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

Lesson 6 Topic A Duties After an Accident p1 (PA)

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.

Lesson 6 Topic A Duties After an Accident p2 (PA)

Learning Objective: Explain to customers the impact on coverage if their accident or loss is not promptly reported to the insurance company.

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

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 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.

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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.