Welcome

Insurance and risk professionals today need learning choices from many sources. As time and economic pressures bear down on everyone, The National Alliance continues to push forward with excellent online programs, carefully designed to fulfill your professional development needs.

In the pages that follow, be sure to read and understand the requirements for completing your course. If you have any questions, you may contact us via the link on the bottom navigation bar.

I hope you enjoy your journey into online learning. Thank you for choosing a National Alliance online course!

William T. Hold, Ph.D., CIC, CPCU, CLU
President

Please pause here.

In order to receive credit for this course you must fulfill several requirements.

Click on each heading on the left and read each requirement.
System Requirements

Recommended Operating System: Microsoft Windows XP or Higher

Recommended Browser: Internet Explorer 9 or higher

Warning: Some exercises may not work well with Firefox, Safari or Chrome browsers.

The course has not been optimized for tablet devices.

Please make sure you have the latest version of Adobe Flash Player, and the latest version of Adobe Reader installed on your computer.

Lessons and Topics

This course consists of several Lessons with several Topics in each. The pages include many relevant examples and graphics, with frequent knowledge check questions and exercises to test your understanding.

Taking the Self Quizzes:

Self quizzes are located at intervals throughout the topics. You may complete a self quiz as many times as you wish.

Once you restart a self quiz, the score resets to 0.

At the end of each quiz, click on the Assessment Results link on the score page, then right click to print out the results of your quiz.

50 Question Final Exam (Proctor Required)

A passing score on the Proctored Final Exam is required if your goal is to achieve the CISR Designation.

A passing score on the Proctored Final Exam is required if you would like to earn continuing education credits for a state issued insurance license.

A passing score on the Proctored Final Exam also earns designation update credit if you are a CISR or CSRM who has elected NOT to take the Review Test.

3 attempts are allowed for current CISR designation holders.
1 attempt is allowed for all other students.

Click here for the Review Test.
**Review Test (No Proctor Required)**

The Review Test is available after you have completed all of the self quizzes.

The Review Test is a great study aid for the Final Exam.

For CISRs and CSRM, use this test to earn designation update credit if you are not planning to take the final exam for state continuing education credits.

Unlimited attempts for all students.

**Selecting the Proctor**

No proctor is required for the Review Test. HOWEVER, the Final Exam requires a proctor. You are expected to select the proctor and make an appointment prior to the end date of your course timeframe.

Choose a disinterested third party as your proctor. Your state may have additional requirements. Click on the link below for state-specific proctor requirements.

[Proctor Instructions]

**Receiving Credit for the Final Exam**

Once you have received a score of 70 or above on the Final Exam, you must submit an affidavit of exam and CE Request Form in order receive credit for your successful completion. If you do not need CE credits, indicate this by checking the box at the bottom of the CE Request Form.

Print your affidavit of exam and CE request form prior to your exam. These documents can be found by using this link:

[Affidavits/CE Request Forms]

Do not submit an Affidavit/CE Request Form for any Review Test or for an unsuccessful attempt at the Final Exam.
Frequently Asked Questions and Student Instructions Document:

You may print the complete Student Instructions document for your course by navigating to this page in the online course introduction, or by navigating to:

http://www.scic.com/online_courses

Use the links on the left side of the web page for FAQs and additional information.

Course Home Page

Use the home symbol on the bottom left navigation bar to access this page during your course. Links to self-quiz scores, help desk hours and other useful information are provided on this page.

Online Help Desk Hours:

cisronline@scic.com

To phone the Online Help Desk call:
800-633-2165 and select the online option.
Monday through Friday 8:30 am to 5 pm Central Standard Time
Instructions for navigating to your MyPage Account at www.scic.com:

View your MyPage on our website, www.TheNationalAlliance.com/MyPage. Use the same username and password for MyPage log on as you use for your online course.

Course Introduction p5

REQUIRED READING FOR FLORIDA RESIDENTS ONLY:

An entity that is required to be licensed or registered with the Florida Office of Insurance Regulation but is operating without the proper authorization is identified as an unauthorized insurer. All persons have the responsibility of conducting reasonable research to ensure they are not writing policies or placing business with an unauthorized insurer. Any person who, directly or indirectly, aid or represent an unauthorized insurer can lose their licenses or face other disciplinary sanctions. Please see section 626.901, Florida Statutes, to read the laws. Lack of careful screening can result in significant financial loss to Florida consumers due to unpaid claims and/or theft of premiums. Under Florida law, a person can be charged with a third-degree felony and also held liable for any unpaid claims and refund of premiums when representing an unauthorized insurer. It is the person’s responsibility to give fair and accurate information regarding the companies they represent.

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Welcome to Insuring Personal Auto Exposures p1

Welcome!

Thank you for choosing the Certified Insurance Service Representatives (CISR) Insuring Personal Auto Exposures course.

Our goals are to help you to learn about insuring the personal automobile exposure and to give you the tools to use to assist your customers.

Almost everyone has a car or is subject to some of the exposures autos create.

This course is about the liability and property exposures created by auto usage and the insurance policies we use to provide insurance for those exposures.

Welcome to Insuring Personal Auto Exposures p2

Course Study and Exam Preparation

Have you ever thought about how you learn? The study aids listed below will help you determine your progress and test your understanding of concepts and examples presented in the course.

Learning Objectives:

Learning Objectives are designed for managing your own learning. The learning objectives for the course are listed at the beginning of each topic. The learning objectives are indicated throughout the course pages as well.

At the end of the course, you will have the opportunity to read the learning objectives again, and see how confident you feel about each one.

Self Quizzes

Self quizzes are another learning management tool. You are required to pass each self quiz with a score of 70 or above before moving forward in the course, and you can launch a self quiz as many times as needed.

To print the score page of your self-quiz, click on Assessment Results, then right click on the page. The Assessment Results page makes an excellent study aid.

Glossary

Glossary terms and definitions are critical to insurance professionals, and a key study aid for your online course. To define a term, click on the Glossary link above. Definitions of newly introduced terms will also be included on the course pages.

Knowledge Checks
Knowledge Checks are application level questions.

By attempting to apply the concepts of the course, you will better prepare yourself for the final exam. Make sure you attempt each knowledge check in the course.

Course Mentor

And don't forget to email the Course Mentor with your questions about the curriculum.

Our faculty members are distinguished producers and risk managers who currently work in the insurance industry. The mentors are happy to explain and clarify the concepts in the course.

They will return your email on or before the next business day.

Be sure to use the Frequently Asked Questions (FAQ) Page to review guides for commonly asked questions.

Welcome to Insuring Personal Auto Exposures p3

Policy and Endorsement Forms

This course is based on the Insurance Services Office (ISO) January 2005 edition of the Personal Auto Policy.

There are other editions of the Personal Auto Policy and you may see different auto policy forms or editions used by different jurisdictions or insurance companies. In addition some companies have their own version of a Personal Auto Policy. These company specific policies often incorporate some of the ISO endorsement language into the policy.

All of these policies are similar in that they cover the same basic exposures and use much of the same language. However, they do vary in the coverage provided for specific situations.

Every state has an endorsement with the title, Amendment of Policy Provisions - (name of state). This endorsement modifies the policy so that it conforms to the laws and regulations affecting automobile insurance in that state. You must always review your State Amendatory Endorsement to be sure you have a complete picture of the auto policy you are providing for your clients

It is important that you be familiar with the versions of the Personal Auto Policy with which you are working.
Welcome to Insuring Personal Auto Exposures p4

Course Objectives Overview

CISR Online Insuring Personal Auto Exposures based the ISO Personal Auto Policy PP 00 01 01 05 Edition. The course consists of six lessons:

1. Introduction to the Personal Auto Policy
2. Liability Coverage
3. Medical Payments Coverage
4. Uninsured/Underinsured Motorists Coverage
5. Coverage for Damage to Your Auto
6. Duties After an Accident or Loss and General Provisions

Each lesson is further broken down into topics. In each topic, you will have content to read, graphical material to view, and self-quizzes to test your comprehension of important points. You may link to the final exam after completing all of self quizzes in the course with a score of 70 or above.
Lesson 1 – Introduction to the Personal Auto Policy

During this lesson we will lay the foundation for our study of the Personal Auto Policy. You will learn about the coverage parts that make up the Personal Auto Policy and what vehicles are eligible to be insured on a Personal Auto Policy.

The last part of the lesson is a discussion of key terms, which are defined on the first two pages of the policy. Definitions have the potential to provide or exclude coverage. As these defined terms are used throughout the policy, therefore throughout this course, it is important for you to understand and be able to apply each of them.

Structure:

- Definitions
- Agreement
- Definitions
- Part A Liability Coverage
- Part B Medical Payments Coverage
- Part C Uninsured Motorists Coverage
- Part D Coverage for Damage to Your Auto
- Conditions (Parts E and F)

Lesson 1 Learning Objectives

1. Discuss the eight parts that make up the Personal Auto Policy.
2. Understand the relationship between eligibility and coverage.
3. Determine whether or not a specific vehicle is eligible to be written on a Personal Auto Policy.
4. Decide whether or not a given person is a "you" on a Personal Auto Policy.
5. Determine whether or not an activity is considered a "business".
6. Determine whether or not a specific person is a "family member" on a Personal Auto Policy.
7. Apply the definitions found in the Personal Auto Policy to determine the effect they have on coverage.
8. Decide whether or not a vehicle is a "your covered auto".
9. Determine whether or not a vehicle is a "newly acquired auto".
10. Determine the automatic coverage provided for a "newly acquired auto".
Lesson 1 Intro to the PAP p3 (PA)

Forms that you need to print for this lesson:

- PP 00 01 Personal Auto Policy
- PP 03 20 Snowmobile Endorsement
- PP 03 23 Miscellaneous Type Vehicle Endorsement
- PP 03 28 Miscellaneous Type Vehicle Amendment (Motor Homes)
- PP 03 34 Joint Ownership Coverage
- PP 13 03 Trust Endorsement

**Note:** Form PP 00 01 is 13 pages long, and it will take some time to print. We will refer to this form throughout this course, so it is a good idea to keep it handy.
Lesson 1 Topic A – Policy Structure and Eligibility

Lesson 1 Topic A PAP Structure p1 (PA)

Learning Objective: Discuss the eight parts that make up the Personal Auto Policy.

In this topic we identify the eight parts of the Personal Auto Policy, each of which we will review in subsequent lessons of this course. In Topic A we also discuss factors that must be considered when determining policy eligibility. In an effort to focus your study of these concepts, we have organized this discussion around two main areas:

- Personal Auto Policy Structure
- Eligibility

Lesson 1 Topic A PAP Structure p2 (PA)

Learning Objective: Discuss the eight parts that make up the Personal Auto Policy.

Personal Auto Policy Structure

The Personal Auto Policy is a plain-language policy written to cover most of the auto exposures of the typical family. There are eight parts to the policy:

1. Agreement
2. Definitions
3. Part A - Liability Coverage
4. Part B - Medical Payments Coverage
5. Part C - Uninsured/Underinsured Motorists Coverage
6. Part D - Coverage for Damage to Your Auto
7. Part E - Duties After an Accident or Loss
8. Part F - General Provisions

Note: Parts E and F will be referred to in this course as Conditions.

Lesson 1 Topic A PAP Structure p3 (PA)

Learning Objective: Discuss the eight parts that make up the Personal Auto Policy.

Personal Auto Policy Structure continued

The Personal Auto Policy (PAP) is a package policy made by combining four policies together with an agreement, common definitions and conditions. These definitions are found on the first two pages of the policy and are followed by Parts A through D, each of which is a small policy within the policy. The
conditions, which are common to all parts, are on the final pages of the Personal Auto Policy.

The Definitions section contains words or terms that have a special meaning and apply to the entire Policy. The four coverage parts of the Personal Auto Policy operate independently of each other. Each has its own insuring agreement, additional definitions, exclusions, and conditions that apply specifically to that coverage part.

Refer to Lesson 1 Topic A PAP Structure p3 (PA) to view the Personal Auto Policy Structure.

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Lesson 1 Topic A PAP Structure p4 (PA)

**Learning Objective: Understand the relationship between eligibility and coverage.**

**Eligibility vs. Coverage**

Before you begin your study of the Personal Auto Policy, it is important to understand the relationship between Eligibility and Coverage.

Eligibility refers to the facts that exist at the time the Personal Auto Policy is written. You will begin your study of the Personal Auto Policy by being introduced to ISO’s eligibility requirements. Clients that do not meet the requirements are not eligible for a Personal Auto Policy. Eligibility dictates whether or not a Personal Auto Policy can be written for a client; it does not dictate coverage.

Coverage, on the other hand, is determined by the facts that exist at the time of the loss. Those facts will be used to determine whether or not the Personal Auto Policy covers, limits or excludes the loss.

Coverage is the primary focus of this course. It is possible that at the time of the loss the type or the usage of a vehicle would have made that vehicle ineligible to be written on a Personal Auto Policy. However, if there is not an exclusion that applies, coverage will be provided.

**Example:** At the time you wrote John and Nicole’s Personal Auto Policy, their van was used by Nicole to drive to and from her job as an administrative assistant. At the time of an accident, Nicole was employed by a florist and using her van fulltime to make flower deliveries. While the van was no longer eligible to be written on a Personal Auto Policy, coverage would be provided as there is not an exclusion that applies.

Underwriting also plays an important role when writing a Personal Auto Policy. Underwriting is the insurance company’s process of determining whether or not it wants to issue the Personal Auto Policy for the client. Underwriting differs among insurance companies, geographic regions and can be based on the company-agency relationship. For this reason, underwriting is not discussed in this course.
Lesson 1 Topic A PAP Structure p5 (PA)

Learning Objective: Determine whether or not a specific vehicle is eligible to be written on a Personal Auto Policy.

Eligibility

There are specific requirements that must be met before a client is eligible for a Personal Auto Policy. These eligibility requirements generally fall into two categories. Let’s look at each of these two categories:

1. Type of vehicle and usage

   and

2. Ownership or who owns the vehicle

A client not meeting both of these requirements is not eligible for a Personal Auto Policy.

Lesson 1 Topic A PAP Structure p6 (PA)

Learning Objective: Determine whether or not a specific vehicle is eligible to be written on a Personal Auto Policy.

Types of Vehicles

ISO lists eligibility criteria, and each company has similar criteria displayed in its Personal Auto Manual. The following types of vehicles are eligible:

Private passenger cars

These vehicles are eligible if all four of the following are met:

- They have 4-wheels
- Not a truck type
- Not used as a public livery or conveyance for passengers
- Not rented to others

Pickup trucks and vans

These vehicles are eligible if:

The Gross Vehicle Weight Rating (GVWR) is 10,000lb or less

and
The vehicle is not used to deliver or transport goods or materials unless it is incidental to the insured's business of installing, maintaining or repairing furnishings or equipment OR used for farming or ranching.

| Note: | A pickup or van with a Gross Vehicle Weight Rating that exceeds 10,000 pounds is eligible if it has a symbol assigned to it as shown in the Symbol and Identification Manual |

Trailers

**Miscellaneous vehicles:**

Motorcycles, golfcarts, go carts, dune buggies, all-terrain vehicles or other similar type vehicles are eligible but only with the Miscellaneous Type Vehicle Endorsement (PP 03 23) attached to the policy.

Motorhomes are eligible. The Miscellaneous Type Vehicle Endorsement (PP 03 23) and the Miscellaneous Type Vehicle Amendment (Motor Homes) (PP 03 28) endorsement must be attached to the policy.

Snowmobiles are eligible with the Snowmobile Endorsement (PP 03 20) attached to the policy.

Please refer to Lesson 1 Topic A PAP Structure p7 (PA) to complete the Knowledge Check at this time.

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**Lesson 1 Topic A PAP Structure p8 (PA)**

**Learning Objective:** Determine whether or not a specific vehicle is eligible to be written on a Personal Auto Policy.

**Ownership or Who Owns the Vehicle**

Since the Personal Auto Policy is for personal exposures, the vehicle must be owned by one of the following. A vehicle leased under contract for a period of at least 6 continuous months will be considered owned.

**Individual**

**Husband and wife who reside in the same household** – Many states amend this eligibility requirement to include vehicles owned by individuals in a domestic partnership, joined in a civil union, registered reciprocal beneficiaries, etc.

**Individuals who are not related and live in the same household** – **Example:** An unmarried couple who jointly owns their car or cars. In this situation the Joint Ownership Coverage endorsement (PP 03 34) must be attached to the policy.
Individuals who are related and live in the same household – For example, both the father’s name in the son’s name are on the vehicle title. The son lives with his father. They are eligible for a policy in the name of both the father and son with the Joint Ownership Coverage endorsement (PP 03 34) attached.

Tip: A private passenger auto eligible that is owned by a Farm Family Copartnership or Farm Family Corporation shall be considered owned by two or more relatives who are residents of the same household as long as the vehicle is garaged on a farm or a ranch.

Individuals who are related and live in different households – Example: A father and son live on opposite sides of town and jointly own a pickup truck that is used exclusively by the son. They are eligible for a policy in the name of both father and son with the Joint Ownership Coverage endorsement (PP 03 34) attached.

Owned by a trust – The grantor of the trust must be an individual or husband and wife and the only named insured(s) shown in the Declarations. All vehicles insured on the policy must be owned by the trust and the Trust Endorsement (PP 13 03) must be attached.

Lesson 1 Topic A PAP Structure p9 (PA)

Learning Objective: Determine whether or not a specific vehicle is eligible to be written on a Personal Auto Policy.

Summary of Personal Auto Policy Eligibility Criteria

<table>
<thead>
<tr>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of Vehicles and Ownership</td>
</tr>
<tr>
<td>Private Passenger Cars</td>
</tr>
<tr>
<td>Pickup Trucks</td>
</tr>
<tr>
<td>Vans</td>
</tr>
<tr>
<td>Trailers</td>
</tr>
<tr>
<td>Miscellaneous Vehicles</td>
</tr>
<tr>
<td>Must use Miscellaneous Type</td>
</tr>
<tr>
<td>Vehicle Endorsement (PP 03 23)</td>
</tr>
<tr>
<td>Miscellaneous Type Vehicle Amendment (Motor Homes) (PP 03 28)</td>
</tr>
<tr>
<td>Snowmobile Endorsement (PP 03 20)</td>
</tr>
</tbody>
</table>
Please refer to Lesson 1 Topic A PAP Structure p10-12 (PA) to complete the Knowledge Checks at this time.

**Lesson 1 Topic A PAP Structure p13 (PA)**

Determining whether or not a person is eligible for a Personal Auto Policy is important. Since eligibility includes both the type of vehicle and the ownership of the vehicle, assumptions should not be made. Just because a person wants to buy car insurance on a vehicle doesn’t mean that person owns the vehicle. Be sure to ask the right questions.

Whose name is on the vehicle’s title or registration?

This information will not only tell you in whose name or names the policy should be written, but also if there is a potential coverage gap for a person named on the registration who is not going to be protected by the Personal Auto Policy you are writing.

How will your (car, truck, van, etc.) be used?

If it is a pickup or van, you want to make sure it isn’t being used for other than deliveries.

Please refer to the end of Lesson 1 Topic A to complete the Self Quiz at this time.
Lesson 1 Topic B – Agreement and Policy Definitions

Lesson 1 Topic B PAP Definitions p1 (PA)

Learning Objective: Decide whether or not a given person is a "you" on a Personal Auto Policy.

Refer to page 1 of the Personal Auto Policy.

The Personal Auto Policy begins with the Agreement, which contains one short statement - as long as the premium is paid and the policy requirements are met, the insurance company agrees to provide the coverage.

Following the Agreement you will find the Definitions. Definitions play an important role when determining coverage. The definition of a term or phrase impacts whether or not coverage is provided or excluded.

The definitions introduced here are used throughout the entire Personal Auto Policy. They are found on the first two pages of the policy, so that the meaning of each is presented before the discussion of coverage. The defined words and phrases are in quotation marks whenever they appear in the policy. As you study this topic, please keep in mind that we are discussing only the definitions and not the coverage provided by the Personal Auto Policy. Please refer to pages 1 and 2 of the Personal Auto Policy as we discuss each term.

Lesson 1 Topic B PAP Definitions p2 (PA)

Learning Objective: Decide whether or not a given person is a "you" under a specific Personal Auto Policy.

Refer to page 1 of the Personal Auto Policy.

"You and Your"

This definition is most important to understand as any person who fits this definition receives the broadest coverage the policy provides. A "you" or "yours" is often referred to as the named insured.

To qualify as a "you", a person must EITHER:

Be named in the Declarations.

OR:

If the spouse is not named in the Declarations, the unnamed spouse is also a “you” as long as he or she is a resident of the same household as the person named in the Declarations.
Example 1: Matthew and Allison Berg are married. Their Personal Auto Policy shows Matthew M, and Allison J. Berg named on the Declarations Page. Both Matthew and Allison are a "you" by definition.

Example 2: Only Matthew M. Berg is shown in the Declarations. Allison is still a "you" as long as she is a resident of Matthew's household.

| Note:       | Every time either "you" or "your" appears in the policy, it refers to this specific definition. This is the most important definition because so much coverage is determined by whether or not an individual qualifies as a "you". |

Lesson 1 Topic B PAP Definitions p3 (PA)

Learning Objective: Decide whether or not a given person is a "you" under a specific Personal Auto Policy.

Policy Definitions continued

Refer to page 1 of the Personal Auto Policy.

Resident of the Same Household

The phrase resident of the same household means that the person's legal residence is the household of the named insured, even though he or she may be temporarily living somewhere else.

Example:

The spouse that is not named in the Declarations could be living in another state or country on a temporary work assignment and still be a resident of the named spouse's household.

Lesson 1 Topic B PAP Definitions p4 (PA)

Learning Objective: Decide whether or not a given person is a "you" on a Personal Auto Policy.

Policy Definitions continued

Refer to page 1 of the Personal Auto Policy.

More about Resident of the Same Household
The definition of “you” includes a provision for a spouse who is not named in the Declarations and is not a resident of the same household as the person named in the Declarations. Should the unnamed spouse cease to be a resident of the same household as the named insured, the unnamed spouse will continue to be a “you” for a period of time. The period of time is the earliest of the following three events:

1. 90 days following the date the unnamed spouse no longer resides in the same household.
2. The unnamed spouse purchases a Personal Auto Policy in his or her own name.
3. The end of the policy period.

It is often thought that the change in residency must occur during the policy period for this provision to apply. However, the policy language states that the change in residency can occur prior to the policy period. For example, if the change of residency occurred with only 10 days left in the policy period, it would appear that the unnamed spouse would only be a “you” for a maximum of 10 days, when in fact, the unnamed spouse could have up to the remaining 80 days under his/her spouse’s renewal or new policy.

Lesson 1 Topic B PAP Definitions p5 (PA)

Definition of a "You" and "Your"

John and Tricia are married and live in the same home. They have two cars insured on a 2005 Personal Auto Policy that has a current policy period of February 1 to August 1. John's name is the only one in the Declarations.

Scenario 1:

<table>
<thead>
<tr>
<th>March 15</th>
<th>April 1</th>
<th>July 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>John &amp; Tricia separate. Tricia does not purchase her own Personal Auto Policy.</td>
<td>Tricia has an accident while driving her friend's car. Tricia is a &quot;you&quot; under John's policy because the 90 days have not elapsed.</td>
<td>Tricia has another accident. Tricia is not a &quot;you&quot; under John's Personal Auto Policy because the 90 days have elapsed.</td>
</tr>
</tbody>
</table>
### Scenario 2:

<table>
<thead>
<tr>
<th>July 15</th>
<th>July 30</th>
<th>July 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>John &amp; Tricia separate</td>
<td>Tricia buys a new car and purchases her own policy</td>
<td>Tricia has an accident. Tricia is no longer a &quot;you&quot; under John's Personal Auto Policy because she has her own policy, which lists her as a named insured.</td>
</tr>
</tbody>
</table>

**Tip:** This is easier to understand if you read the policy language and remember to determine her “you” status from the perspective of the policy in force at the time of the accident.

### Scenario 3:

<table>
<thead>
<tr>
<th>July 15</th>
<th>August 1</th>
<th>Aug 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>John &amp; Tricia separate</td>
<td>John’s policy renews</td>
<td>Tricia has an accident while driving her mother's car. Tricia still qualifies as a &quot;you&quot; under John's replacement policy because she continues to qualify as a &quot;you&quot; until 90 days following her change of residency. (Note: She was a &quot;you&quot; for 17 days under John's previous policy, leaving her up to 73 days as a &quot;you&quot; under John's renewal policy.)</td>
</tr>
</tbody>
</table>

**Tip:** Whenever possible, name both spouses in the Declarations
You should now understand the definition of “you” and “your” as found in the Personal Auto Policy. You will see as we go through the four coverage sections of the policy that a “you” has the best coverage provided. And since a “you” has the best coverage, it’s fair to say a person who stops being a “you” loses the best coverage.

Therefore it’s important to make sure that the correct people are shown in the Declarations as a named insured. If the policy is being written for a married couple, both names should be in the Declarations. We should not rely on the “automatic you” status and leave a spouse unnamed in the Declarations. Likewise, if a Personal Auto Policy is being written for two people other than a husband and wife who jointly own a vehicle, both their names should be shown in the Declarations of the Policy.

A person with ownership in a personal vehicle should be a named insured, and thereby a “you” on a Personal Auto Policy. If not, that person will not be afforded the best coverage provided by the policy. And we don’t want our clients to be without the protection they need as the owner of a vehicle.

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Refer to page 1 of the Personal Auto Policy.

**We, Us and Our**

The words "we", "us", and "our" all refer to the insurance company providing the coverage. The insurance company’s name appears in the Declarations.

**Leased Vehicle**

A leased private passenger auto, pickup or van will be considered owned by a person if:

- The lease is in writing, and
- The term of the lease is at least 6 months.

This allows us to treat and insure leased vehicles as though they were owned by the named insured.

**Bodily Injury**

Harm, sickness, disease and anything that results from that harm, sickness, disease, including resulting death.
Learning Objective: Determine whether or not an activity is considered a "business".

Policy Definitions continued

Refer to page 1 of the Personal Auto Policy.

Business

“Business” has a very short definition – trade, profession or occupation. There are a lot of activities that could fall within this definition. The courts have typically required two characteristics for an activity to be considered a business:

1. Habitually occupying time, effort, attention; and which are
2. Engaged in with the expectation for gain, livelihood, or profit.

When "business" is used in the policy, it will be important for you to remember the broadness of this definition as it has the potential to impact coverage.

Tip: There does not need to be a profit for an activity to be considered a "business" activity.

Lesson 1 Topic B PAP Definitions p9 (PA)

Learning Objective: Determine whether or not an activity is considered a "business".

Examples of Business

Anyone who works for a salary or wages is engaged in a "business" while working. The bookkeeper, while driving to the bank to make a deposit for his employer, is using his car for "business".

Joshua, while driving his truck to pickup materials for a job, is using his truck for "business".

Rita refinishes furniture as a hobby and becomes so good at it that people bring their furniture to her to have refinished. She is engaged in a "business" as she charges for the refishing work. On occasion Rita uses her own vehicle to deliver the refinished furniture to its owner. When she does so, she is using her vehicle for "business".

