Lesson 2 - Recreational Vehicles

Lesson 2 Introduction p1 (PM)

Recreational vehicles is a broad term that encompasses many different types of “toys”. Clients probably understand that golf carts and snowmobiles are recreational vehicles, but may not understand all of the other type of vehicles that also fall into this definition. As you look at the pictures to the left, you might be wondering if a riding lawn mower is REALLY a recreational vehicle. One could argue that there is nothing recreational about something that is usually associated with a chore. However, there are policies that specifically include a riding lawn mower within its definition of recreational vehicle. And, as we are about to see, the Homeowners Policy puts all of these types of recreational vehicles into its definition of “Motor Vehicle”.

We will focus our attention on the following types of recreational vehicles:

- Snowmobiles
- Golf Carts
- All Terrain Vehicles (4-wheelers)
- Go Carts
- Motorized Scooters
- Children’s Battery-Operated Motorized Riding Vehicles such as Barbie Cars and Jake Jeeps
- Riding Lawnmowers/Other Lawn Maintenance Vehicles

Lesson 2 Introduction p2 (PM)

Identifying Recreational Vehicle Exposures

Identifying clients with a recreational vehicle exposure can be challenging as there are vehicles that fall within the recreational vehicle category that many clients wouldn’t consider a recreational vehicle.

For this reason, it is important to provide examples of vehicles when asking the question. Once the recreational vehicle exposure has been identified, it is time to determine the coverage needed and the coverage provided by the Homeowners Policy and the Personal Auto Policy.

Lesson 2 Introduction p3 (PM)

Lesson 2 – Learning Objectives:

After completing this lesson, you will be able to:

Checklist Question

- Do you own a recreational vehicle such as a golf cart, snowmobile, ATV, go cart, child’s motorized toy, riding lawn mower, or similar?
- Have you ever rented or borrowed a recreational vehicle or anticipate doing so?
1. Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.
2. Describe the coverage provided by the HO 05 38 Owned Motorized Golf Cart Physical Loss Coverage endorsement.
3. Understand the Homeowners Policy definition of “Motor Vehicle Liability”.
4. Explain the impact of the “Motor Vehicle Liability” Exclusion under the ISO Homeowners 3 Special Form with regard to recreational vehicles.
5. Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.
6. Describe the coverage available under the HO 24 64 Owned Snowmobile endorsement to the Homeowners Policy.
7. Describe the coverage available under the HO 24 13 Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement to the Homeowners Policy.
8. Understand why a recreational vehicle loss is unlikely to be covered by the unendorsed ISO Personal Auto Policy.
9. Describe the coverage available under the following endorsements to the Personal Auto Policy:
   o PP 03 20 Snowmobile Endorsement
   o PP 03 23 Miscellaneous Type Vehicle Endorsement
A recreational vehicle accident can result in the need for more than just liability protection.

What about coverage for the damage to the vehicle? If the insured is injured, does the insured want medical payments coverage available? What about injury to a passenger? There may be a need for uninsured/underinsured motorists coverage if another vehicle causes the accident and does not have insurance to cover the damages.

Unless the insured has a separate Recreational Vehicle policy, the only coverage available will have to come from the insured’s Homeowners Policy or Personal Auto Policy. Is there coverage?

To determine if there is coverage for a recreational vehicle loss, we will first look to the Homeowners Policy to see whether or not the policy will provide property coverage for damage to the recreational vehicle and, more importantly, whether or not the policy will provide liability coverage for any bodily injury and/or property damage caused by a recreational vehicle accident.

Throughout the course we will use the ISO Homeowners 3 Special Form (HO 00 03) as the sample Homeowners Policy.

We will also look at the ISO Personal Auto Policy (PP 00 01) to see if there is any coverage provided for either the damage to a recreational vehicle or the liability for bodily injury and/or property damage caused by a recreational vehicle accident.

Please refer to Lesson 2 Topic A - The Recreational Vehicle Exposure p3 (PM) to complete the Knowledge Check at this time.

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

Recreational Vehicles and the Definition of "Motor Vehicle"

To determine the coverage provided by the Homeowners Policy for a recreational vehicle, you must understand how the policy defines "motor vehicle".
"Motor vehicle" is a term that is defined in ISO’s Homeowner program and is defined as:

- “A self-propelled land or amphibious vehicle; or
- Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in a. above”

Snowmobiles, golf carts, all terrain vehicles (4-wheelers), go carts, motorized scooters, children’s battery-operated motorized riding vehicles, and riding lawnmowers/other lawn maintenance vehicles are self-propelled land vehicles; therefore, each of these is considered a "motor vehicle" in the Homeowners Policy.

Lesson 2 Topic A - The Recreational Vehicle Exposure p5 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

Recreational Vehicles and Property Coverage continued

We will begin first by determining if there is property coverage for damage to a recreational vehicle owned by, borrowed by or rented to an insured.

Coverage C – Personal Property states the policy covers personal property owned or used by an insured anywhere in the world. As a recreational vehicle is personal property, Coverage C begins by providing coverage for a recreational vehicle, whether owned, borrowed by or rented to an insured.

However, in Coverage C - Personal Property, Property Not Covered, we find that “motor vehicles” are excluded.

The “motor vehicle” exclusion includes not only the “motor vehicle”, but also its equipment and parts.

SECTION I - PROPERTY COVERAGES

4. Property Not Covered

We do not cover:

   c. "Motor Vehicles".

This includes a "motor vehicle's" equipment and parts. However, this Paragraph 4.c. does not apply to:

(1) Portable electronic equipment that:

   (a) Reproduces, receives or transmits audio, visual or data signals; and

   (b) Is designed so that it may be operated from a power source other than a "motor vehicle's" electrical system"
(2) "Motor vehicles" not required to be registered for use on public roads or property which are:

(a) Used solely to service a residence; or

(b) Designed to assist the handicapped;

Lesson 2 Topic A - The Recreational Vehicle Exposure p6 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

This exclusion then contains an exception, which gives back coverage for two types of “motor vehicles” if they not required to be registered for use on public roads or property and are either:

• Used solely to service a residence or
• Designed to assist the handicapped

Let’s look at each of these requirements in more detail.
Lesson 2 Topic B - Property Coverage

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

The phrase, “solely to service a residence” is important.

According to Webster’s New Collegiate Dictionary, solely means to the exclusion of all else.

Based on the definition of solely, a motor vehicle, or in this case a snowmobile, must not have ever been used for anything other than servicing a residence.

Property Coverage – Recreational Vehicles

What about a riding lawn mower? At first glance, it would appear that a riding lawn mower has property coverage. And it does – as long as it is used solely to service a residence.

So what about coverage for the following situations?

- During the fall festival, Mr. Green leads the parade on his riding lawnmower.
- Your client takes his tractor to his church’s work party to clear some property.
- Mr. Dealing attaches a snow blower to his riding lawn mower and clears the snow from the sidewalk in front of his CPA office.

In all three of these examples, the “motor vehicle” is being used for other than servicing a residence. The result? No property coverage!

Property Coverage continued
There are also clients who use an all-terrain vehicle, snowmobile or golf cart to service their residence. The client may use his all terrain vehicle to snow blow on the 5 acres where he resides and never use it for recreational purposes. Others may use their snowmobile or golf cart only for getting around their property.

As long the recreational vehicle has never been used for any other purpose (such as golfing or transportation away from a residence), the property coverage for these recreational vehicles is no different than the coverage provided for a riding lawn mower. If used solely to service a residence, it has property coverage.

Lesson 2 Topic B - HO 3 Property Coverage for Owned Recreational Vehicles p4 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

Property Coverage continued

Be cautious about assuming lawn maintenance vehicles or other recreational vehicles are used solely to service a residence. Any recreational use on the residence premises would make the recreational vehicle ineligible for property coverage, period.

