



## 2021 Rural & Small Agents' Conference



# Personal Lines Claim Scenarios

Presented by:  
**Samuel T. Bennett, CIC, AFIS, CRIS, CPIA**  
Harrison Agency, Inc.  
Columbia, MO  
[sbennett@harrisonagencyinc.com](mailto:sbennett@harrisonagencyinc.com)

## **Learning Objectives**

After this session, participants will be able to:

1. Explain the definitions of “you”, “your”, and “family member” in the 2018 ISO Personal Auto Policy (PAP) and understand the relevance of each term.
2. Explain the definition of “Your Covered Auto” and give examples of vehicles which meet – and do not meet – the definition.
3. Describe the importance of the Part A – Liability Coverage Insuring Agreement of the Personal Auto Policy.
4. Determine the relevance of the definition of “insured” in Part A – Liability, with emphasis on the definitions of “you”, “your” and “family member”.
5. Explain how exclusions that apply to “insureds” eliminate coverage, even when the person/entity meets the definition of “insured” in the PAP.
6. Explain the definition of “business” and give examples of active exclusions as a result of “business” in the PAP.
7. Explain the coverages found in Part D – Coverage For Damage To Your Auto - by careful review of the Insuring Agreement and Definitions.

8. Explain the definitions of “you”, “your” and “insured” in the 2011 ISO Homeowner Policy (HO 00 03 05 11) and understand the relevance of each term.
9. Describe “Motor Vehicle Liability” and give examples of what items meet the definition of “Motor Vehicle” in the HO2011. Explain how Section I – Property handles “Motor Vehicles”.
10. Describe “Motor Vehicle Liability” and understand the importance of very broad exclusions for “Motor Vehicle Liability” in Section II of the HO2011.

Learning Objective 1: Explain the definitions of “you”, “your”, and “family member” in the 2018 ISO Personal Auto Policy (PAP) and understand the relevance of each term.

## DEFINITIONS

1. “You” and “Your”
  - A. Those named in the declarations, and
  - B. The spouse of the person(s) named, if they are a resident of the **SAME** household

A non named spouse will remain a “You” ONLY:

- For up to 90 days
- Until they become a named insured on another policy
- Until the end of this policy period

### DEFINITIONS

- A. Throughout this policy, “you” and “your” refer to:
  1. The “named insured” shown in the declarations; and
  2. The spouse if a resident of the same household.If the spouse ceases to be a resident of the same household during the policy period or prior to the inception of this policy, the spouse will be considered “you” and “your” under this policy but only until the earlier of:
  1. The end of 90 days following the spouse’s change of residency;
  2. The effective date of another policy listing the spouse as a named insured; or
  3. The end of the policy period.

PP 00 01 09 18 Page 1 of 14

Whichever comes first



“The Moral of this Story” –

**Name BOTH spouses in the Declarations**

2. “Family member”

**DEFINITIONS**

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

PP 00 01 09 18 Page 1 of 14

**Make a Note –  
Age is not  
mentioned, nor  
is degree of  
relationship**

***Definitions Scenario:***

Billy Bob Lathrop has his Personal Auto Policy (PAP) with your agency. He recently married Suzy Lynn Johnson. Suzy has two minor, custodial children - a son, Willy B. and a daughter, Sunni Lane who moved in with Billy Bob and Suzy Lynn. Billy Bob has not contacted your agency to make you aware of his marriage.

***Questions:***

1. Explain whether Suzy Lynn is a “you”, a “family member”, neither, or both?
2. What are Willy B. and Sunni Lane as far as the PAP is concerned?

Sunni Lane and Willy B. visit their father for three weeks during the summer.

1. What are Willy B. and Sunni Lane while on this visit as far as Billy Bob’s PAP is concerned?

After seven months of wedded bliss, Billy Bob and Suzy Lynn have had all they can stand of one another. Billy Bob moves out and does not make you aware of his new address. After being separated for two months, Suzy Lynn moves back in with her ex-husband and Willy B. and Sunni Lane opt to move in with Billy Bob.

1. Explain the previously discussed definitions in Billy Bob's PAP as to Suzy Lynn.
2. Explain the previously discussed definitions in Billy Bob's PAP as to Willy B. and Sunni Lane.
3. As to Billy Bob's PAP, would Suzy Lynn's ex-husband be considered a "family member"?

Learning Objective 2: Explain the definition of “Your Covered Auto” and give examples of vehicles which meet – and do not meet – the definition.