Lesson 1 Topic B PAP Definitions p10 (PA)

Learning Objective: Determine whether or not a specific person is a "family member" on a
Personal Auto Policy.

Policy Definitions continued

Refer to page 1 of the Personal Auto Policy.

Family Member

A "family member" receives the second best coverage under a Personal Auto Policy. If a person cannot be a "you", a “family member” is next best.

To be a "family member" by definition, a person must meet both of two criteria. The person must:

- Be related to the "you" by blood, marriage or adoption. This also includes a ward or foster child.
- Be a resident of the same household as the "you".

Lesson 1 Topic B PAP Definitions p11 (PA)

Learning Objective: Determine whether or not a specific person is a "family member" on a Personal Auto Policy.

Policy Definitions continued

Refer to page 1 of the Personal Auto Policy.

Let’s look at each of the criteria for "family member" a little closer:

Be related to a "you" by blood, marriage or adoption. This also includes a ward or foster child.

- There is no requirement that a “family member” be a member of the immediate family, of driving age or have a valid driver's license. There is also no age requirement – it includes a 2-year old or a 92-year old.

Be a resident of the same household as the "you“.

- The majority of the time, determining whether or not an individual is a resident of the named insured’s household is easy. However, there are other times when it is not. These situations can involve children in the military, college students in another state, shared custody, etc. You must be careful not to provide a legal opinion. Courts take many factors into consideration when asked to decide whether or not an individual is a resident of a household, the discussion of which will not be included in this course.
Some insurance companies specifically state in the policy language whether or not a child in the military or away at college is a “family member”.

Lesson 1 Topic B PAP Definitions p12 (PA)

Learning Objective: Determine whether or not a specific person is a "family member" on a Personal Auto Policy.

Who is a "family member" under a Personal Auto Policy?

Refer to page 1 of the Personal Auto Policy.

Which of the following individuals are a “family member”?

Mary & John – John and Mary are married and have their vehicles insured on a Personal Auto Policy with both of them as Named Insureds.

Penelope – John and Mary’s 18-year old daughter who lives in a dormitory at the local college she is attending. – “Family Member”

Klaus – The 16-year old high school exchange student who is staying with them for the school year. – Not a “Family Member” – not related by blood, marriage or adoption and not a ward or foster child.

Ralph – John and Mary’s son, Ralph who moved in with them after he lost his job last year. – “Family Member”

Jeff – Ralph’s three-year old son, Jeff, who lives with John and Mary. – “Family Member”

Jerry – John and Mary’s 12-year old son, Jerry. – “Family Member”

John’s Dad – John’s 92-year old father who is visiting for the summer. – Not a “Family Member” – not a resident of the household.

Mary’s Mom – Mary’s 89-year old mother who moved in with them last year. – “Family Member”

Please refer to Lesson 1 Topic B PAP Definitions p13 (PA) to complete the Knowledge Check at this time.
Lesson 1 Topic B PAP Definitions p14 (PA)

A “family member” receives the second best coverage provided by the Personal Auto Policy. As we go through the four coverage sections of the Personal Auto Policy, be aware of the broad coverage a “family member” automatically receives.

When a child becomes emancipated and moves away from home, his or her status as a “family member” goes away and takes with it the very broad coverage afforded to a “family member”. Many clients do not understand this. Make it a point to talk with your clients about this so you can identify this potential exposure and make the necessary changes to provide the needed insurance protection.

Ask questions. “Mrs. Junkert, we show your son Dustin as living with you and driving one of your vehicles. Does Dustin still live at home?” “Mr. Wells, is your son Devin still attending the University?”

Lesson 1 Topic B PAP Definitions p15 (PA)

Learning Objective: Apply the definitions found in the Personal Auto Policy to determine the effect they have on coverage.

Policy Definitions continued

Refer to page 1 of the Personal Auto Policy.

Occupying

Anyone who is in an auto; upon an auto; or getting in, on, out or off of an auto is considered to be "occupying" the auto. The defined word is used to determine coverage in Part A - Liability, Part B - Medical Payments Coverages (Personal Injury Protection if applicable), Part C – Uninsured/Underinsured Motorists Coverage and Part D – Coverage For Damage To Your Auto.

Examples:

- Riding on a lowered tailgate
- Having a door shut on someone's fingers while the person was exiting a vehicle
- Driving the auto

Lesson 1 Topic B PAP Definitions p16 (PA)

Learning Objective: Apply the definitions found in the Personal Auto Policy to determine the effect they have on coverage.
Policy Definitions continued

Refer to page 1 of the Personal Auto Policy.

Property Damage

This is injury to or destruction of someone else's tangible property. It includes loss of use of the damaged or destroyed tangible property.

Examples:

- The insured negligently damages someone else's car. The “property damage” includes the cost to repair the damage and the cost of substitute transportation while the other person's car is being repaired or replaced.
- The insured accidentally drives into someone’s house and damages it, requiring the people who live there to stay in a motel while repairs are being made. The cost of the motel and eating at restaurants is loss of use and also considered “property damage”.

Lesson 1 Topic B PAP Definitions p17 (PA)

Learning Objective: Apply the definitions found in the Personal Auto Policy to determine the effect they have on coverage.

Policy Definitions continued

Refer to page 1 of the Personal Auto Policy.

Trailer

Any vehicle designed to be towed by a private passenger auto, pickup or van is a “trailer”. The size of the “trailer” and the number of wheels do not affect whether the vehicle is a “trailer”. It also means a farm wagon or farm implement while being towed by a private passenger auto, pickup or van.

Examples:

- Small trailer that the insured uses to carry his dirt bike to a place where he can ride
- A trailer for the insured’s 19-foot boat
- A 35-foot camper trailer that connects to an insured's pickup truck by a fifth wheel bolted in the bed of the pickup
- A flatbed trailer towed behind the insured’s pickup truck she uses to take her classic car to
competitions

- A farm wagon or farm implement while towed by a private passenger car, pickup truck or van
- A horse trailer used by the insured to take her horses to the horse arena
Lesson 1 Topic C – “Your Covered Auto” and “Newly Acquired Auto”

Learning Objective: Decide whether or not a vehicle is a "your covered auto".

"Your Covered Auto"

There are four categories to this definition. Any vehicles that fits any one of these categories is a “your covered auto” under this policy.

1. A vehicle shown in the Declarations – Any vehicle shown in the Declarations is a “your covered auto”. Even a vehicle that does not meet the eligibility requirements is a “your covered auto” if shown in the Declarations.
2. A newly acquired auto – Any vehicle that fits the definition of “newly acquired auto”, which is the next definition in the policy, is a “your covered auto”.
3. Any trailer you own – Any vehicle that fits the definition of “trailer” and is owned by “you” is a “your covered auto”.
4. A temporary substitute – Any auto or “Trailer” not owned by “you” that is being used because a “your covered auto” as described previously is out of service due to any one of the following five reasons:
   1. Broken down
   2. Being repaired
   3. Being serviced
   4. It was destroyed
   5. A loss

This does not apply to Coverage for Damage to Your Auto.

Tip: It is important to understand that the word “auto” is not defined in the ISO Personal Auto Policy. As a result, the temporary substitute is not limited to an eligible-type vehicle.
Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p2 (PA)

Learning Objective: Decide whether or not a vehicle is a "your covered auto".

Examples

Refer to page 1 of the Personal Auto Policy.

Example 1:

Bill and Beth have a Personal Auto Policy with both of them shown as Named Insureds. Bill’s car won’t start one morning so he borrows a neighbor’s large truck to drive to work. The borrowed truck is a temporary substitute vehicle; therefore, it is a "your covered auto" under Bill and Beth’s Personal Auto Policy.

Example 2:

Beth’s car is being serviced at a repair shop. The shop gives Beth a loaner car to drive for the day. The loaner car is a temporary substitute vehicle; therefore, it is a "your covered auto" under Bill and Beth’s Personal Auto Policy.

Please refer to Lesson 1 Topic C “Your Covered Auto” and “Newly Acquired auto” P3-4 (PA) to complete the Knowledge Checks at this time.

Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p5 (PA)

Learning Objective: Determine whether or not a vehicle is a “newly acquired auto”.

Newly Acquired Auto

Refer to page 1 of the Personal Auto Policy.

Any vehicle that fits this definition is a "your covered auto" since "newly acquired auto" is one of the four categories in the definition of "your covered auto".

This is an area of vast difference among insurance companies, so it is likely that the insurance companies you use in your agency will not provide coverage for “newly acquired auto” exactly as we are about to discuss.

In order to be a "newly acquired auto" a vehicle must first meet three criteria:

1. Acquired by a “you
2. Eligible vehicle (private passenger auto, pickup or van with GVWR and delivery restrictions)
3. Acquired during the policy period

Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p6 (PA)

Learning Objective: Determine whether or not a vehicle is a “newly acquired auto”.

Newly Acquired Auto continued

If an eligible vehicle is acquired by someone other than a "you", it is not a "newly acquired auto". For example, if Karen’s son buys a new car, it is not a “newly acquired auto” under Karen’s Personal Auto Policy. “Newly acquired auto” coverage does NOT extend to a “family member”.

Likewise, an ineligible vehicle acquired by Karen would not be a “newly acquired auto”. For example, Karen buys a 35-foot motor home. A Personal Auto Policy with no endorsements does not include in the definition of “newly acquired auto” vehicles other than private passenger autos, or pickups or vans with GVWR and delivery restrictions.

Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p7 (PA)

Learning Objective: Determine the automatic coverage provided for a "newly acquired auto".

Newly Acquired Auto continued

Refer to pages 1 & 2 of the Personal Auto Policy

1. Coverages except for Damage to Your Auto
   a. Liability
   b. Medical Payments/PIP
   c. UM/UIIM
2. “Collision”
3. Other Than “Collision”

The definition describes the coverage provided for a "newly acquired auto" in three separate provisions.
Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p8 (PA)

Learning Objective: Determine the automatic coverage provided for a "newly acquired auto".

Newly Acquired Auto continued

When determining the coverage for a “newly acquired auto”, you must first know whether it is an additional vehicle or a replacement vehicle. You will see that the automatic coverage provided for a replacement vehicle is better than the automatic coverage provided for an additional vehicle.

Coverages except “Collision” and Other than “Collision”.

Let’s see what automatic coverage is provided, beginning with all Coverages except “Collision” and Other than “Collision”.

- The “newly acquired auto” receives the broadest coverage of any vehicle shown in the Declarations. The length of time the insured has this automatic coverage will depend on whether it is a replacement or an additional vehicle.
- A replacement vehicle has these coverages until the end of the policy period. The insured does not have to report the replacement vehicle to the insurance company for these coverages to apply.
- An additional vehicle also has these coverages, but only for 14 days. The insured has to report the additional vehicle within 14 days.

Tip: While the policy does not require the insured to notify the insurance company of a replacement vehicle until the end of the policy period, it is a good business practice to make the vehicle changes to the Personal Auto Policy as soon as possible.

Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p9 (PA)

Learning Objective: Determine the automatic coverage provided for a "newly acquired auto".

Newly Acquired Auto continued

Refer to page 2 of the Personal Auto Policy.

Now we'll consider the physical damage coverage provided for a “newly acquired auto”. Other Than “Collision” and “Collision” are treated separately when determining the automatic coverage. Let’s look at “Collision” first.

“Collision” coverage is automatically provided for a “newly acquired auto”, whether an additional or a
replacement auto. The difference between the coverage provided is whether or not there is currently a vehicle in the Declarations with “Collision” coverage.

**There IS "Collision" on a vehicle in the Declarations**

- If any vehicle in the Declarations has “Collision” coverage, the “newly acquired auto” has “Collision” coverage.
- If more than one vehicle in the Declarations has “Collision” coverage, the lowest deductible applies to the “newly acquired auto”.
- In order for this coverage to apply, the insured must notify the insurance company within 14 days of becoming the owner - 14 Days of Coverage

**There is NO "Collision" on any vehicle in the Declarations**

- The “newly acquired auto” has “Collision” coverage for 4 days with a $500 deductible.
- In order for this coverage to apply, the insured must notify the insurance company within 4 days of becoming the owner - 4 days of coverage.

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*Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p10 (PA)*

**Learning Objective:** Determine the automatic coverage provided for a "newly acquired auto".

*Newly Acquired Auto continued*

*Refer to page 2 of the Personal Auto Policy.*

Now let’s look at the Other Than “Collision” coverage automatically for a “newly acquired auto”. Just as with “Collision”, the difference between the coverage provided is whether or not there is currently a vehicle in the Declarations with Other Than “Collision” coverage.

**There IS Other Than "Collision" on a vehicle in the Declarations**

- If any vehicle in the Declarations has Other Than “Collision” coverage, the “newly acquired auto” has “Other Than Collision” coverage.
- If more than one vehicle in the Declarations has Other Than “Collision” coverage, the lowest deductible applies to the “newly acquired auto”.
- In order for this coverage to apply, the insured must notify the insurance company within 14 days of becoming the owner - 14 days of coverage
There is NO Other Than "Collision" on any vehicle in the Declarations

- The “newly acquired auto” has Other Than “Collision” coverage for 4 days with a $500 deductible.
- In order for this coverage to apply, the insured must notify the insurance company within 4 days of becoming the owner - 4 Days of Coverage.

Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p11 (PA)

Learning Objective: Determine the automatic coverage provided for a "newly acquired auto".

Newly Acquired Auto continued

As mentioned previously, Other Than “Collision” and “Collision” are treated separately when determining the automatic coverage.

Example:

Tom and Joni have a Personal Auto Policy insuring their only car. The car has $100 deductible Other Than “Collision” and no “Collision” coverage. They buy an additional vehicle. The “newly acquired vehicle” would automatically have $100 deductible Other Than “Collision” for 14 days and $500 deductible “Collision” coverage for 4 days.

Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p12 (PA)

Learning Objective: Determine the automatic coverage provided for a "newly acquired auto".

Recap of Automatic Coverage for a "Newly Acquired Auto"

Refer to page 2 of the Personal Auto Policy.

The insured must report the new vehicle to the insurance company within the time period shown. Note: OTC is the abbreviation for Other Than "Collision".

<table>
<thead>
<tr>
<th>Replacement Vehicle</th>
<th>Additional Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability, Medical Payments/PIP and UM/UIM Until the End of the Policy Period</td>
<td>Liability, Medical Payments/PIP and UM/UIM for 14 Days</td>
</tr>
<tr>
<td>Other Than “Collision” - 4 Days at $500 Deductible if</td>
<td>Other Than “Collision” - 4 Days at $500 Deductible if</td>
</tr>
</tbody>
</table>
Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p13 (PA)

While we just reviewed the automatic coverage for a “newly acquired auto”, the number of days the insured has to report the new vehicle may be reduced if the acquisition of the new vehicle occurs close to the end of the policy period. If there are only 3 days left in the policy period when the named insured buys a new vehicle, there would only be 3 days of automatic coverage for liability, medical payments/PIP and UM/UIM. Likewise, there would only be 3 days of automatic coverage for both “Collision” and Other Than “Collision”.

Many insureds believe they not only have automatic coverage for any vehicle purchased by a resident of their household, but also that they have it for 30 days. Neither of these are correct in the ISO 2005 Personal Auto Policy. There are three triggers for “newly acquired auto” coverage. It has to be acquired by a “you”, during the policy period and it must be an eligible vehicle – private passenger auto, or pickup or van with GVWR and delivery restrictions.

In a perfect world, your clients call you days in advance to let you know about their upcoming new purchase to allow you time to get the proper protection in place. However, insurance is not a perfect world!

Clients should be reminded occasionally to be sure they notify you in advance of any new vehicle purchase so that you can arrange the needed insurance protection.

Please refer to Lesson 1 Topic C “Your Covered Auto” and “Newly Acquired Auto” p14-16 (PA) to complete the Knowledge Check at this time.
Lesson 1 Topic C "Your Covered Auto" and "Newly Acquired Auto" p17 (PA)

Learning Objective: Determine the automatic coverage provided for a "newly acquired auto".

Summary - Newly Acquired Autos

Refer to page 2 of the Personal Auto Policy.

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Replacement Auto</th>
<th>Additional Auto</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability, Medical Payments, PIP, Uninsured Motorists and Underinsured Motorists</td>
<td>Covered to end of policy. No notice required.</td>
<td>Covered if company is notified within 14 days.</td>
</tr>
<tr>
<td>&quot;Collision&quot; if a vehicle in the Declarations has &quot;Collision&quot;</td>
<td>Receives broadest coverage carried on any auto (lowest deductible) if company is notified within 14 days.</td>
<td>Receives broadest coverage carried on any auto (lowest deductible) if company notified within 14 days.</td>
</tr>
<tr>
<td>&quot;Collision&quot; not on any vehicle in the Declarations</td>
<td>Covered with $500 Deductible if the company is notified within 4 days.</td>
<td>Covered with $500 Deductible if the company is notified within 4 days.</td>
</tr>
<tr>
<td>Other Than &quot;Collision&quot; if a vehicle in the Declarations has Other Than &quot;Collision&quot;</td>
<td>Receives broadest coverage carried on any auto (lowest deductible) if company is notified within 14 days.</td>
<td>Receives broadest coverage carried on any auto (lowest deductible) if company is notified within 14 days.</td>
</tr>
<tr>
<td>Other Than &quot;Collision&quot; not on any vehicle in the Declarations</td>
<td>Covered with $500 Deductible if company is notified within 4 days.</td>
<td>Covered with $500 Deductible if company is notified within 4 days.</td>
</tr>
</tbody>
</table>

Please refer to the end of Lesson 1 Topic B to complete the Self Quiz at this time.
Lesson 2 – Liability Coverage

Lesson 2 Liability Coverage Intro p1 (PA)

The first coverage section of the Personal Auto Policy is Part A - Liability Coverage. In this section we will determine whether or not there is coverage for losses caused by an insured. You will find it helpful to refer to the corresponding pages of the Personal Auto Policy as you study this lesson, which we have organized into the four following topic areas:

1. Insuring Agreement and Supplemental Payments
2. Group A Exclusions
3. Group B Exclusions
4. Limit of Liability, Out of State Coverage, Financial Responsibility and Other Insurance

Lesson 2 Liability Coverage Intro p2 (PA)

Lesson 2

Learning Objectives:

1. Discuss the components of the Part A – Liability Insuring Agreement
2. Determine if a specific loss occurred within the Policy Territory.
3. Determine whether or not a given person or organization is an insured for Liability Coverage.
4. Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.
5. Determine whether or not a given auto is covered while being used for “business”.
6. Determine whether or not a non-owned auto driven by an insured is covered for liability.
7. Explain the Extended Non-Owned Coverage – Vehicles Furnished or Available for Regular Use (PP 03 06) endorsement and determine when it should be recommended.
8. Apply the Limit of Liability to specific losses.

Lesson 2 Liability Coverage Intro p3 (PA)

Forms that you need to print for this lesson:

- PP 03 06 Extended Non-Owned Coverage - Vehicles Furnished Or Available For Regular Use
Lesson 2 Topic A – Insuring Agreement and Supplemental Payments

Learning Objective: Discuss the components of the Part A - Liability Insuring Agreement.

Refer to page 2 of the Personal Auto Policy.

In this topic we study the insuring agreement and supplementary payments provisions of Part A - Liability of the Personal Auto Policy. During this study, we will examine the:

1. Coverage Provided
2. Definition of Insured
3. Supplementary Payments

Note: Insured is defined in the second part of the Insuring Agreement that we will be looking at next.

“Bodily injury” and “property damage” are terms we defined in the previous lesson. If caused by an auto accident that is an insured’s fault, the damages will be paid on behalf of an insured. While this insuring agreement is very broad, the policy will later use exclusions and definitions to remove coverage for exposures that insurance companies don’t want to cover. By providing coverage for everything that is not excluded, the policy provides the broadest possible liability coverage.
Lesson 2 Topic A Liability: Insuring Agreement p3 (PA)

Learning Objective: Discuss the components of the Part A - Liability Insuring Agreement.

Prejudgment Interest and Defense Costs

Refer to page 2 of the Personal Auto Policy.

The insuring agreement also includes language regarding two expense items. One is prejudgment interest, which is the interest that accrues from the time of the accident until the judgment is rendered.

As part of the insuring agreement, prejudgment interest is included in the limit of liability. So any payment made for prejudgment interest will decrease the amount available to pay for the rest of the claim.

The other expense is defense costs. Defense costs can be very high and the policy language specifically says they will be paid in addition to the limit of liability. In other words, payments for defense costs do not decrease the amount of money available for the payment of claims. However, the insurance company’s duty to defend ends when the limit of liability has been exhausted either by a judgment or settlement. This is reason enough for your clients to purchase high limits of liability.

Limit of Liability Includes Prejudgment Interest + Defense Costs = Coverage

Lesson 2 Topic A Liability: Insuring Agreement p4 (PA)

Learning Objective: Discuss the components of the Part A - Liability Insuring Agreement.

Coverage

Refer to page 2 of the Personal Auto Policy.

The company will defend that insured in addition to paying up to the limit of liability shown in the Declarations to the injured party and/or to the owner of the damaged property.

The insuring agreement states very clearly that the company has no duty or obligation to either defend a lawsuit or settle any claim that is not covered by this policy. But, if the basis for the lawsuit or claim is covered by the policy, the company has a duty to defend the insured, even if the lawsuit or claim is groundless or of no merit. Restated, even if there appears to be no negligence on the insured’s part, the company is still required to defend the insured.

Example:

John's car is stopped at a red light when the car behind him doesn't stop and hits his car. Even though John
is not negligent, Part A – Liability Coverage will still protect him. If any claims are made against John as a result of this accident, his Personal Auto Policy will defend him.

Lesson 2 Topic A Liability: Insuring Agreement p5 (PA)

Learning Objective: Determine if a specific loss occurred within the Policy Territory.

Additional Provisions Applying to the Insuring Agreement

Refer to General Conditions on page 12 of the Personal Auto Policy.

There are three additional policy provisions that apply to this Insuring Agreement.

Limit of Liability – which is listed in the Declarations and limit how much the company will pay to an injured person or persons and limits how much the company will pay to the owner of damaged property. Below is a sample of the Policy Language.

LIMITS OF LIABILITY

A. The limits of liability shown in the Declarations for this coverage is our maximum limit of liability for each person injured in any one accident. This is the most we will pay regardless of the number of:
   1. “Insureds”;
   2. Claims made;
   3. Vehicles or premiums shown in the Declarations; or
   4. Vehicles involved in the accident.

B. No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and:
   1. Part A or Part C of this policy; or
   2. Any Underinsured Motorists Coverage provided by this policy.

Policy Period – which is listed in the Declarations. The Personal Auto Policy covers accidents that occur during the policy period. The end of the policy period, however, does not end the insurance company’s obligation to pay defense costs for an accident that occurred during the policy period. Below is a sample of the Policy Language

POLICY PERIOD AND TERRITORY

1. This policy applies only to accidents and losses which occur:
   1. During the policy period as shown in the Declarations; and
   2. Within the policy territory.

Policy Territory – identifies where the Personal Auto Policy will provide coverage. The territory is defined as
the United States, its territories and possessions (Examples include American Samoa, Guam, U.S. Virgin Islands) Puerto Rico and Canada. The policy also applies to losses or accidents involving “your covered auto” while being transported between ports. Below is a sample of the Policy Language.

2. The policy territory is:
   1. The United States of America, its territories or possessions;
   2. Puerto Rico; or
   3. Canada

   This Policy also applies to loss to, or accidents involving, “your covered auto” while being transported between their ports.

Please refer to Lesson 2 Topic A Liability: Insuring Agreements p6 (PA) to complete the Knowledge Check at this time.

Lesson 2 Topic A Liability: Insuring Agreement p7 (PA)

Learning Objective: Determine whether or not a given person or organization is an insured for Liability Coverage.

Refer to page 2 of the Personal Auto Policy.

Definition of Insured

All of the liability protection described in the Insuring Agreement and Supplementary Payments is only provided for a select few – only those who fall within the definition of insured.

The four-part definition of an insured is the second provision of the Insuring Agreement. A person or an organization that falls within any one of the definition’s four parts is an insured. This is an important definition, since these are the only people or organizations for whom liability coverage is provided.

Several previously defined terms are used within the definition of insured. Be sure the meaning of each of these defined terms is understood, otherwise it may be difficult to fully understand who is an insured. In other words, these are must know definitions when determining who is an insured.

Policy Definitions are located on pages 1 and 2 of the Personal Auto policy. Please review definitions A., F., J. and K.
Note: There are exclusions that may take coverage away from a person or organization that is an insured by definition. We will see that when we get to the exclusions section.

Lesson 2 Topic A Liability: Insuring Agreement p8 (PA)

Learning Objective: Determine whether or not a given person or organization is an insured for Liability Coverage.

Definition of Insured continued

Refer to page 2 of the Personal Auto Policy.

We will look at each of the four parts to this definition.

1. "You" or any "family member" for the ownership, maintenance or use of any auto or "trailer"

This is an extremely broad definition. Any person who is a you or a “family member” is an “insured” for any auto or trailer.

The word any means each and every one of a class or category. In the ISO Personal Auto Policy, the one we are studying, the word auto is not defined. Because the word auto is not defined, any motorized vehicle designed for passenger transportation on streets and roadways is considered to be an auto.

Any auto can include:

- A “your covered auto”
- A friend’s car
- A rental car
- The neighbor’s dump truck
- A motor home

You or a “family member” driving any of these autos is an insured for Part A – Liability Coverage, subject to any exclusions that apply.
Lesson 2 Topic A Liability: Insuring Agreement p9 (PA)

Learning Objective: Determine whether or not a given person or organization is an insured for Liability Coverage.

Definition of Insured continued

Refer to page 2 of the Personal Auto Policy.

2. Any person using “your covered auto“.

This part of the definition of insured makes any person using a “your covered auto” an insured. When a “your covered auto” is being used by anyone else, that person becomes an insured. Another way of putting it: Loan your car, loan your insurance.

For example, the named insured lets his neighbor borrow his pickup. The pickup shown in the Declarations so it is a “your covered auto”. When the neighbor is using a “your covered auto”, the neighbor is an insured.

Lesson 2 Topic A Liability: Insuring Agreement p10 (PA)

Learning Objective: Determine whether or not a given person or organization is an insured for Liability Coverage.

Definition of Insured continued

Refer to page 2 of the Personal Auto Policy.

3. For “your covered auto”, any person or organization, but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.

This is often referred to as vicarious liability. Vicarious liability is liability a person or organization incurs because of the actions of someone else.

Any time a person uses his or her own vehicle on behalf of an organization such as an employer, a church, a charitable organization, etc., the possibility of vicarious liability exists.
Example:

Tina is driving her personal car to the bank and to make a deposit for her employer. She has an accident and injures the other driver. The other driver sues Tina as the owner and the driver of the car that caused her injuries. The other driver also sues Tinya’s employer, on whose behalf Tina was driving her car. It is within this part of the definition that Tinya’s employer becomes an insured.

Lesson 2 Topic A Liability: Insuring Agreement p11 (PA)

Learning Objective: Determine whether or not a non-owned auto driven by an "insured" is covered for liability.

Definition of Insured continued

Refer to page 2 of the Personal Auto Policy.