Not solely to service + Not a residence = No Coverage

Not all Homeowners Policies include the word solely in the exception to the “motor vehicle” exclusion.

Without the word solely, property coverage would no longer be excluded for the riding lawn mower, tractor or ATV that the insured is using away from the residence as long as it was ALSO used to service a residence.

In earlier editions of the ISO Homeowners Policy, the riding lawn mower (for example) had to be used solely to service an insured’s residence. If the insured was using his riding lawn mower to mow a neighbor’s yard, there was no property coverage.

This policy language changed in ISO’s 2011 Homeowners Policy. The exception to exclusion now states it has to be used solely to service a residence. This includes the insured’s house, the insured’s rental house across town, the neighbor’s yard, etc. It just has to be a residence.

Lesson 2 Topic B - HO 3 Property Coverage for Owned Recreational Vehicles p5 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

Property Coverage continued

The second exception to the “motor vehicle” exclusion provides coverage for vehicles that are not subject
This exception is designed to provide property coverage for an electric wheelchair or a scooter designed for mobility.

It is not enough for the recreational vehicle to be used by a disabled (handicapped) person. It has to be designed for such use. For example, a client has problems with mobility and uses a golf cart for transportation. Since a golf cart is not designed to assist the handicapped, this exception to the exclusion for “motor vehicles” does not apply and property coverage for the golf cart is excluded.

Vehicles designed to assist the handicapped will not be discussed in this course.

Lesson 2 Topic B - HO 3 Property Coverage for Owned Recreational Vehicles p6 (PM)

Property Coverage continued

It is possible for a client to live in a state that does not require the registration of the insured’s recreational vehicle. If it is then used solely to service a residence, property coverage would be available under the Coverage C – Personal Property limit of coverage. Coverage is on a named peril basis and subject to the policy’s deductible.

Named Perils

- Fire or Lightning
- Windstorm or Hail
- Explosion
- Riot or Civil Commotion
- Aircraft
- Vehicles
- Smoke
- Vandalism or Malicious Mischief
- Theft
- Falling Objects
- Weight of Ice, Snow or Sleet
- Accidental Discharge or Overflow of Water or Steam
- Sudden and Accidental Tearing Apart, Cracking, Burning or Bulging
- Freezing
- Sudden and Accidental Damage from Artificially Generated Electrical Current
- Volcanic Eruption

Please refer to Lesson 2 Topic B - HO 3 Property Coverage for Owned Recreational Vehicles p7-10 (PM) to complete the Knowledge Checks at this time.
A golf cart is the only recreational vehicle for which an endorsement to the Homeowners Policy is available to provide property coverage. As we have seen, the Homeowners Policy does not provide property coverage for damage to a golf cart (unless it is used solely to service a residence.) The Owned Motorized Golf Cart Physical Loss Coverage HO 05 28 endorsement can be used to provide coverage. This endorsement offers two coverage options:

- Direct physical loss excluding collision; or
- Direct physical loss including collision

Refer to Lesson 2 Topic C - HO 05 28 p1 (PM) to print a copy of the endorsement at this time.

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**Learning Objective:** Describe the coverage provided by HO 05 28 Owned Motorized Golf Cart Physical Loss Coverage.

**HO 05 28 continued**

Golf Cart is defined by the endorsement as the motorized conveyance described in the Schedule, including permanently installed accessories, equipment or parts, that is:

- Designed to carry up to four people on a golf course for the purpose of playing golf; AND
- Not built or modified to go faster than 25 miles per hour on level ground

**Tip:** The definition does not restrict coverage for golf carts which must be registered for use on public roads or property.

A golf cart failing to meet either or both of these characteristics does not have coverage under this endorsement. Use a recreational vehicle or specialty Golf Cart Policy to provide coverage for golf carts designed to travel at a speed faster than 25 miles per hour or built to carry more than 4 persons.

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**Learning Objective:** Describe the coverage provided by HO 05 28 Owned Motorized Golf Cart Physical Loss Coverage.

**Triggering Coverage**

The Schedule on this endorsement will reflect:
Limit of Liability
- Whether Collision Coverage is provided
- Make or Model and Serial or Motor Number

Refer to Lesson 2 Topic C - HO 05 28 p3 (PM) to view a sample endorsement.

Lesson 2 Topic C - HO 05 28 p4 (PM)

Learning Objective: Describe the coverage provided by HO 05 28 Owned Motorized Golf Cart Physical Loss Coverage.

Owned Motorized Golf Cart Physical Loss (HO 05 28) Endorsement

Covered Property:

Golf Cart

The first type of property covered is the golf cart, including permanently installed accessories, equipment or parts. The value of these types of property should be included in the Limit of Liability for the golf cart shown in the Schedule.

Non-Permanently Installed Accessories, Equipment and Parts

Covered Property also includes non-permanently installed accessories, equipment and parts that are designed or made solely for the use of the golf cart. Such items might include fans, GPS systems, cooler racks, and golf ball/club washers which fit into fender mounts on the golf cart. This property is only covered while at either an insured’s residence or while in or upon a golf cart listed in the Schedule while off an insured’s residence.

The limit of coverage is 10 percent of the highest Limit of Liability shown in the Schedule. For example, if the Schedule shows a $5,000 Limit of Liability for a golf cart, the policy will provide up to $500 for accessories, equipment and parts.

Lesson 2 Topic C - HO 05 28 p5 (PM)

Learning Objective: Describe the coverage provided by HO 05 28 Owned Motorized Golf Cart Physical Loss Coverage.

Owned Motorized Golf Cart Physical Loss (HO 05 28) Endorsement continued

Property Not Covered

Property that is covered by other insurance, mechanical breakdown insurance or warranty, or a manufacturer’s or extended warranty is NOT covered by this endorsement.
If the other insurance or warranty pays less than the limit in the Schedule, the difference between the payment and the limit will be covered, subject to the deductible and loss settlement provision of the policy.

Lesson 2 Topic C - HO 05 28 p6 (PM)

Learning Objective: Describe the coverage provided by HO 05 28 Owned Motorized Golf Cart Physical Loss Coverage.

HO 05 28 Exclusions

The endorsement provides coverage for direct physical damage to the golf cart unless otherwise excluded by the policy. This is broader than the named perils coverage provided by the Homeowners 3 – Special Form for Coverage C – Personal Property.

As mentioned earlier, collision coverage is not provided unless the Schedule indicates the Collision Peril applies. The first exclusion refers to the Section I – Exclusions found in the Homeowners 3 Special Form policy.

The second exclusion is identical to Part 1 of the “Motor Vehicle Liability” exclusion in the Homeowners Policy.

Exclusions 3. through 5. remove coverage for loss due to road damage to tires, power surges, and faulty workmanship from other than fire or explosion.

E. Section I - Exclusions

We do not insure for loss:

1. Excluded under Section I - Exclusions in the policy form;
2. If, at the time of loss, the "golf cart" is being:
   a. Operated in, or practicing for, any prearranged or organized race, speed contest or other similar competition;
   b. Rented to others;
   c. Used to carry persons or cargo for a charge; or
   d. Used for any "business" purpose except while on a golf facility;
3. To tires or wheels caused by contact with the road or ground, or tires punctured by an object lying on the ground;
4. To the electrical system or equipment caused by artificial electricity;
5. Caused by or resulting from any work being done on the "golf cart", unless fire or explosion ensues and then only for the loss by such ensuing fire or explosion;
Lesson 2 Topic C - HO 05 28 p7 (PM)

Learning Objective: Describe the coverage provided by HO 05 28 Owned Motorized Golf Cart Physical Loss Coverage.

