy. The court also found that the loss resulted from the "discharge, release, escape, seepage, migration, or dispersal" of bat guano. Therefore, the loss fell within the policy exclusion. The court concluded that the lower court had properly dismissed the Hirschhorns' complaint, and the decision of the court of appeals was reversed.

Neglect To Protect Exclusion Held Not Applicable To Mailing Of Ring By Certified Mail

Having lost a stone from a ring, a woman reported the loss to her homeowner's insurer. An adjuster told her that the loss was of a common type and that she should have the repairs done locally. She insisted that the repairs be done by a jeweler in another state, from whom she had purchased the ring, and that she intended to mail it to him. The record showed that the adjuster objected strenuously, because of the risk of loss of the whole ring, and made clear that the company "would not have any part in the mailing of the ring." He said that he told the insured that she certainly should pay for postal insurance but, again, that he strongly advised that repairs be done locally or that she should drive to a nearby town for repairs.

She elected to mail the ring, without postal insurance but by certified mail. It was lost and the insurer denied her claim on the basis of an exclusion for:

"Neglect of an insured person to use all reasonable means to protect the covered property at and after the time of loss or when property is threatened by a peril we insure against."

Both parties filed motions for summary judgment. The trial court granted the insured's motion, upon determining that there was coverage, and allowed recovery of \$6,759, the undisputed insured value of the ring. Apparently, it was covered as scheduled property.) The insurer appealed.

The insurer contended that the exclusion should apply because its adjuster instructed the insured not to mail the ring, and that her neglect was compounded by not securing postal insurance when it was mailed. She responded that the ring was already insured and didn't think other insurance was necessary. She also said that she did not know of any prohibition against mailing the ring by certified mail. The appeal court confirmed that the mailing of the item was not prohibited by any policy provision. It concluded that the insured's actions did not constitute "neglect to use all reasonable means to protect the covered property," and found the pertinent exclusion not applicable. The judgment of the trial court was affirmed in favor of the insured and against the insurer.

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Valuation Less Subsequent Uncovered Damage Held Proper

Coverage under a standard flood insurance policy, issued under the National Flood Insurance Program, was amended in 1988 to include the cost of relocating or demolishing dwellings "subject to imminent collapse or subsidence as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels "

A dwelling, for which a NFIP policy was in force, was certified by the Michigan land use authority to be subject to imminent collapse because of conditions covered by the policy amendment. The owners of the house made claim under their policy and a Federal Emergency Management Agency (FEMA) adjuster made an estimate of the loss. Winter intervened and small animals (including raccoons and squirrels) entered the dwelling and damaged walls, ceilings and furnishings.

A second adjuster examined the property in the spring for a final determination of the loss. He noted the damage done by animals and substantially reduced the value of the structure. The final determination of the loss was a figure far below the original estimate.

The insureds sued FEMA in federal court for breach of contract by not adjusting their loss at a figure based on the original valuation of their property. FEMA responded with a motion for summary judgment affirming that its final determination of loss was proper.

The issue for the court was " . . . whether the amount of loss incurred by demolishing or relocating a house is calculated based upon the condition of the structure when the claim is filed or may be determined at some date after the claim is filed, thus not compensating for losses which occur after the claim is filed but before a final evaluation."

The court noted that the amendment expanding NFIP policy to embrace "imminent collapse" was silent with regard to the date on which a house should be valued. It cited *Nida v. Federal Emergency Management Agency*, 817 F.Supp. 597 (E.D.N.C. 1992), in noting that an NFIP policy payment is not made until a "final determination by the Director that the claim is in compliance with regulations"

The *Nida* court said that NFIP regulations make clear that insureds are compensated "only for damage which is directly attributed to flood." It reduced a settlement to the extent of vandalism damage that occurred between a preliminary valuation and final determination of loss.

The federal court in the case at hand said that FEMA was not required to value property as of the date of claim. If it were, such a requirement " . . . would make the flood insurance program insure all possible loss which occur(s) after the claim is filed, in essence turning the flood insurance program into a general insurance program."

The court concluded that FEMA did not breach the contract with its insureds and that there was not a negligent delay in making a final determination. FEMA's motion for summary judgment was granted.

HO Policy Doesn't Cover Son's "Intentional Act"

On December 14, 1993, Chadd Davis shot his friend, Steven Fitzgerald, three times in the head with a .22-caliber revolver which Chadd had taken from under the mattress of his parents' bed. West American had issued an HO policy to Chadd's parents, Claude L. Davis and Y. Jean Davis. Steven's mother filed suit against Chadd's parents who then requested West American to defend them. West American denied liability.

In his signed statement made to the police shortly after the shooting, Chadd maintained that he had "bumped into" Steven while they were practicing dance steps in the kitchen, and the gun "went off." He said Steven fell and he attempted to stop the bleeding with paper towels, but he then shot Steven two more times in the head. When Chadd's 11- year-old brother came home from school, he saw Steven's body on the kitchen floor and wanted Chadd to call the police.