4. For any auto or “trailer” other than “your covered auto”, any other person or organization, but only with respect to legal responsibility for acts or omissions of you or any “family member” for whom coverage is afforded under this Part. This provision (B.4.) applies only if the person or organization does not own or hire the auto or “trailer”.

This is also vicarious liability, although it is more restrictive than the part of the definition we just discussed.

Vicarious liability only applies to the person or organization for any auto or “trailer” that is not a “your covered auto”, but only for the acts or omissions of “you” or a “family member” for whom coverage is provided.

The person or organization cannot own or hire the auto. If this is the case, the person or organization is not an insured.

Tip: In both of these examples, neither owner of the vehicles borrowed by Tina was an insured under Tina’s Personal Auto Policy. The vehicle owners would have to rely on their own Personal Auto Policy for coverage.

Example 1:

Tina borrowed her co-worker’s car to drive to the bank to make a deposit for her employer. She has an accident and injures the other driver; The other driver sues Tina as the driver and Tina’s employer, on whose behalf Tina was driving the borrowed car. It is within this part of the definition that Tina’s employer becomes an insured.
Example 2:

Tina borrowed a neighbor's van to take children to sports camp. She had an accident and all of the children's athletic gear in the van is destroyed. Claims are made by the parents against Tina as the driver and the athletic association on whose behalf Tina was driving.

Should the policy exclude the claim against Tina, the athletic association would not be an insured. If there is no coverage for the "you" or the "family member", there is no insured status for the person or organization seeking vicarious liability coverage.

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Lesson 2 Topic A Liability: Insuring Agreement p12 (PA)

Learning Objective: Discuss the components of the Part A - Liability Insuring Agreement.

Definition of Insured continued

Refer to page 2 of the Personal Auto Policy.

In our study of the definition of insured, we have identified several individuals and/or organizations who could all be an insured for the same loss. It is important to remember, that regardless of the number of insureds there is only one Limit of Liability for any one loss.

If the Declarations shows liability limits of 50/100/25, this is the most that will be paid for any one accident, regardless of how many insureds there are.

One bucket of money for all insureds!

Example:

Ernie lets Cindy drive his car to pick up office supplies for their employer. Cindy has an accident. The injured person sues Ernie as the owner of the car, Cindy as the driver of the car, and their employer for its vicarious responsibility.

All three are an insured under Ernie’s policy. However, all three will share Ernie’s liability limits of 50/100/25.
Please refer to Lesson 2 Topic A Liability: Insuring Agreement p13 (PA) to complete the Knowledge Check at this time.

Lesson 2 Topic A Liability: Insuring Agreement p14 (PA)

Learning Objective: Determine whether or not a given person or organization is an insured for Liability Coverage.

Definition of Insured continued

Refer to page 2 of the Personal Auto Policy.

The definition of insured gives insured status to a “you” or a “family member” for any auto. What happens when a person is no longer a “family member”? Is this person no longer an insured?

Example:

John and Becky have three cars insured on their Personal Auto Policy. When their 19-year old son Grayson moves out to live with friends, John and Becky let him take one of their cars for his full-time use. They keep the car Grayson is using insured on their policy.

If Grayson has an accident while driving his parents’ car, is he an insured under his parents policy? – Yes, anyone driving a “your covered auto” is an insured.

If Grayson has an accident while driving a friend’s car, is he an insured under his parents policy? – No, Grayson is not a “family member” under his parents’ policy as he is not a resident of their household. Since he is not a “family member”, he is not an insured while driving any auto.

Lesson 2 Topic A Liability: Insuring Agreement p15

Only those people or organizations that fit the definition of insured will be afforded liability coverage under the Personal Auto Policy.

Not an insured? No defense.

Not an insured? No payment to an injured person or owner of damaged property on your behalf.

Not an insured? No liability coverage!

Make sure your clients understand who is and who is not an insured under their policy!
Lesson 2 Topic A Liability: Insuring Agreement p16 (PA)

Learning Objective: Discuss the components of the Part A - Liability Insuring Agreement.

Supplementary Payments

Refer to pages 2 & 3 of the Personal Auto Policy.

There are five Supplementary Payments in Part A – Liability. They are called supplementary because any payment made under this provision is made in addition to the limit of liability shown in the Declarations. The limits for these Supplementary Payments cannot be reduced or increased. These supplementary payments are expenses resulting from covered accidents:

1. Up to $250 for premium for bail bonds necessary as a result of a covered accident. If there is no accident, or there is an accident that does not cause covered damage, there is no coverage for bail bond premiums.

2. Premiums on appeal bonds. If the insurance company decides to defend a claim in court, loses the trial and then decides to appeal, an appeal bond must be posted with the court.

3. Post judgment interest. This is interest that accrues on a judgment between the time the judgment is entered in court and the claim is paid. Remember, prejudgment interest accrues from the time of the accident until the judgment is rendered and is covered in the limit of liability.

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Lesson 2 Topic A Liability: Insuring Agreement p17 (PA)

Learning Objective: Discuss the components of the Part A - Liability Insuring Agreement.

Supplementary Payments continued

Refer to pages 2 & 3 of the Personal Auto Policy.

4. Lost wages and salary, up to $200 per day, for people who miss work because they come to testify at hearings or trials at the company's request.
5. **Other expenses that the insured incurs at the request of the company.**

   This Supplementary Payment is vague and therefore very broad.

   **Example:**

   If the insured had an accident in another state and the injured person sued the insured, the insured may have to return to that state to testify. The reasonable travel expenses and the cost of food and lodging could be paid under this Supplementary Payment.

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**Please refer to the end of Lesson 2 Topic A to complete Self Quiz 3 at this time.**
Lesson 2 Topic B – Group A: Exclusions That Apply to People

Lesson 2 Topic B Liability: Group A Exclusions p1 (PA)

Learning Objective: Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

Refer to page 3 of the Personal Auto Policy.

Now that you know who is an insured under the Personal Auto Policy, it is time to look at the Exclusions that may apply. Part A – Liability has two groups of exclusions: Group A consisting of nine exclusions and Group B consisting of four exclusions. Group B exclusions will be covered in Lesson 2 Topic C. It is important to note that both Group A and Group B exclusions are Part A – Liability Coverage exclusions.

The Nine Group A Exclusions Are:

1. Intentional Damages
2. Property Owned or Transported by that Insured
3. Property Rented To, Used By or in the Care of that Insured
4. Bodily Injury to an Employee of the Insured
5. Public or Livery Conveyance
6. Person in the Auto Business
7. Business Use of Other than a Private Passenger Auto, Pickup, Van or Trailer
8. Person Using a Vehicle With No Reasonable Belief of Entitlement
9. Person Insured under a Nuclear Energy Policy

Lesson 2 Topic B Liability: Group A Exclusions p2 (PA)

Learning Objective: Apply the Part A – Liability exclusions to determine whether or not a liability loss is covered.

Group A - Exclusions That Apply to People

Refer to page 3 of the Personal Auto Policy.

Group A exclusions take away coverage for either “bodily injury” or “property damage” caused by a person even if that person was previously defined as an insured. When applying these exclusions, the intent is to either cover or exclude a loss resulting from an accident. However, when there is more than one insured involved in a claim, the policy may provide coverage for one insured and exclude coverage for the other(s).
1. Intentional Damages

There is no coverage for any insured who causes intentional damage. This is different than excluding intentional acts. It is possible to cause unintentional damage by an intentional act.

Example 1:

John and Ethel's son Ralph intentionally drives into the rear of a friend's car, intending to startle the friend as a joke. Ralph is going a little faster than he thinks and instead of only tapping his friend's car, he causes $700 “property damage” to the friend’s car. This is an example of unintentional damage that would be covered and not excluded.

Example 2:

Bobby is upset with his girlfriend who just broke up with him. Bobby drives to her house and decides to show her a thing or two by driving his truck through the front door of her home. There is $10,000 damage to her house. This is an example of intentional damage and would be excluded.

Lesson 2 Topic B Liability: Group A Exclusions p3 (PA)

Learning Objective: Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

Group A Exclusions Continued

Refer to page 3 of the Personal Auto Policy.

2. Property Owned or Transported

There are actually two exclusions in this one sentence. First, there is no coverage for damage to property owned by that insured. Liability is a third party coverage, so there is no coverage for property belonging to that insured.

Example:

Mary is driving into the garage of the house she owns when she accidentally steps on the accelerator instead of the brake. The car crashes through the back wall of her garage. There is no coverage for the damage to the garage as it is property she owns.

The second part of this exclusion takes away coverage for property that insured is transporting. The
Personal Auto Policy is not a cargo policy.

Example:

Marty is using his pickup truck to help his sister move. While driving to her new house, Marty has an accident and all of his sister’s things are thrown from the truck and destroyed. There is no "property damage" coverage for Marty because the property was being transported by him.

Example:

Marty is using his pickup truck to tow a friend’s boat to the fishing lake. He has an accident and the boat, motor and trailer are damaged. There is no “property damage” coverage for Marty because the property was being transported by him.

Lesson 2 Topic B Liability: Group A Exclusions p4 (PA)

Learning Objective: Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

Group A Exclusions Continued

Refer to page 3 of the Personal Auto Policy.

3. Care, Custody, or Control

This is a conventional care, custody or control exclusion found in almost all liability policies. There is no coverage for damage to property of others that an insured rents, is using, or has in his or her care. An exception to the exclusion gives back coverage for damage to a rented residence or private garage.

Example:

The insured rents a car while on vacation. He has an accident and the rental car is damaged. The damage to the rental car is excluded as it is property rented to the insured.

(Note: the damage caused to other property BY the rental car is not excluded here.)

Example:

Mary is driving into the garage of the house she rents when she accidentally steps on the accelerator.
instead of the brake. The car crashes through the back wall of her garage. There is coverage for the damage to the garage as it is the exception – damage to a rented residence or private garage.

**Tip:** This does not give back coverage for damage to a residence or garage owned by an insured. Damage to property owned by the insured is excluded in Exclusion 2 that we just reviewed.

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**Lesson 2 Topic B Liability: Group A Exclusions p5 (PA)**

**Learning Objective:** Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

**Group A Exclusions Continued**

**Refer to page 3 of the Personal Auto Policy.**

4. **Employee**

This exclusion takes away coverage for "bodily injury" to an employee of that insured. Note this is someone who is employed by and paid by that insured. It does not exclude co-employees of any insured or people who work with the insured for the same employer.

The reason for this exclusion is that injuries to employees are covered, or should be covered, by Workers Compensation insurance. There is an exception to this exclusion that gives back coverage for domestic employees who are not required to be covered by Workers Compensation and are not voluntarily provided Workers Compensation by an insured.

**Example:**

Bob has a Personal Auto Policy. He owns a landscaping business, and Joe is one of his employees. Bob is driving his car to meet a client and takes Joe with him. Bob has an accident and Joe is injured. Joe sues Bob for his injuries, since it was Bob’s fault. There is no coverage for this loss as “bodily injury” to an employee of the insured is excluded.

**Example:**

Mandy and Paula work together. Mandy drives her car to take both of them to meet with a client. Mandy has an at-fault accident and Paula is injured. Paula makes a claim against Mandy. This loss is not excluded as Paula is not Mandy’s employee.
Lesson 2 Topic B Liability: Group A Exclusions p6 (PA)

Learning Objective: Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

Group A Exclusions Continued

Refer to page 3 of the Personal Auto Policy.

5. Public or Livery Conveyance

This exclusion takes away coverage for either the ownership or the operation of a vehicle while the vehicle is used as a public or livery conveyance. Public conveyances are those that are used to carry persons or property for public hire.

Public or livery conveyances are commercial exposures and it is not the intent to cover anything other than personal exposures with this policy. The intent in this exclusion is to take away coverage for an insured using a vehicle as a taxi cab or limo. This exclusion does not apply to a share-the-expense car pool.

Lesson 2 Topic B Liability: Group A Exclusions p7 (PA)

The Fast Food Delivery Question

Refer to page 3 of the Personal Auto Policy.

Delivery of fast food for one employer for an hourly wage and tips is neither public nor livery use and is not excluded by a policy using the standard ISO wording. There are, however, policies that specifically exclude the delivery of fast food and other similar delivery.

Tip: Check with the company or companies with whom you do business for their interpretation of this exclusion. Even if a company interprets this exclusion as not applying to fast food delivery, it may not insure the vehicle based on its underwriting guidelines.

Lesson 2 Topic B Liability: Group A Exclusions p8 (PA)

Learning Objective: Determine whether or not a given auto is covered while it is being used for "business".

Group A Exclusions Continued

Refer to page 3 of the Personal Auto Policy.
6. **Auto Business**

   This is an automobile business exclusion that excludes anyone who is working in the automobile "business". The policy defines auto "business" in the exclusion as selling, servicing, repairing, storing, or parking automobiles.

   **Examples:** Marty has his car insured on a Personal Auto Policy.
   
   - A garage mechanic test driving the Marty's car is excluded, since the mechanic is in the "business" of repairing vehicles.
   - The auto dealer employee who test drives an Marty's car to help determine a trade-in value is excluded because that person is in the "business" of selling vehicles.
   - A parking lot attendant is not covered while driving Marty's car, because the attendant is in the "business" of parking or storing vehicles.

   **Tip:** In each of these examples, this exclusion applies to the person in the auto "business" and not Marty. Marty is still covered.

---

**Lesson 2 Topic B Liability: Group A Exclusions p9 (PA)**

**Learning Objective:** Determine whether or not a given auto is covered while it is being used for "business".

**Exception to the Auto Business Exclusion**

*Refer to page 3 of the Personal Auto Policy.*

There is an exception to the exclusion that gives back coverage for the use of "your covered auto" by "you", a "family member" or a partner, agent or employee of "you" or any "family member".

**Example 1:**

The insured owns a small auto repair business and has her car insured by a Personal Auto Policy. That Personal Auto Policy will provide coverage for her use of her car in her garage business. She would be covered for trips to the bank or to purchase parts for cars she was repairing.

**Example 2:**

The insured owns a body shop and has his car insured on a Personal Auto Policy. He loans his car to an employee to make a deposit at the bank and pick up additional supplies for the body shop. Neither the insured nor the employee are excluded.
Lesson 2 Topic B Liability: Group A Exclusions p10 (PA)

Learning Objective: Determine whether or not a given auto is covered while it is being used for "business".

Group A Exclusions Continued

Refer to page 3 of the Personal Auto Policy.

7. Other Business Use

This is a very broad exclusion that excludes all “business” use as an owner or operator that wasn’t previously excluded in Exclusion 6. for an automobile “business”. If the exclusion ended here no one would have coverage for any “business” use of any vehicle under a Personal Auto Policy.

There is, however, an exception that gives back coverage for “business” use of private passenger cars, pickups and vans, and trailers used with private passenger cars, pickups, and vans. So, the insured has coverage for “business” use of private passenger cars, pickups, and vans. There is no coverage for “business” use of any other type of vehicle.

Example 1:

If Gordy uses his own car in his business as a salesperson, this exclusion does not apply since the vehicle is a private passenger car.

Example 2:

If Gordy rents the largest one-piece moving van that Ryder Truck Rental has and uses it to move household goods, his Personal Auto Policy covers him. If he rents the same truck to move his office furniture, he is not covered as the vehicle is not a private passenger car, pickup or van and he is using it in “business”.

Example 3:

If Gordy uses his pickup to call on customers of his design and layout business, this exclusion does not apply because the vehicle is a pickup.

Lesson 2 Topic B Liability: Group A Exclusions p11 (PA)

Learning Objective: Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

Group A Exclusions Continued

Insuring Personal Auto Exposures Course Print 08.10.2012
Refer to page 3 of the Personal Auto Policy.

8. **Reasonable Belief of Entitlement**

This exclusion takes away coverage to anyone who is using a vehicle without a reasonable belief that he or she is entitled to use the vehicle. As long as an operator of a vehicle believes that he or she is entitled to use a vehicle, this exclusion would not apply and that person would have liability coverage under the policy covering that vehicle. This exclusion is designed to take away liability coverage for a thief.

**Note:** The insured is still covered while the thief is using it.

There is an exception that provides coverage to a "family member" using a "your covered auto" that is owned by "you", which means that a "family member" has coverage driving "your covered auto" whether or not the "family member" has reasonable belief it is okay to drive the auto.

**Example:**

Hope’s car is stolen. While driving her car, the thief runs a red light and injures another person. If that injured person makes a claim against the thief for her injuries, the thief is excluded so Hope’s policy would not provide liability coverage for the car thief. If the injured person makes a claim against Hope, Hope would have liability coverage as this exclusion only applies to the thief.

**Example:**

While 15-year old Peyton’s parents are out for the night, he decides to drive one of their cars across town to visit a friend. He had an accident on the way home. If the owner of the damaged property should make a claim against Peyton for the damages, he would have liability as this exclusion does not apply to a “family member” (which he is as he lives with his parents) driving a “your covered auto” (which it is as it is in the Declarations).

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*Lesson 2 Topic B Liability: Group A Exclusions p12 (PA)*

**Learning Objective:** Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

**Group A Exclusions Continued**

Refer to page 3 of the Personal Auto Policy.

9. **Nuclear**
There is no coverage under the Personal Auto Policy for anyone who is an insured under a Nuclear Energy Liability Policy.

Lesson 2 Topic B Liability: Group A Exclusions p13 (PA)

Exclusions that Apply to People Summary

Intentional Damages – Ben is frustrated with another driver and intentionally runs into the other driver’s car.

Property Owned or Transported – There is also no coverage for property owned by that insured or no coverage for property an insured is transporting. The Personal Auto Policy is not a cargo policy.

Care, Custody, or Control – There is no coverage for damage to property of others that the insured rents, is using or has in his or her care.

There is an exception to this exclusion for a rented residence or rented private garage.

Employee – This one includes coverage for “bodily injury” to an employee of the insured. Note this is someone who is employed and paid by the insured. This exclusion does not apply to “bodily injury” to a domestic employee unless workers compensation benefits are requires or available for that domestic employee.

Lesson 2 Topic B Liability: Group A Exclusions p14 (PA)

Public or Livery Conveyance – Number five excludes coverage for either the ownership or operation of a vehicle while the vehicle is used as a public or livery conveyance. Both public or livery conveyances are commercial exposures that it is not the intent to cover anything other than personal exposures with this policy.

Auto Business – This is an automobile “business” exclusion, which excludes anyone who is working in the automobile “business” at the time of the accident. The policy defines auto “business” in the exclusion as selling, servicing, repairing, storing or parking automobiles. There is an exception to the exclusion that gives back coverage for the use of “your covered auto” by “you”, a “family member” or a partner, agent or employee of “you” or any “family member”.

Insuring Personal Auto Exposures Course Print 08.10.2012
**Other Business Use** – The insured has coverage for “business’ use of private passenger cars, pickups, or vans or trailers used with private passenger cars, pickups or vans. There is no coverage for “business” use of any other type of vehicle.

**No Reasonable Belief** – No reasonable belief denies coverage to anyone who is using a vehicle without a reasonable belief that is okay to do so. So, as long as an operator of a vehicle reasonably believes that it is okay to use a vehicle, he or she is covered by the Personal Auto Policy covering that vehicle.

**Nuclear** – There is no coverage under the Personal Auto Policy for anyone who is an insured under a Nuclear Energy Liability Policy.
Lesson 2 Topic C – Group B Exclusions That Apply to Vehicles

Lesson 2 Topic C Liability: Group B Exclusions p1 (PA)

Learning Objective: Determine whether or not a given non-owned auto driven by an insured is covered for liability.

Refer to page 3 of the Personal Auto Policy.

Group B contains four exclusions for vehicles.

The Four Group B Exclusions Include:

1. Miscellaneous Type Vehicles
2. Autos Owned by or Furnished or Available for "Your" Regular Use
3. Autos Owned by or Furnished or Available for Regular Use by a "Family Member"
4. Racing

Lesson 2 Topic C Liability: Group B Exclusions p2 (PA)

Learning Objective: Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

Group B Exclusions

Refer to page 3 of the Personal Auto Policy.

The Personal Auto Policy will not provide coverage for:

1. Miscellaneous Type Vehicles

   This is two exclusions in one sentence. First, there is no coverage for any vehicle with fewer than four wheels, so there is no coverage for motorcycles under a Personal Auto Policy, unless the motorcycle is added by a Miscellaneous Type Vehicle Endorsement (PP 03 23).

   Second, there is no coverage for any vehicle designed to be used mainly off public roads. This excludes recreational vehicles such as all-terrain vehicles (ATV) and dirt bikes, unless added by a Miscellaneous Type Vehicle Endorsement (PP 03 23). This also excludes snowmobiles, unless added by a Snowmobile Endorsement (PP 03 20)
Lesson 2 Topic C Liability: Group B Exclusions p3 (PA)

Learning Objective: Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.

Exceptions to the Miscellaneous Vehicles Exclusion

Refer to page 3 of the Personal Auto Policy.

There is an exception to the exclusion that gives back coverage for three situations or types of vehicles:

1. **Vehicles being used by an insured in a medical emergency**
   Example: An insured using a 4-wheeler ATV to get help for someone injured in an off-road accident would be covered.

2. **"Trailers"**
   This includes both owned "trailers", which are "your covered autos" by definition, and any other "trailer" being maintained or used by an insured.

3. **Non-owned golf carts**
   An insured is also covered for the maintenance or use of golf carts that the insured does not own.

   **Note:** One of the exclusions in Group A was for the “business” use of vehicles other than a private passenger auto, pickup, van or trailer used with such. This “business” exclusion would therefore apply to the “business” use of a non-owned golf cart.

Lesson 2 Topic C Liability: Group B Exclusions p4 (PA)

Learning Objective: Determine whether or not a non-owned auto driven by an insured is covered for liability.

Group B Exclusions continued

Refer to page 3 of the Personal Auto Policy.

2. **Autos Owned by or Furnished or Available for Your Use**

This exclusion is also two exclusions in one. As you read through the discussion of this exclusion remember that it only applies to autos other than "your covered auto," so if the auto in question is a "your covered auto," the exclusion does not apply and there is coverage.

First, there is no coverage for a vehicle that is owned by a "you" that is not a "your covered auto". This
would include a vehicle that the insured owns and chose not to insure or a new vehicle that was not reported to the insurance company within the required time frame.

The intent of the first part of this exclusion is to take away liability coverage for a vehicle owned by the named insured, but for which coverage was not obtained.

**Example:**

The insured has a 1965 pickup that he never drives. He decides to take it off his Personal Auto Policy to save money. A month later, while driving the truck he never drives, he has an accident. This loss would not be covered as it involved a vehicle owned but not insured.

**Example:**

The insured has a “newly acquired auto” that he failed to report to the insurance company within the required time frame. He bought an additional vehicle and had an accident 22 days later, before he reported the new car to the insurance company.

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*Lesson 2 Topic C Liability: Group B Exclusions p5 (PA)*

**Learning Objective:** Determine whether or not a non-owned auto driven by an insured is covered for liability.

*Group B Exclusions continued*

*Refer to page 3 of the Personal Auto Policy.*

**More About Autos Owned by or Furnished or Available for Your Use**

Second, there is no coverage for a vehicle that is furnished or available for “your” regular use. This is not just a company car exclusion. There are many other possible situations that this part of the exclusion would apply to.

**Example 1:**

John and Elsa regularly borrow a car owned by Elsa's Aunt Jean. In fact, Aunt Jean is tired of giving them the keys and then getting the keys back at odd hours, so she had an additional set of keys made so that John and Elsa can take her car any time they wish. Should John or Elsa have an accident while driving Aunt Jean's car, they would not have coverage under their own Personal Auto Policy as Aunt Jean's car is furnished or available for their regular use. The only source of coverage they would have is the coverage provided by
Aunt Jean's Personal Auto Policy.

Example 2:

Dusty has a company car supplied to him by his employer. The car is in Dusty's custody seven days a week. Should Dusty have an accident while driving his company car, he would not have coverage under his Personal Auto Policy as the company car is furnished or available for his regular use. The only source of coverage Dusty would have is the coverage provided by his employer's Business Auto Policy.

Example: 3

Tom and Tristen live together. They each have their own car insured on a Personal Auto Policy. They often drive one another's car; in fact, they each have a set of keys to both cars. Should Tristen have an accident while driving Tom's car, she would not have coverage under her own Personal Auto Policy as Tom's car is furnished or available for her regular use. The only source of coverage Tristen would have is the coverage provided by Tom's Personal Auto Policy.

Lesson 2 Topic C Liability: Group B Exclusions p6 (PA)

Learning Objective: Explain the Extended Non-Owned Coverage – Vehicles Furnished or Available for Regular Use (PP 03 06) endorsement and determine when it should be recommended.

Extended Non-Owned Coverage – Vehicles Furnished or Available For Regular Use (PP 03 06)

The Extended Non-Owned Coverage – Vehicles Furnished or Available For Regular Use (PP 03 06) endorsement can be used to provide liability coverage (and Medical Payments) for the insured with a vehicle furnished or available for his or her regular use.

The individual must be named in the schedule. If coverage for the spouse of that individual or “family members”, the appropriate box must be marked. When marked, this endorsement will provide coverage for their use of the vehicle furnished or available to the individual named in the schedule.

This endorsement provides coverage for this exposure by removing the Exclusion B.2.b. we just looked at.

This endorsement excludes coverage for a vehicle owned by the individual named in the schedule, a vehicle owned by a “family member” or a temporary substitute for either.

Example:

Mason has a Personal Auto Policy that has liability limits of 100/300/50 liability. He regularly drives his girlfriend’s car. Unfortunately, one day he has an accident while driving his girlfriend’s car. His girlfriend’s Personal Auto Policy only provides liability limits of 25/50/10. The injuries to the other driver exceed the
$25,000 available under his girlfriend’s Personal Auto Policy.

If the Extended Non-Owned Coverage – Vehicles Furnished or Available For Regular Use endorsement had been attached to Mason’s Personal Auto Policy, he would have been able to use his 100/300/50 liability coverage to protect him for this loss.

Please refer to Lesson 2 Topic C Liability: Group B Exclusions p7-8 (PA) to complete the Knowledge Checks at this time.

Lesson 2 Topic C Liability: Group B Exclusions p9 (PA)

Learning Objective: Determine whether or not a given non-owned auto driven by an insured is covered for liability.

Group B Exclusions continued

Refer to pages 2 & 3 of the Personal Auto Policy.

3. Autos Owned by or Furnished or Available for Regular Use by a "Family Member"

This exclusion is also two exclusions in one, and it also applies only if the vehicle in question is not a "your covered auto".

There is no coverage for a vehicle owned by a "family member".

Example:

Rowan, the resident son of Mark and Karli, owns a car and insures it under a Personal Auto Policy in his name. Rowan has an accident while driving his own pickup. Mark and Karli’s Personal Auto Policy excludes this loss as the car is owned by a “family member” and is not a “your covered auto” under Mark and Karli’s Personal Auto Policy.

There is no coverage for a vehicle that is furnished or available for the regular use of a "family member".

Example:

Mark and Karli’s son Jason is away at college and is still a "family member" under Mark and Karli’s Personal Auto Policy. Jason regularly uses a car owned by his roommate. In fact the roommate leaves the keys where Jason can take them any time he wants.
Jason has an accident while driving his roommate's car. There is no coverage for this accident under Mark and Karli’s Personal Auto Policy because the roommate’s car was available for Jason’s regular use. (The only coverage available for Jason is from his roommate’s personal auto policy.)