HO 05 28 Exclusions continued

Exclusion 6. is actually 6 separate exclusions. Two are very important for clients to understand as they are common causes of loss.

The first is the exclusion for vandalism or malicious mischief when the golf cart is kept or stored at a location which is unoccupied, closed for the season or is not in operation for any reason, for more than 60 consecutive days immediately before the loss.

The second is the damage caused by animals, birds, vermin, insects or rodents. This type of loss can occur when the golf cart is stored for the winter and creatures of this type make it their home, damaging it in the process.

E. Section I - Exclusions

6. Caused by or resulting from:

   a. Vandalism or Malicious Mischief if the place where the "golf cart" is kept or stored has been unoccupied, closed for the season or is not in operation for any reason, for more than 60 consecutive days immediately before the loss;

   b. Electrical, mechanical or structural breakdown or failure;

   c. Overheating, freezing, dampness of the atmosphere or extremes of temperature;

   d. Wear, tear, deterioration, mold, fungus, rust, or corrosion;

   e. Inherent vice, latent defect or any quality in property that causes it to damage or destroy itself; or

   f. Animals, birds, vermin, insects or rodents. If, however, Collision Peril C.2. applies, this exclusion 6.f does not apply to collision with an animal or bird.
e. Inherent vice, latent defect or any quality in property that causes it to damage or destroy itself; or

f. Animals, birds, vermin, insects or rodents. If, however, Collision Peril C.2. applies, this exclusion 6.f does not apply to collision with an animal or bird.

Clients should understand the exclusions for:

- Vandalism or Malicious Mischief
- Damage Caused by Animals, Birds, Vermin, Insects or Rodents

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**Lesson 2 Topic C - HO 05 28 p8 (PM)**

**Learning Objective:** Describe the coverage provided by HO 05 28 Owned Motorized Golf Cart Physical Loss Coverage.

**HO 05 28 Loss Settlement**

The Limit of Liability is not necessarily the amount the policy will pay in the event of a loss. This is not agreed value settlement coverage. If a loss occurs, the policy will pay the smallest of:

- The actual cash value
- The amount needed to repair or replace
- The limit shown on the schedule

The deductible for the coverage provided by this endorsement is $500.

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**Lesson 2 Topic C - HO 05 28 p9 (PM)**

**Commentary**

It may be, that for some clients, the coverage provided by the Owned Motorized Golf Cart Physical Loss Coverage HO 05 28 endorsement is sufficient. For others, however, it is not. It does not provide loss of use coverage. More importantly, it only provides property coverage, which does not include medical payments or liability coverage.

Your client may need the protection provided by a policy designed specifically for the golf cart exposure.
Lesson 2 Topic D - Property Not Covered

Lesson 2 Topic D - HO 3 Property Coverage for Rented or Borrowed Rec. Vehicles p1 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

If the exclusion for a “motor vehicle” does not apply, there is another exclusion that needs to be considered. Property Not Covered includes articles separately described and specifically insured in this Homeowners Policy or any other insurance.

Example

The client has a golf cart that is insured for $2,000 on the HO 05 28 Owned Motorized Golf Cart Physical Loss Coverage endorsement. The golf cart is only used to service the 2-acres on which his home is located. He has an accident on his premises and the golf cart is damaged. He receives payment for the loss, less his deductible, which he feels is inadequate. He now wants to be paid the rest of his loss from his Coverage C – Personal Property limit. This exclusion prohibits him from being able to do since the golf cart was specifically described and specifically insured on the endorsement.

This exclusion is more likely to apply when an insured is borrowing or renting a recreational vehicle.

Lesson 2 Topic D - HO 3 Property Coverage for Rented or Borrowed Rec. Vehicles p2 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

Property Coverage – Non-Owned Recreational Vehicles

What if the borrowed all terrain vehicle is insured for property coverage by its owner? Let’s look at the borrowed or rented exposure now.

The property coverage for a borrowed or rented recreational vehicle that is either used solely to service a residence or was designed to assist the handicapped is no different than the coverage provided for an owned recreational vehicle.

The reality is, most borrowed or rented recreational vehicles are not used for either of these purposes and any property loss would be excluded. In those situations, the only coverage that might be available would come from Section II – Liability.
Lesson 2 Topic D - H0 3 Property Coverage for Rented or Borrowed Rec. Vehicles p3 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

Property Coverage – Non-Owned Recreational Vehicles continued

Example:

Your insureds rent a snowmobile while on vacation in Minnesota. The rental contract holds them legally responsible for any damage to the snowmobile.

The insured rented an ATV while on vacation. He was riding up a hill when the ATV flipped over. The insured managed to bail out safely, but the ATV sustained damage from rolling down the hill.

Your insured’s 14-year old son borrows his friend’s go-cart. Going around a corner too quickly, he runs into a utility pole. Luckily, he is not injured but the go-cart is damaged.

There is no property coverage for any of these losses since none of these recreational vehicles – snowmobile, ATV or go-cart – are used solely to service a residence. The insured is still legally responsible, regardless of his Homeowners Policy lack of coverage. Just because the Homeowners Policy doesn’t provide the insured with all the coverage needed doesn’t mean the insured isn’t still financially responsible for the damage.

The insureds find themselves responsible to the owner or responsible for the amount paid by the owner’s insurance company. After all, an insurance company typically has the right to recover any payment by subrogating against the person responsible for the damage.

What if the insured has legal action taken against him or her for the damage? Will Section II – Liability in the Homeowners Policy provide any coverage?

Lesson 2 Topic D - H0 3 Property Coverage for Rented or Borrowed Rec. Vehicles p4 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

Section II – Exclusions

The Coverage E – Personal Liability insuring agreement states it will pay “property damage” caused by an “occurrence” covered by the policy for which an insured is legally liable. To determine if the damage to a rented or borrowed recreational vehicle is covered, the exclusions must be examined.

SECTION II - EXCLUSIONS

A. Coverage E - Personal Liability
If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and

2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" has been exhausted by payment of a judgment or settlement.

Just as we saw with non-owned watercraft, Exclusion 3. takes away coverage for the rented or borrowed recreational vehicle unless the loss is caused by fire, smoke or explosion and the insured is legally liable for the damage.

SECTION II - EXCLUSIONS

F. Coverage E - Personal Liability
Coverage E does not apply to:

3. "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke or explosion;
unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

If the policy excludes liability coverage for the damage to a rented or borrowed recreational vehicle due to the loss being other than fire, smoke or explosion, there may be limited coverage provided by the Section II Additional Coverage – Damage to Property of Others.

This coverage does not require the insured to be legally responsible. It is goodwill or courtesy coverage; the same concept as Medical Payments to Others coverage.

Damage to Property of Others will pay up to $1,000 for damage to a rented or borrowed recreational vehicle as long as it was designed for recreational use off public roads; was not owned by an insured; was not used for “business” purposes and at the time of the occurrence was not subject to vehicle registration.

SECTION II - ADDITIONAL COVERAGES

C. Damage To Property Of Others

1. We will pay, at replacement cost, up to $1,000 per "occurrence" for "property damage" to property of others caused by an "insured".

2. We will not pay for "property damage":
   a. To the extent of any amount recoverable under Section I;
   b. Caused intentionally by an "insured" who is 13 years of age or older;
   c. To property owned by an "insured";
   d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or
   e. Arising out of:
      (1) A "business" engaged in by an "insured";
      (2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or
      (3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".