Chadd claimed he was too scared to do that, and he enlisted his brother's help in hiding the body on the back porch. The next day, Chadd told a school friend that he had argued with Steven because Steven had stolen his hair clippers, and then had shot him because he thought Steven was going to punch him. The friend helped Chadd put the body in the trunk of Mr. Davis's car and dump it at an undeveloped industrial park.

Chadd removed Steven's watch and gave it to the friend for helping him. Chadd was subsequently convicted of murder.

West American denied liability since its policy excluded coverage for "bodily injury which is expected or intended by the insured."

Steven's mother maintained that the trial court erred in granting judgment in favor of Chadd's parents; that they were negligent in allowing Chadd access to the gun and in failing to supervise him so as to prevent him from handling the gun. The evidence showed that while Chadd had been having behavioral problems, his conduct was not enough to put his parents on notice that Chadd would likely shoot another; that the parents did not know that because of Chadd's age, judgment, or experience, the gun could become a source of danger to others.

The judgment entered in the trial court holding West American and Chadd's parents not liable for Steven's death was affirmed.

Absent Notice, What Is Insurer's Duty To Defend?

Beatrice Crocker, a resident of Redwood Springs Nursing Home, was injured when a nursing home employee, Richard Morris, opened a door that struck her. Crocker sued Morris for her damages.

Emeritus Corporation (Emeritus) owned Redwood Springs and had a commercial general liability policy issued by National Union Fire Insurance Company (National Union). Morris qualified as an additional insured under that policy because he was an employee and had injured Crocker while acting within the course and scope of his employment.

Morris received suit papers but neglected to notify National Union of the lawsuit. He never submitted any papers or appeared in court. National Union tried to contact him by telephone and mail but was never able to reach him although Morris did have some contact with Crocker's attorney.

The lower court allowed Crocker to file a claim against Emeritus but the courts ruled that Emeritus was not negligent. However, because Morris did not appear, the court ordered a \$1 million default judgment against Morris because he never appeared. Crocker then sued National Union to collect the \$1 million judgment.

National Union argued that it was not obligated to provide coverage because Morris never triggered its duty to defend.

It argued that Morris did not comply with the policy's notice provisions. Crocker argued that National Union was liable for the judgment because it had actual knowledge of the lawsuit. The lower court agreed with Crocker. National Union appealed to the United States Court of Appeals for the Fifth Circuit, which in turn asked the Texas Supreme Court to certify three questions to guide the circuit court's decision.

The first and second certified questions asked whether National Union owed Morris a duty to inform him of his coverage and right to a defense or to provide him with a defense, and, if so, the extent of that duty. The answers were both no.

The third certified question was whether National Union could claim it was prejudiced by Morris's failure to comply with the policy's notice provision even though it knew that Morris had been served. To which the court answered yes.

Insured Fails To Produce Required Documents Following Fire Loss

The insured, Myers, Smith & Granady, Inc. owned property in New York City, and had secured a one-year policy from the company covering loss from physical damage, including fire. The policy provided, among other things, that the insured would cooperate in the event of any loss, and would answer interrogatories, under oath. It barred any action against the company until all the conditions of the policy had been met. It contained the usual clause requiring suit to be filed within two years after a loss.

On August 5, 1988, the property was damaged by fire, and the loss was estimated at \$327,377.84. Notice was given promptly. The company's inspectors determined the cause to be arson, and the company thereafter conducted four examinations of the insured under oath, all of which had to be adjourned because of the insured's failure to bring requested documents. The company sent the insured copies of each of the transcripts, but only the first one was executed and returned. The company asserted the insured never produced the documents it requested, but the insured claimed, at trial, the missing documents were lost in the fire. The company never denied nor paid the claim and contended its investigation was never concluded.

The insured filed suit on April 24, 1991, alleging breach of contract and "deceptive acts and practices" in violation of the New York statute.

The trial court granted summary judgment for the company and held the suit was filed too late, and failed to state a claim, and this was affirmed by the intermediate court.

On appeal by the insured to the Court of Appeals of New York, it agreed that the insured could not recover due to its failure to produce the missing documents and its failure to execute the transcripts which had been sent to it by the company.

The judgment entered in the courts below in favor of the company was affirmed.

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Claimant Must Submit To Examination Under Oath And Produce Records Requested

Judah Hungerman (Hungerman) was involved in a motor vehicle accident on July 26, 2006 and made a claim for Personal Injury Protection (PIP) benefits under the policy issued to his employer by Nationwide Mutual Fire Insurance Co. (Nationwide).

Nationwide paid him PIP benefits until that coverage was exhausted. It then asked Hungerman to submit to examination under oath (EUO) and to obtain a release of medical records so it could investigate its potential liability under the Uninsured Motorists (UM) policy provisions. Nationwide mailed him a second request on this matter in April 2007 and indicated that the investigation was subject to its right to later deny coverage.