3. “Your Covered Auto”

**There are four categories – if a vehicle fits into any of the four categories, it is a “Your Covered Auto”**

A. ANY vehicle shown in the Declarations

- ✓ Do not confuse eligibility with coverage – if a vehicle appears in the declarations, it is a “Your Covered Auto” regardless of its type, size or number of wheels
- ✓ Exclusions later found in Part A – Liability Coverage may affect even a vehicle shown in the Declarations

**PART A – LIABILITY COVERAGE  
EXCLUSIONS**

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

1. Any vehicle which:

- a. Has fewer than four wheels; or
- b. Is designed mainly for use off public roads.

This Exclusion **(B.1.)** does not apply:

- a. While such vehicle is being used by an "insured" in a medical emergency;
- b. To any "trailer"; or
- c. To any non-owned golf cart.

**PP 00 01 09 18 Page 4 of 14**

B. A “Newly Acquired Auto”

- ✓ This is a defined term
- ✓ Any vehicle meeting this definition then becomes a “your covered auto”

**DEFINITIONS**

**K. "Newly acquired auto":**

1. "Newly acquired auto" means any of the following types of vehicles you become the owner of during the policy period:
  - a. A private passenger auto; or
  - b. A pickup or van, for which no other insurance policy provides coverage, that:
    - (1) Has a Gross Vehicle Weight Rating of 10,000 lbs. or less; and
    - (2) Is not used for the delivery or transportation of goods and materials unless such use is:
      - (a) Incidental to your "business" of installing, maintaining or repairing furnishings or equipment; or
      - (b) For farming or ranching.

PP 00 01 09 18 Page 1 of 14

✓ **Vehicle must meet three criteria**

1. Vehicle must be acquired by **YOU**
  - A “family member” ***IS NOT*** a You
2. Vehicle must be acquired during the policy period



**AND**

3. Vehicle must be eligible

- Vehicle must be a private passenger auto (although the policy does not define private passenger auto);

**OR**

- the vehicle must be a pickup or van (again, the policy does not define these terms), for which no other insurance policy provides coverage; that:
  - a. has a G.V.W. of 10,000 pounds **OR LESS**; and
  - b. is not used for delivery or transportation of goods and materials - unless such use is
    - (i) incidental; or
    - (ii) for farming or ranching

✓ Coverage for a “Newly Acquired Auto”

**DEFINITIONS**

**K. "Newly acquired auto":**

**2. Coverage for a "newly acquired auto" is provided as follows:**

- a.** For any coverage provided in this Policy other than Coverage For Damage To Your Auto, a "newly acquired auto" will have the broadest coverage we now provide for any vehicle shown in the Declarations. However, for this coverage to apply, you must ask us to insure it within 14 days after you become the owner.
- b.** Collision Coverage for a "newly acquired auto" begins on the date you become the owner. However, for this coverage to apply, you must ask us to insure it within:
  - (1)** 14 days after you become the owner, if the Declarations indicates that Collision Coverage applies to at least one auto. In this case, the "newly acquired auto" will have the broadest coverage we now provide for any auto shown in the Declarations.
  - (2)** Four days after you become the owner, if the Declarations does not indicate that Collision Coverage applies to at least one auto. If you comply with the four-day requirement and a loss occurred before you asked us to insure the "newly acquired auto", a Collision deductible of \$500 will apply.
- c.** Other Than Collision Coverage for a "newly acquired auto" begins on the date you become the owner. However, for this coverage to apply, you must ask us to insure it within:
  - (1)** 14 days after you become the owner, if the Declarations indicates that Other Than Collision Coverage applies to at least one auto. In this case, the "newly acquired auto" will have the broadest coverage we now provide for any auto shown in the Declarations.
  - (2)** Four days after you become the owner, if the Declarations does not indicate that Other Than Collision Coverage applies to at least one auto. If you comply with the four-day requirement and a loss occurred before you asked us to insure the "newly acquired auto", an Other Than Collision deductible of \$500 will apply.
- d.** For all coverages addressed in Paragraphs **K.2.a., b. and c.**, if you first ask us to insure the "newly acquired auto" after the applicable time period has elapsed, coverage will begin on the day you first ask us to insure the "newly acquired auto".