Lesson 2 Topic C Liability: Group B Exclusions p10 (PA)

Learning Objective: Determine whether or not a non-owned auto driven by an insured is covered for liability.

Exception to Autos Owned by or Furnished or Available to a Family Member

Refer to pages 2 & 3 of the Personal Auto Policy.

There is an exception in this exclusion for a “you” maintaining or “occupying” any vehicle owned by a “family member” or furnished or available for the regular use of a “family member”.

Example 1:

Rowan, the resident son of Mark and Karli, owns a car and insures it under a Personal Auto Policy in his name. While driving Rowan’s car to the grocery store, Karli has an at-fault accident. This exclusion takes away liability coverage for Rowan, but does not take away liability coverage for Karli as she is a "you". The only liability coverage Rowan has is the coverage provided by Rowan's Personal Auto Policy. Karli would have liability coverage under both her own and Rowan's Personal Auto Policy.

Example 2:

Mark and Karli’s 16-year old son Ethan is driving his brother Rowan's car to a football game when he has an at-fault accident. This exclusion takes away coverage for Rowan. It also takes away coverage for Ethan. The only liability coverage Rowan and Ethan have is the coverage provided by Rowan's Personal Auto Policy.

Tip: The exception to this exclusion is only for a “you” and not another “family member”.

Lesson 2 Topic C Liability: Group B Exclusions p11 (PA)

Learning Objective: Determine whether or not a non-owned auto driven by an insured is covered for liability.

Group B Exclusions continued

Refer to page 3 of the Personal Auto Policy.
The Extended Non-Owned Coverage-Vehicles Furnished or Available for Regular Use Endorsement (PP 03 06) we looked at previously will not work for the “family member” with a vehicle furnished or available for his or her regular use.

The rules for the use of this endorsement require the individual named in the Schedule to be someone who owns a vehicle and also has a vehicle furnished or available for his or her regular use. As a vehicle on the policy should not be owned by a "family member, a "family member" is not eligible for this endorsement. In addition, this endorsement does not remove Exclusion B.3.b, which is the exclusion for a vehicle furnished or available for the regular use of a "family member".

The only coverage for a “family member” provided by this endorsement is coverage while driving a vehicle furnished or available for the regular use of the “you” named in the Schedule.

Example:

Bert and Carrie have a Personal Auto Policy which includes the Extended Non-Owned Coverage – Vehicles Furnished or Available for Regular Use PP 03 06. The Named Individual and “Family Members” (including Named Individual’s Spouse) box is X’d. They have this endorsement because Bert has a company car provided by his employer. The employer allows Bert’s spouse and children to drive the car. Since the box is X’d on this endorsement, any “family member” is also covered by this endorsement while driving the company car.

Lesson 2 Topic C Liability: Group B Exclusions p12 (PA)

Learning Objective: Determine whether or not a non-owned auto driven by an insured is covered for liability.

Group B Exclusions continued

Refer to page 3 of the Personal Auto Policy.

4. Racing

There is no coverage for any vehicle that is inside a racing facility for the purpose of practicing, preparing for, or competing in an organized race or speed contest.

Example:

The insured is racing down the highway when he hits another vehicle. The racing exclusion does not apply as the racing was not in a racing facility.
It is important to identify your clients that may have a vehicle furnished or available for their regular use. Once this exposure is identified, you may be able to provide coverage by using the Extended Non-Owned Coverage – Vehicles Furnished or Available for Regular Use (PP 03 06).

Without this endorsement, your client is relying on the insurance coverage of the vehicle’s owner. Is there even an auto policy in force? If so, what are the limits of liability? If the owner’s coverage is provided by a Business Auto Policy, there are exclusions that are not found in a Personal Auto Policy.

The key is identification! Instead of asking a client, “Do you have a company car?”, ask “Do you ever drive a vehicle other than the ones we insure for you?” This allows you to have further discussion to determine if a furnished or available for regular use exposure exists.

Exclusions that Apply to Vehicles Summary

**Miscellaneous Type Vehicles** – There is no coverage for any vehicle with fewer than four wheels or designed to be used mainly off public roads, unless it is added by a Miscellaneous Type Vehicle Endorsement or Snowmobile endorsement.

There is an exception to the exclusion for non-owned golf carts and trailers.

**Autos Owned by or Furnished to “You”** – First there is no coverage for a vehicle that “you” own, that is not a “your covered auto”. Second there is no coverage for a vehicle that is furnished or available for “your” regular use.

**Autos Owned by or Furnished to “Family Members”** – First, there is no coverage for a vehicle owned by a “family member”. Second, there is no coverage for a vehicle that is furnished or available for the regular use of a “family member”. However, this exclusion does not apply to a “you”.

**Racing** – There is no coverage for any vehicle that is inside a racing facility for the purpose of practicing, preparing for, or competing in an organized race or speed contest.

Please refer to the end of Lesson 2 Topic C to complete Self Quiz 4 at this time.
Lesson 2 Topic D – Conditions

Lesson 2 Topic D Liability: Conditions p1 (PA)

Refer to page 4 of the Personal Auto Policy.

In this topic we will discuss the conditions found in the liability section of the Personal Auto Policy. These conditions are:

- Limit of Liability
- Out of State Coverage
- Financial Responsibility
- Other Insurance

Lesson 2 Topic D Liability: Conditions p2 (PA)

Learning Objective: Apply the Limit of Liability to specific losses.

Limit of Liability

Refer to page 4 of the Personal Auto Policy.

We begin our study of the auto policy liability conditions with Limit of Liability, which you will find on page 4 of the Personal Auto Policy (PAP). The limit of liability is a statement of the maximum amount the insurance company will pay for claims arising out of one accident. The limit is listed in the Declarations and stays the same regardless of the number of vehicles insured, the number of insureds, or the number of people making claims from one accident.

There are two types of auto liability limits and each is listed differently in the Declarations. The limit may be listed as three numbers, such as 25/50/10, 50/100/25, 100/300/50, etc. This is referred to as Split Limits. In Split Limits each number represents, in thousands, the most the company will pay.

The First Number – This represents the maximum the company will pay for “bodily injury” to any one person.

For example, Jill has limits of 25/50/10. She causes an accident and her friend who was a passenger is seriously injured. The friend sues Jill for $100,000. The most Jill’s policy will pay for this loss is $25,000.

The Second number – This represents the maximum that will be paid for all “bodily injury” from any one
accident.

For example, instead of only injuring one passenger, all 3 of Jill’s passengers were injured. The most any one passenger can collect from Jill’s insurance is $25,000 – but, the most her policy will pay for ALL “bodily injury” is $50,000.

**The Third Number** – This represents the maximum the company will pay for all “property damage” from one accident.

For example, a few months later Jill has another accident when she hit a parked car and totaled it. The value of the damage to the other car is $20,000. The most her policy will pay for this “property damage” is $10,000.

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*Lesson 2 Topic D Liability: Conditions p3 (PA)*

**Learning Objective: Apply the Limit of Liability to specific losses.**

*Limit of Liability continued*

*Refer to page 4 of the Personal Auto Policy*

The limit may also be shown as one number such as 60 CSL, 100 CSL, 300 CSL, etc. This is called combined single limit and typically referred to as CSL. This means that the most the insurance company will pay for all "bodily injury" and "property damage" from one accident is the number that represents thousands.

60 CSL means the policy will pay up to $60,000 for all “bodily injury” and “property damage” from any one accident.

**Example:**

Jill has 300 CSL. She causes an accident and her friend who was a passenger is seriously injured. The friend sues Jill for $100,000. The $100,000 is covered since it is within her limit of $300,000.

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*Lesson 2 Topic D Liability: Conditions p4 (PA)*

**Learning Objective: Apply the Limit of Liability to specific losses.**

*Limit of Liability continued*

*Refer to page 4 of the Personal Auto Policy*
The third paragraph in the Limit of Liability provision is a coordination of benefits between Liability Coverage and other parts of the Personal Auto Policy.

Example:

Perry has an at-fault accident. His passenger is injured. If the passenger’s medical expenses of $5,000 are paid by Part B – Medical Payments Coverage, they will not also be paid under Part A - Liability Coverage. A person can’t collect twice for the same expense.

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Lesson 2 Topic D Liability: Conditions p5 (PA)

Learning Objective: Apply the Limit of Liability to specific losses.

Out of State Coverage

Refer to page 4 of the Personal Auto Policy.

If an insured has a covered accident outside the state in which "your covered auto" is principally garaged, the policy will provide a higher limit of liability if required of the insured by the jurisdiction in which the accident happens.

For example, if an insured is driving in another state that requires limits higher than those provided by the insured's Personal Auto Policy, the insured's Personal Auto Policy will provide the higher limits.

**Tip:** If the insured is driving in a state that requires limits lower than those provided by the insured's Personal Auto Policy, the insured's policy does not drop down to only provide the lower limits.

If a jurisdiction requires a certain type of coverage that the insured’s state where the “your covered auto” is principally garaged does not, his or her policy will provide at least those required minimum amounts and types of coverage while using a vehicle in that state.

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Lesson 2 Topic D Liability: Conditions p6 (PA)

Financial Responsibility

Refer to page 4 of the Personal Auto Policy

This policy can be used to certify that an insured has automobile insurance. Different requirements exist for
this certification in different states. The broad language in this provision makes it possible for the policy to comply with those certifications.

Financial responsibility or compulsory law minimum limits vary by state. Please refer to the definition section of the state’s amendment of policy provisions to determine a state’s “Minimum Limits of Liability”.

Lesson 2 Topic D Liability: Conditions p7 (PA)

Other Insurance

Refer to page 4 of the Personal Auto Policy.

If there are two policies on the same car, each will pay its share of any liability loss on a pro-rata basis. The pro-rata share is dependent on the limit of liability of each of the policies.

Example:

If two policies are covering liability on the same car and the policies have the same limit of liability, each of the policies will pay 50% of a covered liability claim, up to the policy's limit of liability.

Coverage on an owned car insured by the policy is primary, that is, it will pay first. Any coverage the policy provides for a non-owned auto, including any vehicle while used as a temporary substitute for "your covered auto", shall be in excess over any other collectable insurance. A non-owned auto as used here is any auto that is not a “your covered auto” such as a borrowed or rented vehicle.

Lesson 2 Topic D Liability: Conditions p8 (PA)

Now that you have completed your study of Part A – Liability Coverage, you will no doubt agree that the coverage provided in this section is very broad.

The Personal Auto Policy provides coverage for any person meeting the definition of insured, who has an at-fault accident as long as none of the 13 exclusions apply.

It is important to make the client aware of who is an insured and the exclusions that take away coverage. If you identify a client with an exposure that is otherwise excluded, is there an endorsement available that should be recommended to provide coverage? It may be necessary to recommend a Business Auto Policy to coverage exposures not intended to be covered by a Personal Auto Policy.

However, if you haven’t identified the potential coverage gap, you don’t know a solution is needed.

Be sure to ask the right questions to gather the information you need.
Refer to the end of Lesson 2 Topic D to complete Self Quiz 5 at this time.
Lesson 3 – Medical Payments

Lesson 3 Med Pay Intro p1 (PA)

Medical Payments is an optional coverage that your clients are not typically required by state law to purchase when buying their Personal Auto Policy. While it may not be required, the importance of Medical Payments coverage should not be overlooked.

How important is it to your clients that their policy provide Medical Payments Coverage for their passengers? You can imagine how important this could be for those clients that frequently have friends of their children as passengers.

What about your clients that may have an at-fault accident? How important is it to them to have Medical Payments Coverage available to pay for their medical expenses and/or funeral expenses? After all, this is their only coverage available for an at-fault accident.

Lesson 3 Med Pay Intro p2 (PA)

Learning Objectives:

2. Determine who is an insured for Medical Payments Coverage.
3. Apply the exclusions in Medical Payments Coverage to a given claim.
4. Apply the Limit of Liability for Medical Payments Coverage to a given claim.
5. Explain the purpose of state specific No Fault and Personal Injury Protection (PIP) regulations.

Lesson 3 Med Pay Intro p3 (PA)

Forms that you need to print for this lesson:

None

Forms you have printed and will need for this lesson

PP 00 01 Personal Auto Policy
Lesson 3 Topic A - Medical Payments Coverage Insuring Agreement


Part A of the Insuring Agreement

Refer to page 4 of the Personal Auto Policy

Part B - Medical Payments Coverage begins on page 4 of the Personal Auto Policy. The first part, Part A, of the Insuring Agreement tells us that Medical Payments Coverage will pay reasonable and necessary expenses for medical and/or funeral services. These expenses have to be the result of “bodily injury” to an insured, caused by an accident, and resulting from services provided within 3 years from the date of the accident.

There are four important points made in the Insuring Agreement:

1. Coverage is only for an insured (as defined in this coverage part)
2. Only reasonable and necessary medical and funeral expenses are covered
3. Must be the result of “bodily injury” caused by accident
4. Expenses must be for services rendered within 3 years from the date of the accident
Reasonable and Necessary

Reasonable means that the policy will pay the same fees that are the going rate for that same service or treatment in that particular geographic region. This phrase is necessary because the insurance company doesn't want to pay for medical or funeral expenses at a higher rate than individuals or health insurance companies pay. Necessary medical services include:

- Ambulance
- Emergency room
- X-rays
- Prescriptions
- Nurse and doctor’s care
- Hospitalization
- Rehabilitation, etc.

Bodily Injury Caused by Accident

The need for medical and/or funeral services must be the result of “bodily injury” caused by accident. It does not require there be an auto accident; it only requires that the “bodily injury” be accidental.

Example:

Bill got out of his car and when shutting his car door got his fingers caught in the door. The “bodily injury” to his fingers was caused by accident.

Lesson 3 Topic A Med Pay: Insuring Agreement p4 (PA)


Part A of the Insuring Agreement continued

Refer to page 4 of the Personal Auto Policy

Expenses or Services Incurred within 3 Years of Accident

In order to be covered, the expenses have to be incurred or the services have to be rendered within 3 years from the date of the accident. (This is NOT requiring that the bill for those expenses or services be received within the 3 years.) However, since Medical Payments Coverage limits are relatively low, this time limitation is seldom a factor.
Learning Objective: Determine who is an insured for Medical Payments Coverage.

Part B of the Insuring Agreement - Who Is An Insured

Refer to page 4 of the Personal Auto Policy

Medical Payments Coverage will pay an insured’s expenses.

The second part of the insuring agreement defines who is an insured for this coverage. You will notice that this two-part definition is similar to the first two parts of the definition of insured previously discussed in Part A - Liability.

The first part of the definition makes insureds of "you" and any "family member" either "occupying" or struck by a motor vehicle designed for use mainly on public roads or by a trailer of any type. Note that trailer is not in quotation marks, so the coverage isn't limited to injuries involving "trailers" that are designed to be pulled by private passenger cars, pickups and vans. It can be a trailer, such as a tractor-trailer type, designed for commercial use.

The second part, Part B, of the definition makes an insured of any other person "occupying" "your covered auto." So anyone who is not "you" or a "family member" is an insured for Medical Payments Coverage if he or she is injured while “occupying” a "your covered auto”.

Tip: Anyone struck by a "your covered auto' is not an insured for Medical Payments. He or she must be "occupying" a "your covered auto".

Example 1:

Bonnie is injured in an at-fault collision while driving one of the cars insured by Ken and Bonnie’s Personal Auto Policy.

Example 2:

Ken is injured while riding a city bus that is involved in a collision with another vehicle.
Example 3:

Ken and Bonnie’s 16-year old son is injured while riding in a friend’s car.

Lesson 3 Topic A Med Pay: Insuring Agreement p7 (PA)

Learning Objective: Determine who is an insured for Medical Payments Coverage.

Who is an Insured continued

Refer to page 4 of the Personal Auto Policy

Example 4:

Ken is injured when he fell off the bed of a neighbor’s pickup, while unloading antique chairs that Bonnie purchased at an auction.

Example 5:

Ken and Bonnie’s 16-year old son is struck by a car while crossing the street during his morning jog.

Example 6:

Ken has an accident driving his car. His son and two of his son’s friends in his car are injured.

Example 7:

Bonnie rents a car when visiting her sister in New York. She has an accident while driving the rental car.
Lesson 3 Topic B – Exclusions

Lesson 3 Topic B Med Pay: Exclusions p1 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Refer to page 5 of the Personal Auto Policy

Just as we saw exclusions in the liability coverage section of the Personal Auto Policy, there are also exclusions for Medical Payments Coverage. These are very similar to, and in some cases identical to, the liability exclusions we studied in Lesson 2.

Refer to Lesson 3 Topic B Med Pay: Exclusions p1 (PA) to view a copy of the study aid.

Lesson 3 Topic B Med Pay: Exclusions p2 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Medical Payments Exclusions

Refer to page 5 of the Personal Auto Policy

1. Vehicles With Fewer Than 4 Wheels

There is no Medical Payments Coverage for any insured injured while "occupying" a motorized vehicle which has less than four wheels. Injuries to people on motorcycles and other two and three-wheel vehicles are excluded.

Coverage can be provided by Miscellaneous Type Vehicle Endorsement (PP 03 23).

Lesson 3 Topic B Med Pay: Exclusions p3 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Medical Payments Exclusions continued

Refer to page 5 of the Personal Auto Policy

2. Public or Livery Conveyance
There is no Medical Payments Coverage for any insured injured while "occupying" a "your covered auto" while it is being used as a public or livery conveyance. This is the same exclusion as A.5. of Liability Coverage. If you wish to review the discussion and examples, refer to Lesson 2, Topic B, Exclusion 5.

Coverage can be provided for some autos by endorsement Extended Non-Owned Coverage - Vehicles Furnished Or Available For Use As Public Or Livery Conveyances (PP 13 05). The endorsement removes the public or livery conveyance exclusion for a vehicle that is furnished or available to the individual named on the endorsement for use as a public or livery conveyance.

This endorsement has a coverage option to include the spouse and family members of the named individual, but only for vehicles furnished or available to the named individual. There is no coverage for vehicles owned by the named individual, owned by their family members, or used as a temporary substitute for either.

Lesson 3 Topic B Med Pay: Exclusions p4 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Medical Payments Exclusions continued

3. Residence or Premises

There is no Medical Payments Coverage for any insured injured while "occupying" a vehicle which is located for use as a residence or premises. This eliminates claims for insureds injured in travel trailers and motor homes that are set up as temporary residences on campsites.

There is Medical Payments Coverage if injured by or in a vehicle of this type when it is on the road, being used as a vehicle.

Lesson 3 Topic B Med Pay: Exclusions p5 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Medical Payments Exclusions continued

4. Workers Compensation

There is no Medical Payments Coverage for any insured injured during the course of employment, if Workers Compensation benefits for the "bodily injury" are either required or provided voluntarily by the employer.
Example:

John is injured in an accident while driving his car on business for his employer. John is covered by Workers Compensation provided by his employer. John’s Personal Auto Policy will not provide Medical Payments Coverage since Workers Compensation benefits are available.

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Lesson 3 Topic B Med Pay: Exclusions p6 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Medical Payments Exclusions continued

Refer to page 5 of the Personal Auto Policy.

5. Autos Owned by or Furnished or Available for Regular Use

There is no Medical Payments Coverage for any insured injured while "occupying" a vehicle, other than "your covered auto" which is owned by "you," or furnished or available for "your" regular use. This is the same exclusion as B.2. of Liability Coverage. If you wish to review the discussion and examples, refer to Lesson 2, Topic C, Exclusion 2.

Coverage can be provided for some autos by endorsement Extended Non-Owned Coverage - Vehicles Furnished Or Available For Regular Use (PP 03 06). The endorsement applies to vehicles furnished or available to the “you” named in the endorsement. This endorsement has a coverage option to include the spouse and “family members” of the named individual, but only for vehicles furnished or available to the named individual. There is no coverage for vehicles owned by the named individual, owned by their “family members”, or used as a temporary substitute for either.

6. Autos Owned by or Furnished or Available for Regular Use by a "Family Member"

There is no Medical Payments Coverage for any insured injured while "occupying" a vehicle, other than a "your covered auto", which is owned by any "family member", or furnished or available for the regular use of any "family member". This exclusion does not apply to a “you”. This is the same exclusion as B.3. of Liability Coverage. If you wish to review the discussion and examples, refer to Lesson 2, Topic C, Exclusion 3.

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Lesson 3 Topic B Med Pay: Exclusions p7 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Medical Payments Exclusions continued
7. Reasonable Belief of Entitlement

Coverage is denied to anyone who is occupying a vehicle without a reasonable belief that he or she is entitled to occupy the vehicle. As long as an individual believes that he or she is entitled to occupy a vehicle, he or she has Medical Payments Coverage under a Personal Auto Policy covering that vehicle. This exclusion is designed to exclude coverage for a car thief.

There is an exception that provides coverage to a "family member" occupying a "your covered auto" that is owned by "you". This means that a "family member" has Medical Payments Coverage occupying a "your covered auto" owned by a "you" whether or not the "family member" was entitled to occupy the auto.

This is the same exclusion as A.8. of Liability Coverage. If you wish to review the discussion and examples, refer to Lesson 2, Topic B, Liability Exclusions p9.

8. Business

There is no Medical Payments Coverage for any insured injured while "occupying" a vehicle used in the "business" of an insured. This very broad exclusion excludes all "business" use as an owner or operator. There is, however, an exception that gives back coverage while occupying:

- Private passenger cars
- Pickups and vans
- Trailers used with private passenger cars, pickups and vans

This is the same exclusion as A.7. of Liability Coverage. If you wish to review the discussion and examples, refer to Lesson 2, Topic B, Liability Exclusions p8.
Lesson 3 Topic B Med Pay: Exclusions p9 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Refer to page 5 of the Personal Auto Policy

So, an insured has Medical Payment Coverage for business use of private passenger cars, pickups, vans and trailers used with private passenger cars, pickups, and vans.

Example 1:

John is a self-employed consultant who uses his personal car to visit clients. He has an accident and is injured. He does not have, nor is he required to have Workers Compensation coverage. He has an accident and is injured. Since the vehicle is a private passenger car, he is covered under the Medical Payments Coverage on his Personal Auto Policy.

Example 2:

Mark rents a large Ryder truck to move his household goods to his new home. He has an accident and is injured. His Medical Payments Coverage will provide coverage because the truck was not being used for "business".

If Mark had instead used the truck to move his office furnishings from his old office to his new office he would not be covered since the truck was being used in "business" and is not a private passenger car, pickup or van (or trailer used with such).

Example 3:

Stephanie drives her pickup to call on customers of her design and layout business. If she were to have an accident while driving her pickup on business, she would have Medical Payments Coverage since "business" use of a pickup is an exception to the "business" exclusion.

Lesson 3 Topic B Med Pay: Exclusions p10 (PA)

Learning Objective: Apply the exclusions in Medical Payments Coverage to a given claim.

Medical Payments Exclusions continued

Refer to page 5 of the Personal Auto Policy.

9. War
There is no Medical Payments Coverage for injuries to an insured caused by nuclear weapon discharge, war, civil war, insurrection, rebellion, or revolution.

10. Nuclear

There is no Medical Payments Coverage for injuries to an insured caused by any nuclear reaction, radiation, or radioactive contamination.

11. Racing

There is no Medical Payments Coverage for any injury sustained by an insured while "occupying" any vehicle inside a racing facility to prepare, or practice for, or compete in an organized or prearranged race or speed contest.

This is the same exclusion as B.4. of Liability Coverage which we studied in Lesson 2 Topic C - Exclusion 4.
Lesson 3 Topic C – Conditions

Lesson 3 Topic C Med Pay: Conditions p1 (PA)

Refer to page 5 of your Personal Auto Policy.

As in any policy, some important conditions apply to Medical Payments Coverage. In this topic we cover:

- Limit of Liability
- Other Insurance

Lesson 3 Topic C Med Pay: Conditions p2 (PA)

Learning Objective: Apply the Limit of Liability for Medical Payments Coverage to a given claim.

Limit of Liability

Refer to page 5 of the Personal Auto Policy.

Medical Payments Coverage is provided on a per person basis. The limit of liability shown in the Declarations is the maximum the policy will pay for any one person injured in an accident.

Example 1:

Steve and Karen have a Personal Auto Policy with $10,000 Medical Payments Coverage.

Steve and Karen are both injured in an auto accident. Steve has medical expenses of $12,000 and Karen has medical expenses of $8,000. Their policy will pay $18,000: $10,000 for Steve’s expenses since that is the maximum the policy will pay for injury to one person and $8,000 for Karen’s expenses, which are paid in full because her expenses do not exceed the $10,000 limit of liability.

Lesson 3 Topic C Med Pay: Conditions p3 (PA)

Learning Objective: Apply the Limit of Liability for Medical Payments Coverage to a given claim.

Limit of Liability continued

Refer to page 5 of the Personal Auto Policy.

Example 2:
Steve is driving his son and three of his son’s friends to the football game. On the way there, Steve has an at-fault accident and unfortunately, his son and his son’s three friends are injured. Steve and Karen’s Medical Payments Coverage will provide up to $10,000 for each of the four people injured. (The friends are each an insured as a person “occupying” a “your covered auto”.)

**Tip:** If the $10,000 Medical Payments Coverage is not enough to pay the medical expenses for Steve’s son or his friends AND if Steve is legally responsible, Part A – Liability may provide Steve with the additional coverage he needs to pay for the “bodily injury” to his passengers.

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**Lesson 3 Topic C Med Pay: Conditions p4 (PA)**

**Learning Objective:** Apply the Limit of Liability for Medical Payments Coverage to a given claim.

**Limit of Liability continued**

Refer to page 5 of the Personal Auto Policy.

The second paragraph in the limit of liability provision is a coordination of benefits between Medical Payments and other parts of the Personal Auto Policy.

Note that it doesn’t say the policy won’t pay, it says the policy won’t pay for the same element of a loss twice.

**Example 1:**

Tom’s passenger Dan is injured when Tom has an at-fault accident. Dan’s medical expenses have been paid under Part A – Liability. Medical Payments Coverage will not pay any part of the medical expenses that were paid already by Part A – Liability.

**Example 2:**

Glenda’s friend was injured in an accident that was Glenda’s fault. Glenda’s Medical Payments Coverage already paid $10,000 of her friend’s $13,000 medical expenses. The remaining $3,000 would be paid by Part A – Liability.

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**Lesson 3 Topic C Med Pay: Conditions p5 (PA)**

**Learning Objective:** Apply the Limit of Liability for Medical Payments Coverage to a given claim.

**Other Insurance**
Refer to page 5 of the Personal Auto Policy.

If Medical Payments Coverage from another Personal Auto Policy is available to an insured for the same injury, this policy will pay on a pro-rata basis. However, if the injury occurs in a vehicle not owned by "you", including any vehicle while used as a temporary substitute for "your covered auto", this coverage is excess over any Medical Payments Coverage on the non-owned vehicle.

Coverage:

John has $5,000 Medical Payments Coverage on his PAP.

Sam has $5,000 Medical Payments Coverage on his PAP.

Situation:

John is riding to work with his friend Sam and they are involved in an accident. John is injured in the accident. John’s Medical Expenses = $6,400. How much will each policy pay?