Hungerman filed a declaratory judgment action against Nationwide in July 2007, alleging that he was not obligated to submit to an EUO and that Nationwide had no basis on which to reserve its rights because he had not made a written claim for UM benefits. He also requested an order directing Nationwide to "cease and desist" in sending harassing and unauthorized letters and requested award of attorney's fees. This was followed by him filing a motion for summary judgment that Nationwide responded to. At the hearing, he acknowledged that the case involved interpretation of the insurance policy but argued that, because there were no disputed factual issues, judgment in his or Nationwide's favor should be rendered resolving the legal issues.

The circuit court took him up on his argument by filing two orders. One denied Hungerman's request for judgment in his favor. The other was essentially a final judgment in favor of Nationwide. The court determined that Hungerman was an insured driver under the policy and that it provided PIP and UM coverages, in addition to other coverages. It also ruled that the policy provisions obligated him to submit to an EUO and to produce records while permitting Nationwide to reserve its rights even though he had not made a separate written claim for UM coverage. Hungerman appealed.

The appellate court reviewed the circuit court's interpretation of the policy and its provisions de novo (taking a second, fresh look) and concluded that its interpretation of its language, Hungerman's obligations, and Nationwide's rights was correct in all respects. It held that the record did not support Hungerman's contention that Nationwide's conduct in asking for an EUO and medical records and reserving its rights constituted harassment and was unauthorized or unreasonable. It found that Nationwide had complied with the reasonableness provisions of the policy and had not engaged in unfair claim settlement practices and affirmed the circuit court's judgment on all issues.

Insured Did Not Fail To Cooperate

Sidney and Bonnie Bradley's home was severely damaged after water entered their house during a rainstorm. In a lawsuit, the Bradleys alleged that Jamie Marin's (Marin) roofing business was negligent in not putting a temporary cover over the roofing project he was performing for them in order to protect the house from the elements.

Marin notified West Bend Mutual Insurance Company (West Bend), his Commercial General Liability policy carrier. A West Bend adjuster inspected the damage. That adjuster met with Bradleys' Homeowner insurer and companies agreed to let the homeowners insurer handle the claim. That insurer would then subrogate their payment from West Bend.

Approximately a year and a half after receiving notice of the Bradley's suit, West Bend filed for a declaratory judgment. The insurer denied its obligation to defend Marin and refused to respond to the Bradley suit. West Bend claimed that Marin had failed to cooperate with it and had therefore prejudiced its position. Marin did not respond to the petition and a lower court entered a default judgment in favor of the Bradley's original negligence suit. West Bend refused to pay that judgment. The insurer also failed to pay an award of nearly \$180,000 granted by a district court in favor of the Bradleys.

The Bradleys sued West Bend for Breach of Contract and for dealing in bad faith (as well as fraudulent misrepresentation). West Bend appealed after the same district court agreed with the Bradleys' allegations and awarded punitive damages of \$100,000 in addition to the \$180,000.

Iowa's Court of Appeals reviewed the actions noting that West Bend initially had no problem in contacting Marin. The court noted the fact that Marin had fully cooperated in the beginning. The records then showed that West Bend made no additional attempts to contact Marin for months following the original claim.

The higher court ruled that the evidence support the Bradley's claim that West Bend had dealt in bad faith and had deliberately misrepresented their position. The court also held that nothing in West Bend's testimony supported the claim of lack of cooperation because it was the insurer who failed to make reasonable attempts to contact Marin.

Finally, the court held that because Marin had admitted to negligently performing his work, West Bend's rights were not prejudiced.

The high court ruled that the district court's award against West Bend could stand.

Agency Relieved From "Unfair Claim Practices Allegation" When Partial Loss Was Depreciated

An insurance agency renewed a package policy for a warehouse company requiring, under property coverage on various locations, that the insured " carry 90 percent of the actual cash value (ACV) as respects buildings and contents." A loss occurred for which appraisers agreed on a figure based on actual cash value adjustment. Disputing the settlement amount, the insured alleged "unfair and deceptive business practices" in a suit brought against the insurance agency.

The insured alleged, in pertinent part, that the agency " misrepresented pertinent facts and/or insurance policy provisions relating to the coverages at issue in the new policy..... that plaintiffs were uninformed concerning these coverages and were relying on the representations of defendants." Appeal followed granting of summary judgment by the trial court in favor of the insurance agency.

The appeal court found that the insurance agency had not violated a North Carolina "unfair claim settlement practice" statute "with such frequency as to indicate a general business practice," allegedly "misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue....." The insured then argued that, in the absence of such a violation, the agency violated another statutory provision relative to unlawful ".....unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce....."

The insured said that it believed, from comments by a representative of the agency, that insurance was provided for full replacement cost rather than actual cash value.

However, a letter from the agency to the insured was introduced in which actual cash value was defined and which stated that actual cash value was not replacement cost, and not that "it will probably not be in your best interest to insure on a replacement cost basis." It further said that the enclosed renewal policy would be assumed to be in order unless the insured advised otherwise. The previous policy, arranged by a different agency, had provided property coverage on an actual cash value basis.