This exclusion e.(3) does not apply to a "motor vehicle " that:

a. Is designed for recreational use off public roads;

b. Is not owned by an "insured"; and

c. At the time of the "occurrence", is not required by law,
or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

Lesson 2 Topic D - H0 3 Property Coverage for Rented or Borrowed Rec. Vehicles p7 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

Let’s revisit the three examples we looked at previously:

- Your insureds rent a snowmobile while on vacation in Minnesota. The rental contract holds them legally responsible for any damage to the snowmobile.
- The insured rented an ATV while on vacation. He was riding up a hill when the ATV flipped over. The insured managed to bail out safely, but the ATV sustained damage from rolling down the hill.
- Your insured’s 14-year old son borrows his friend’s go-cart. Going around a corner too quickly, he runs into a utility pole. Luckily, he is not injured but the go-cart is damaged.

In each of these examples, if the recreational vehicle was not required to have been registered for use on public roads or property, the insured would have up to $1,000 Damage To Property Of Others coverage.

Lesson 2 Topic D - H0 3 Property Coverage for Rented or Borrowed Rec. Vehicles p8 (PM)

Be particularly careful as many states now have a requirement that snowmobiles, all terrain vehicles, and other recreational vehicles be registered with the Department of Natural Resources (DNR) with very few exceptions.

Please refer to Lesson 2 Topic D - H0 3 Property Coverage for Rented or Borrowed Rec. Vehicles p9-11 (PM) to complete the Knowledge Check at this time.

Lesson 2 Topic D - H0 3 Property Coverage for Rented or Borrowed Rec. Vehicles p12 (PM)

Learning Objective: Understand the property coverage provided and not provided by the unendorsed ISO Homeowners 3 Special Form for damage to owned, rented or borrowed recreational vehicles.

This list recaps the coverage available under the Homeowners Policy for damage to a borrowed or rented recreational vehicle.

Damage to the Borrowed or Rented Recreational Vehicle
• Excluded in Homeowners Section I Property as not used solely to service a residence
• Section II Liability may provide coverage if the loss is caused by fire, smoke or explosion
• If the loss is caused by other than fire, smoke or explosion, $1000 may be available from Section II Additional Coverage – Damage to Property of Others as long as the recreational vehicle is not required to be registered for use on public roads or property

Please refer to the end of Lesson 2 Topic D to complete Self Quiz 2 at this time.
Lesson 2 Topic E - Motor Vehicle Liability

Learning Objective: Understand the Homeowners Policy definition of “Motor Vehicle Liability”.

Liability for a loss involving the use of a recreational vehicle is likely to be far more important to your insured than property damage to the recreational vehicle itself since the cost of a “bodily injury” claim would likely be much greater than damage to the recreational vehicle.

We saw previously that recreational vehicles are a “motor vehicle” as defined in the policy. Therefore, before the Section II Liability coverage provided or not provided for a recreational vehicle can be determined, the definition of “Motor Vehicle Liability” must first be understood.

This term is defined so when it is used in Section II Exclusions everyone, including the courts, will understand the intent of the policy with regard to the liability coverage provided or excluded for a recreational vehicle.

Define Motor Vehicle Liability

The definition of “Motor Vehicle Liability” is identical to “Watercraft Liability” discussed previously. It is a very broad definition and includes not only liability for “bodily injury or “property damage” arising from the ownership of a “motor vehicle” by an insured, but also liability arising from the following by any person:

- Maintenance
- Occupancy
- Operation
- Use
- Loading
- Unloading

As well as:

- Entrustment
- Failure to Supervise
- Vicarious Liability
Lesson 2 Topic F - Motor Vehicle Liability Exclusion

Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

Now that we know the definition of “Motor Vehicle Liability”, we will look at the “Motor Vehicle Liability” exclusion. The Section II "Motor Vehicle Liability" exclusion is a 2-part exclusion, just as the "Watercraft Liability" Exclusion. Remember that a recreational vehicle is a “motor vehicle” as defined previously. Therefore, as we go through the “Motor Vehicle Liability” exclusion, remember that every time “motor vehicle” is used, it means recreational vehicle.

Part 1 is similar to the “Watercraft Liability” Exclusion we saw earlier, with the exception of two additional exclusions added.

1. No coverage if it is registered for use on public roads or property
2. No coverage if it should have been registered for use on public roads or property

The rest of Part 1 is the same as Part 1 in the “Watercraft Liability” exclusion.

- Operated in a prearranged or organized race, speed or other contest
- Rented to others
- Carrying people or cargo for a charge
- Used for any "business" purpose (except for motorized golf cart on a golfing facility)

SECTION II - EXCLUSIONS

A. "Motor Vehicle Liability"

1. Coverages E and F do not apply to any "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle":

   a. Is registered for use on public roads or property;

   b. Is not registered for use on public roads or property, but such registration is required by law, or regulation issued by a government agency, for it to be used at the place of the "occurrence"; or

   c. Is being:

      (1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;
(2) Rented to others;
(3) Used to carry persons or cargo for a charge; or
(4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.

2. If Exclusion A.1 does not apply, there is still no coverage for "motor vehicle liability" unless the "motor vehicle" is:

   a. In dead storage on an "insured location";

   b. Used solely to service an "insured's" residence;

   c. Designed to assist the handicapped and, at the time of an "occurrence", it is:
      (1) Being used to assist a handicapped person; or
      (2) Parked on an "insured location";

   d. Designed for recreational use off public roads and:
      (1) Not owned by an "insured"; or
      (2) Owned by an "insured" provided the "occurrence" takes place:
         (a) On an "insured location" as defined in Definition B.6.a, b., d., e. or h.; or
         (b) Off an "insured location" and the "motor vehicle" is:
            (i) Designed as a toy Vehicle for use by children under seven years of age;
            (ii) Powered by one or more batteries;
            (iii) Not built or modified after manufacture to exceed a speed of five miles per hour on level ground;

   e. A motorized golf cart that is owned by an "insured", designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:
      (1) A golfing facility and is parked or stored there, or being used by an "insured" to:
         (a) Play the game of golf or for other recreational or leisure activity allowed by the facility;
         (b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or
         (c) Cross public roads at designated points to access other parts of the golfing facility; or
      (2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.

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Lesson 2 Topic F - Motor Vehicle Liability Exclusion p2 (PM)

Learning Objective: Understand the liability coverage provided by the unendorsed ISO
Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

Motor Vehicle Liability Exclusion - Part 1 continued

Two examples of a golf cart used for "business":

Your insured is in a golf tournament sponsored by his employer. While driving his owned golf cart from the 9th to the 10th hole, he has an accident. A client who was riding in the golf cart is injured. The client sues your insured.

As long as the golf cart is not registered or required to be registered, the policy will cover the “business” use of a golf cart while on a golfing facility.

Your insured is hosting a picnic at a local park for her employees and their families. She is using her personal golf cart to take people to the various activities at the park. While she was driving the golf cart, a passenger falls out and is injured. The injured person sues your insured.

There is no coverage because the “business” use did not take place on a golfing facility.

Lesson 2 Topic F - Motor Vehicle Liability Exclusion p3 (PM)

Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

Motor Vehicle Liability Exclusion Part 2

Part 2 states there is no coverage for a “motor vehicle” unless it fits into one of the stated exceptions. Unlike Part 1, Part 2 of the exclusion does not treat all recreational vehicles the same. As you will see, while some recreational vehicles are precluded from coverage, others are provided coverage under specific circumstances.

We will focus our attention on determining whether or not there is coverage for owned, rented or borrowed recreational vehicles, including snowmobiles, golf carts, all terrain vehicles, go carts, motorized scooters and motorized children’s riding toys.
Lesson 2 Topic F - Motor Vehicle Liability Exclusion p4 (PM)

Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

Insured Location

Before we go any further with the “Motor Vehicle Liability” exclusion, let’s look at the definition of “insured location” since four of the exceptions are based on whether or not the “motor vehicle” is on an “insured location”. When you click on the policy language, you will see five parts of the definition highlighted. We will see shortly that the highlighted locations are the only places where an owned recreational vehicle is provided liability coverage.