Math:

This is how it works:

<table>
<thead>
<tr>
<th>John’s Medical Expenses</th>
<th>$6,400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sam’s PAP Medical Payments will pay</td>
<td>- $5,000</td>
</tr>
<tr>
<td>Remaining Expenses</td>
<td>$1,400</td>
</tr>
<tr>
<td>John’s PAP Medical payments will pay the remaining medical expenses</td>
<td>$1,400</td>
</tr>
</tbody>
</table>
Lesson 3 Topic D – No Fault Laws and Personal Injury Protection (PIP)

Lesson 3 Topic D No-Fault / PIP p1 (PA)

Learning Objective: Explain the purpose of state specific No Fault and Personal Injury Protection (PIP) regulations.

No-Fault Plans

Many states have insurance laws that govern whether or not an individual has the right to sue. Some states also have plans established by law that regulate whether or not the policyholder’s own insurance company pays first-party (policyholder) benefits, up to the state maximum amount, regardless of who is at fault for the accident.

Many of the states restrict the injured person's right to make a "bodily injury" claim against the person responsible for his or her injury. For the details of the plan or coverage, consult the state law or the coverage form before advising an insured or prospect.

The purpose of these plans is to provide payment for economic loss resulting from auto accidents without regard to negligence and/or without the delay that is often encountered in the negligence system. The intended result is to reimburse individuals for their medical expenses, and in most of these jurisdictions compensation for lost income, payment for replacement services and other out-of-pocket expenses.

Lesson 3 Topic D No-Fault / PIP p2 (PA)

Learning Objective: Explain the purpose of state specific No Fault and Personal Injury Protection (PIP) regulations.

Personal Injury Protection Endorsements: Coverage

Personal Injury Protection coverage (PIP) is written to provide the benefits required by a state’s law mandating its no-fault insurance requirement. PIP is an endorsement to the Personal Auto Policy and may, in some states, replace Part B Medical Payments Coverage. The minimum required coverages and limits, as determined by that state’s regulation, are provided by a basic PIP endorsement.

Unlike Medical Payments Coverage, PIP may also include coverage for the injured person's loss of income and replacement services such as childcare, housecleaning, lawn care, etc.

In many states the named insured has the option of purchasing increased limits. For example, instead of a $10,000 per person limit for medical expenses, there may be an option to increase the limit for medical expenses to $25,000 per person. In other states, there may be an option to increase the number of covered...
chiropractic visits. In some states, the named insured may also purchase coverages that are not provided by the basic PIP endorsement.

Tip: PIP, like Medical Expense Coverage, does not provide coverage for General Damages, which includes compensation for pain, suffering, mental anguish, inconvenience, loss of a relationship, etc.

Lesson 3 Topic D No-Fault / PIP p3 (PA)

Learning Objective: Explain the purpose of state specific No Fault and Personal Injury Protection (PIP) regulations.

Personal Injury Protection Endorsements: Required versus Optional

In some states PIP coverage is required to be provided with every Personal Auto Policy and cannot be rejected by the named insured. In other states, PIP must be offered, with the named insured having the option to reject the coverage.

Sometimes a client may choose to reject PIP coverage on the basis that it only provides coverage for medical expenses. The client, having adequate medical insurance through his or her employer, doesn’t realize PIP covers more than just medical expenses.

One important point is to be aware of the basic limit for lost wages. Most PIP forms have a limit for the wage loss benefit well below the average person’s income. Therefore, you should be prepared to advise the insured of the basic limit and the availability of increased limits for wage loss.

Lesson 3 Topic D No-Fault / PIP p4 (PA)

It is not uncommon for clients to say they don’t need this coverage because they have good medical insurance through their employer. However, it is possible that their medical insurance provider may not cover expenses resulting from an automobile accident.

Clients who regularly have passengers in their vehicles (children’s friends, co-workers, clients, etc.) may want to provide medical expenses coverage for them.

What about funeral expenses? Group medical insurance does not cover funeral expenses. The average funeral cost over $12,000 – how important is coverage for a funeral?

Remember, for the insured that has an at-fault accident, this may be the only source of payment for medical expenses and funeral services.
The protection provided to your clients by Part B – Medical Payments Coverage or Personal Injury Protection should not be overlooked. Give your clients enough information about the benefits provided to allow them to make an informed decision as to whether or not they need this coverage.

________________________________________________________

Please refer to the end of Lesson 3 Topic D to complete Self Quiz 6 at this time.

________________________________________________________
Lesson 4 – Uninsured/Underinsured Motorists

Lesson 4 UM/UIM Intro p1 (PA)

The next mini-policy of the Personal Auto Policy that we will study is Uninsured/Underinsured Motorists Coverage (UM/UIM). This coverage allows insureds to collect from their own insurance company the money they should have been able to collect from the negligent uninsured or underinsured driver.

Of all of the coverages in the Personal Auto Policy, Uninsured and Underinsured Motorists Coverages is the most likely to differ from state-to-state. Therefore, the Part C Uninsured Motorists Coverage found in the Personal Auto Policy is typically replaced by a state-specific endorsement or endorsements.

- Some states have separate Uninsured Motorists and Underinsured Motorists endorsements.
- Other states combine Uninsured Motorists and Underinsured Motorists into one endorsement that may be still be called Uninsured Motorists even though it also provides Underinsured Motorists Coverage.
- In some states, Uninsured Motorists Coverage is for bodily injury only, while others allow Uninsured Motorists Property Damage Coverage.

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Lesson 4 UM/UIM Intro p2 (PA)

State Specific Endorsements vs. ISO Personal Auto Policy Form

During this course, we will study Part C Uninsured Motorists Coverage in the generic or non state-specific ISO 2005 Personal Auto Policy and the non-state specific Underinsured Motorists Coverage endorsement.

This lesson is a discussion of four main topic areas:

- What These Coverages Do
- The Insuring Agreement
- Exclusions
- Conditions

Lesson 4 UM/UIM Intro p3 (PA)
Lesson 4

Learning Objectives

1. Explain the coverage provided by Uninsured Motorists.
2. Identify who qualifies as an insured for Uninsured Motorists Coverage.
3. Decide whether or not a given vehicle is an "uninsured motor vehicle".
4. Determine whether or not Uninsured Motorists Coverage covers a given claim.
5. Explain intra-policy and inter-policy stacking of limits based on the Limit of Liability and Other Insurance provisions.
6. Explain the purpose of Arbitration and the steps in the Arbitration process.
7. Explain the coverage provided by Underinsured Motorists Coverage, including the difference between a Limits Trigger and a Damages Trigger

Lesson 4 UM/UIM Intro p4 (PA)

Forms that you need to print for this lesson:

- Underinsured Motorists Coverage Form PP 03 11

Forms you have printed and will need for this lesson:

- PP 00 01 Personal Auto Policy
Lesson 4 Topic A – What These Coverages Do

Lesson 4 Topic A What UM Coverage Does p1 (PA)

Learning Objective: Explain the coverage provided by Uninsured Motorists.

In this topic we discuss what Uninsured and Underinsured Motorists Coverages do for an insured. We form the discussion around three main points:

- Uninsured Motorists
- Underinsured Motorists
- What is Required to “Trigger” UM/UIM Coverage

Coverage C Uninsured Motorists Coverage is built into the ISO Personal Auto Policy while Underinsured Motorists is provided by the Underinsured Motorists Coverage endorsement. Underinsured Motorists will be discussed after Uninsured Motorists.

Lesson 4 Topic A What UM Coverage Does p2 (PA)

Learning Objective: Explain the coverage provided by Uninsured Motorists.

Uninsured Motorists (UM)

Uninsured Motorists Coverage pays to an insured what should have been paid by the other driver’s Liability Coverage – except the other driver didn’t have liability coverage!

Example:

John and Carolyn’s car is stopped at a red light when the driver of the car behind his fails to stop and hits their car. John’s car is damaged, and both John and Carolyn are injured. The other driver is clearly at fault and does not have auto insurance. John’s Uninsured Motorists Coverage will provide them with coverage for their “bodily injury” and if applicable, their “property damage”.

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Insuring Personal Auto Exposures Course Print 08.10.2012
Learning Objective: Explain the coverage provided by Uninsured Motorists.

Uninsured Motorists continued

Uninsured Motorists Coverage does for your insured what your insured’s Bodily Injury Liability does for the other party when your insured is at fault.

Another way of looking at this important coverage: Insureds are protecting themselves against the same potential for loss that they are protecting others for with their Liability Coverage. They are protecting their assets in case they are injured the same way Liability Coverage protects their assets in case they injure someone else.

Example of Uninsured Motorist Coverage

Example:

Imagine that someone who has no auto insurance or not enough auto insurance negligently injures John in an auto accident. Because of his injuries, John is unable to work for six months. John and Carolyn will suffer the loss of John’s income or the difference between his regular income and the amount paid by any disability or lost wage coverage.

The loss of income might force John and Carolyn to use money they had set aside for retirement or to sell other assets such as their home. If they had Uninsured Motorists Coverage, John and Carolyn would be compensated for John’s lost income, pain and suffering, and any permanent disability John may have, up to their limit of coverage.
Lesson 4 Topic A What UM Coverage Does p5 (PA)

Learning Objective: Explain the coverage provided by Uninsured Motorists.

Uninsured Motorist Coverage continued

Some states require UM/UIM coverage be included on all Personal Auto Policies. Other states allow insureds to reject the coverage entirely or to purchase limits lower than their Bodily Injury Liability limits.

Since the reason for purchasing any insurance is to protect assets, the limit of liability for Uninsured Motorists Coverage (and Underinsured Motorists Coverage) should be equal to the limit of liability for Liability Coverage.

In other words, they should protect themselves for the same amount for which they are protecting others!

Lesson 4 Topic A What UM Coverage Does p6 (PA)

Learning Objective: Explain the coverage provided by Uninsured Motorists.

Criteria Required to Collect on a Claim

Just because an insured has an accident with a driver who is without insurance does not mean the insured's Uninsured Motorists Coverage will pay benefits.

Three Criteria Required for A Claim:

1. An insured must be injured in an accident.
2. The other person must be liable to an insured.
3. The other vehicle must be uninsured.

We will see these requirements in the Insuring Agreement for this coverage.
Lesson 4 Topic B – Insuring Agreement for Uninsured Motorists

Learning Objective: Identify who qualifies as an insured for Uninsured Motorists Coverage.

Refer to page 6 of the Personal Auto Policy.

We will begin with the Insuring Agreement for Part C Uninsured Motorists Coverage. It is here where we find the granting of coverage, the definition of insured and the definition of "uninsured motor vehicle".

The coverage is for compensatory damages for an insured injured in an accident by an uninsured motorist, if the insured is entitled to collect from the uninsured motorist. This requires that the uninsured motorist be liable to the insured. Our discussion of the insuring agreement focuses on three definitions that are essential for understanding Uninsured Motorists Coverage.

Specifically, we define:

- Insured
- What is an "uninsured motor vehicle"?
- What is not an "uninsured motor vehicle"?

Compensatory damages

Money awarded in a civil lawsuit to make an injured personal whole, including recompense for damaged property, lost wages or profits, pain, bereavement, medical expenses, etc.

The Insured

Refer to page 6 of the Personal Auto Policy.

Only a person who is an insured by definition is eligible to receive the important coverage provided by Uninsured Motorists Coverage. The definition of insured has three parts.

1. “You” or “Family Member”
2. Anyone in a “Your Covered Auto”
3. **Anyone Entitled To Damages** because of injury to either of These Two

This is an insured as defined by the Uninsured Motorists Insuring Agreement.

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**Lesson 4 Topic B UM Insuring Agreement p3 (PA)**

**Learning Objective: Identify who qualifies as an insured for Uninsured Motorists Coverage.**

**The Insured**

*Refer to page 6 of the Personal Auto Policy.*

1. **"You" or any "family member".**

Coverage is granted to "you" and any "family member" injured by an “uninsured motor vehicle”. The definition goes no further so this means while they are in a “your covered auto”, in any other auto, or as a pedestrian.

You should recall the definitions of “you” and “family member”. The best coverage available under Uninsured Motorists Coverage is provided to individuals who are a “you” or a “family member” by definition.

2. **Anyone else "occupying" "your covered auto".**

Anyone else "occupying" a "your covered auto" is covered under the insured’s Uninsured Motorists Coverage if injured by an "uninsured motor vehicle".

This part of the definition gives insured status to any passenger in a “your covered auto”.

3. **Anyone who is entitled to damages because of injury to a person referred to in either 1 or 2.**

This third part of the definition provides coverage to individuals who were not injured themselves, but who suffered a loss because of the injury to another.

For example, Jo was seriously injured by an “uninsured motor vehicle” while she was taking a walk one night after dinner. It took several months for her recovery. During that time, Jo was unable to perform the usual activities of a spouse and a mom. As a result, both her husband Jeff and her 8-year old daughter Madison are entitled to be compensated for the loss of a relationship with Jo.
Lesson 4 Topic B UM Insuring Agreement p4 (PA)

Learning Objective: Decide whether or not a given vehicle is an "uninsured motor vehicle".

What Is an "Uninsured Motor Vehicle"?

Refer to page 6 of the Personal Auto Policy.

An insured is only entitled to Uninsured Motorist Coverage when his or her injuries are caused by an "uninsured motor vehicle". The policy states an "uninsured motor vehicle" is a land motor vehicle or trailer of any type that meets one of the four types listed in the definition.

No policy or bond applies – A vehicle which has neither a bodily injury liability policy nor a bond that applies at the time of the accident. (In some states, a person can post a bond instead of purchasing liability insurance.)

Doesn’t meet state minimum limit of liability – A vehicle that is covered by a liability policy, but the limit of liability of that policy is less than the minimum limit of liability required by the law of the state where “your covered auto” is principally garaged.

Hit-and-Run Vehicle – A hit-and-run vehicle that hits (1) “you” or a “family member”, (2) a vehicle “you” or a “family member” are “occupying” or (3) a “your covered auto”.

An insured injured in an auto accident is unable to identify the owner or the operator of the other vehicle because that person did not stay at the accident. This vehicle is an “uninsured motor vehicle”.

Insurance company or bonding company denies or is insolvent – A vehicle that is covered by either bodily injury liability insurance or a bond, but the insurance or bonding company either denies coverage or is insolvent. This description is actually two definitions in one. See the next page for further details.

Lesson 4 Topic B UM Insuring Agreement p5 (PA)

Learning Objective: Decide whether or not a given vehicle is an "uninsured motor vehicle".

"Uninsured motor vehicle" continued

Refer to page 6 of the Personal Auto Policy.

In some cases there is a bodily injury liability bond or insurance policy on the vehicle that caused the accident, but the company denies coverage or is or becomes insolvent. If this occurs, that vehicle will be considered an uninsured motor vehicle.
1. There is a bodily injury liability coverage for either the driver or the vehicle, but the insurance company denies the claim.

Example #1:

Bill is moving his business across town. He rents a large truck to move his business property to his new location. While driving the large truck, he has an at-fault accident in which the other driver, Linda, is injured. Bill reports the accident to his personal auto insurance company. His insurance company denies the loss based on Exclusion A.7. in Part A - Liability for a vehicle used in "business" that is not a private passenger auto, pickup, van, or trailer used with any of these. Under Linda's policy, the truck Bill was driving is an "uninsured motor vehicle" as while Bill had insurance, his insurance company denied coverage.

Example #2:

While driving to work, Linda's car is negligently struck by a car being driven by a car thief. The owner of the stolen car's Personal Auto Policy will not cover the thief because of Exclusion A.8. in Part A - Liability for a person without a reasonable belief it was okay to drive the car. Linda's Personal Auto Policy will consider the car operated by the thief an "uninsured motor vehicle", entitling Linda to seek damages under her Uninsured Motorists Coverage.

2. There is bodily injury liability coverage for either the driver or the vehicle, but the insurance company is or becomes insolvent before it pays the insured for the damages caused by the at-fault driver.

Example:

Chris and Debbie are injured in an accident caused by Leola. Leola has a Personal Auto Policy, but her insurance company goes bankrupt before it paid Chris and Debbie for their injuries. Chris and Debbie's Personal Auto Policy will now consider Leola’s vehicle an "uninsured motor vehicle", entitling them to seek damages under their Uninsured Motorists Coverage.

Lesson 4 Topic B UM Insuring Agreement p6 (PA)

Learning Objective: Decide whether or not a given vehicle is an "uninsured motor vehicle".

What Is Not an "Uninsured Motor Vehicle"?

Refer to page 6 of the Personal Auto Policy.

The next part of the definition of "uninsured motor vehicle" is a list of six types of vehicles that are not an "uninsured motor vehicle". Note that these six categories are in effect exclusions, since an insured cannot collect when injured by a vehicle that is not an "uninsured motor vehicle".
The following are not an "uninsured motor vehicle":

1. Any Vehicle Owned by, Furnished to, or Available for the Regular Use of "You" or any "Family Member".
2. Any Vehicle Owned or Operated by a Self-Insurer Unless the Self-Insurer Is or Becomes Insolvent
3. Any Vehicle Owned by a Governmental Unit or Agency
4. Vehicles Operated on Rails or Crawler Treads
5. Vehicles Designed for Use Off Public Roads When They are Being Used Off Public Roads
6. Vehicles Located for Use as a Residence or Premises

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**Lesson 4 Topic B UM Insuring Agreement p7 (PA)**

**Learning Objective:** Decide whether or not a given vehicle is an "uninsured motor vehicle".

**Not an "Uninsured Motor Vehicle" continued**

Refer to page 6 of the Personal Auto Policy.

1. Any Vehicle Owned by, Furnished to, or Available for the Regular Use of "You" or any "Family Member" is Not an "Uninsured Motor Vehicle".

Amy regularly drives Ben’s car. She was backing Ben’s car out of her driveway when she accidentally ran into her 14-year old son. Because Ben doesn’t have insurance, Amy turns in the claim for her son’s injuries to her own insurance company. Amy’s insurance company denies the liability claim based on Exclusion B.2 for a vehicle furnished or available for her regular use.

Amy’s 18-year old resident son was driving his old pickup truck when he had an at-fault accident. Her son did not have insurance on his truck. Amy’s 16-year old daughter was riding with her brother at the time of the accident and was injured. Amy turns in a claim for her daughter’s injuries. Amy’s insurance company denies the liability claim based on Exclusion B.3. for a vehicle owned by a “family member” that is not a “your covered auto”.

It is made clear by this exclusion in Uninsured Motorist Coverage that these vehicles excluded in Part A–Liability Coverage cannot now be considered “uninsured motor vehicles” and trigger Uninsured Motorists Coverage. A “you” and any “family member” are not allowed to benefit from Uninsured Motorists Coverage on vehicles that they failed to insure.
Learning Objective: Decide whether or not a given vehicle is an "uninsured motor vehicle".

Not an "Uninsured Motor Vehicle" continued

2. Any Vehicle Owned or Operated by a Self-Insurer is Not an "Uninsured Motor Vehicle".

These are almost always commercial vehicles. Vehicles that are covered under self-insurance plans are not considered "uninsured motor vehicle" because the self-insurance plan provides money to pay for liability claims arising out of the use of the vehicle. If the self-insurer is bankrupt the Personal Auto Policy will then consider the self-insured vehicle an "uninsured motor vehicle" since there is no money to pay the liability claim of an injured party.

Refer to page 6 of the Personal Auto Policy.

3. Any Vehicle Owned by a Governmental Unit or Agency is Not an "Uninsured Motor Vehicle".

Government units or agencies may choose not to purchase automobile liability insurance on vehicles they own, yet they are not an “uninsured motor vehicle” by definition. The two reasons this may be the case are:

- The government unit or agency can use funds it has or can raise the funds needed to compensate the injured person or
- The governmental unit or agency may be protected by an immunity statute that prevents injured parties from filing suit against it.

4. Vehicles Operated on Rails or Crawler Treads are Not "Uninsured Motor Vehicles".

This can include trains, trolleys, snowmobiles, recreational vehicles, mobile equipment, etc.
Lesson 4 Topic B UM Insuring Agreement p10 (PA)

Learning Objective: Decide whether or not a given vehicle is an "uninsured motor vehicle".

What Is Not an "Uninsured Motor Vehicle?" continued

Refer to page 6 of the Personal Auto Policy.

5. Vehicles Designed for Use Off Public Roads are Not "Uninsured Motor Vehicles" When They are Being Used Off Public Roads

Vehicles designed for use off public roads include farm tractors, mobile equipment and recreational vehicles. The intent of this exclusion is not to provide Uninsured Motorists Coverage for an accident that occurs off a public road with any of these types of vehicles. For example, Devon is hiking in the woods when he is hit by an all-terrain vehicle being driven by Brady. Devon’s Uninsured Motorists Coverage would not provide coverage since the all-terrain vehicle was not on a public road at the time of the accident.

On the other hand, if Devon’s car is hit by a farm tractor and there is no liability insurance coverage for the tractor, Devon’s Personal Auto Policy will consider that vehicle an "uninsured motor vehicle" as it occurred while the tractor was being used on a public road.

Lesson 4 Topic B UM Insuring Agreement p11 (PA)

Learning Objective: Decide whether or not a given vehicle is an "uninsured motor vehicle".

What Is Not an "Uninsured Motor Vehicle?" continued

Refer to page 6 of the Personal Auto Policy.

6. Vehicles Located for Use as a Residence or Premises are Not "Uninsured Motor Vehicles".

For example, Devon is visiting his friends who are camping in their motor home at the local campground. Devon is hurt when the steps going into the motor home collapse while he was climbing them. Even if the motor home does not have liability coverage, it is not an “uninsured motor vehicle” as a motor home being used as a residence is not an "uninsured motor vehicle".

If Devon was hit by a motor home while it wasn’t being used as a residence, such as when it is being driven on the highway, the motor home would be an "uninsured motor vehicle" if it was not covered by insurance.
Lesson 4 Topic C – Exclusions

Learning Objective: Determine whether or not Uninsured Motorists Coverage covers a given claim.

Refer to page 6 of the Personal Auto Policy.

Now that we have defined who is an insured and what is and what is not an “uninsured motor vehicle”, it is time to look at the Exclusions. The exclusions can be categorized into four parts.

1. Vehicles
2. People
3. Workers Compensation/Disability Benefits
4. Punitive or Exemplary Damages

Four Exclusions for Uninsured Motorists Coverage

Refer to page 6 of the Personal Auto Policy.

Vehicles:

There is no Uninsured Motorists Coverage for an insured who is "occupying" or struck by a vehicle that the insured owns, if the insured has not purchased Uninsured Motorists Coverage for that vehicle. This includes a "trailer" used with that vehicle.

There is no Uninsured Motorists Coverage for a "family member" who is "occupying" or struck by a vehicle that "you" own that has primary Uninsured Motorists Coverage provided by any other policy. This exclusion does not say that the "family member" cannot recover; it directs the claim to the primary policy for that vehicle. After all, the policy that charged a premium for that vehicle's coverage should be responsible to pay the claim.

People:

There is no Uninsured Motorists Coverage for an insured who settles his or her claim when such settlement prejudices the insurance company’s right to recover from the uninsured motorist. The insured's company
wants to be a part to the negotiations, since the negotiations involve the company's money.

"Occupying" "your covered auto" when it is being used as a public or livery conveyance. This exclusion is the same as in Part A - Liability Coverage. Refer to the fifth exclusion in Lesson 2 to review this discussion.

Using a vehicle without reasonable belief of entitlement to do so. There is no Uninsured Motorists Coverage for the car thief. This exclusion does not apply to a "family member" using a "your covered auto" that you own.

**Workers Compensation / Disability Benefits:**

Uninsured Motorists Coverage will not pay any part of a workers compensation or disability claim that should be paid by either Workers Compensation coverage or Disability Benefits. Just because the injury may be covered by Uninsured Motorists Coverage does not relieve either the workers compensation carrier or the disability insurance company of their responsibilities.

**Punitive or Exemplary Damages:**

There is no Uninsured Motorists Coverage for punitive or exemplary damages. These damages are assessed against a wrong doer for either punishment or to set an example so others won't engage in the same conduct.

For example, if Leigh was injured by a vehicle driving on the sidewalk, a jury might decide that her compensatory damages are $50,000. The jury may also decide that the driver should pay another $100,000 in punitive damages because of his conduct. Leigh's Uninsured Motorists Coverage has a $100,000 limit for bodily injury per person. The policy would pay $50,000 for the compensatory damages and nothing for the punitive damages awarded by the jury.
Lesson 4 Topic D – Conditions

Lesson 4 Topic D Uninsured Motorist: Conditions p1 (PA)

Refer to page 7 of the Personal Auto Policy

As with any insurance policy, certain conditions apply. Let's look at how Limit of Liability and Other Insurance differ from Part A - Liability. We will also introduce Arbitration, which is unique to Uninsured Motorists Coverage.

Lesson 4 Topic D Uninsured Motorist: Conditions p2 (PA)

Learning Objective: Explain intra-policy and inter-policy stacking of limits based on the Limit of Liability and Other Insurance provisions.

Limit of Liability

Refer to page 7 of the Personal Auto Policy

The limit of liability for Uninsured Motorists Coverage is similar to the limit of liability for Part A - Liability. The amount shown in the Declarations is the most that policy will pay regardless of the number of insureds, the number of claims made, or the number of premiums paid or vehicles insured.

You may have heard of the term stacking or the phrase stacking of limits with respect to this coverage. Some states allow for the intra-policy stacking of Uninsured Motorists Coverage. Simply stated, in those states, an insured has the sum of all of the Uninsured Motorists limits that apply to each vehicle on the policy available for an uninsured motorists claim.

Limit of Liability: Example of Stacking:

Suppose that there are three autos on John and Carolyn's policy with an Uninsured Motorists limit of $100,000 each person/$300,000 per accident. In the event of a covered Uninsured Motorists claim, the limit available for injury to one person is the sum of the limits on the declarations, or 3 X $100,000 = $300,000. The limit available for the entire accident is 3 X $300,000 = $900,000.
Lesson 4 Topic D Uninsured Motorist: Conditions p3 (PA)

Learning Objective: Explain intra-policy and inter-policy stacking of limits based on the Limit of Liability and Other Insurance provisions.

Limit of Liability continued

Refer to page 7 of the Personal Auto Policy

The next three Limit of Liability provisions ensure that a person cannot collect twice for the same bill or other part of a loss under more than one coverage or from more than one source of recovery.

Example:

If Carolyn is injured in an auto accident, she can only collect for her medical bills once. She cannot collect for medical bills under Medical Payments and then have the same medical bills paid again under Uninsured Motorists Coverage.

If an uninsured motorist pays some or all of a bodily injury claim directly to an injured insured, the insured's Personal Auto Policy will not pay them again for that part of the claim. This simply prevents the insured from collecting twice for the same bill or expense and profiting from the loss.

If an insured is entitled to be paid for part of a loss under workers compensation or disability benefits law, Uninsured Motorists Coverage will not pay that part of the insured's claim. This provision forces the insured to collect under the mandatory benefits provided by these laws rather than under the Personal Auto Policy.

Lesson 4 Topic D Uninsured Motorist: Conditions p4 (PA)

Learning Objective: Explain intra-policy and inter-policy stacking of limits based on the Limit of Liability and Other Insurance provisions.

Other Insurance

Refer to page 7 of the Personal Auto Policy

Other Insurance consists of three parts.