The insured's president forthrightly acknowledged that insurance agency representatives did not specifically state that partial loss situations would be adjusted on a replacement cost basis, nor that depreciation would not be applied to them. The appeal court found, from the evidence, that the alleged deception was not supported and that the insured was provided with the exact coverage for which it contracted.

The judgment of the trial court was affirmed in favor of the insurance agency and against the insured.

Insurer Held Liable For Bad Faith Failure To Settle

In October 1991 Larry Link and Jason Axsom were involved in an auto-motorcycle accident in which Axsom sustained serious injuries. Link had a policy issued by Allstate with a \$50,000 limit. Before the jury in the trial court began its deliberations, Axsom offered to settle for the policy limit, but Allstate rejected the offer. The jury returned a verdict in favor of Axsom for \$80,500.

Link assigned to Axsom any rights which he had against Allstate, and Axsom filed this action against Allstate alleging that Allstate had acted in bad faith in rejecting Axsom's offer to settle for the policy limit. In addition to the jury's award, Axsom sought to recover punitive damages and attorney's fees. Allstate contended that, as assignee of the insured's rights, Axsom was not entitled to either. The trial court granted Allstate's motion with respect to the attorney's fees but found that Axsom was entitled to punitive damages. Allstate appealed on the theory that the insured could not assign the rights to punitive damages since such damages were personal in nature.

The question as to whether the insured could assign any rights he might have for punitive damages was a matter of first impression in Indiana, and the court commented that few courts have decided the matter. The court noted that Indiana law forbids the assignment of personal tort claims, but in this case the entry of judgment against the insured constituted actual damages since it impaired the insured's credit. Punitive damages and actual damages serve two distinctive purposes. Actual damages are meant to compensate a victim for harm suffered by him/her. Punitive damages are intended to punish the wrongdoer and deter others from the same conduct.

The court commented: "If the only damages the insurer will have to pay upon a judgment of breach are the amounts that it would have owed under the policy plus interest, it has every interest in retaining the money, earning the higher rates of interest on the outside market, and hoping eventually to force the insured into a settlement for less than the policy amount."

The judgment entered in the trial court against Allstate for punitive damages was affirmed.

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Scheduled Guns Were Held To Be Covered For Face Amount Of Policies

An insured's entire collection of guns was stolen. His "shooting guns," consisting of 47 guns in all, were scheduled under an Inland Marine Floater policy with a Gun Floater form attached, the total amount of insurance being in excess of \$15,000. His "collector guns," numbered 16, were scheduled under a second policy of a similar nature with a total amount of insurance indicated at \$4,808. He said he had obtained the "amount of insurance" for each gun by consulting a gun digest according to instructions from the insurer's agent, having applied for the insurance after reading an ad in a gun magazine. (It appears bills of sale or written appraisals were not involved.)

The insured made claim for the face amount of both policies and submitted proofs of loss listing the guns and values identically as shown in the policy schedules. After a lengthy investigation, the insurer rejected the proofs of loss as unsatisfactory. The insured filed suit against the insurer and was awarded a judgment of \$4,000 for his "shooting guns" and one of \$480 for his "collector guns." The insurer had not rejected the insured's claim based on fraud and misrepresentation, but it did introduce evidence intended to cast doubt upon whether the insured owned the number of guns listed in the schedules. The insured appealed from the judgment in his favor, seeking to recover the total amount claimed.

Each policy consisted of a standard Inland Marine Floater policy with the Gun Floater form attached. The basic policy stated, with respect to valuation, that the company would not be liable beyond the actual cash value of property at the time of loss, not to exceed the cost of repair or replacement with material of like kind and quality.

However, the attachment stated: "All clauses, conditions and warranties in the printed portions of the policy in conflict with the terms of this special form are waived." The attached form provided: "This company shall be liable for the full repair or replacement cost of the property insured without deduction for depreciation but in no event to exceed the amount of insurance applying thereto." The court determined the attached form was controlling.

There was discussion about whether the policies were "valued policies" under Missouri statute. However, the court said it was unnecessary to make a statutory interpretation because "the policies themselves are determinative of the amount plaintiff may recover." It concluded that the purchase price or market value was irrelevant. The insurer could have invoked the replacement option, but it did not. Otherwise, the contract showed an intent to pay "the amount the insurance company has agreed is the value and for which it has charged a premium." A new trial was ordered.

Misrepresentations In Application Held To Render Policy Void

A Farmowners policy insured appealed from trial court judgment for the insurer that the policy was void because of a misrepresentation in the application with regard to a mortgage. (The insurer had denied coverage when the house was destroyed by fire.) The court determined that the insured's statement materially increased the insurer's risk of loss when the amount of the mortgage was, in fact, 50% greater than represented.