DEFINITIONS

6. “Insured location” means:

   a. The "residence premises";

   b. The part of other premises, other structures and grounds used by you as a residence; and

      (1) Which is shown in the Declarations; or

      (2) Which is acquired by you during the policy period for your use as a residence;

   c. Any premises used by you in connection with a premises described in a. and b. above;

   d. Any part of a premises:

      (1) Not owned by an “insured”; and

      (2) Where an "insured" is temporarily residing;

   e. Vacant land, other than farm land, owned by or rented to an "insured";

   f. Land owned by or rented to an "insured" on which a one, two, three or four family dwelling is being built as a residence for an "insured";

   g. Individual or family cemetery plots or burial vaults of an "insured"; or

   h. Any part of a premises occasionally rented to an "insured" for other than "business" use.
Lesson 2 Topic F - Motor Vehicle Liability Exclusion p5 (PM)

**Learning Objective:** Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

**“Motor Vehicle Liability” Exclusion - Part 2 continued**

1. In dead storage on an “insured location”
2. Used solely to service a residence
3. Designed to assist the handicapped (and was being used as such at the time of the loss or was parked on an “insured location”)
4. Non-owned and designed for use off public roads
5. Owned, designed for use off public roads and the occurrence takes place on one of the specified “insured locations”
6. Owned, designed for use off public roads and off an “insured location” if designed as a toy vehicle for children under 7 years of age, powered by batteries, and not built or modified to exceed 5 miles per hour on level ground
7. Golf carts meeting specified capacity, speed, use and location requirements

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Lesson 2 Topic F - Motor Vehicle Liability Exclusion p6 (PM)

**Learning Objective:** Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

**“Motor Vehicle Liability” Exclusion - Part 2 continued**

The coverage for an owned child’s battery operated riding toy vehicle and an owned golf cart is different from the coverage provided for other owned recreational vehicles such as lawn maintenance vehicles, snowmobiles, all terrain vehicles, go carts, and motorized scooters. Therefore, we will focus our discussion on the following:

- Lawn Maintenance Vehicles
- Non-owned Recreational Vehicles
- Owned Recreational Vehicles (Other Than Child’s Toy Vehicles and Golf Carts)
- Owned Child’s Toy Vehicle
- Owned Golf Carts
Lesson 2 Topic F - Motor Vehicle Liability Exclusion p7 (PM)

Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

“Motor Vehicle Liability” Exclusion - Part 2 continued

Lawn Maintenance Vehicles

Lawn maintenance vehicles include riding lawn mowers, tractors and other vehicles used to service a residence. If this vehicle is used for anything other than servicing a residence there is no liability coverage. This is the same exclusionary language found in Coverage C – Personal Property, which was discussed previously in this section.

Non-owned Recreational Vehicles

Part 2 provides coverage for non-owned recreational vehicles that are designed for use off public roads. (Remember, they can not be registered or be required to be registered, otherwise they are excluded by Part 1 of the exclusion.)

As long as the recreational vehicle is not registered or required to be registered, the Homeowners Policy would provide liability coverage for the use of non-owned recreational vehicles. For example:

- Brian and Kim rent ATVs while at the ocean so they can spend the afternoon riding the dunes.
- While driving a friend’s go cart at the friend’s house, Heidi and Mark’s 14-year old son runs into a friend.
- Mary borrowed a friend’s snowmobile to ride in the mountains.
- Jenny is operating her friend’s motorized scooter down the sidewalk.

Lesson 2 Topic F - Motor Vehicle Liability Exclusion p8 (PM)

Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

“Motor Vehicle Liability” Exclusion - Part 2 continued

Owned Recreational Vehicles Other Than Child’s Toy Vehicle

The next exception to the exclusion provides coverage for an owned recreational vehicle while it is on one
of the cited “insured locations”. (These were the locations highlighted in yellow.) If the owned recreational vehicle is being operated away from the cited “insured locations”, there is no liability coverage provided.

Let’s look at the previous examples, only now your client owns the recreational vehicle.

- Brian and Kim take their ATVs to the ocean so they can spend the afternoon riding the dunes.
- While driving his go cart at a friend’s house, Heidi and Mark’s 14-year old son runs into a friend.
- Mary is riding her snowmobile in the mountains.
- Jenny is operating her motorized scooter down the sidewalk.

Because these are owned and away from one of the cited “insured locations”, the Homeowners Policy excludes liability coverage.

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_Lesson 2 Topic F - Motor Vehicle Liability Exclusion p9 (PM)_

_Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles._

“Motor Vehicle Liability” Exclusion - Part 2 continued

So, your clients might have liability coverage under the unendorsed Homeowners Policy for use of their owned recreational vehicle while on their “residence premises” or other cited “insured locations”.

But, what if they are snowmobiling in the mountains or other location that does not fall within the definition of an “insured location”? Is there any way to provide them with the liability coverage they need?

For a snowmobile, the answer is yes!
Lesson 2 Topic G - Recreational Vehicle Endorsements

Lesson 2 Topic G - Recreational Vehicle Endorsements p1 (PM)

Learning Objective: Describe the coverage available under the HO 24 64 Owned Snowmobile endorsement to the Homeowners Policy.

Owned Snowmobile HO 24 64

Owned Snowmobile HO 24 64 is an endorsement that can be added to the Homeowners Policy to provide liability coverage for an owned snowmobile that is used off of or away from one of the cited “insured locations”.

- The make, model and serial or motor number is listed in the Schedule.
- The exclusions for racing, renting to others, carrying people or cargo for a charge or "business" use still apply.
- This endorsement provides Coverage E – Personal Liability and Coverage F – Medical Payments To Others coverage.
- It does not provide either property coverage or uninsured motorists coverage.

This endorsement also changes the definition of “insured” to include any person or organization legally responsible for the snowmobile only if they have permission of the owner.

Refer to Lesson 2 Topic G - Recreational Vehicle Endorsements p1 (PM) to view a copy of the endorsement.

Lesson 2 Topic G - Recreational Vehicle Endorsements p2 (PM)

Errors & Omissions Alert

The Owned Snowmobile HO 24 64 endorsement does not provide the coverage typically needed by a client with a snowmobile exposure.

1. This endorsement does not provide property coverage for physical damage to the scheduled snowmobile.
2. HO 24 64 does not provide liability coverage for injury to an insured or regular resident of the household.

Example

The insureds’ 12-year old son in injured while driving the snowmobile. The insureds do not have Medical Payments To Others coverage since their son is a regular resident of their household.

The insureds do not have Personal Liability coverage as there is an exclusion for “bodily injury” to an
insured. Their son is a resident relative, therefore an insured.

3. This endorsement does not provide Uninsured/Underinsured Motorists coverage.

For these reasons, the insured may be better protected by an endorsement to the Personal Auto Policy or a separate Recreational Vehicle/Snowmobile Policy.

Lesson 2 Topic G - Recreational Vehicle Endorsements p3 (PM)

Learning Objective: Describe the coverage available under the HO 24 13 Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement to the Homeowners Policy.

Owned Child’s Toy Vehicle

The child’s riding toy has been a concern of insurance professionals ever since they gained popularity a few years ago. Most of the time these toys are being driven down the sidewalk – not on an “insured location”. Combine this with the fact that most clients would never think to obtain special liability coverage for their child’s toy.

ISO responded in its 2011 Homeowners Program by revising the “Motor Vehicle Liability” Exclusion to give back liability coverage for children’s motorized riding toys. The vehicles to which this give back of coverage applies is very specific.