The first part states if there are other policies with Uninsured Motorists Coverage that also apply to a loss, the maximum payable for damages is limited to the highest limit on any one policy. This provision prohibits inter-policy stacking.

Example:
Becky is injured by an uninsured vehicle while a passenger in Todd’s car. Todd’s Uninsured Motorists limits are 100/300. Becky’s Uninsured Motorists limits are 50/100. The most Becky can recover from both policies combined is $100,000.

The Other Insurance provision for Uninsured Motorists Coverage is different from the Other Insurance Provision in Part A – Liability. It is important to understand this difference when explaining coverage to your insureds.

**Uninsured Motorist:**

Todd’s + Becky’s = $100,000

**Liability:**

Todd’s $100,000 + Becky’s $50,000 = $150,000

| Note: | This differs from Part A – Liability. Let’s say that Becky was driving Todd’s car when she had an at-fault accident. Becky could be protected by Todd’s 100/300 liability limits and all of her 50/100 liability limits. |

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*Lesson 4 Topic D Uninsured Motorist: Conditions p5 (PA)*

**Learning Objective:** Explain intra-policy and inter-policy stacking of limits based on the Limit of Liability and Other Insurance provisions.

*Other Insurance continued*

*Refer to page 7 of the Personal Auto Policy*

The second part of this provision states that any coverage provided by this policy to an insured “occupying” a vehicle not owned, including any vehicle while used as a temporary substitute for “your covered auto”, is excess over any coverage that is primary on that vehicle.

**Example:**

If John is riding in a friend’s car that is struck by an at fault uninsured motor vehicle, the Uninsured Motorists Coverage provided by the Personal Auto Policy covering the friend’s car is primary coverage for Uninsured Motorists Coverage. The Uninsured Motorists Coverage of John’s Personal Auto Policy is excess over the friend’s policy.
Learning Objective: Explain intra-policy and inter-policy stacking of limits based on the Limit of Liability and Other Insurance provisions.

Other Insurance continued

Refer to page 7 of the Personal Auto Policy

The third part states that if there is more than one policy that provides coverage on a primary basis, the policy will only pay its share of the loss.

Example:

If two policies provide Uninsured Motorists Coverage on a primary basis, they would share proportionately. If Policy A provides 100/300 UM, and Policy B provides 50/100 UM, Policy A would pay 2/3 of the loss and Policy B would pay 1/3 of the loss, each up to their limit of coverage. The same applies if there is more than one policy that provides coverage on an excess basis.

Like the Limit Of Liability, this provision may also be different in your state.

Arbitration

Refer to page 7 of the Personal Auto Policy

This provision provides a method of resolving disputes between the insured and the company when they disagree as to whether or not an insured is legally entitled to collect from the uninsured motorist and/or the amount of recovery the insured is entitled to receive. You will recall that legally entitled means that the uninsured motorist is negligent and owes the insured for damages caused by the negligence. Both parties must agree to arbitration. The Arbitration provision may be different in your state.

Example

The Process Is:

- The insured chooses an arbitrator.
The company chooses an arbitrator.

The two arbitrators choose a third arbitrator.

The company and the insured each pay their own expenses and share the expenses of the third arbitrator equally. If two of the three arbitrators agree as to whether or not the insured is legally entitled to recover damages, the decision is binding.

If two of the three agree on the amount of damages, the decision is binding up to the minimum limit for bodily injury in the state where "your covered auto" is principally garaged. If the amount exceeds this amount, either party may within 60 days of the decision demand a trial.

| Tip: | Arbitration cannot be used to settle disagreements about whether or not there is Uninsured Motorists coverage. For example, the insured cannot use arbitration if he/she disagrees with the insurance company denying coverage based on an exclusion in the coverage form. |

Lesson 4 Topic D Uninsured Motorist: Conditions p8 (PA)

Because of state laws, the Uninsured Motorists Form used in your state is likely to differ from the Part C - Uninsured Motorists Coverage section of the Personal Auto Policy studied in this course. After you have completed this course, you might want to obtain a copy of your state-specific Uninsured Motorist Coverage form and compare it to what you have studied in this course. It is important to know those differences so that you can explain the coverage correctly to your clients.
Lesson 4 Topic E – Underinsured Motorists Coverage

Lesson 4 Topic E UiM Coverage p1 (PA)

Learning Objective: Explain the coverage provided by Underinsured Motorists Coverage, including the difference between a Limits Trigger and a Damages Trigger.

Refer to the Underinsured Motorists Coverage form.

As mentioned at the beginning of this section, coverage for Underinsured Motorist is provided:

- by being included in a state-specific Uninsured Motorists Coverage form OR
- by a separate Underinsured Motorists Coverage endorsement.

For the non-state specific Personal Auto Policy we are studying in this course, Underinsured Motorists Coverage is provided by a separate endorsement.

The majority of this endorsement is identical to the Part C - Uninsured Motorist section we just studied.

Lesson 4 Topic E UiM Coverage p2 (PA)

Learning Objective: Explain the coverage provided by Underinsured Motorists Coverage, including the difference between a Limits Trigger and a Damages Trigger

Underinsured Motorists Coverage

Underinsured Motorists Coverage is frequently thought of as the coverage for an insured when the person who is at-fault for the accident does not have enough liability insurance to pay for the “bodily injury” he or she caused.

However, in the non-state specific Underinsured Motorists Coverage endorsement, an “Underinsured Motor Vehicle” is defined as a land motor vehicle or trailer of any type to which a bodily injury liability bond or policy applies at the time of the accident but its limit for bodily injury liability is less than the limit of liability for this coverage.

There is a significant difference between the two. Let's see how the difference impacts the amount an insured can recover.
Lesson 4 Topic E UiM Coverage p3 (PA)

Learning Objective: Explain the coverage provided by Underinsured Motorists Coverage, including the difference between a Limits Trigger and a Damages Trigger

Underinsured Motorists (UIM)

It is important to understand what is required for an insured to be eligible to recover damages from his or her Underinsured Motorists Coverage.

In this form, the trigger of coverage is when the at-fault driver’s liability limits are lower than the insured’s Underinsured Motorists Coverage.

The insured is only entitled to collect up to the difference between the two limits.

Example:

John and Carolyn have Underinsured Motorists Coverage with limits of $100,000/$300,000.

Situation:

John and Carolyn's car is stopped at a red light when the driver of the car behind his fails to stop and hits their car. The other driver is clearly at fault and has a Personal Auto Policy with Liability Limits of $50,000/$100,000 Bodily Injury.

John and Carolyn are injured. John’s bodily injury (BI) claim is $120,000 and Carolyn’s is $60,000.

Math:

<table>
<thead>
<tr>
<th></th>
<th>John</th>
<th>Carolyn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total BI Claim</td>
<td>$120,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Paid from Other Driver’s Liability</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Their Underinsured Motorists Coverage</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

Their $100,000 UIM BI Per Person Limit minus $50,000 from Other Driver’s BI Limit = Up to $50,000 available to John. John will collect $50,000 from their Underinsured Motorists Coverage. $20,000 of his claim is not covered.

Their $100,000 UIM BI Per Person Limit minus $50,000 from Other Driver’s BI Limit = Up to $50,000 available to Carolyn. Carolyn will collect $10,000 from their Underinsured Motorists Coverage.

Note: The $60,000 UIM BI Claim (John’s $50,000 and Carolyn’s $10,000) is within their $300,000 UIM BI Each Occurrence Limit. (Their BI Each Occurrence Limit of $300,000 less the other driver’s BI Each

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Occurrence Limit of $100,000 = $200,000.)

Lesson 4 Topic E UIM Coverage p4 (PA)

Learning Objective: Explain the coverage provided by Underinsured Motorists Coverage, including the difference between a Limits Trigger and a Damages Trigger.

Underinsured Motorists (UIM)

Let’s look at another example where the other driver’s Liability Coverage is the same as the insured’s Underinsured Motorists Limit.

Example:

John and Carolyn have Underinsured Motorists Coverage with Limits of $100,000/$300,000.

Situation:

John and Carolyn’s car is hit when the at-fault driver goes right through a red light. Both John and Carolyn are injured. The other driver is clearly at fault and has a Personal Auto Policy with Liability Limits of $100,000/$300,000 Bodily Injury.

John and Carolyn are injured. John’s bodily injury (BI) claim for his medical expenses, loss of income, and pain/suffering/mental anguish is $200,000 and Carolyn’s is $80,000.

Math:

<table>
<thead>
<tr>
<th>This is how it works:</th>
<th>John</th>
<th>Carolyn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total BI Claim</td>
<td>$200,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Paid from Other Driver’s Liability</td>
<td>$100,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Their Underinsured Motorists Coverage</td>
<td>Nothing will be paid</td>
<td>Nothing will be paid as Carolyn has been compensated for her loss by the at-fault driver</td>
</tr>
<tr>
<td></td>
<td>Their $100,000 UIM BI Per Person Limit minus $100,000 from Other Driver’s BI Limit = - Available</td>
<td></td>
</tr>
</tbody>
</table>
Lesson 4 Topic E UiM Coverage p5 (PA)

Underinsured Motorists (UIM)

It is important to understand that in over half of the states, Underinsured Motorists Coverage is not triggered by the at-fault person’s Bodily Injury Limits as required in this Underinsured Motorists Coverage endorsement. In these states, coverage is instead triggered by the insured’s damages.

If the at-fault driver’s Liability Coverage is not enough to pay the insured’s damages, the insured’s Underinsured Motorists Coverage provides coverage.

Let’s look at John’s Underinsured Motorists claim again. This time we will determine coverage as if John was in a damages trigger state.

Example:

John and Carolyn have Underinsured Motorists Coverage with limits of $100,000/$300,000.

Situation:

John and Carolyn’s car is hit when the at-fault driver goes right through a red light. Both John and Carolyn are injured. The other driver is clearly at fault and has a Personal Auto Policy with Liability Limits of $100,000/$300,000 Bodily Injury.

John and Carolyn are injured. John’s bodily injury (BI) claim for his medical expenses, loss of income, and pain/suffering/mental anguish is $200,000 and Carolyn’s is $80,000.

Math:

<table>
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<tbody>
<tr>
<td>Total BI Claim</td>
<td>$200,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Paid from Other Driver’s Liability</td>
<td>$100,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Their Underinsured Motorists Coverage</td>
<td>The other driver’s limit is not enough to pay for John’s Damages</td>
<td>Nothing will be paid as Carolyn has been compensated for her loss by the at-fault driver.</td>
</tr>
</tbody>
</table>

John can collect his remaining $100,000 from their Underinsured Motorists Coverage BI Per Person Limit.
Lesson 4 Topic E UIM Coverage p6 (PA)

It is very important to know how Underinsured Motorists Coverage is triggered in the states where you do business so that coverage can be correctly explained to your clients.

Telling a client that Underinsured Motorists Coverage protects them in case the at-fault driver doesn’t have enough coverage to compensate them for their injuries would not be a correct statement in a limits “trigger” state.

In a limits “trigger” state, Underinsured Motorists will only pay for the difference between the at-fault driver’s liability limits and the insured’s Underinsured Motorists limit.
Lesson 4 Topic F – State Specific Uninsured/Underinsured Motorist Coverage

Just as UM/UIM coverage can differ state-to-state, so can the requirements for offering UM/UIM coverage.

Some states require that UM/UIM coverage be included, while other states allow the named insured to reject this coverage.

Some states require the agent or insurance company to offer the same limits as Part A - Liability, while other states may allow lower UM/UIM limits.

It is important to understand any UM/UIM regulatory requirements in the states where you do business.

Please refer to the end of Lesson 4 Topic F to complete Self Quiz 7 at this time.
Lesson 5 – Coverage For Damage To Your Auto

Lesson 5 Coverage for Damage to your Auto Intro p1 (PA)

Part D - Coverage For Damage to Your Auto is different than the first three parts of the policy. We have been talking about injuries to people, and we are now going to discuss coverage for damage to an auto. Our discussion will focus on how the PAP covers damage to autos. We will study:

- The Insuring Agreement
- Transportation Expenses
- Exclusions
- Conditions

Lesson 5 Coverage for Damage to Your Auto Intro p2 (PA)

Lesson 5

Learning Objectives:

1. Determine whether or not specific claims are covered by Coverage For Damage to Your Auto as "Collision" or Other Than "Collision".
2. Explain whether or not a "non-owned auto" is covered for Other than "Collision" and/or "Collision".
3. Determine whether or not an auto that is not owned by an insured is a "non-owned auto" as defined in Part D - Coverage For Damage To Your Auto.
4. Explain the Transportation Expenses covered by the Personal Auto Policy.
5. Explain whether or not a "non-owned vehicle" is covered for physical damage.
6. Determine whether or not specific electronic equipment is covered by Coverage For Damage to Your Auto and recommend the appropriate endorsement to provide coverage for property otherwise limited or excluded.
7. Understand how limits of liability are applied under Coverage for Damage to Your Auto.
8. Determine whether or not a given type of property is covered by Coverage For Damage to Your Auto and recommend the appropriate endorsement to provide coverage for property otherwise limited or excluded.
9. Describe specific policy conditions for Coverage for Damage to Your Auto.
10. Identify the exposures created by the renting of a car.
11. Explain the physical damage coverage provided for a rental car.
Lesson 5 Coverage for Damage to Your Auto Intro p3 (PA)

Forms that you need to print for this lesson:

- PP 03 02 Optional Limits Transportation Expenses Coverages
- PP 03 07 Trailer/Camper Body Coverage
- PP 03 13 Excess Electronic Equipment Coverage
- PP 13 06 Custom Equipment Exclusion Endorsement
- PP 03 18 Customizing Equipment
- PP 13 02 Trip Interruption

Forms you have printed and will need for this lesson

- PP 00 01 Personal Auto Policy
Lesson 5 Topic A – Insuring Agreement

Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p1 (PA)

Learning Objective: Describe the coverage provided by Damage to Your Auto.

Refer to page 8 of the Personal Auto Policy.

The Insuring Agreement for this coverage part of the policy contains three parts. Understanding these three elements will better enable you to apply the coverage provided. They are:

- The type of loss covered
- Two types of coverage: "collision" and other than "collision"
- The two-part definition of "non-owned auto"

Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p2 (PA)

Learning Objective: Describe the coverage provided by Damage to Your Auto.

The Coverage Provided

Refer to page 8 of the Personal Auto Policy.

The coverage provided by this part of the policy is for direct and accidental loss to "your covered auto" or any "non-owned auto", less any deductible. There are several important terms used in the very first part of this insuring agreement that need to be understood before we go any further in this coverage part.

Direct:

First, it covers a direct loss; that is, the damage to either a “your covered auto” or a “non-owned auto”. It does not include indirect damage such as:

1. Loss of use (Note: Limited coverage for Loss of Use will be provided in the next section, Transportation Expenses.)

   Or

2. Diminution in value (Note: Diminution in value will be discussed later in this section.)

Accidental:

The second term requiring attention is "accidental". The damage cannot be intentional from the standpoint of an insured.
When we look at the Part D Exclusions, you will not find an exclusion for intentional damage since the Insuring Agreement only provides coverage for an accidental loss.

There is no need to exclude something that wasn’t covered to begin with.

“Your Covered Auto”:

The third term that requires understanding is “your covered auto”.

We previously defined this term in Lesson 1.

Please navigate back to Lesson 1 Topic B to review the definition.

“Non-owned Auto”:

The fourth term is "non-owned auto".

This is a defined term introduced in this section of the policy, and it will be defined in the third part of the Insuring Agreement.

Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p3 (PA)

Learning Objective: Describe the coverage provided by Damage to Your Auto.

Coverage Provided Continued

Refer to page 8 of the Personal Auto Policy.

The Insuring Agreement continues by stating the loss will be paid minus any deductible for a “your covered auto” only if the loss is caused by Other Than “Collision” and the Declarations show this coverage is provided for that “your covered auto” or the loss was caused by “Collision” and the Declarations show Collision Coverage was provided for that “your covered auto”. Simply stated, if the coverage is not shown in the declarations, there is no coverage!

The Insuring Agreement ends by stating that for a “non-owned auto”, the company will provide the broadest coverage applicable to a “your covered auto” as shown in the Declarations. Even without knowing the definition of “non-owned auto”, we know that if there is not a vehicle in the Declarations with Other Than “Collision”, there is no Other Than “Collision” Coverage for a “non-owned auto”. The same is true for “Collision”.
Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p4 (PA)

Learning Objective: Determine whether or not specific claims are covered by Coverage For Damage to Your Auto as "Collision" or Other Than "Collision".

Two Types of Coverage - "Collision" and Other than "Collision"

Refer to page 8 of the Personal Auto Policy.

1. "Collision"

"Collision" is defined as the upset of "your covered auto" or a "non-owned auto" or the impact with any other object, including another auto. "Collision" is covered only if there is a premium shown for "collision".

Examples include impact with a tree, another car, a building, a pedestrian, a ditch, a bridge or a utility pole.

Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p5 (PA)

Learning Objective: Determine whether or not specific claims are covered by Coverage For Damage to Your Auto as "Collision" or Other Than "Collision".

"Collision" and OTC continued

Refer to page 8 of the Personal Auto Policy.

2. Other Than “Collision”

Other than "collision" (OTC) is not defined in the policy. While the policy lists ten specific causes of loss that are considered OTC, this list is not all inclusive. OTC is open peril coverage, which means every cause of direct and accidental damage to a "your covered auto" or a "non-owned auto" that is not excluded or not "collision" is considered OTC.

To deny coverage for an OTC claim, the company must prove that a loss was either caused by “collision” or is excluded in the Exclusions section.

- Missiles or Falling Objects
- Fire
- Theft or Larceny
- Explosion or Earthquake
- Windstorm
Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p6 (PA)

Learning Objective: Determine whether or not specific claims are covered by Coverage For Damage to Your Auto as "Collision" or Other Than "Collision".

"Collision" and OTC continued

Refer to page 8 of the Personal Auto Policy.

If the insured’s car collides with an animal, the damage to the “your covered auto” or “non-owned auto” is covered by OTC and not “collision.”

If glass breaks as the result of a “collision”, the named insured can choose to have it covered under "collision“ rather than OTC. This option is provided to give the named insured the flexibility to avoid paying two deductibles when glass is broken by a "collision" that also damages other parts of the auto. By including the glass breakage as “collision”, only the “collision” deductible applies.

Example 1: The sun heats the inside of John’s parked car causing the windshield to break.

Example 2: Bert’s car is damaged when he collided with an elk on the highway.

Example 3: John’s car is destroyed by a tornado.

Example 4: Heather’s dog chewed up the leather headrests, visors and gearshift knob in her car.

Example 5: Stephanie’s car is stolen from her driveway.

Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p7 (PA)

Learning Objective: Determine whether or not an auto that is not owned by an insured is a "non-owned auto" for Coverage For Damage to Your Auto.

Definition of "Non-Owned Auto"
Refer to page 8 of the Personal Auto Policy.

The third and final part of the Insuring Agreement is the definition of "non-owned auto". This definition is important as the policy only extends the "collision" and other than "collision" coverage provided for a "your covered auto" to a borrowed or rented vehicle that falls within the definition of a "non-owned auto".

The definition of "non-owned auto" is a two-part definition. For a vehicle to be a "non-owned auto", it must fit into either Part 1 or Part 2 of this definition.

A borrowed or rented vehicle that does not fit into either part will not be covered for the "collision" or "other than collision" damage. Knowing whether Part 1 or Part 2 applies is important. Part 1 and Part 2 differentiate between the reason the vehicle is borrowed or rented and the type of vehicle borrowed or rented.

### Part 1 Definition

<table>
<thead>
<tr>
<th>“Non-Owned Auto”</th>
<th>Other Than a Temporary Substitute Vehicle</th>
</tr>
</thead>
</table>

### Part 2 Definition

Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p8 (PA)

Learning Objective: Determine whether or not an auto that is not owned by an insured is a "non-owned auto" for Coverage For Damage to Your Auto.

Non-Owned Auto continued

Refer to page 8 of the Personal Auto Policy.

Definition of "Non-Own Auto" : Part 1

Part 1 defines a “non-owned auto” as one that is not being used as a temporary substitute vehicle. This is a vehicle being used, for example, just because:

- The insured wants a rental car while on vacation or out of town on a business trip.
- The insured borrows a friend’s pickup truck to move household furnishings to a new home.
- The insured is out with a friend and the friend asks the insured to drive the car.
- The insured drives another auto for any reason other than a temporary substitute needed for a “your covered auto”.

The only vehicles included in this part of the definition are private passenger autos, pickups, vans or “trailers”. They cannot be owned by OR furnished/available for the regular use of the named insured or a “family member”.

### Part 2 Definition

<table>
<thead>
<tr>
<th>“Non-Owned Auto”</th>
<th>Other Than a Temporary Substitute Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Trailer”</td>
<td>Van</td>
</tr>
</tbody>
</table>

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Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p9 (PA)

Learning Objective: Determine whether or not an auto that is not owned by an insured is a "non-owned auto" for Coverage For Damage to Your Auto.

Non-Owned Auto continued

Refer to page 8 of the Personal Auto Policy.

Definition of "Non-Owned Auto“: Part 2

Part 2 defines a “non-owned auto” as any auto (not owned by the named insured) being used as a temporary substitute because a “your covered auto” is out of normal use due to its breakdown, repair, servicing, loss or destruction. The insured is not limited to a private passenger auto, pickup, van or trailer when using a vehicle as a temporary substitute.

Tip: Remember that any type of auto can be a temporary substitute, not just a private passenger auto, pickup, van or "trailer".

Please refer to Lesson 5 Topic A Cov Damage To Your Auto: Insuring Agreement p10-11 (PA) to complete the Knowledge Checks at this time.

Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p12 (PA)

Learning Objective: Determine whether or not an auto that is not owned by an insured is a "non-owned auto" for Coverage For Damage to Your Auto.

Non-Owned Auto continued

In summary, an auto borrowed or rented by "you" or a "family member" is covered for Damage to Your Auto if the borrowed auto fits the definition of "non-owned auto" and the policy provides "collision" and/or other than "collision" coverage for any vehicle in the Declarations. But remember, the purpose of the usage of the vehicle and the type of the vehicle will determine whether or not the vehicle is a "non-owned auto" by definition.

Example 1:

Scott and Sheila have a Personal Auto Policy, which includes "collision" and other than "collision" (OTC)
coverage. Scott borrows his neighbor's car and is involved in an accident damaging the neighbor's car. Scott and Sheila's "collision" coverage is available to cover the neighbor's car.

(However, any coverage provided by Scott and Sheila's policy is excess over coverage the neighbor has on the car as we will see later in this course.)

Example 2:

Brett has a Personal Auto Policy with liability coverage only. While on a business trip he rents a car. He has an at-fault accident in the rental car and turns the claim into his auto insurance company. While the rental car is a "non-owned auto" by definition, Brett does not have "collision" coverage on his policy, so he does not have "collision" coverage for the damage to the rental car.

---

Lesson 5 Topic A Coverage for Damage to your Auto: Insuring Agreement p13 (PA)

<table>
<thead>
<tr>
<th>Note:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Insuring Agreement is amended if the Custom Equipment Exclusion Endorsement (PP 13 06) is attached to the policy. This endorsement adds the definition of &quot;Custom equipment&quot;.</td>
</tr>
</tbody>
</table>

We will learn more about this endorsement in Lesson 5 Topic C.

Remember to look for differences between the ISO Forms that we study in this course and the specific forms that are used by your companies.

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Please refer to Lesson 5 Topic A Cov for Damage to Your Auto: Insuring Agreement p14-16 (PA) to complete the Knowledge Checks at this time.
Lesson 5 Topic B – Transportation Expenses

Lesson 5 Topic B Coverage for Damage to your Auto: Transportation Expenses p1 (PA)

Learning Objective: Explain the Transportation Expenses covered by the Personal Auto Policy.

Refer to page 8 of the Personal Auto Policy.

In this topic we will talk about transportation expenses covered by the Personal Auto Policy. Specifically, we discuss:

- What is Covered?
- Endorsements to Add or Increase Coverage

Lesson 5 Topic B Coverage for Damage to your Auto: Transportation Expenses p2 (PA)

Learning Objective: Explain the Transportation Expenses covered by the Personal Auto Policy.

What is Covered?

Refer to page 8 of the Personal Auto Policy.

The ISO Personal Auto Policy automatically provides coverage for transportation expenses if they are the result of a covered “collision” or OTC loss. (Remember, for "collision" or OTC to be a covered loss for a "your covered auto", that coverage must be indicated in the Declarations for that auto. For "collision" or OTC to be a covered loss for a “non-owned auto”, that coverage must be indicated in the Declarations for at least one vehicle.)

There are two types of expenses covered:

1. The first is for temporary transportation needed as the result of a covered loss to a "your covered auto".
2. The second is for expenses for which a named insured becomes liable due to a covered loss to a "non-owned auto".

The policy will pay a maximum of $20 per day for a covered loss to a "your covered auto" or a "non-owned auto". The maximum the company will pay for all transportation expenses is $600 per loss. There is no deductible for Transportation Expenses. Any deductible will be applied to the OTC or “collision” damage.

This coverage is limited to the $20 per day/$600 per loss, not to exceed the period of time reasonably required to repair or replace the damaged auto.
Tip: Many Personal Auto Policies do not provide Transportation Expenses Coverage except by endorsement.

Lesson 5 Topic B Coverage for Damage to your Auto: Transportation Expenses p3 (PA)

Learning Objective: Explain the Transportation Expenses covered by the Personal Auto Policy.

What is Covered continued

Refer to page 8 of the Personal Auto Policy.

1. “Your Covered Auto”

Expenses for "your covered auto" include any expense the named insured incurs for temporary transportation. We usually think of this as the expense of renting a car to use while the "your covered auto" is unavailable. It also includes any other expense the named insured incurs, such as taxi fares, bus fares, or money paid to a friend or relative for transportation.

2. “Non-owned Auto”

Expenses for a "non-owned auto" only apply to expenses for which the named insured is liable. A good example is a per day charge by the rental car agency for the loss of use of the rental car due to the damage and/or the Administrative Fee charged by rental car companies for claims processing. It could also include the loss of use expense incurred by the owner of a car a named insured borrows, if the named insured is liable.

Lesson 5 Topic B Coverage for Damage to your Auto: Transportation Expenses p4 (PA)

Learning Objective: Explain the Transportation Expenses covered by the Personal Auto Policy.

Waiting Period for Payment of Transportation Expenses

Refer to page 8 of the Personal Auto Policy.

Waiting Period

There is a waiting period. However, the length of the waiting period depends upon the type of loss to the auto.

- If the loss is due to a total theft of the auto, transportation expenses will be paid beginning 48 hours after the theft.
- If the loss is other than theft, Transportation Expenses will be paid beginning 24 hours after the auto is withdrawn from use.

**Lesson 5 Topic B Coverage for Damage to your Auto: Transportation Expenses p5 (PA)**

**Learning Objective: Explain the Transportation Expenses covered by the Personal Auto Policy.**

**Increasing the Amount Available for Transportation Expenses**

Refer to page 8 of the Personal Auto Policy.