The appeal court cited Tennessee Code Ann. 56-7-103 for definition of "a material fact as one that increases the risk of loss when relied upon by the company in issuing the policy." It noted a standard provision in the policy "rendering the policy void for the intentional concealment or misrepresentation of any material fact relating to the insurance."

Despite the fact that the insured denied having furnished some of the answers in the application, he had signed it and the insurer issued a policy on the basis of the information contained in it. The insurer had relied on a material misrepresentation in making the contract. The appeal court concluded that the mortgage misrepresentation materially increased the risk to the insurer.

The trial court had not ruled on two other alleged misrepresentations in the application, i.e., the title to the property and prior losses. It was found that the title was not as described and that the insured had incurred prior losses, when the application stated otherwise. The appeal court concluded that these, too, were material misrepresentations.

The judgment of the trial court was affirmed in favor of the insurer and against the insured. The policy was void by virtue of misrepresentations that materially increased the risk of loss.

Insured Has Right To Claim Recovered Property

In 1975, Helen Thompson's house in Concord, Massachusetts, was burglarized. One of the stolen items was an ancestral portrait painted by artist Angelica Kauffmann in 1765. The painting, a family heirloom, had been appraised for \$25,000.

Thompson's homeowners' policy, issued by Northern Assurance Company, covered the loss of stolen unscheduled personal property up to \$32,500. Thompson submitted a claim and attached a list of the stolen property. She estimated that the value of the items totaled \$65,000, but the painting was the only item for which she had an appraisal.

Northern agreed to pay the policy limit of \$32,500, and, as part of the claims process, required Thompson to sign a subrogation agreement. The agreement provided that Thompson accepted the \$32,500 "in full release and satisfaction in compromise settlement" of her claim. The agreement contained the following language: "In consideration of the payment to be made hereunder, the assured does hereby subrogate to said insurer all right, title and interest in and to the property for which claim is being made hereunder, and agrees to immediately notify said insurer in case of any recovery of the property for which claim is being made hereunder, and will render all assistance possible in any endeavor to recover said property. Assured also agrees to turn over to said insurer, any such recovery which may be made, or reimburse said insurer in full to the extent of the payment for such property which may be recovered."

In 2007, the painting was found by an art dealer and turned over to the Concord police.

By this time, Thompson had died and Northern Assurance Company was now OneBeacon Insurance Group. Both OneBeacon and Thompson's estate claimed rights to the painting, now valued at no less than \$400,000. OneBeacon claimed it was entitled to the painting under the terms of the subrogation agreement. Thompson's estate claimed it could obtain rights to the painting by reimbursing OneBeacon \$25,000.

Eventually William Apthorp, the executor of Thompson's estate, filed a lawsuit seeking a declaration that the estate was entitled to possession of the painting in exchange for payment of \$25,000. The court found in favor of the estate; OneBeacon appealed.

On appeal, the Appeals Court of Massachusetts, Norfolk, found that the subrogation agreement unambiguously provided that if the stolen property was recovered, the insured had a choice: either turn it over to the insurer or pay the insurer back. According to the court, the right of subrogation merely allowed Northern to exercise any rights that Thompson may have had to the extent of the payment Northern had made. This arrangement had the effect of preventing the insured from double recovery and the insurer from obtaining a windfall. The court concluded that the estate could choose to take possession of the painting and pay OneBeacon \$25,000.

As a side issue, OneBeacon argued that, if the estate took possession of the painting, it should pay OneBeacon interest on the \$25,000. The court found no merit in this argument and stated that "there was nothing in the subrogation agreement to

support OneBeacon's contention that, if the estate were allowed to have possession and ownership of the portrait in exchange for reimbursing the amount paid by Northern, OneBeacon also should recover compound interest on that amount."

The decision of the lower court in favor of the Thompson estate was affirmed.

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Waivers Of Subrogation And Definition Of "Work To Be Insured" Were Ambiguous

K.B.K., Inc. (K.B.K.) and John L. Mattingly Construction Co., Inc. (Mattingly) contracted to build an Arby's Restaurant (Restaurant) in October 2002. Mattingly hired Wilma L. Phoebus d/b/a Wilma Phoebus Electric Company (Phoebus) to do the electrical work. Construction was completed in October 2003 and the Restaurant opened for business.

K.B.K. made the final payment on the construction contract on January 30, 2004, after which it purchased property insurance on the restaurant from Hartford Underwriters Insurance Company (Hartford) for the period October 1, 2004 to October 1, 2005. A fire at the Restaurant on May 8, 2005, caused \$1,117,711.26 in damages that Hartford paid, minus a \$1,000 deductible that K.B.K. paid.