**PP 00 01 09 18 Pages 1 & 2 of 14**

C. Any “trailer” you own

✓ “Trailer” is defined

**DEFINITIONS**

I. "Trailer" means a vehicle designed to be pulled by a:

1. Private passenger auto; or
2. Pickup or van.

It also means a farm wagon or farm implement while towed by a vehicle listed in 1. or 2. above.

**PP 00 01 09 18 Page 1 of 14**

✓ Note that the “trailer” must be owned by a you, not a “family member”

D. Any non-owned auto or “trailer” while used as a temporary substitute for a “your covered auto” which is out of normal use because of its:

- ✓ Breakdown
- ✓ Repair
- ✓ Servicing
- ✓ Loss
- ✓ Destruction

**This provision DOES NOT APPLY to Part D – Coverage For Damage To Your Auto**

## *Definitions Scenario:*

Jim Mister has his Personal Auto Policy (PAP) with your agency and he is the only Named Insured. Mr. Mister's PAP Declarations indicate a 2017 Ford F-150, a 2020 Toyota Corolla, a 2006 Honda Civic and a 2015 Harley Softail. He has Liab, Med Pay, UM/UIM on all items and Collision and Other Than Collision on everything other than the 2006 Honda Civic, with deductibles of \$500. His 17-year-old daughter, Naughta resides with him.

## *Questions:*

1. One Saturday morning, Jim trades in the Honda for a beautiful new BMW X3. Is this item a "your covered auto"? What coverages are provided for the new car?
2. Naughta needs her own car to get to and from her part-time job, so she purchases a 2002 Chrysler 200 from a local used car dealer. Is this item a "your covered auto"? What coverages are provided for this car?
3. What problems may exist as to the motorcycle listed in the Declarations?
4. Jim decides that he wants to travel more. He trades everything for a 2020 Tiffin motor home and hits the road. Two weeks into his travels he calls you from Walla Walla, WA to tell you he has been involved in an at-fault accident. What do you tell Mr. Mister?
5. One morning, as he heads to work, Jim notes that his Ford F-150 has a flat tire. The other vehicles he owns are not available. He asks his neighbor, Butch, an over-the-road trucker if he can borrow a vehicle. Butch hands Jim the keys to his only available vehicle, a 2017 Kenworth. Is this vehicle a "your covered auto" for Mr. Mister?



Learning Objective 3: Describe the importance of the Part A – Liability Coverage Insuring Agreement of the Personal Auto Policy.

## Part A – Liability Coverage

### A. Insuring Agreement

#### **PART A – LIABILITY COVERAGE**

##### **INSURING AGREEMENT**

A. We will pay damages for "bodily injury" or "property damage" for which any "insured" becomes legally responsible because of an auto accident. We will settle or defend, as we consider appropriate, any claim or suit asking for these damages. In addition to our limit of liability, we will pay all defense costs we incur. Our duty to settle or defend ends when our limit of liability for this coverage has been exhausted by payment of judgments or settlements. We have no duty to defend any suit or settle any claim for "bodily injury" or "property damage" not covered under this policy.

PP 01 56 06 19 Page 1 of 5 Amendment of Policy Provisions - Kansas

1. Coverage is for damages
2. For “bodily injury” or “property damage”
3. For which any “insured” becomes legally responsible because of an auto accident
4. In addition to the policy’s limit of liability, the company will pay all defense costs the company incurs
5. Duty to settle or defend ends when the limit of liability has been exhausted by **PAYMENT** of judgments or settlements
6. No duty to defend or settle any claim for BI or PD not covered under this policy



***This Insuring Agreement provides  
UNLIMITED COVERAGE FOR  
THE COST OF DEFENSE***

Learning Objective 4: Determine the relevance of the definition of “insured” in Part A – Liability, with emphasis on the definitions of “you”, “your” and “family member”.

- B. An understanding of who or what meets the definition of “insured” in Part A – Liability is vital. As the Insuring Agreement’s ‘Promise To Pay’ is made **only** to any “insured”, any party seeking liability protection **MUST** be an “insured”

**PART A – LIABILITY COVERAGE  
INSURING AGREEMENT**

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

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

PP 00 01 09 18 Page 2 of 14

***Definitions Scenario:***

Mary Christmas has her PAP in your agency. Mary is the only Named Insured on the policy. Mary and her spouse, Chilly reside together. They have two custodial children, Snowy, age 14 and Rainy, age 11 as well as a son, Cloudy, who has completed college and lives three states away.