The basic limits of $20 per day/$600 maximum may not be sufficient. The $20 per day is more than likely not going to be enough to pay for a rental car when there is a loss to a “your covered auto”. And, clients that drive an expensive vehicle want to drive a similar vehicle while theirs is being repaired or replaced - $20 per day will typically not cover the cost of a higher-valued rental car.

What about transportation expenses for the rental car? When a rental car company holds the named insured responsible for loss of use that is the result of damage to the rental car, the per day charge is typically in excess of $20 per day. Any loss of use in excess of $20 per day/$600 maximum becomes the responsibility of the named insured.

**Lesson 5 Topic B Coverage for Damage to your Auto: Transportation Expenses p6 (PA)**

**Learning Objective: Explain the Transportation Expenses covered by the Personal Auto Policy.**

**Transportation Expenses continued**

**Example:**

Janie had an accident in a car she rented from a national car rental company. The car rental company is holding Janie responsible for $50 per day for the 7 days the car was unable to be rented because of the damage. Janie’s Personal Auto Policy would pay nothing for the first 24 hours, then it would pay $20 per day; she is then responsible for the first day and $30 for each of the remaining 6 days. This is a total out-of-pocket expense of $230.00.

The $20 per day/$600 maximum can be increased by using the Optional Limits Transportation Expenses Coverage endorsement (PP 03 02).

In the ISO program, the higher limits of transportation expenses coverage can be purchased in the amounts of $30 per day/$900 maximum, $40/$1200 and $50/$1500. Individual companies have different maximums
in their policy and allow additional increases by endorsement.

Lesson 5 Topic B Coverage for Damage to your Auto: Transportation Expenses p7 (PA)

Learning Objective: Explain the Transportation Expenses covered by the Personal Auto Policy.

Trip Interruption Coverage

The Trip Interruption Coverage endorsement (PP 13 02) provides for extra expenses incurred when a covered physical damage loss, or a mechanical or electrical breakdown, occurs away from the insured's home.

- Coverage for reasonable transportation expenses in the event of a mechanical or electrical breakdown.
- Coverage for expenses incurred for lodging and meals in the event of either a covered physical damage loss, or a mechanical or electrical breakdown.
- The maximum coverage amount available is $600 without application of a deductible.
- Coverage will be available only for losses occurring more than 100 miles from the named insured's home.
- Coverage shall apply only if the owned auto is withdrawn from use for more than 24 hours.
- Trip Interruption Coverage will be excess over any other collectible source of recovery including but not limited to, coverage provided by vehicle warranties, automobile clubs, mechanical breakdown or any other similar plans.

Lesson 5 Topic B Coverage for Damage to your Auto: Transportation Expenses p8 (PA)

Learning Objective: Explain the Transportation Expenses covered by the Personal Auto Policy.

Trip Interruption Coverage continued

Example:

Todd and Denise are driving from their home in Little Rock, Arkansas to Yellowstone National Park. About the time they cross the border into Wyoming, their car breaks down. They have it towed to the closest auto repair shop where they learn it will take 4 days to fix their car. They have to stay in a hotel and eat at a restaurant for those four days.

The first day is not covered by the Trip Interruption Coverage endorsement as the “your covered auto” has to be withdrawn from use for at least 24 hours. They are over 100 miles from home, so they are entitled to
reasonable expenses for the hotel and restaurant up to the $600 maximum for the remaining 3 days.

Please refer to the end of Lesson 5 Topic B to complete Self Quiz 8 at this time.
Lesson 5 Topic C – Exclusions

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p1 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Refer to pages 9 & 10 of the Personal Auto Policy

There are 13 exclusions in the Coverage for Damage to Your Auto part of the Personal Auto Policy.

1. Public or Livery Use
2. Wear and Tear, Freezing, Mechanical or Electrical Breakdown, Road Damage to Tires
3. Radioactive Contamination, Nuclear Weapon Discharge, War, Insurrection, etc.
4. Electronic Equipment that is Not Permanently Installed
5. Tapes, Records, Discs or Other Media Used With Electronic Equipment
6. Total Loss by Destruction or Confiscation of the Auto by Governmental or Civil Authorities
7. "Trailer", Camper Body or Motor Home Not in the Declarations
8. “Non-owned Auto” Used Without Reasonable Belief of Entitlement
9. Radar and Laser Detectors
10. Custom Furnishings in Pickups and Vans
11. “Non-owned Auto” Used in the Automobile Business
12. Racing in a Facility Designed for Racing
13. Loss to or Loss of Use of a Rental Car Under Certain Circumstances

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p2 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions

Refer to page 9 of the Personal Auto Policy.

1. Public or Livery Use

Coverage For Damage To Your Auto does not apply while the auto is being used as a public or livery conveyance. This exclusion means the same thing in this part of the policy that it meant in Liability and Medical Payments Coverage. Please navigate back to the Public or Livery Use exclusion in Lesson 2 of this course for a brief review.

Tip: This exclusion does not apply to a share-the-expense car pool.
2. Wear and Tear, Freezing, Mechanical or Electrical Breakdown, Road Damage to Tires

This policy provides coverage for direct and accidental losses. It is not a maintenance policy and therefore wear and tear, freezing, breakdown, and road damage to tires are excluded. There are two exceptions to this exclusion. This exclusion does not apply if the damage results from the total theft of a “your covered auto” or a “non-owned auto”. Also, if damage ensues from a mechanical or electrical breakdown, the ensuing damage is covered.

Example 1: Theft

A thief drives the auto with no water in the radiator and the engine heats up and seizes. This loss is covered, because the auto was stolen. If the insured drives the auto with no water in the radiator and damages the engine, the damage is excluded.

Example 2: Breakdown

The fuel injection system in John’s car breaks down and causes a fire. The fire does $4,000 damage to the front of the car. The $4,000 damage done by the fire is covered. The cost of repairing or replacing the fuel injection system is not covered.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p3 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

Refer to page 9 of the Personal Auto Policy.

3. Radioactive Contamination, Nuclear Weapon Discharge, War, Insurrection, etc.

This takes away coverage for several catastrophic types of loss which would cause such widespread damage that insurance companies could not pay all of the losses and remain financially sound.

4. Any Electronic Equipment

All electronic equipment that is designed for the reproduction, reception, or transmission of audio, visual, or data signals is excluded. Examples of electronic equipment are listed in the exclusion; however, the exclusion is not limited to electronic equipment on the list. All electronic equipment is excluded.

a. Radios and stereos;
b. Tape decks;
c. Compact disk systems;
d. Navigation systems;
e. Internet access systems;
f. Personal computers;
g. Video entertainment systems;
h. Telephones;
i. Televisions;
j. Two-way mobile radios;
k. Scanners; or
l. Citizens band radios.

An exception in the exclusion states that it does not apply to electronic equipment that is permanently installed in "your covered auto" or any "non-owned auto". Therefore, permanently installed electronic equipment is not subject to this exclusion and it would be covered.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p4 (PA)

Learning Objective: Determine whether or not specific electronic equipment is covered by Coverage For Damage to Your Auto and recommend the appropriate endorsement to provide coverage for property otherwise limited or excluded.

Coverage for Damage to Your Auto: 13 Exclusions continued

Refer to page 9 of the Personal Auto Policy.

More about the Exception for Permanently Installed Equipment

There is one additional factor that must be considered with permanently installed electronic equipment. If the electronic equipment is permanently installed in a location not used by the manufacturer for the installation of such equipment, it is limited to $1,000 per loss. We will see this sub-limit when we discuss the Limit of Liability provision later in this lesson.

If the insured has more than $1,000 in electronic equipment permanently installed in the auto in locations NOT used by the manufacturer for the installation of such equipment, the limit can be increased using the Excess Electronic Equipment Coverage endorsement (PP 03 13).

This endorsement is used to increase the limit from $1,000 to the limit shown in the schedule. It is important for insureds to understand that they may not receive the amount shown in the schedule at the time of the loss, as this is not an agreed value endorsement.

The loss payment is still subject to the loss settlement provisions found in the Limit of liability that we will discuss later in this lesson. This endorsement also provides $200 for tapes, records, disks and other media used with permanently installed electronic equipment.
Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p5 (PA)

Learning Objective: Determine whether or not specific electronic equipment is covered by Coverage For Damage to Your Auto and recommend the appropriate endorsement to provide coverage for property otherwise limited or excluded.

Coverage for Damage to Your Auto: 13 Exclusions continued

Example

Amy installed a new sound system in her car. It included a $700 CD player installed in the dash, new $500 speakers in both doors, and a $1,500 amplifier bolted in the hatchback. Her car was broken into and her sound system was stolen. How will her Personal Auto Policy cover the theft of her electronic equipment?

<table>
<thead>
<tr>
<th>Electronic Equipment</th>
<th>Covered, Limited or Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD Player</td>
<td>Covered – permanently installed in a place used by the auto manufacturer.</td>
</tr>
<tr>
<td>Speakers</td>
<td>Covered – permanently installed in a place used by the auto manufacturer.</td>
</tr>
<tr>
<td>Amplifier</td>
<td>Covered – Limited to $1,000 as permanently installed in a place not used by an auto manufacturer.</td>
</tr>
</tbody>
</table>

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p6 (PA)

In recent years, navigational systems, sophisticated sound systems, internet access systems, built-in DVD players, telephones and other electronic equipment have become standard equipment in many vehicles. If not installed by the auto manufacturer, many types of electronic equipment are installed after the vehicle purchase. While the ISO Personal Auto Policy automatically provides coverage for permanently installed electronic equipment, many other personal auto policies do not.

It is important to ask clients specifically about electronic equipment, especially in pickups, vans and sport utility vehicles so that coverage can be provided for electronic equipment that may otherwise be limited or excluded.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p7 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

5. Tapes, Records, Discs or Other Media
This exclusion applies to tapes, records, discs, or media used with the electronic equipment discussed in exclusion four. The insured can purchase up to $200 in coverage for these items with the Excess Electronic Equipment Coverage Endorsement (PP 03 13).

**Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p8 (PA)**

**Learning Objective:** Apply the Coverage for Damage to Your Auto exclusions to specific claims.

**Coverage for Damage to Your Auto: 13 Exclusions continued**

Refer to page 9 of the Personal Auto Policy.

6. **Total Loss by Destruction or Confiscation of the Auto by a Governmental Unit**

There is no coverage for a total loss to a "your covered auto" or a "non-owned auto" because it is destroyed or confiscated by a governmental unit. The exclusion does not apply to the interest of a Loss Payee, so the bank or finance company will be paid the balance of the loan, up to actual cash value of the auto.

**Example 1:**

An insured uses a "your covered auto", worth $20,000 to deliver illegal drugs and the government confiscates the car and sells it. There is no coverage for the loss of the car.

**Example 2:**

Using the same example, let's say there was a loan on the car with a $12,000 balance. The bank is listed as a loss payee on the policy. Since the loan balance is under the $20,000 value of the car, the bank would be paid for the $12,000 outstanding loan. Nothing would be paid to the named insured.

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**Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p9 (PA)**

**Learning Objective:** Apply the Coverage for Damage to Your Auto exclusions to specific claims.

**Coverage for Damage to Your Auto: 13 Exclusions continued**

Refer to page 9 of the Personal Auto Policy.

7. **"Trailer", Camper Body or Motor Home**

This exclusion begins by removing coverage for any of the following that are not shown in the Declarations.
“Trailer”
Camper Body
Motor Home

The exclusion continues by taking away coverage for facilities or equipment used with these vehicles. Facilities or equipment can be anything used with the vehicle. The policy states these include but are not limited to:

- Cooking, dining, plumbing or refrigeration equipment
- Awnings or cabanas
- Any other facilities or equipment used with any these vehicles

As you can see, this exclusion takes away coverage for travel "trailers" and anything in them that makes them travel "trailers" and for camper bodies that have cooking and sleeping facilities.

Coverage can be provided for loss to "trailers" and camper bodies using the Trailer/Camper Body Coverage (Maximum Limit of Liability) endorsement (PP 03 07).

There is no coverage for a motor home or anything in the motor home.

In Lesson 1 we discussed that coverage can be provided for a motor home using the Miscellaneous Type Vehicle Endorsement PP 03 23 and the Miscellaneous Type Vehicle Amendment (Motor Homes) PP 03 28.

There are two exceptions to this "trailer", camper body or motor home exclusion.

- This exclusion does not apply to a non-owned "trailer"
- This exclusion does not apply to a "trailer" or a camper body, including facilities or equipment in or attached to the "trailer" or camper body if it is acquired by the named insured during the policy period and it is reported to the company within 14 days.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p10 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

8. Non-owned Autos Used Without Reasonable Belief of Entitlement

There is no coverage for damage to a "non-owned auto", unless "you" or the "family member" using the auto has reasonable believe that there is permission to use the auto.

Example 1:
If a thief stole Jerry's car, hit a tree and damaged the car, there would be no coverage under the thief's Personal Auto Policy for the damage to the car. (The OTC coverage on Jerry's policy would cover the damage.)

Example 2:

If John and Sheila's son takes a neighbor's car for a joy ride, there is no coverage under John and Sheila's Personal Auto Policy for damage to the neighbor's car.

9. Radar and Laser Detectors

There is no coverage for these items, and an endorsement is not available to provide coverage.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p11 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

Refer to page 9 of the Personal Auto Policy.

10. Custom Furnishing in Pickups and Vans

There is no coverage for custom furnishings or equipment in or upon a pickup or van. Custom furnishings or equipment include, but are not limited to:

- Special carpeting or insulation
- Furniture or bars
- Height-extending roofs
- Custom murals, paintings or other decals or graphics

This exclusion does not apply to a cap, cover or bed liner in a pickup that is a “your covered auto”.

Where in the exclusion does it state this exclusion only applies to furnishings or equipment installed after market?

It doesn’t!

What about the van with a wheelchair accessible conversion? Or driving aids, such as hand controls?

These are both examples of custom furnishings in a van that are excluded.

Tip: This exclusion only applies to pickups and vans. It does not apply to custom furnishings or equipment in
or upon a private passenger auto or trailer. The custom mural on a car - covered. The custom mural on a van – excluded!

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p12 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

Custom Furnishings or Equipment in Pick Ups and Vans

The premium for “collision” and OTC is based on a pickup or van’s original cost new. This exclusion is in the Personal Auto Policy to eliminate free coverage for the improvements made to a van or pickup by the owner, increasing the exposure to a potential loss without increasing the premium.

For example, Terry had a roll bar, side boards, a grill guard and custom wheels put on his 1997 pickup. He also had the logo of his favorite football team airbrushed on the hood. The original cost new of the truck was $24,000. The cost of the new equipment and logo was $10,000.

If custom furnishings or equipment were not excluded, Terry would be receiving coverage for property valued at $10,000 for which he did not pay a premium. The company has the right to receive premium for the exposure. Therefore, if Terry wants to insure his custom equipment, he can use the Excess Custom Equipment Coverage endorsement (PP 03 18) to provide coverage.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p13 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

Custom Equipment Exclusion (PP 13 06)

The Custom Equipment Exclusion Endorsement PP 13 06 is used by some insurance companies.

This endorsement was mentioned earlier in this lesson. When this endorsement is attached to the policy, it adds a definition for “custom equipment” to the Insuring Agreement for Part D – Coverage for Damage to Your Auto

This endorsement changes Exclusion 10. to apply to any “your covered auto” or "non-owned auto” – not just pickups or vans. It now includes private passenger autos.
This exclusion does not apply to original manufacturer equipment, furnishings or parts or their replacement with like-kind and quality. This exclusion also does not apply to the first $1,500 of “custom equipment”.

The Excess Custom Equipment Coverage Endorsement (PP 03 18) can be used to provide coverage for “custom equipment” above the $1,500 automatically provided.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p14 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

Refer to pages 9 & 10 of the Personal Auto Policy

11. Non-owned Autos Used in the Automobile Business

Damage to non-owned autos used in the auto business is a commercial exposure and excluded under the Personal Auto Policy.

Example 1:

A mechanic road testing a customer's car has no coverage under his own Personal Auto Policy for any damage done to the car while he is road testing it.

Example 2:

An employee of an auto dealer, who road tests a car to determine the possible trade-in value has no coverage under his or her Personal Auto Policy for damage to the car being road tested.

Example 3:

A parking lot employee has no coverage under his or her Personal Auto Policy for any damage when parking a customer's car.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p15 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

Refer to page 10 of the Personal Auto Policy.
12. Racing

Autos inside a racing facility for the purpose of practicing or preparing for or actually competing in a prearranged or organized race is excluded.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p16 (PA)

Learning Objective: Apply the Coverage for Damage to Your Auto exclusions to specific claims.

Coverage for Damage to Your Auto: 13 Exclusions continued

Refer to page 10 of the Personal Auto Policy

13. Loss to or Loss of Use of a Rental Car Under Certain Circumstances

If state law or a rental agreement precludes it, then there is no coverage for loss to, or loss of use of, a rental car rented by "you" or a "family member".

Example 1:

An insured rents a car in New York State. Under certain circumstances, New York law prevents a rental car company from holding the renter responsible for more than $100. The insured's Personal Auto Policy will not pay for damage to the rented car in excess of the $100. As a practical matter, $100 does not exceed most deductibles.

Lesson 5 Topic C Coverage for Damage to your Auto: Exclusions p17 (PA)

Summary of Part D Exclusions

PART D EXCLUSIONS

1. Vehicle used for livery conveyance
2. Wear & tear, freezing, mechanical or electrical breakdown or failure or road damage to tires (Unless resulting from total theft of vehicle)
3. Radioactive contamination, war, insurrection, rebellion or revolution
4. Electronic equipment that reproduces, receives, or transmits audio, visual or data signals. (Unless permanently installed. If equipment is permanently installed in a place NOT used by the auto manufacturer, coverage is limited to $1000)
5. Tapes, records, disks, etc., used in conjunction with electronic equipment previously identified
6. Total loss due to destruction or confiscation by governmental or civil authorities (Loss payee still has coverage)
7. Trailer, camper body or motor home not shown on the declarations (Gives back coverage for non-owned trailer $1500 and for Newly Acquired.)
8. “Non-owned” auto used by you or family member without reasonable belief entitled to do so
9. Radar or laser equipment
10. Custom furnishings or equipment in pickup or van
11. Non-owned auto being maintained or used by any person while employed in the auto business
12. Auto in a facility for racing for the purpose of competing, practicing or preparing for any prearranged or organized speed or racing contest
13. Loss to or loss of use of a non-owned auto rented if rental vehicle company is stopped from recovering the loss because of the rental agreement or state law
Lesson 5 Topic D – Conditions

Lesson 5 Topic D Cov for Damage to your Auto: Conditions p1 (PA)

Learning Objective: Understand how limits of liability are applied under Coverage for Damage to Your Auto

Refer to page 10 of the Personal Auto Policy

Just as we found in the three other coverage parts of the PAP, there are conditions that apply only to the physical damage coverage. In this topic, we will discuss:

- Limit of Liability including Two Sub-limits
- Payment of Loss
- No Benefit to Bailee
- Other Sources of Recovery
- Appraisal

Lesson 5 Topic D Coverage for Damage to your Auto: Conditions p2 (PA)

Learning Objective: Understand how limits of liability are applied under Coverage for Damage to Your Auto

Limit of Liability

Refer to page 10 of the Personal Auto Policy

The basis of payment for damages is actual cash value (ACV). Actual cash value (ACV) is the fair market value of a vehicle with similar mileage, in similar condition, with similar features, etc. Depreciation and physical condition will impact the actual cash value of a vehicle. In no event will the payment exceed the amount necessary to repair or replace the auto.

Definition of Actual Cash Value

A method of establishing the value of property wherein depreciation and obsolescence are deducted from the value of the property. Formula: replacement cost minus depreciation = actual cash value (ACV) (CISR, CSRM Glossary)

Depreciation and Betterment

The policy states that there will be a deduction for depreciation. Depreciation is defined as the decrease in value of property through wear, deterioration or obsolescence. The policy also says that if repair or
replacement results in betterment in the condition of the auto, the company will not pay the amount of the betterment. Betterment is defined as improvement that increases the value of the auto and costs more than mere repair.

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*Lesson 5 Topic D Coverage for Damage to your Auto: Conditions p3 (PA)*

**Learning Objective:** Determine whether or not a given type of property is covered by Coverage For Damage to Your Auto and recommend the appropriate endorsement to provide coverage for property otherwise limited or excluded.

**Limit of Liability continued**

*Refer to page 10 of the Personal Auto Policy*

The value of an auto decreases sharply in its first few years, while an auto loan or leases decreases at an even rate. Therefore, people who finance all or most of the cost of a vehicle or lease a vehicle with little or no money down and for a longer term, will often owe more than the actual cash value of the vehicle at the time of a loss.

If the auto is stolen, destroyed, or totaled in an accident in the early years of the loan or lease, the client may still owe a balance on the loan or lease after receiving payment for the vehicle’s actual cash value from the insurance company.

An example of a loss where there is a gap between the loan balance and the ACV of the vehicle.

**Example 1:**

John buys a $22,000 car and finances the entire purchase price. One year later John is involved in a serious accident and the car is a total loss. The actual cash value of the car at the time of the accident is $18,000 and the balance of John’s auto loan is $20,000. There is a $2,000 gap between the ACV and the loan balance. The Auto Loan/Lease Coverage (PP 03 35) endorsement will cover this gap. Some companies call this the Gap Endorsement.

| Tip: | This endorsement may not cover the entire loan or lease balance. Refer to the exclusions in the Auto Loan/Lease Coverage (PP 03 35) endorsement. |
Lesson 5 Topic D Coverage for Damage to your Auto: Conditions p4 (PA)

Learning Objective: Determine whether or not a given type of property is covered by Coverage For Damage to Your Auto and recommend the appropriate endorsement to provide coverage for property otherwise limited or excluded.

Limit of Liability continued

Refer to page 10 of the Personal Auto

There are two sub-limits found in the Limit of Liability Condition:

1. $1,000 for damage to electronic equipment designed to reproduce, receive or transmit audio, visual or data signals which is permanently installed in a location in the auto not used by the manufacturer for installation of equipment of this type. To increase this limit, add the Excess Electronic Equipment Coverage Endorsement (PP 03 13).

2. $1,500 for damage to a non-owned "trailer". This is insufficient to cover all but the smallest "trailer".

Note: If the Custom Equipment Exclusion Endorsement (PP 13 06) is attached to the policy, then there is a third $1,500 maximum sublimit for unscheduled "custom equipment".

Lesson 5 Topic D Coverage for Damage to your Auto: Conditions p5 (PA)

Learning Objective: Describe specific policy conditions for Coverage for Damage to Your Auto.

Payment of Loss

Refer to page 10 of the Personal Auto Policy

The company may pay for the loss or it may repair or replace the auto. In many states a law or regulation overrides this provision by prohibiting companies from repairing autos or directing the insured to repair shops chosen by the company. Most of the time a company pays for the loss in money and the insured goes to a repair shop of his/her choice.

If stolen property is recovered, the company will return the stolen property to the insured. The company must pay the expenses of returning the property to the insured and pay for any repairs to the property needed because of the theft.

Any applicable sales tax is covered, as part of the claim.
Example 1:

An insured has "collision" damage of $1,500 and the local sales tax is eight percent; therefore, the claim totals $1,620 ($1,500 + $120), so the policy will pay $1,620 less the deductible.

Lesson 5 Topic D Coverage for Damage to your Auto: Conditions p6 (PA)

Learning Objective: Describe specific policy conditions for Coverage for Damage to Your Auto.

No Benefit to Bailee

Refer to page 10 of the Personal Auto Policy

Part D – Coverage for Damage to Your Auto provides coverage to benefit the insured, not a bailee. (A bailee is any person or organization with temporary and rightful custody of the insured’s auto such as any type of auto repair shop, auto dealership, auto sound installation, etc.)

Example 1:

Laurie's car is valet parked at a local restaurant. One of the valet employees backs another car into Laurie's car. Laurie's policy will not benefit the valet parking company - the bailee. Laurie's policy will pay for the damage to her car and then recover from the valet parking company.

Just because Laurie has insurance to pay for the damage to her car does not mean the repair shop is not financially responsible - it will not benefit from Laurie's insurance.

Lesson 5 Topic D Coverage for Damage to your Auto: Conditions p7 (PA)

Learning Objective: Describe specific policy conditions for Coverage for Damage to Your Auto.

Other Sources of Recovery

Refer to page 10 of the Personal Auto Policy

This provision is called other insurance in other parts of the policy. The company will pay its share of the loss if there is more than one policy that covers the loss or if there are other sources of recovery.

If the loss is to a “non-owned auto”, this policy will provide excess coverage over any other collectible source of recovery, including but not limited to:
• Coverage provided by the owner of the “non-owned auto"
• Any other applicable physical damage insurance
• Any other source or recovery applicable to the loss

Example 1:

Tom has an accident while driving his brother's truck. Tom wants his own Personal Auto Policy to pay for the damage to his brother's truck, since it was his fault.

Tom's policy will provide excess coverage over his brother's policy. If his brother does not carry "collision" on his truck, Tom's policy will provide coverage.

Lesson 5 Topic D Coverage for Damage to your Auto: Conditions p8 (PA)

Learning Objective: Describe specific policy conditions for Coverage for Damage to Your Auto.

Appraisal

Refer to page 10 of the Personal Auto Policy

This seldom-used provision provides a method of resolving disputes between the insured and the company regarding the amount of damage. It cannot be used to settle disagreements about whether or not there is coverage.

The process is:

1. The named insured chooses an appraiser.
2. The company chooses an appraiser.
3. The two appraisers choose an umpire.

If two of the three agree on an amount of damage, the decision is binding on the insured and the company. The company and insured each pay their own competent and impartial appraiser and share equally in the remaining expenses.

Example:

Andy is very unhappy with the amount the insurance company has offered him for his truck that was totaled in an accident. The insurance company is not willing to go any higher with its offer, as it feels its offer is more than fair. Andy is unwilling to go any lower as it feels the company's offer is no where near the actual cash value of his truck. This provision allows the insurance company and/or Andy to demand an appraisal.
Lesson 5 Topic E – Rental Car Coverage

Learning Objective: Identify the exposures created by the renting of a car.

In earlier lessons we determined that in most instances, Part A Liability, Part B Medical Payments and Part C Uninsured/Underinsured Motorists Coverage provides coverage for the insured while in any auto. This would also include a rental car, whether the insured is on vacation or on a business trip.

What about Part D – Coverage for Damage to Your Auto? Does it really provide the insured with the coverage needed? Let’s look at the rental car exposure a little more closely.

<table>
<thead>
<tr>
<th>Exposures</th>
<th>Damage to the Rental Car</th>
<th>Down Time</th>
<th>Diminution in Value</th>
<th>Administrative Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>· Other than Collision</td>
<td>· Loss of Use</td>
<td>· Loss of Turn Back</td>
<td>· Fee for Claims Processing</td>
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<td>· Collision</td>
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<td></td>
<td>· Other Damage</td>
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</table>

Learning Objective: Explain the physical damage coverage provided for a rental car.

The Rental Car Contract

We will begin with a discussion about the rental car contract, as it helps to understand what a typical rental car contract requires and what protection the rental car company is offering. We use the word typical as contracts differ not only among rental car companies, but also from state-to-state and city-to-city.

The rental car contract that is signed by the insured at the time of the rental has 3 primary requirements. Failure to comply with any of these requirements is a violation of the rental contract.
Learning Objective: Explain the physical damage coverage provided for a rental car.