This exception specifically discusses coverage while off an "insured location" as a previous exception provided coverage for an owned "motor vehicle" while it was on one of the specified "insured locations".

Designed as a toy + For children under 7 years of age + Powered by one or more batteries + Not built or modified to exceed 5 mph on level ground = Liability Coverage Provided

(b) Off an "insured location" and the "motor vehicle" is:

(i) Designed as a toy vehicle for use by children under seven years of age;

(ii) Powered by one or more batteries; and

(iii) Not built or modified after manufacture to exceed a speed of five miles per hour on level ground;

Lesson 2 Topic G - Recreational Vehicle Endorsements p4 (PM)

Learning Objective: Describe the coverage available under the HO 24 13 Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement to the Homeowners Policy.
HO 24 13 Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement

If the Homeowners Policy excludes liability coverage for your client's recreational vehicle, you may be able to obtain coverage from the Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement HO 24 13.

This is a blanket endorsement, meaning a vehicle does not have to be scheduled to be covered.

Refer to Lesson 2 Topic G - Recreational Vehicle Endorsements p4 (PM) to view the endorsement.

Lesson 2 Topic G - Recreational Vehicle Endorsements p5 (PM)

Learning Objective: Describe the coverage available under the HO 24 13 Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement to the Homeowners Policy.

HO 24 13 continued

This endorsement provides coverage for an owned low power recreational vehicle ("motor vehicle") that is off one of the specified "insured locations" as long as the recreational vehicle is not any of the following:

- Built or Modified to Exceed 15 MPH on Level Ground
- Motorized Bike
- Motorized Scooter
- Moped
- Motorized Golf Cart

Be sure to use caution when recommending this endorsement since there are quite a few popular types of recreational vehicles that are not covered such as the motorized scooter.
“motor vehicle” owned by an insured if they have the insured's permission to use the vehicle.

Example: Your client has an Electric Go Cart that travels up to 12 MPH. A friend of his son's was driving it on the sidewalk when he ran into a pedestrian. With this endorsement, the friend is an insured under your client's Homeowners Policy.

The second change is in the "Motor Vehicle Liability" Exclusion. It revises the exclusion to provide coverage for a "motor vehicle" off of an "insured location" as long it is not a "motor vehicle" excluded by the endorsement as discussed on the previous slide.

Lesson 2 Topic G - Recreational Vehicle Endorsements p7 (PM)

Learning Objective: Describe the coverage available under the HO 24 13 Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement to the Homeowners Policy.

Tell Your Customer:

If you have attached the Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement, make sure the client understands that the endorsement specifically excludes motorized bicycles, mopeds and scooters.

This endorsement will not cover ATVs and dune buggies unless the client has one that has a top speed of 15 mph or less!

Please refer to Lesson 2 Topic G - Recreational Vehicle Endorsements p8 (PM) to complete the Knowledge Check at this time.
Lesson 2 Topic H - Golf Carts

Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

Owned Golf Carts

The last exception to Part 2 of the “Motor Vehicle Liability” exclusion is for an owned golf cart that meets the following criteria.

- Capacity - The golf cart must be designed to carry four or fewer persons.
- Speed - The golf cart can not be built or modified to travel more than 25 miles per hour on level ground.
- Use and Location of Use: The golf cart must be within either of the two described legal boundaries at the time of the occurrence

We'll take a closer at the Use and Location of Use requirements.

Legal Boundaries

The first of the two described legal boundaries is within the legal boundaries of a golfing facility where the golf cart is parked or stored or being used by an insured to:

- Play the game of golf or other recreational or leisure activity allowed by the facility; OR
- Traveling to and from an area where motor vehicles or golf carts are parked or stored; OR
- Crossing public roads at designated points to access other parts of the golfing facility.
Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

Legal Boundaries - Part 1 continued

Covered

The insured is driving her owned golf cart (it carries two persons and travels less than 25 miles per hour) from the golf course to the parking lot of the golf course to drop off her golf clubs.

While in the parking lot, the insured runs into a parked car. The Homeowners Policy would cover this loss as the insured was traveling to an area where motor vehicles are parked.

Not Covered

Insured is traveling from the 9th hole to the 10th hole and needs to cross a public road to do so. The designated place is a little distance away, so the insured crosses the public road at a non-designated place. Unfortunately, the insured has an accident while doing so.

The policy would not provide coverage as the insured wasn’t crossing the public road at a designated point.

Legal Boundaries - Part 2

The second of the two described legal boundaries provides coverage for an owned golf cart that is:

- Within the legal boundaries of a private residential community, including its public roads upon which a motorized golf cart can legally travel; AND
- Which is subject to the authority of the property owners association; AND
- Which contains an insured’s residence

All three of the criteria must be met before the policy will provide coverage!
Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

Legal Boundaries - Part 2 continued

Covered

The insured is using his golf cart as the beverage cart during a golf tournament sponsored by a non-profit organization. If the golf course permits this usage, coverage is provided.

Not Covered

The insured has parked his owned golf cart on a street at the residential retirement community where his sister resides. Golf carts are permitted to be driven on public roads in the community.

As he pulls away from curb, he accidentally hits a man riding a bicycle.

The bicyclist is injured when he falls off his bicycle and has requested your insured to compensate him for his injuries.

This is not covered by your insured’s Homeowners Policy because he does not have a residence in the community.

Please refer to Lesson 2 Topic H - Golf Carts p6 (PM) to complete the Knowledge Check at this time.

Lesson 2 Topic H - Golf Carts p7 (PM)

Learning Objective: Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

Owned Recreational Vehicle

Property Coverage

No coverage unless the recreational vehicle is used solely to service a residence

If used solely to service a residence, coverage is on a Named Peril basis and the loss is subject to the
deductible

Attach Owned Motorized Golf Cart Physical Loss Coverage HO 05 28 to provide coverage for direct physical loss (including or excluding collision) to a golf cart

**Liability and Medical Payments**

No coverage if registered or subject to registration for use on public roads or property

No coverage if racing, rented to others, carrying persons or cargo for a charge or used for any "business" purpose. An exception to the "business" exclusion is provided for a golf cart that is used for business purposes while on a golf facility

Covered only while on one of the specified "insured locations"

Coverage is provided while away from one of the specified "insured locations" for a child's toy vehicle that meets the type and mph requirement

Coverage is provided for golf carts that meet the capacity, speed, use and location of use requirements

Attach Owned Snowmobile HO 24 64 endorsement for liability and medical payments coverage for occurrences that take place away from the specified "insured locations"

Attach Incidental Low Power Recreational Motor Vehicle Liability Coverage Endorsement HO 24 13 to provide liability and medical payments coverage for occurrences that take place away from the specified "insured locations." Certain vehicles are excluded based on speed and type of vehicle

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*Lesson 2 Topic H - Golf Carts p8 (PM)*

**Learning Objective:** Understand the liability coverage provided by the unendorsed ISO Homeowners 3 Special Form for specified types of owned, rented or borrowed recreational vehicles.

**Rented or Borrowed Recreational Vehicles**

**Property Coverage**

Excluded in Homeowners Section I Property as not used solely to service a residence

Section II Liability may provide coverage if the loss is caused by fire, smoke or explosion

If the loss is caused by other than fire, smoke or explosion, $1000 may be available from Section II Additional Coverage - Damage to Property of Others as long as the recreational vehicle is not required to be registered for use on public roads or property
Liability and Medical Payments

No coverage if registered or required to be registered for use on public roads or property

No coverage if racing, carrying persons or cargo for a charge or used for any "business" purpose

An exception to the "business" exclusion is provided for a golf cart that is used for business purposes while on a golf facility

Please refer to Lesson 2 Topic H - Golf Carts p9-11 (PM) to complete the Knowledge Checks at this time.