***Questions:***

1. As to those listed above, who meets the definition of “insured” in Mary’s PAP?

2. Rainy is double-dog-dared by a neighbor's kid to drive the kid's mom's 2011 Toyota Corolla around the block. The kid even provides keys to the car. If Rainy takes her up on the dare, would she be an "insured" in Mary's PAP?
3. One Saturday evening, while attending a get-together, Cloudy is asked by his roommate to drive the roommate's car to the grocery store to pick up more milk and cookies. Would Cloudy be an "insured" in Mary's PAP while on this excursion?
4. Just after the policy renews for an annual term, Chilly is needed by his elderly mother as she has become ill. He elects to move in with his mother, becoming a resident of her household in what he hopes will be a temporary situation. How long will Chilly remain an "insured" on Mary's PAP?
5. Mary borrows her neighbor's large dump truck as she needs some gravel for her long driveway. Would Mary be an "insured" in her PAP while using this vehicle?



6. Mary owns a small business – Gifts by Mary Christmas, LLC. She attends a conference in Orlando and while there, she rents a car in the name of the LLC. In Mary's PAP, would Mary be an "insured" while using this car? Would the LLC be an "insured"?
7. Mary leaves the grocery store one evening and finds that her car has been stolen. The thief has gotten several miles down the road by the time of the discovery. Is the thief an "insured" in Mary's PAP?

Learning Objective 5: Explain how exclusions that apply to “insureds” eliminate coverage, even when the person/entity meets the definition of “insured” in the PAP.

Learning Objective 6: Explain the definition of “business” and give examples of active exclusions as a result of “business” in the PAP.

## Part A – Liability Coverage

### A. Exclusions

Part A – Liability Coverage has what can be viewed as two sets of exclusions. Exclusions A.1. – A.10 apply to “insureds” while exclusions B.1- B.5. apply to vehicles.

#### Set Number One – Applying to “insureds”

##### **EXCLUSIONS**

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

1. Who intentionally causes "bodily injury" or "property damage".
2. For "property damage" to property owned or being transported by that "insured".
3. For "property damage" to property:
  - a. Rented to;
  - b. Used by; or
  - c. In the care of;that "insured".

This exclusion **(A.3.)** does not apply to "property damage" to a residence or private garage.

4. For "bodily injury" to an employee of that "insured" during the course of employment. This exclusion **(A.4.)** does not apply to "bodily injury" to a domestic employee unless workers' compensation benefits are required or available for that domestic employee.
5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance. This includes but is not limited to any period of time a vehicle is being used by any "insured" who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.

This exclusion **(A.5.)** does not apply to:

- a. A share-the-expense car pool; or
- b. The ownership or operation of a vehicle while it is being used for volunteer or charitable purposes.

PP 00 01 09 18 Page 3 of 14



Set Number One – Applying to “insureds” – Continued

**EXCLUSIONS**

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

**6.** While employed or otherwise engaged in the "business" of:

- a.** Selling;
- b.** Repairing;
- c.** Servicing;
- d.** Storing; or
- e.** Parking;

vehicles designed for use mainly on public highways. This includes road testing and delivery. This exclusion (**A.6.**) does not apply to the ownership, maintenance or use of "your covered auto" by:

- (1)** You;
- (2)** Any "family member"; or
- (3)** Any partner, agent or employee of you or any "family member".

**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.

**PP 00 01 09 18 Page 3 of 14**

**DEFINITIONS**

**E.** "Business" includes trade, profession or occupation.

**PP 00 01 09 18 Page 1 of 14**

<b>Business Use in the Personal Auto Policy and Liability Coverage</b>	
Private Passenger Auto, Pickup, Van or Trailer	Covered – Except for use as a Public or Livery Conveyance
All Other Vehicles	NOT Covered for Business Use

***Please Note – There may be additional exclusions that could affect a loss situation***

## Set Number One – Applying to “insureds” – Continued

### EXCLUSIONS

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

- 8.** Using a vehicle without a reasonable belief that that "insured" is entitled to do so. This exclusion **(A.8.)** does not apply to a "family member" using "your covered auto" which is owned by you.
- 9.** For "bodily injury" or "property damage" for which that "insured":
  - a.** Is an insured under a nuclear energy liability policy; or
  - b.** Would be an insured under a nuclear energy liability policy but for its termination upon exhaustion of its limit of liability.

A nuclear energy liability policy is a policy issued by any of the following or their successors:

- (1)** Nuclear Energy Liability Insurance Association;
- (2)** Mutual Atomic Energy Liability Underwriters; or
- (3)** Nuclear Insurance Association of Canada.