As subrogee of K.B.K., Hartford sued Mattingly and Phoebus on theories of negligence, breach of contract and breach of warranties, alleging that defective electrical wiring, components and equipment installed during construction caused the fire loss. Mattingly and Phoebus moved for summary judgment, asserting that the "Waivers of Subrogation" clause in the construction contract barred Hartford from pursuing liability claims against them. Their specific argument was that K.B.K. had agreed in the contract to look only to its own property insurance to cover perils like fire and that Hartford had no subrogation rights to enforce. Hartford opposed the motion and cross-motivated, stating that the waivers cited did not apply because the loss occurred after construction was complete and final payment was made. The circuit court granted summary judgment in favor of Mattingly and Phoebus and denied Hartford's. Hartford appealed.

Hartford's appeal asserted that the temporal scope of the Waivers of Subrogation clause compared with losses to the completed Restaurant covered by owner-obtained insurance was ambiguous at best and that its meaning was a genuine dispute of material fact that barred summary judgment.

Hartford alternately argued that if the clause was not ambiguous, its only reasonable reading was that it did not apply to the completed Restaurant, that K.B.K.'s right of recovery against Mattingly and Phoebus for the fire loss remained intact, and that Hartford was subrogated to that right. Hartford also asserted that the language of the waivers clause was unclear as to whether they were in effect after construction was complete and the Restaurant was covered by property insurance and that the circuit court's interpretation of "Work" was inconsistent with the definition in the construction contract. It argued that public policy considerations underlying subrogation waivers in construction contracts apply only during construction, not afterwards.

While the circuit court had ruled that the language was clear and that the waivers still governed the legal relationship between K.B.K. and Mattingly and its subcontractors with respect to this fire loss, the appellate court saw it completely differently. It agreed with Hartford's argument concerning public policy considerations in construction contracts and that they apply only during the construction period, not for an unlimited period of time after construction is complete, the structure is being used as intended, and the parties to the contract are no longer working together to accomplish the goals stated in the construction contract. The primary policy consideration was to eliminate disruptions during construction that would result if losses that occurred during that time were subject to litigation. When construction was complete and the structure was operating as intended, avoiding construction delays was no longer a goal and became moot.

For these reasons, the appellate court concluded that the construction contract could not be interpreted to mean that, after the Restaurant was built and paid for, K.B.K. continued to waive its liability rights against Mattingly and its subcontractors as long as

K.B.K. maintained property insurance on the Restaurant. It reversed the judgment and remanded the case to the circuit court for further proceedings consistent with this opinion.

Subrogation problems do arise under homeowner policies. Many insurers aggressively assert and protect their rights to subrogate against other parties. In some instances, insurers are taking legal action against their clients who harm this right.

Insurer Fails To Provide Notice Of Claim Denial

John Hopkins sustained serious injuries on July 23, 1989, while riding in a friend's car. The evidence showed that an unknown person took control of the car by force and caused a collision with other cars. On June 4, 1992, almost three years later, Hopkins notified Fireman's Fund that he intended to bring an uninsured motorists claim under his father's policy, since at the time of the accident the car was stolen and thus was not insured.

Fireman's sent two letters asking for more information and the reason for the long delay in making the claim. On October 5, 1992, Hopkins furnished details of the accident but no excuse for the delay. Fireman's filed an action to permanently stay arbitration of the claim since Hopkins failed to give notice of his claim "within 90 days or as soon as practicable" as required.

The lower court dismissed Fireman's petition and directed the parties to proceed to arbitration. Fireman's appealed.

The higher court decided that the company should have known that the claim was untimely upon receipt of Hopkins' first notification in June 1992. However, it sent no notice of disclaimer, and the only communication of its intent to disclaim was in February 1993 when it filed the petition to stay arbitration--nearly eight months after it was notified of the accident and almost four months after it received a complete account of the incident. Fireman's attorney testified that the claim was denied on November 11, 1992, but furnished no evidence to support his statements.

The order of the lower court ordering the parties to proceed with arbitration was affirmed.

Insurer Must Accept Decision Of Its Approved Umpire

General Casualty issued a fire policy to Tracer Industries, Inc. (Tracer), with a limit of \$100,000 for a commercial building. The record showed that William Knake (Knake) was the corporation's sole owner and that his sons, Robert and William, had purchased the property for \$67,500 about one week before the fire loss.

Before buying the building, two appraisers estimated the property's market value, including the land it sat upon, at \$69,900 and \$71,000, respectively. Both appraisers valued the land at \$52,500, which in effect resulted in a market value for the building at only \$17,400 and \$18,500, respectively.

The insured showed that an agent of General Casualty had inspected the property. Based on the inspection, the agent agreed to write a \$100,000 limit on the building and \$100,000 on the contents, charging a premium based on those values.

The fire occurred about a week after the sale, and the building and contents were destroyed. General Casualty paid the full limit on the contents. However, after they failed to agree on the building loss amount, General Casualty asked for arbitration, which was granted. Both parties selected an appraiser, and the court appointed an independent umpire. The arbiters reached an agreement on the loss amount, and General Casualty sought to have the appraisal award set aside on the grounds that it was excessive.