Please refer to the end of Lesson 2 Topic H to complete Self Quiz 3 at this time.
Lesson 2 Topic I - Recreational Vehicles and the Personal Auto Policy

Learning Objective: Understand why a recreational vehicle loss is unlikely to be covered by the unendorsed ISO Personal Auto Policy.

Now that we have seen the limited coverage available from the Homeowners Policy, let’s determine if we can look to the Personal Auto Policy for coverage for your clients’ recreational vehicles.

Part A – Liability Coverage in the Personal Auto Policy begins by providing liability coverage for an insured due to a loss arising out of the ownership, maintenance or use of any auto or trailer.

However, an exclusion takes away coverage for the ownership, maintenance or use of a vehicle designed mainly for use off public roads. This would include recreational vehicles.

This exclusion continues with two exceptions, which give liability coverage back for:

- A vehicle of this type while being used by an insured in a medical emergency; OR
- A non-owned golf cart

Since recreational vehicles are only covered while being used by an insured in a medical emergency, it is unlikely that there would be a situation when the unendorsed Personal Auto Policy would provide liability coverage for a loss involving the operation of a recreational vehicle.

Lesson 2 Topic I - Recreational Vehicles & the Personal Auto Policy p2 (PM)

Learning Objective: Understand why a recreational vehicle loss is unlikely to be covered by the unendorsed ISO Personal Auto Policy.

One of the exceptions to the exclusion gave back coverage for the use of a non-owned golf cart. When trying to determine coverage for the insured’s use of a non-owned golf cart, we can not stop here. There is one other exclusion that must be considered.

While the policy does provide liability for a non-owned golf cart, there is no coverage for business use since Exclusion A.7 excludes business use of any vehicle unless it is a private passenger auto, pickup, van or trailer.

Since a golf cart is not one of the specified types of autos, there is no liability coverage for the business use of a non-owned golf cart in a Personal Auto Policy.
EXCLUSIONS

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

7. Maintaining or using any vehicle while that "insured" is employed or otherwise engaged in any "business" (other than farming or ranching) not described in Exclusion A.6. This Exclusion (A.7.) does not apply to the maintenance or use of a:

   a. Private passenger auto;
   
   b. Pickup or van; or
   
   c. "Trailer used with a vehicle described in a. or b. above.

Note: You may recall in our earlier discussion that liability coverage for the use of a rented or borrowed golf cart may be provided by the Homeowners Policy as long as it is not excluded in Part 1 of the “Motor Vehicle Liability” exclusion.

Lesson 2 Topic I - Recreational Vehicles & the Personal Auto Policy p3 (PM)

Learning Objective: Understand why a recreational vehicle loss is unlikely to be covered by the unendorsed ISO Personal Auto Policy.

What about damage to the recreation vehicle itself? Part D – Coverage for Damage to Your Auto does not provide coverage for an auto unless it is shown in the Declarations with physical damage coverage or falls within the definition of a “non-owned auto”. A recreational vehicle is not eligible to be shown in the Declarations on an unendorsed Personal Auto Policy and a borrowed or rented recreational vehicle is not typically used as a temporary substitute vehicle.

The unendorsed Personal Auto Policy does not provide either liability or physical damage coverage for an owned or non-owned recreational vehicle. In addition, neither Part B Medical Payments Coverage nor Part C Uninsured/Underinsured Motorists Coverage provide coverage for the use of a recreational vehicle.

However, we’ll see that there are two endorsements to the Personal Auto Policy that may provide a suitable solution for your customer.
Lesson 2 Topic J - Personal Auto Policy Endorsements

Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

Snowmobile Endorsement PP 03 20

For the insured with an owned snowmobile, the Snowmobile Endorsement (PP 03 20) can be added to the Personal Auto Policy to provide the following coverages for an OWNED snowmobile:

- Liability
- Medical Payments Coverage
- Uninsured/Underinsured Motorists Coverage
- Other Than Collision
- Collision

Triggering Coverage

The coverage provided by this endorsement is only for the snowmobile described in the Schedule and only for only those coverages for which a limit of liability and a premium is shown in the Schedule.

This endorsement introduces an exclusion that is typically found in both recreational vehicle and motorcycle policies – Passenger Hazard Excluded.

If a passenger on the snowmobile is injured, that person can seek recovery against the owner and/or the operator of the snowmobile.

Refer to Lesson 2 Topic J - Personal Auto Policy Endorsements p2 (PM) to view a sample endorsement.
Errors & Omissions Alert

Caution must be used if clients want to exclude liability coverage in the event a passenger has a “bodily injury” claim. While clients may have no intention to allow passengers or to tow people with the snowmobile, they may change their mind later, forgetting that they have no liability coverage if the passenger is injured.

Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

Snowmobile Endorsement PP 03 20 continued

Since the Snowmobile Endorsement relies on the policy language in the Personal Auto Policy; revisions to the policy language are necessary to provide coverage for the snowmobile. These revisions are found in the 4-page endorsement.

Definitions

- Clarifies that a snowmobile replaces the words “auto”, “motor vehicle” and “vehicle” when used in the policy. It also clarifies that a snowmobile can be an “uninsured motor vehicle”.
- Snowmobile is defined.
- Replaces “your covered auto” with “your covered snowmobile”, which is defined to mean the snowmobile in the schedule, a newly acquired snowmobile if the insurance company is notified within 14 days, and any snowmobile when used as a temporary substitute for other than Coverage For Damage To Your Auto.
Part A - Liability

- Replaces the definition of insured to apply to the snowmobile exposure.
- Amends the “business” exclusion so it applies to a snowmobile being used in “business”.
- Revises the exclusion for vehicles designed mainly for use off public roads.
- Tightens the racing exclusion so that it applies to a snowmobile for any racing or speed contest whether or not it is prearranged or organized.
- Adds an exclusion if the snowmobile is rented or leased to any insured or organization except the named insured.
- References the Passenger Hazard Exclusion.
- Other Insurance provision is revised to state this coverage is excess over any other collectible insurance.

Lesson 2 Topic J - Personal Auto Policy Endorsements p6 (PM)

Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

Snowmobile Endorsement PP 03 20 continued

Part B – Medical Payments Coverage

- Replaces the definition of insured to apply to the snowmobile exposure.
- Removes the exclusion for vehicles designed mainly for use off public roads.
- Amends the “business” exclusion so it applies to a snowmobile being used in “business”.
- Tightens the racing exclusion so that it applies to a snowmobile for any racing or speed contest whether or not it is prearranged or organized.
- Adds an exclusion if the snowmobile is rented or leased to any insured or organization except the named insured.
- Other Insurance provision is revised to state this coverage is excess over any other collectible insurance.
Lesson 2 Topic J - Personal Auto Policy Endorsements p6 (PM)

Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

Snowmobile Endorsement PP 03 20 continued

Part B – Medical Payments Coverage

- Replaces the definition of insured to apply to the snowmobile exposure.
- Removes the exclusion for vehicles designed mainly for use off public roads.
- Amends the “business” exclusion so it applies to a snowmobile being used in “business”.
- Tightens the racing exclusion so that it applies to a snowmobile for any racing or speed contest whether or not it is prearranged or organized.
- Adds an exclusion if the snowmobile is rented or leased to any insured or organization except the named insured.
- Other Insurance provision is revised to state this coverage is excess over any other collectible insurance.