**10.** For the ownership, maintenance or use of "your covered auto" while:

- a.** Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
- b.** Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member".

**PP 00 01 09 18 Pages 3 & 4 of 14**

## Set Number Two – Applying to vehicles

### EXCLUSIONS

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

- 1.** Any vehicle which:
  - a.** Has fewer than four wheels; or
  - b.** Is designed mainly for use off public roads.

This exclusion **(B.1.)** does not apply:

- (1)** While such vehicle is being used by an "insured" in a medical emergency;
- (2)** To any "trailer"; or
- (3)** To any non-owned golf cart.

**2.** Any vehicle, other than "your covered auto", which is:

- a.** Owned by you; or
- b.** Furnished or available for your regular use.

**PP 00 01 09 18 Page 4 of 14**

## Set Number Two – Applying to vehicles - Continued

### EXCLUSIONS

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

**3.** Any vehicle, other than "your covered auto", which is:

**a.** Owned by any "family member"; or

**b.** Furnished or available for the regular use of any "family member".

However, this exclusion **(B.3.)** does not apply to you while you are maintaining or "occupying" any vehicle which is:

**(1)** Owned by a "family member"; or

**(2)** Furnished or available for the regular use of a "family member".

**4.** Any vehicle, located inside a facility designed for racing, for the purpose of:

**a.** Participating or competing in; or

**b.** Practicing or preparing for;

any prearranged or organized:

**(1)** Racing or speed contest; or

**(2)** Driver skill training or driver skill event.

**5.** Any vehicle which is designed or can be used for flight.

PP 00 01 09 18 Page 4 of 14

### *Loss Scenarios*

Lon Moore is an insured of your agency for his PAP exposure. Lon is a manager with Jiffy Lube. As part of his job description, he is required to go by the other three local Jiffy Lubes each morning on his way to his facility in order to pick up the previous day's credit card receipts. One morning, while traveling between locations in his 2014 Ford F150, a vehicle listed in the Declarations of his PAP, he is negligent in an accident. He pulls into the path of another driver, causing damage to that driver's vehicle and slightly injuring that driver.

### *Questions:*

1. Explain how Lon's PAP will respond to this accident.



Two weeks later, Lon is moving a customer's vehicle from the bay into the parking area. He negligently strikes another customer's parked vehicle, causing damage to both vehicles.

1. How will Lon's PAP respond to this accident?
  - ✓ For damage to the customer's parked vehicle?
  - ✓ For damage to the vehicle he is driving?

Lon sometimes transports customers to their jobs in his 2014 Ford F-150 when they drop their vehicles for service. When he does this, he maintains a mileage log and is reimbursed by his employer. In one of these instances, he is involved in an accident and the customer is injured. It is not clear if Lon was negligent, but the injured customer brings suit against Lon, the other party in the accident and Lon's employer, Jiffy Lube.

1. Will Lon's PAP provide defense for Lon as fault is determined?
2. If Lon is determined to be at least partially at fault, will his PAP pay on his behalf?
3. If the other party's insurance carrier subrogates against Lon, will his PAP protect him and pay on his behalf?
4. Will Lon's PAP provide defense for Jiffy Lube and, if found vicariously liable, will Lon's PAP pay on behalf of Jiffy Lube?

Lon's wife, Fannie Moore, a "you" on the previously mentioned PAP, is a delivery person for UPS. She regularly drives a large UPS brown delivery van. One morning, while making her appointed deliveries, she fails to notice a vehicle pulling beside her and negligently enters that vehicle's drive lane and sideswipes that vehicle.

1. Will Fannie's PAP respond for the property damage done to the other vehicle?
2. Will Fannie's PAP Part A – Liability Coverage respond for the physical damage done to the UPS delivery van?
3. Would this liability claim have been handled differently if, instead of the accident occurring in the mentioned vehicle, it had occurred in an S-10 pickup owned by UPS and used, at times, when there was an overflow of deliveries to be made?

# Notes

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

Learning Objective 7: Explain the coverages found in Part D – Coverage For Damage To Your Auto - by careful review of the Insuring Agreement and Definitions.