The insurer complained the appraisers and court-appointed umpire had not taken into consideration the obsolescence of the building. On appeal, General Casualty also contended the following:

- the disparity between the market value and the award was fraudulent,
- allowing a fraudulent award would be against public policy, and
- the umpire appointed by the court had a disqualifying bias or conflict of interest.

Darrell Hilst (Hilst), the umpire appointed by the court, reported that he agreed with the insured's appraiser, who had fixed the fire loss at \$111,900. This total was reduced to the policy limit of \$100,000.

On appeal, the court pointed out that where the policy provides for arbitration, substantial deference was given to the appraisers. Their conclusion, and that of the umpire, in the absence of fraud and mistake, was binding. Being bound by the decision was in accordance with the parties' mutual choice to resolve their dispute through the policy's arbitration provision.

The insured's appraiser and the court-appointed umpire chose not to consider obsolescence. General Casualty asserted that obsolescence had to be deducted in determining "actual cash value," but Hilst based his appraisal on the general rule where, if a property is usable for its intended purpose or another purpose, obsolescence is not a factor. The parties agreed the purpose of fire insurance was to insure, as much as possible, that the insured would be in nearly as good a position after the fire loss as before the occurrence. The record also showed that General Casualty's appraiser calculated the replacement cost of the building was about \$88,500.

In conclusion, the higher court ruled that Hilst did not have a disqualifying conflict of interest and noted also that General Casualty did not object to his appointment until after his report was filed. Neither the insured nor General Casualty had an advantage in the appointment of Hilst by the court. The judgment of the lower court was affirmed.

Each party will handle their own out-of-pocket expenses, as well as share in the cost of the third arbitrator. The arbitrators must follow the local rules of law in their discussions.

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Confusion over "an insured" or "the insured"

James Hutchinson, his wife and stepson, Michael Rockefeller, lived in an apartment that was part of rental property that was also owned by Hutchinson. The building was insured by Fulmont Mutual Ins. Co. (Hutchinson was named insured) and the individual apartment was covered by a Homeowner's policy from New York Central Mutual Fire Insurance Company (NYCM). The apartment suffered a fire loss

that Fulmont paid. Fulmont's subrogation claim was denied by NYCM. Both parties filed motions for summary judgment and the lower court ruled in favor of NYCM.

The fire loss was caused by Michael Rockefeller who failed to make sure that he put out a cigarette. NYCM had successfully argued in the original motion that Rockefeller was an "insured" under its Homeowner policy and was ineligible for protection under the form's liability section. Fulmont, which paid Hutchinson for the loss, appealed in order to be reimbursed by subrogating against Rockefeller.

In the appeal, the higher court reviewed Rockefeller's status under the Hutchinson Homeowners policy. The court's examination was an object lesson that contract wording controls contract performance. The court noted that, in general terms, Rockefeller (Hutchinson's stepson) was an insured. However, his status was not clear when considering the liability section. Under that coverage part, protection was excluded for loss/damage to property belonging to "the insured." However, reading the exclusion does not make it clear whether the exclusion refers to the property owner or any person generally identified as an insured. Because of this ambiguity, the lower court decision was reversed with a finding that Rockefeller was owed a duty to defend and, if applicable, respond to any damages under the NYCM policy.

Overdose Injury To Guest Not Covered

On April 6, 2001, 18-year-old Stephen McMaster died of an overdose of the prescription pain relief drug propoxyphene. At the time of his death, McMaster and his mother were overnight guests in the home of John Scaduto. The propoxyphene had been prescribed to Scaduto by his doctor.

McMaster's mother, Nichole Gallagher, sued Scaduto, claiming that he had negligently left the prescription in a place accessible to McMaster even though he

knew McMaster's emotional state was fragile. Scaduto sought coverage for the lawsuit under his homeowner's insurance policy issued by the Massachusetts Property Insurance Underwriting Association. The insurer then filed an action seeking a court declaration that the policy did not provide coverage.

The homeowner's policy excluded coverage for bodily injury "arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance . . ." The exclusion did not apply to "the legitimate use of prescription drugs by a person following the orders of a licensed physician." The lower court found that there was no coverage under the policy; Gallagher appealed.

On appeal, Gallagher acknowledged that the policy exclusion could apply, but that her son's death fell under the exception to the exclusion. According to

Gallagher, McMaster's death "arose out of" Scaduto's legitimate use of the drug because, but for Scaduto's legitimate use of the drug, it would not have been accessible to McMaster. The Appeals Court of Massachusetts, Suffolk, noted that the argument was somewhat persuasive; nevertheless, it found in favor of the insurer. In reaching its decision, the court emphasized that the excluded use of the drug was the immediate cause of McMaster's death, and that any "causal contribution" of Scaduto's use was "decidedly more remote." The court concluded that the policy's controlled substances exclusion was applicable.

The decision of the lower court was affirmed.