The Rental Contract continued

Authorized Driver

Rental car agencies typically explain to your insured that only Authorized Drivers can operate the rental car.

In addition to the person renting the vehicle, there may be others that are automatically considered an Authorized Driver.

An example of this language from a rental car contract is shown below.

This vehicle is not to be operated by anyone except me, and the following Authorized Drivers who are capable and validly licensed drivers, are 25 years of age or older (some locations may have higher or lower minimum age requirements) and have my prior permission to drive the Vehicle. In addition, the Authorized Driver must be:

   a. a member of my immediate family who permanently lives with me; or
   b. a business partner, employer, or regular employee who drives the Vehicle for business purposes

These are the only Authorized Drivers who may drive the Vehicle, except as otherwise required by applicable law. I and Authorized Drivers shall be referred to in this Agreement as Authorized Driver(s).

Learning Objective: Explain the physical damage coverage provided for a rental car.

The Rental Contract continued

Prohibited Uses

The rental contract may also include a list of Prohibited Uses. If a rental car is used for an activity listed, your insured has violated the rental contract. An example of this language is shown below.
Use Restriction: The vehicle will not be used or operated by anyone:

A. who is not an Authorized Driver;
B. who allows more passengers to occupy the Vehicle than there are seat belts or who does not require all occupants to comply with applicable seat-belt and child-restraint laws;
C. off regularly maintained and paved roadways, outside the continental United States and Canada;
D. who leaves the Vehicle and fails to remove the keys, close and lock all doors and close all windows and the trunk, or otherwise aids in vandalism or theft of the Vehicle;
E. who does not know how to operate a manual transmission (if the Vehicle has a manual transmission);

Lesson 5 Topic E Rental Car Coverage (PA) p5

Learning Objective: Explain the physical damage coverage provided for a rental car.

The Rental Contract continued

Responsibilities

The rental car contract also explains the responsibilities of the person renting the vehicle.

1. The insured is typically required to return the rental car in the same condition it was in when he or she rented it. The renter is, therefore, responsible for whatever happens to the car, while it is in his or her custody. There may be an exception for normal wear and tear or Acts of God, but other than the cited exceptions, the renter is responsible for all damage to the rental car.
2. The contract may hold your insured responsible for the replacement value of the rental car.
3. The contract may hold your insured responsible for consequential losses including:
   - Loss of use for the days the rental car can’t be rented because of the damage
   - Diminution in value or loss of turn back – the amount the rental car agency loses after repairs to the vehicle have been made and it either sells the vehicle or turns the car in when replacing its vehicle inventory. Some contracts include a percentage, for example 10%, of the total amount of damage for diminution in value.
   - Administrative expenses – charged for claims processing and is often based on a percentage of the total amount of damage.
Learning Objective: Explain the physical damage coverage provided for a rental car.

The Rental Contract continued

Options for Paying for Damage

The insured has several options available to pay for the direct damage and consequential losses. Let’s start by reviewing the physical damage coverage provided by the Personal Auto Policy.

- Personal Auto Policy
- Purchase Collision/Loss Damage Waiver
- Credit Card Coverage
- Out-of-Pocket
- Combination

Learning Objective: Explain the physical damage coverage provided for a rental car.

The Rental Car Issue: Coverage for Damage

There are requirements in the rental agreement that may be limited or excluded in Part D - Coverage for Damage to Your Auto. If the insured is relying on his or her Personal Auto Policy for coverage, there are a few things that should be considered:

- There is no physical damage for a rental vehicle unless a vehicle on the policy has physical damage
- Coverage for non-owned trailers is limited to $1,500
- There is no physical damage for a rental vehicle unless it is a private passenger auto, pick up or van (except for temporary substitute vehicle)
- There is an exclusion for some electronic equipment
- There is an exclusion for customer furnishings in or upon a pickup or van
- The loss of use coverage is limited to $20 per day/$600 maximum
- Losses will be settled on an actual cash value basis; it does not provide replacement cost coverage
- The company has the right to see the damaged property before it is repaired. Rental car agencies may have the damage repaired before the company adjuster has had an opportunity to see and appraise the damage
- There may not be coverage for administrative costs if the $20 per day/$600 maximum is used for loss of use
- The policy does not pay diminution in value (in most states)
There are limitations and exclusions so the policy does not cover all possible damage to the vehicle as required by the rental agreement.

**Lesson 5 Topic E Rental Car Coverage (PA) p8**

**Learning Objective:** Explain whether or not a rented or non-owned vehicle is covered for physical damage.

**Coverage for Damage continued**

<table>
<thead>
<tr>
<th>Tip:</th>
<th>It is a good idea to find out how each company you represent handles coverage for damage to rental cars. Additional problems may arise if:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The company that writes the insured's auto insurance uses a version of the Personal Auto Policy other than the ISO 2005 edition as the coverage for electronic equipment is more limited in previous editions.</td>
</tr>
<tr>
<td></td>
<td>• The company uses an earlier version of the Personal Auto Policy that does not cover non-owned pickups and vans used in business.</td>
</tr>
<tr>
<td></td>
<td>• The insurance company has a policy that excludes damage to rented cars.</td>
</tr>
</tbody>
</table>

**Lesson 5 Topic E Rental Car Coverage p9 (PA)**

As a reminder, earlier in this lesson we learned that some states require and some insurance companies choose to cover the direct damage to a rental car and any consequential losses under Property Damage Liability and not under Part D – Coverage for Damage to Your Auto.

If this is the case, it is important that the Property Damage limit of liability be enough to cover not only the damage to the other person’s car or property, but also the direct and indirect damage to the rental car.
Learning Objective: Explain the physical damage coverage provided for a rental car.

Collision Damage Waiver

An option for providing coverage for damage to the rental car is for the insured to purchase the Collision Damage Waiver (CDW) or Loss Damage Waiver (LDW).

This is not insurance; it is an agreement to hold the renter harmless in the event the rental vehicle is damaged. The renter - your insured - could be held harmless and therefore not responsible for the direct damage or the consequential losses.

The daily charge for CDW or LDW coverage varies depending upon the rental company, location of rental, type of rental vehicle, and other factors. It can range anywhere between $6.99 per day up to $25.99 per day. This is the protection, however, that allows the renter to return the damaged car and not be held financially responsible for the damages.

An individual purchasing CDW/LDW must understand the rental contract, as it contains exclusions and/or limitations. For example, some states allow the CDW/LDW to be voided if the renter violates the rental agreement, such as letting an unauthorized person drive the rental car or engaging in a prohibited use.

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Lesson 5 Topic E Rental Car Coverage 11 (PA)

Learning Objective: Explain the physical damage coverage provided for a rental car.

Collision Damage Waiver continued

Why Buy LDW/CDW

Insureds may not understand why they should incur the additional expense of Loss Damage Waiver/Collision Damage Waiver when they have a Personal Auto Policy with physical damage coverage. Let's look at reasons your insured should consider purchasing this protection.

PAP May not cover the entire loss – The PAP does not cover all losses. You just saw the property limited and/or excluded and the basis on a loss will be settled. The rental agreement holds the renter responsible for damage to the rental vehicle that may not be covered by the PAP.

Peace of Mind – The insured doesn’t have to worry about potential damage to the rental vehicle.

Avoid wasting time and energy – The insured can turn in the rental car, complete the loss report, drop the keys on the counter and be relieved of any other responsibilities.
Avoid financial hardship – The insured would not have to pay a deductible, loss of use, administrative fees as well as any diminution in value.

Avoid issues with the rental agency – The insured doesn’t have to worry about charges for the damage being put through his or her credit card.

Lesson 5 Topic E Rental Car Coverage p12 (PA)

Learning Objective: Explain the physical damage coverage provided for a rental car.

Credit Card

If the insured is relying on his or her credit card to cover the damage to the rental vehicle, there are a few things that should be considered:

- Credit card coverage is typically reimbursement coverage
- Credit card coverage is typically excess coverage over other sources of recovery including a Personal Auto Policy
- Some may only cover Collision and not OTC; others may exclude theft
- All pay losses on an Actual Cash Value basis
- Some have a maximum value such as $25,000 or $50,000
- Some have a maximum number of days the vehicle can be rented
- Most limit specialty vehicles which may include a vehicle over 20 years of age, a vehicle that hasn’t been made in 10 years, etc.

| Tip: | Insurance professionals should not counsel clients on the coverage provided by a credit card. |
|------|***************************************************************************************|
|      | Many credit card agreements are vague about the coverage provided and the cardholder is instructed to call the credit card company to find out exactly what is covered. |

Lesson 5 Topic E Rental Car Coverage p13 (PA)

Learning Objective: Explain the physical damage coverage provided for a rental car.

Credit Card continued

This Other Sources of Recovery was discussed earlier in this course.
A credit card company may, in its agreement, include a promise to pay for damage to a rental car if the cardholder uses the credit card to rent the car. If the cardholder meets the requirements to activate the coverage, the Personal Auto Policy becomes excess coverage over the credit card coverage.

Most of the credit card agreements contain similar language that makes the credit card company payment excess over any other source of recovery. So, both the credit card company and the Personal Auto Policy are claiming to be excess and neither is primary. This can be even more troubling for the insured, since most credit card coverage is on a reimbursement basis.

This is another difficulty that can be avoided by purchasing the collision damage waiver (CDW) or loss damage waiver (LDW) from the rental car company.

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**Lesson 5 Topic E Rental Car Coverage p14 (PA)**

**Learning Objective:** Explain the physical damage coverage provided for a rental car.

**Example**

Juan and Estelle have a Personal Auto Policy insuring both of the vehicles they own. They have 100/300/50 Liability. Both vehicles have $500 deductible Collision and $500 deductible Other than "Collision".

While on vacation in Colorado, they rent a car and unfortunately have an at-fault accident. They did not purchase any protection from the rental car agency and they do not have any protection available from their credit card company. Will their Personal Auto Policy provide coverage for the following expenses?

<table>
<thead>
<tr>
<th>Damage</th>
<th>Covered?</th>
<th>Limitations or Exclusions?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injuries to the other driver</td>
<td>Yes</td>
<td>Up to $100,000 Per Person Bodily Injury</td>
</tr>
<tr>
<td>Damage to the other car</td>
<td>Yes</td>
<td>Up to $50,000 Per Accident Property Damage</td>
</tr>
<tr>
<td>$6,000 Damage to the rental car</td>
<td>Yes</td>
<td>$5,500 – Collision Damage Less $500 Deductible</td>
</tr>
<tr>
<td>$59.99 per day for 5 days of Loss of Use for the rental car</td>
<td>Yes</td>
<td>No coverage for the first day. $20 maximum for each of the 4 remaining days for a total of $80</td>
</tr>
<tr>
<td>$250 Administrative Fees</td>
<td>Yes</td>
<td>There is $600 coverage available, less the $80 paid for Loss of Use, so $250 is covered.</td>
</tr>
<tr>
<td>Diminution in Value for Rental Car</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>
Clients need enough information about coverage for a rental car to make an informed decision as to whether or not purchase the Collision Damage Waiver or Loss Damage Waiver.

If a client asks you if their Personal Auto Policy covers them for a rental car, your answer might be:

While your personal auto policy may provide some coverage, the vehicle rental agreement holds you legally responsible for items that are not fully covered by most insurance policies. This includes administrative fees they charge for any loss you may have with the vehicle; the daily rate for the vehicle while it can’t be rented due to repairs/destruction; and the depreciated value of the vehicle after the repairs are made.

We recommend that you purchase the Collision or Loss Damage Waiver and make sure to comply with the rental agreement requirements.

If the client wants to know exactly what coverage he or she has, you will need to ask the questions on the next slide.

Lesson 5 Topic E Rental Car Coverage p16 (PA)

Learning Objective: Explain the physical damage coverage provided for a rental car.

Summary of Coverage

If your insured wants to know exactly what coverage they have under the Personal Auto Policy for a rental vehicle, answers to the following questions are needed.

- What was the purpose of the rental vehicle - personal or business?
- Who is renting?
- What type of vehicle is it?
- Length of rental - could the length make it a Vehicle Furnished or Available for Regular Use?
- Where was it rented - was it within the coverage territory?
- Who will be driving - does the insured expect all drivers to be covered under the insured's Personal Auto Policy?

Please refer to the end of Lesson 5 Topic E to complete Self Quiz 9 at this time.
Lesson 6 – Personal Auto Policy conditions

Lesson 6 PAP Duties After a Loss and General Provisions Intro p1 (PA)

There are a number of conditions that apply to the entire Personal Auto Policy. These conditions primarily address the insured’s responsibilities in the event of a claim, the insurance company’s responsibilities, the policy territory, the cancellation/non-renewal provisions, and other general provisions of the policy. Our discussion in this lesson will examine:

- Part E - Duties After an Accident or Loss
- Part F - General Provisions

Lesson 6 PAP Duties After a Loss and General Provisions Intro p2 (PA)

Lesson 6

Learning Objectives:

1. Explain to customers the impact on coverage if their accident or loss is not promptly reported to the company.
2. Advise customers where geographically their Personal Auto Policy provides coverage.
3. Advise a customer what happens to the coverage provided by the Personal Auto Policy in the event of the death during the policy period of the person named in the Declarations.

Lesson 6 PAP Duties After a Loss and General Provisions Intro p3 (PA)

Forms that you need to print for this lesson:

None

Forms you have printed and will need for this lesson

- PP 00 01 Personal Auto Policy
Lesson 6 Topic A – Duties After an Accident or Loss

Learning Objective: Explain to customers the impact on coverage if their accident or loss is not promptly reported to the insurance company.

Refer to page 11 of the Personal Auto Policy.

In the event of an accident or loss, the insurance company will provide coverage as outlined in the policy as long as the person seeking coverage complies with the duties required in the Personal Auto Policy.

The Duties After An Accident Or Loss are found on page 11 in the policy.

Notification

Refer to page 11 of the Personal Auto Policy.

The first requirement is that the company must be promptly notified of how, when, and where the accident or loss happened. This notification should include the names and addresses of anyone who was injured and any witnesses.

Prompt notice enables the company to begin its claims investigation and talk to the people involved and obtain statements while the circumstances surrounding the accident or loss are still fresh in people’s minds.

The company has no duty to provide coverage if an accident or loss is reported so late that its interests are prejudiced. For example, because of the late reporting the company is unable to contact the injured person in a timely manner, which can increase any ultimate payout to that person. Or, because of the late reporting the company is unable to see the damaged property before it is repaired or replaced.

The bottom line is that late reporting can negatively impact the company’s right to settle accidents or losses promptly. For this reason, it is important that an accident or loss reported to the agent or insurance agency is in turn promptly reported to the company.
Lesson 6 Topic A Duties After an Accident p3 (PA)

Learning Objective: Explain to customers the impact on coverage if their accident or loss is not promptly reported to the insurance company.

Notification continued

Refer to page 11 of the Personal Auto Policy.

In addition to prompt notification, there are additional duties after an accident or loss.

A person seeking any coverage must:

- Cooperate with the company.
- Promptly send legal papers to the company.
- Go for physical examinations, if asked.
- Give examination under oath, if asked.
- Authorize the company to obtain medical reports and other important records.
- Send the company a proof of loss when asked.

A person seeking Uninsured Motorists Coverage must:

- Notify the police of a hit-and-run accident.
- Promptly send the company copies of legal papers in any suit that is started.

A person seeking Coverage For Damage To Your Auto must:

- Take reasonable steps to prevent further damage to "your covered auto" or "non-owned auto" including its equipment.
- Notify police of theft of a "your covered auto" or "non-owned auto".
- Allow the company to inspect and appraise the damaged property before it is repaired.

Lesson 6 Topic A Duties After an Accident p4 (PA)

While insurance agencies have very little involvement in the claims process, the involvement they have is very important. Just as the customer is required to promptly report an accident or loss, the insurance agency must then promptly report the accident or loss to the insurance company.

Sometimes claims reported by the customer are not turned in to the insurance company because it is thought there is no coverage or that it was the other driver’s fault. Decisions as to who is legally responsible or whether or not the loss is covered should be left to the insurance company adjuster. And, in some states, the insurance agency is required by law to report all claims to the company.
Lesson 6 Topic B – General Provisions

Lesson 6 Topic B PAP: General Provisions p1 (PA)

Refer to page 11 of the Personal Auto Policy.

In addition to the conditions regarding duties following an accident, the Personal Auto Policy contains some general provisions that apply to all parts of the policy. In this topic we will find information about the policy territory, how policy changes can be made, and the rules regarding cancellation and non-renewal.

Lesson 6 Topic B PAP: General Provisions p2 (PA)

Personal Auto Policy General Provisions: I

Refer to pages 11 & 12 of the Personal Auto Policy.

Bankruptcy - The company must fulfill its responsibilities under the policy even if the insured is bankrupt. For example, the insured loses a lawsuit filed by the injured person and the jury awards a large sum of money that exceeds the policy's limit of liability. The insured files bankruptcy. The company must still pay its share of the judgment.

Policy Changes - There are three points to this provision.

1. The only changes to the policy that are allowed must be made by an endorsement that is issued by the company.
2. If a change to the policy involves something that impacts the policy's premium, a premium adjustment based on the insurance company's manual rules will be made. For example, a change in the usage of a vehicle could result in a return premium or an additional premium.
3. If the company makes a change in the current edition of the Personal Auto Policy during the policy period that broadens coverage without an additional premium charge, the coverage will automatically apply to this policy. For example, the company adopts a change that increases the limit of liability for non-owned trailers from the current $1500 to $2500. This policy will settle any loss during the policy period based on the $2500 limit.

However, this provision does not apply to any change that is a revision of the entire Personal Auto Policy program. For example, the company introduces a 2012 Personal Auto Program. Anyone insured under the 2005 Personal Auto Program will not have any broadened coverage provided by the 2012 program.

Fraud – There is no coverage for any insured who engages in fraudulent activity with regard to any loss or accident.
Legal Action Against Us – Legal action against the company, including suing the company, cannot be taken unless all of the terms of the policy have been satisfied.

Our Right to Recover Payment – The one word name for this provision is subrogation. If a person has been paid by the company and that person has a right to recover damages from another person or an organization for that loss, the company has a right to pursue the insured’s claim against the other person or the organization.

Example:

John’s parked car is hit by another vehicle. John has a claim against the owner and operator of the other car. After John’s company pays for the collision damage to John’s car, the company has the right to seek repayment from the owner and operator of the other car.

There is an exception to the company’s right to subrogate. The company cannot subrogate against a person using a “your covered auto” with a reasonable belief that he or she is entitled to do and who is responsible for the damage to “your covered auto”.

Example:

Joni lets her friend Beverly drive her car. Beverly has an at-fault accident that causes $5,000 damage to Joni’s car. Since Beverly had reasonable belief that it was okay for her to drive Joni’s car (she actually had permission), Joni’s company cannot subrogate against Beverly to recover the amount it paid for the collision damage to her car.

Lesson 6 Topic B PAP: General Provisions p3 (PA)

Learning Objective: Advise customers where geographically their Personal Auto Policy provides coverage.

Personal Auto Policy General Provisions: II

Refer to pages 12 & 13 of the Personal Auto Policy.

Policy Period and Territory – The policy period is listed in the Declarations and is usually six months in length. The policy territory is the following:

- The United States
- Territories and possessions of the United States
- Puerto Rico
- Canada
The policy will also cover losses or accidents to a "your covered auto" that occur while being transported between ports of the United States, territories and possessions of the United States, Puerto Rico or Canada. For example, the insured is in the military and is moving to his new duty station in Puerto Rico. His "your covered auto" is being shipped from California to Puerto Rico. While on the ship between the United States and Puerto Rico a covered loss occurs. While at the time of the loss the "your covered auto" was not in the coverage territory listed above, the transporting of it began in the coverage territory (United States) and will end in the coverage territory (Puerto Rico) - so the loss is covered.

**Note:** Accidents that occur anywhere else are not covered by the Personal Auto Policy.

For example:

(1) An insured is driving from Southern California to Mexico. There is no coverage in Mexico under the Personal Auto Policy.

(2) An insured is renting a car in England. There is no coverage provided by the Personal Auto Policy in England.

**Termination** – The termination provisions of the policy are revised by the law or regulation in each state. These revised provisions appear in each state's Amendment of Policy Provisions endorsement. The policy's Cancellation, Nonrenewal, Automatic Termination and Other Termination Provisions are found here.

**Cancellation** – Cancellation is the termination of the insurance policy before its natural expiration date. The policy can be cancelled by either the named insured shown in the Declarations or the insurance company. Cancellation provisions are commonly revised by law or regulation and appear in each state's or jurisdiction's Amendment of Policy Provisions endorsement.

**Nonrenewal** – Nonrenewal is the termination of the insurance policy at its natural expiration date. In other words, the insurance company will continue providing coverage through the current policy period, but will not renew the policy. Nonrenewal provisions are commonly revised by law or regulation and appear in each state's or jurisdiction's Amendment of Policy Provisions endorsement.

**Other Termination Provisions** – This provision covers the mechanics of a termination. All of the following are subject to change by a specific state's or jurisdiction's law or regulation: The company can deliver a termination notice rather than mailing it. Any premium refund will be sent to the named insured. The effective date of termination becomes the expiration date of the policy and all coverage ceases on that date.
Lesson 6 Topic B PAP: General Provisions p4 (PA)

Learning Objective: Advise a customer what happens to the coverage provided by the Personal Auto Policy in the event of the death during the policy period of the person named in the Declarations.

Transfer of Your Interest in this Policy

Refer to page 13 of the Personal Auto Policy.

The named insured cannot assign his or her rights under the policy without written consent from the company. For example, the named insured sells his car to Juan and gives his Personal Auto Policy to Juan since there is still 60 days left in the policy period. Unless the company agrees in writing, Juan has no rights to the policy.

If the person named in the Declarations dies, the policy provides coverage for the surviving spouse of that person as if a named insured in the Declarations. In addition, the legal representative of the deceased person named in the Declarations is also provided coverage as if a named insured in the Declarations, but only for the legal responsibility to maintain or use a “your covered auto”. The most common example of this person is the executor of the named insured's estate.

This coverage granted to either the surviving spouse or legal representative is only until the end of the policy period.

Tip: If the surviving spouse is also a named insured on the policy, coverage does not cease at the end of the policy period.

Lesson 6 Topic B PAP: General Provisions p5 (PA)

Two or More Auto Policies

Refer to page 13 of the Personal Auto Policy.

If there are two or more auto policies issued by the company that apply to the same accident, the maximum limit of liability is the highest limit of liability on any of these policies. This prohibits the stacking of liability limits from multiple policies.

Tip: Some companies issue a separate policy for each auto. Other companies may only be able to insure four vehicles on a policy, so if the named insured has five vehicles, a separate policy is issued on the fifth vehicle. If an accident occurs that is covered by both policies, the highest limit of liability on any one of the policies is the most coverage that will be provided.
Please refer to the end of Lesson 6 Topic B to complete Self Quiz 10 at this time.

Course Summary of Personal Automobile

Course Summary p1 (PA)

Course Summary of Personal Automobile

We suggest reviewing the Learning Objectives for this course to prepare for the final exam.

Lesson 1 Introduction to the Personal Auto Policy

1. Discuss the eight parts that make up the Personal Auto Policy.
2. Understand the relationship between eligibility and coverage.
3. Determine whether or not a specific vehicle is eligible to be written on a Personal Auto Policy.
4. Decide whether or not a given person is a "you" on a Personal Auto Policy.
5. Determine whether or not an activity is considered a "business".
6. Determine whether or not a specific person is a "family member" on a Personal Auto Policy.
7. Apply the definitions found in the Personal Auto Policy to determine the effect they have on coverage.
8. Decide whether or not a vehicle is a "your covered auto".
9. Determine whether or not a vehicle is a "newly acquired auto".
10. Determine the automatic coverage provided for a "newly acquired auto".

Course Summary p2 (PA)

Course Summary of Personal Automobile continued

Lesson 2 Liability Coverage

1. Discuss the components of the Part A – Liability Insuring Agreement
2. Determine if a specific loss occurred within the Policy Territory.
3. Determine whether or not a given person or organization is an insured for Liability Coverage.
4. Apply the Part A - Liability exclusions to determine whether or not a liability loss is covered.
5. Determine whether or not a given auto is covered while being used for “business”.
6. Determine whether or not a non-owned auto driven by an insured is covered for liability.
7. Explain the Extended Non-Owned Coverage – Vehicles Furnished or Available for Regular Use (PP 03 06) endorsement and determine when it should be recommended.
8. Apply the Limit of Liability to specific losses.

Course Summary p3 (PA)

Course Summary of Personal Automobile continued

Lesson 3 Medical Payments

2. Determine who is an insured for Medical Payments Coverage.
3. Apply the exclusions in Medical Payments Coverage to a given claim.
4. Apply the Limit of Liability for Medical Payments Coverage to a given claim.
5. Explain the purpose of state specific No Fault and Personal Injury Protection (PIP) regulations.

Course Summary p4 (PA)

Course Summary of Personal Automobile continued

Lesson 4 Uninsured/Underinsured Motorists

1. Explain the coverage provided by Uninsured Motorists.
2. Identify who qualifies as an insured for Uninsured Motorists Coverage.
3. Decide whether or not a given vehicle is an "uninsured motor vehicle".
4. Determine whether or not Uninsured Motorists Coverage covers a given claim.
5. Explain intra-policy and inter-policy stacking of limits based on the Limit of Liability and Other Insurance provisions.
6. Explain the purpose of Arbitration and the steps in the Arbitration process.
7. Explain the coverage provided by Underinsured Motorists Coverage, including the difference between a Limits Trigger and a Damages Trigger

Course Summary p5 (PA)

Course Summary of Personal Automobile continued

Lesson 5 Coverage for Damage to Your Auto

1. Determine whether or not specific claims are covered by Coverage For Damage to Your Auto as "Collision" or Other Than "Collision".
2. Explain whether or not a "non-owned auto" is covered for Other than "Collision and/or "Collision".
3. Determine whether or not an auto that is not owned by an insured is a "non-owned auto" as defined in Part D - Coverage For Damage To Your Auto.
4. Explain the Transportation Expenses covered by the Personal Auto Policy.
5. Explain whether or not a "non-owned vehicle" is covered for physical damage.
6. Determine whether or not specific electronic equipment is covered by Coverage For Damage to Your Auto and recommend the appropriate endorsement to provide coverage for property otherwise limited or excluded.
7. Understand how limits of liability are applied under Coverage for Damage to Your Auto.
8. Determine whether or not a given type of property is covered by Coverage For Damage to Your Auto and recommend the appropriate endorsement to provide coverage for property otherwise limited or excluded.
9. Describe specific policy conditions for Coverage for Damage to Your Auto.
10. Identify the exposures created by the renting of a car.
11. Explain the physical damage coverage provided for a rental car.

Course Summary p6 (PA)

Course Summary of Personal Automobile continued

Lesson 6 Personal Auto Policy Conditions

1. Explain to customers the impact on coverage if their accident or loss is not promptly reported to the company.
2. Advise customers where geographically their Personal Auto Policy provides coverage.
3. Advise a customer what happens to the coverage provided by the Personal Auto Policy in the event of the death during the policy period of the person named in the Declarations.