## Part D – Coverage For Damage To Your Auto – Insuring Agreement

### INSURING AGREEMENT

- A. We will pay for direct and accidental loss to "your covered auto" or any "non-owned auto", including its equipment, minus any applicable deductible shown in the Declarations. If loss to more than one "your covered auto" or "non-owned auto" results from the same "collision", only the highest applicable deductible will apply. We will pay for loss to "your covered auto" caused by:
1. Other than "collision" only if the Declarations indicates that Other Than Collision Coverage is provided for that auto.
  2. "Collision" only if the Declarations indicates that Collision Coverage is provided for that auto.

If there is a loss to a "non-owned auto", we will provide the broadest coverage applicable to any "your covered auto" shown in the Declarations.

PP 00 01 09 18 Page 8 of 14

1. Direct and accidental loss must occur to
  - A. To “your covered auto”
  - B. To any “non-owned auto”
    - ✓ Including its equipment
    - ✓ Minus the deductible shown in the Declarations
    - ✓ If more than one “your covered auto” or “non-owned auto” is damaged in the same “collision” only the highest deductible will apply



## Part D – Coverage For Damage To Your Auto

### 2. Definitions

#### A. “Collision”

- ✓ Upset of “your covered auto” or a “non-owned auto” or their impact with another vehicle or object

#### B. Other than “collision”

- ✓ Any other loss that is not “collision” and not excluded
- ✓ Loss caused by a specific list of perils – this is NOT an exclusionary list – it is an inclusionary list

**B.** "Collision" means the upset of "your covered auto" or a "non-owned auto" or its impact with another vehicle or object.

Loss caused by the following is considered other than "collision":

1. Missiles or falling objects;
2. Fire;
3. Theft or larceny;
4. Explosion or earthquake;
5. Windstorm;
6. Hail, water or flood;
7. Malicious mischief or vandalism;
8. Riot or civil commotion;
9. Contact with bird or animal; or
10. Breakage of glass.

If breakage of glass is caused by a "collision", you may elect to have it considered a loss caused by "collision".

**PP 00 01 09 18 Page 8 of 14**



C. “Your covered auto”

Remember the definition?

- ✓ Any vehicle listed in the Declarations
- ✓ Any “newly acquired auto”
- ✓ An owned “trailer”
- ✓ A temporary substitute (as described)

For a “your covered auto”, Part D – indicates that “collision” and/or other than “collision” coverages exist ***ONLY IF INDICATED IN THE DECLARATIONS THAT COVERAGE IS IN PLACE FOR THAT AUTO***

C. “Non-owned auto” – Definition has two separate indications:

If the vehicle is a private passenger auto, pickup, van or “trailer”

C. "Non-owned auto" means:

1. Any private passenger auto, pickup, van or "trailer" not owned by or furnished or available for the regular use of you or any "family member" while in the custody of or being operated by you or any "family member"; or

PP 00 01 09 18 Page 8 of 14

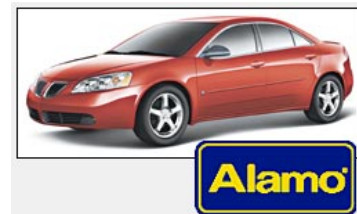
If the vehicle is a temporary substitute

C. "Non-owned auto" means:

2. Any auto or "trailer" you do not own while used as a temporary substitute for "your covered auto" which is out of normal use because of its:
  - a. Breakdown;
  - b. Repair;
  - c. Servicing;
  - d. Loss; or
  - e. Destruction.

PP 00 01 09 18 Page 9 of 14

**UNDERSTAND THIS DISTINCTION AND YOU HAVE ACCOMPLISHED THE MOST DIFFICUL ASPECT OF PART D – COVERAGE FOR DAMAGE TO YOUR AUTO**



## ***Loss Scenario***

Your insured, James Beam, has his Personal Auto Policy (PAP) in your agency. James is the only individual named in the Declarations. The policy provides Liability, Medical Payments, Uninsured/Underinsured Motorist, Collision with a \$500 deductible, and Other Than Collision with a \$250 deductible on two vehicles, a 2018 Dodge Ram ½ ton pickup and a 2020 Nissan Armada and the same coverages minus Collision and Other Than Collision on a 1991 Chevrolet Impala station wagon. Jim has been divorced for about 10 years and has a 21-year-old son, Jack Daniel Beam living with him. How will Jim's Part D – Coverage For Damage To Your Auto of his PAP respond in these scenarios?