Arbitration cannot be mandated where policy says "optional"

BCS Insurance Company (BCS) issued claims-made errors and omissions insurance policies to Wellmark, Incorporated (Wellmark) annually between 1994 and 1997. The 1994, 1995 and 1996 policies contained mandatory arbitration clauses but the 1997 policy provided for optional arbitration and gave the choice to the insured. In four class action lawsuits brought in 1994, 1995, 1996 and 1997, Wellmark (which did business as Blue Cross and Blue Shield of Iowa) was accused of making illegal profits based on undisclosed agreements it had with medical providers. Wellmark settled the lawsuits and sought coverage from BCS.

After attempts at negotiation failed, Wellmark filed suit against BCS seeking coverage under the 1997 policy. BCS believed arbitration of all of Wellmark's claims was required and filed suit to compel it. By agreement of the parties, the district court ordered arbitration of the claims made under the 1994, 1995 and 1996 policies under the mandatory arbitration provisions in those policies. Since the arbitration clause in the 1997 policy was optional, the court refused to order arbitration of the claim against that policy. The plain language of the 1997 policy permitted, but did not require arbitration, and that should have been enough to turn away BCS's attempt to compel Wellmark to arbitrate the 1997 claim.

BCS claimed it was not that simple, because when a policy contained an arbitration clause, a federal presumption of arbitration applied. This argument was easily dispatched, because the Federal Arbitration Act directed courts to place arbitration agreements on equal footing with other contracts but it did not require arbitration when the parties had not agreed to it.

The court also rejected BCS's argument that the "relation back" clause in the 1997 policy brought the 1997 claim within the mandatory arbitration clauses of the earlier policies. The relation back provision appeared in the liability limits section of the policy and stated that claims that arose from the same or interrelated acts were treated as a single claim deemed made at the time the earliest claim was made. BCS asserted the claim made under the 1997 policy was related to other claims dating back to 1994 and the 1997 claim should have been deemed a single claim under the 1994 policy. Since that policy had a mandatory arbitration clause, the 1997 claim should also have been arbitrated. The district court construed this provision to apply to claims that arose from several interrelated wrongful acts *within* the 1997 policy period, not *across* policy periods.

Based on this interpretation, it refused to rewrite the clear and unambiguous language of the 1997 policy's arbitration clause to make the 1997 claim arbitrable against Wellmark's wishes.

The appellate court did not agree with the district court's engaging in an interpretation of the relation back provision in deciding whether to compel arbitration of the 1997 claim. This did not mean that the BCS argument prevailed either. The court rejected this reading of the policy, stating that this clause may or may not operate to limit the availability or scope of coverage for this claim. That, however, was a question on the merits of the claim, not on its arbitrability. The arbitration clause of the policy unambiguously *allowed* for but did not *require* arbitration. It provided that any controversy that arose out of or relating to the 1997 policy was arbitrable but only at the insured's option. The choice belonged to the insured and Wellmark chose litigation. The district court properly refused to compel arbitration and their decision was affirmed.

Mediation can be considered "negotiation plus one." The process involves the disputing parties working through a neutral facilitator.

Mediation and arbitration are alternatives for resolving coverage amounts. With regards to insurance matters, they definitely are ineligible methods for determining

whether coverage exists. However, mediation is often a part of the lawsuit process. After a lawsuit is filed and a court date is being established, a judge typically suggests that the parties attempt to resolve disputed amounts through mediation. In most locales, the judge offers a list of experienced mediators for the parties to use.

Breach Of "Cooperation" Condition By Insureds Held To Warrant Insurer's Denial Of Burglary Claim

Insureds made claim under their renters policy, which provided coverage for personal property against risks of loss except as specifically excluded, for a very large loss of expensive items by burglary. The amount of insurance was \$300,000; the amount of claim, approximately \$80,000.

A series of disclosures during the course of the insurer's investigation and the response of the insureds led to the insurer's denial of coverage for breach by the insureds of their contractual obligation to cooperate during the investigation. The insureds then sued the insurer for breach of contract.

The insurer sought summary judgment, citing the insureds' refusal and failure to furnish requested and needed information. Alternatively, it contended that misrepresentation or concealment of material facts in the application for insurance submitted by the insureds relieved it from liability. The insureds appealed trial court grant of summary judgment in favor of the insurer and dismissal of the case.

The appeal court was convinced by the following suspicious circumstances surrounding the case, as revealed in testimony: The insureds attributed their loss to a maid, but could not supply her last name or how to reach her; they could not furnish evidence of payment of a maid by check; they did not supply purchase or other evidence of the value or existence of the bulk of the items allegedly stolen; when it was apparent that the couple had insufficient income to have acquired such property, the woman said that her mother gave them substantial sums but could not or would not provide the name and address of her mother; income tax returns had not been filed for more than ten years and there was evidence of credit card payment default and fraud.

The court concluded that the insureds' refusal to cooperate relieved the insurer from any obligation with respect to the claim. It was not necessary to address concealment of material facts, in the application for insurance, about a previous large loss.

The judgment of the trial court was affirmed in favor of the insurer and against the insureds.

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