Lesson 2 Topic J - Personal Auto Policy Endorsements p7 (PM)

Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

Snowmobile Endorsement PP 03 20 continued

Part C – Uninsured/Underinsured Motorists Coverage

- Revises the definition of "uninsured motor vehicle" so that a snowmobile can be an "uninsured motor vehicle" even though it operates on rails or crawler treads.
- Tightens the racing exclusion so that it applies to a snowmobile for any racing or speed contest whether or not it is prearranged or organized.
- Adds an exclusion if the snowmobile is rented or leased to any insured or organization except the named insured.
• Other Insurance provision is revised to state this coverage is excess over any other collectible insurance.

Part D – Damage for Coverage to Your Auto

• Tightens the racing exclusion so that it applies to a snowmobile for any racing or speed contest whether or not it is prearranged or organized.

• Adds an exclusion if the snowmobile is rented or leased to any insured or organization except the named insured.

• Revises Limit of Liability so that a loss cannot exceed the amount shown in the Schedule or Declarations.

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Errors & Omissions Alert

The Snowmobile Endorsement to the Personal Auto Policy provides broader coverage than the Owned Snowmobile endorsement that can be added to the Homeowners Policy.

However, it is critical that the client understand the exclusions that still apply, particularly the exclusion for racing. Unlike the Homeowners Policy, the Snowmobile Endorsement to the Personal Auto Policy does not require the racing to be prearranged or organized for the exclusion to apply – even spontaneous racing is excluded.

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Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

Snowmobile Endorsement PP 03 20 continued

The Snowmobile Endorsement PP 03 20 to a Personal Auto Policy provides broader coverage than the coverage provided by the Owned Snowmobile HO 24 64 endorsement to a Homeowners Policy.

The endorsement to the Personal Auto Policy is the only way to obtain Medical Payments coverage for the named insured and other residents of the household. It is also the only endorsement that provides Uninsured/Underinsured Motorists Coverage and physical damage coverage for damage to the snowmobile.
Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

The Miscellaneous Type Vehicle Endorsement (PP 03 23)

The Miscellaneous Type Vehicle Endorsement (PP 03 23) can be added to the Personal Auto Policy to provide liability, medical payments, other than collision and collision coverage for an owned recreational vehicle including all terrain vehicles, golf carts, motor scooters, and go carts.

Refer to Lesson 2 Topic J - Personal Auto Policy Endorsements p10 (PM) to print out a copy of the endorsement.

Triggering Coverage

The coverage provided by this endorsement is only for the golf cart (or other miscellaneous type vehicle) described in the Schedule and only for those coverages for which a limit of liability and a premium is shown in the Schedule.

This endorsement, like the Snowmobile PP 03 20 endorsement previously discussed, also includes the option to exclude the Passenger Hazard.

Refer to Lesson 2 Topic J - Personal Auto Policy Endorsements p11 (PM) to view a sample endorsement.

The Miscellaneous Vehicle Endorsement (PP 03 23) continued

Owners of recreational vehicles frequently have passengers with them.
Should a passenger be injured because of a covered loss, the insured will want to have access to the liability coverage provided by this endorsement.

Errors & Omissions Alert

Careful consideration should be given before excluding coverage for bodily injury to a passenger.

Lesson 2 Topic J - Personal Auto Policy Endorsements p13 (PM)

Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement.

Definitions

Since the Miscellaneous Type Vehicle Endorsement relies on the policy language in the Personal Auto Policy, revisions to the policy language are necessary to provide coverage for the recreational vehicle. These revisions are found in the 3-page endorsement.

- Adds the definition of “miscellaneous type vehicle”, which includes a golf cart.

- The definition of “your covered auto” is revised by replacing any vehicle shown in the Declarations with any “miscellaneous type vehicle” shown in the Schedule or in the Declarations.

  The revision also clarifies coverage (other than Coverage D – Coverage for Damage to Your Auto) for a temporary substitute recreational vehicle if the described recreational vehicle is out of commission due to breakdown, repair, servicing, loss or destruction.

- Revises the definition of “newly acquired auto” to include a newly acquired “miscellaneous type vehicle” of the same type as shown in the Schedule or in the Declarations.

Lesson 2 Topic J - Personal Auto Policy Endorsements p14 (PM)

Learning Objective: Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

The Miscellaneous Vehicle Endorsement (PP 03 23) continued

Part A - Liability
This endorsement replaces the definition of insured to apply only to the ownership, maintenance or use of “your covered auto”. Coverage for an insured’s use of a non-owned recreational vehicle is automatically provided by the Personal Auto Policy (except if used for business).

It also revises the exclusion for vehicles designed mainly for use off public roads so that the recreational vehicle insured on the endorsement is no longer excluded.

It references the Passenger Hazard Exclusion.

**Part B – Medical Payments Coverage**

Revises the exclusion for vehicles with fewer than four wheels so that it does not apply to a vehicle if it is insured for Medical Payments Coverage as indicated on the Schedule or Declarations. This is needed since some recreational vehicles are 3-wheeled.

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**Lesson 2 Topic J - Personal Auto Policy Endorsements p15 (PM)**

**Learning Objective:** Describe the coverage available under the following endorsements to the Personal Auto Policy: PP 03 20 Snowmobile Endorsement & PP 03 23 Miscellaneous Type Vehicle Endorsement

**The Miscellaneous Vehicle Endorsement (PP 03 23) continued**

**Part D – Coverage For Damage To Your Auto**

Most of these revisions apply to Motor Homes and not to recreational vehicles.

Adds to the Insuring Agreement to include direct and accidental loss to facilities or equipment designed to be used with a motor home shown in the Schedule or in the Declarations.

Adds to the definition of “non-owned auto” to mean any motor home, motorcycle or other similar type vehicle, all-terrain vehicle, dune buggy or golf cart not owned by the named insured while used as a temporary substitute because “your covered auto” is out of normal use due to its breakdown, repair, servicing, loss or destruction.

**Example:**

The insured has Other Than Collision and Collision coverage on his golf cart. While his golf cart is in the shop for routine maintenance, he borrows a friend’s golf cart. If the insured has an accident while driving the friend’s golf cart, his Collision coverage would provide coverage. (Other Insurance provision makes this
excess coverage over any other insurance on the golf cart.)

Lesson 2 Topic J - Personal Auto Policy Endorsements p16 (PM)

Other Recreational Vehicle Coverage Summary – Personal Auto Policy

Owned, Rented or Borrowed Recreational Vehicle

Liability

Coverage for a recreational vehicle if used in a medical emergency

Coverage for a non-owned golf cart for non-business" use

Attach Snowmobile Endorsement PP 03 20 to provide Liability, Medical Payments, and Uninsured/Underinsured Motorists Coverage for a snowmobile

Attach Miscellaneous Type Vehicle Endorsement PP 03 23 to provide Liability, Medical Payments, and Uninsured/Underinsured Motorists Coverage for an eligible recreational vehicle

Physical Damage

No coverage except by endorsements for recreational vehicles

Attach Snowmobile Endorsement PP 03 20 to provide Other Than Collision and/or Collision Coverage for a snowmobile

Attach Miscellaneous Type Vehicle Endorsement PP 03 23 to provide Other Than Collision and/or Collision Coverage for an eligible recreational vehicle

Lesson 2 Topic J - Personal Auto Policy Endorsements p17 (PM)

Recreational Vehicle Policy

Neither a Personal Auto Policy nor a Homeowners Policy automatically provide sufficient coverage for an insured with a recreational vehicle.

We looked at the endorsement to the Personal Auto Policy and the endorsement to the Homeowners Policy, which may or may not provide the client with the coverage needed.

The third option: A separate Recreational Vehicle Policy as it may provide better coverage. As they are nonstandard policies, each will have to be analyzed to determine the coverage provided and/or excluded and whether it provides the protection needed by your client.
Refer to the end of Lesson 2 Topic J to complete Self Quiz 4 at this time.