### ***Questions:***

1. On a sunny Saturday afternoon, Jim decides to go fishing in a farm pond in a pasture owned by a co-worker. Jim parks his truck in the pasture and walks about a mile to the pond, spending several hours fishing there. He returns at dusk to find that the bull pastured on the premises has taken considerable liking to his 2018 Dodge pickup. His amorous actions toward the pickup have resulted in at least eight dents ranging in size from large to very large. How would Jim's PAP respond?
2. Jack Daniel flies with a friend to San Diego, CA for a long weekend. Jack rents a 2021 Nissan Altima from the airport location of Hertz. On the way to the beach later in the day, Jack fails to navigate a curve, leaves the road and strikes a tree, doing approximately \$4,000 in damage to the rented car. How will Jim's PAP respond?

What if, at the time of the accident, Jack's travelling companion, Evan Williams, had been driving the vehicle? How would Jim's PAP respond?



3. Several weeks later, the Dodge pickup has gone into the body shop to be repaired, Jack Daniel has driven the Armada to work, and Jim plans to drive to Impala to work. He discovers that the Impala will not start due to a dead battery. Jim goes next door to see if he can borrow a vehicle from his neighbor, Tex. Tex tells him he only has work truck as his wife has taken their sedan to her job. Tex hands him the keys to a Sterling dump truck. If Jim were to accidentally damage the vehicle while driving it, how would his PAP respond?

**NOTES**

---

---

---

---

---

---

---

Learning Objective 8: Explain the definitions of “you”, “your” and “insured” in the 2011 ISO Homeowner Policy (HO 00 03 05 11) and understand the relevance of each term.

## DEFINITIONS

1. “You” and “Your”
  - A. The “named insured” shown in the Declarations
  - B. The spouse(s) of the person(s) named, but only if that person(s) resides with the “named insured”

*Unlike the PAP, there is no provision for any additional number of days for a non-resident spouse*

### DEFINITIONS

- A. In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We", "us" and "our" refer to the Company providing this insurance.

HO 00 03 05 11 Page 1 of 24

## 2. “Insured”

5. "Insured" means:
- a. You and residents of your household who are:
    - (1) Your relatives; or
    - (2) Other persons under the age of 21 and in your care or the care of a resident of your household who is your relative;
  - b. A student enrolled in school full-time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:
    - (1) 24 and your relative; or
    - (2) 21 and in your care or the care of a resident of your household who is your relative; or
  - c. Under Section II:
    - (1) With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person described in **5.a.** or **b.** "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner; or
    - (2) With respect to a "motor vehicle" to which this policy applies:
      - (a) Persons while engaged in your employ or that of any person described in **5.a.** or **b.**; or
      - (b) Other persons using the vehicle on an "insured location" with your consent.

Under both Sections I and II, when the word an immediately precedes the word "insured", the words an "insured" together mean one or more "insureds".

HO 00 03 05 11 Pages 1 & 2 of 24



**“The Moral of this Story” –**

**Name BOTH spouses in the Declarations**

## *Definitions Scenario*

John B. Walton has his Homeowner Policy (HO) in your agency. He recently married Mable M. Marvel. Mabel has two minor, custodial children - a son, Martin and a daughter, Estelle. John has not contacted your agency to make you aware of his marriage.

### *Questions:*

1. Explain whether Mable is a “you”, an “insured”, neither or both?
2. What are Martin and Estelle as far as John’s HO policy is concerned?
3. The Waltons have an exchange student from Norway living in their home for a semester. What is this exchange student as far as John’s HO policy is concerned?
4. John has a medium sized, mixed breed dog named Waffles. He has boarded her for a week as he, Mable, Martin and Estelle are taking a trip to Branson, MO. While an employee of the boarder is walking Waffles, a child comes up to pet her. Waffles is startled and ‘nips’ the child. If a lawsuit is filed, would John be an “insured” in his HO policy? Would the person walking Waffles have “insured” status under John’s HO policy?

Learning Objective 9: Describe “Motor Vehicle Liability” and give examples of what items meet the definition of “Motor Vehicle” in the HO2011. Explain how Section I – Property handles “Motor Vehicles”.

## DEFINITIONS

1. “Motor Vehicle Liability”
  - A. Liability for “Bodily Injury” and “Property Damage” arising out of, basically, anything that can be done with a “motor vehicle” that an “insured” is somehow related to – **More on this VERY important definition later**
2. “Motor Vehicle”
  - A. Self-propelled land or amphibious vehicle
  - B. Any trailer – when carried by, or hitched to a self-propelled land or amphibious vehicle

### DEFINITIONS

7. "Motor vehicle" means:

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

HO 00 03 05 11 Page 2 of 24





3. Relevance of the “Motor Vehicle” definition and subsequent “Motor Vehicle” exclusions in Section I – Property Coverages under Coverage C – Personal Property in the ISO HO2000

**SECTION I – PROPERTY COVERAGES**

**C. Coverage C – Personal Property**

**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;

**HO 00 03 05 11 Page 4 of 24**



4. Section I – Property concerns with covered “motor vehicles”

- ✓ Even when an exception to the property exclusions exists, perils insured against must be reviewed

**SECTION I – PERILS INSURED AGAINST**

**B. Coverage C – Personal Property**

1. Fire Or Lightning
2. Windstorm Or Hail
3. Explosion
4. Riot Or Civil Commotion
5. Aircraft
6. Vehicles
7. Smoke
8. Vandalism Or Malicious Mischief
9. Theft
10. Falling Objects
11. Weight Of Ice, Snow Or Sleet
12. Accidental Discharge Or Overflow Of Water Or Steam
13. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging
14. Freezing
15. Sudden And Accidental Damage From Artificially Generated Electrical Current
16. Volcanic Eruption

HO 00 03 05 11 Pages 10 - 12 of 24

## ***Loss Scenario***

Jeff Johnson has his Homeowner Policy (HO 2011 form HO 03) in your agency. Jeff has a new John Deere riding lawn tractor that he uses to mow his large, three-acre yard.

### ***Questions:***

1. One Saturday afternoon Jeff is mowing a particularly steep part of his yard. He gets the mower at an angle so steep that it proceeds to roll down an embankment. He is able to dismount the mower and is not injured, but the lawn tractor is a total loss. How will his HO respond?
2. Jeff stores the mower in his detached garage. One afternoon he finds the mower is missing – it has been stolen. How will his HO respond?
3. Jeff is active in his church, serving on several committees, including maintenance. You also insure his church. You note that he sometimes uses his John Deere to mow the church premises. What advice do you give him as to the property coverage provided by his HO when he uses the mower in this way?

# Notes

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

Learning Objective 10: Describe “Motor Vehicle Liability” and understand the importance of very broad exclusions for “Motor Vehicle Liability” in Section II of the HO2011.

## DEFINITIONS

### “Motor Vehicle Liability”

Liability exclusion  
for:

- ✓ Ownership
- ✓ Maintenance
- ✓ Occupancy
- ✓ Operation
- ✓ Use
- ✓ Loading
- ✓ Unloading
- ✓ Entrustment
- ✓ Failure to supervise
- ✓ Negligently supervise
- ✓ Vicarious

#### DEFINITIONS

**B.** In addition, certain words and phrases are defined as follows:

1. "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in **b.** below, mean the following:
  - a. Liability for "bodily injury" or "property damage" arising out of the:
    - (1) Ownership of such vehicle or craft by an "insured";
    - (2) Maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person;
    - (3) Entrustment of such vehicle or craft by an "insured" to any person;
    - (4) Failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or
    - (5) Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.
  - b. For the purpose of this definition:
    - (1) Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo;
    - (2) Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;
    - (3) Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor; and
    - (4) Motor vehicle means a "motor vehicle" as defined in **7.** below.

HO 00 03 05 11 Page 1 of 24

It is easily understood that cars, pickups, vans – any vehicle licensed to be used on public roads – is not provided liability coverage by the HO policy. Unfortunately, the Section II – Liability exclusions are much, much, much, much broader than simply applying to cars, pickups, and vans.

## **ANY ITEM MOVING UNDER ITS OWN POWER CAN BE SUBJECT TO THE HO LIABILITY EXCLUSIONS !!**

- Remember **DEFINITION** of “motor vehicle”?
  - ❖ Self-propelled land or amphibious vehicle
  
- Remember the parameters of the “motor vehicle liability” exclusion
  - ❖ Ownership
  - ❖ Maintenance
  - ❖ Occupancy
  - ❖ Operation
  - ❖ Use
  - ❖ Loading
  - ❖ Unloading
  - ❖ Entrustment
  - ❖ Failure to supervise
  - ❖ Negligently supervise
  - ❖ Vicarious

**Of a “motor vehicle”**

## 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 a 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 a 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; and
        - (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 four 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.

HO 00 03 05 11 Pages 17 & 18 of 24

## *Loss Scenario*



Fred and Wilma Jetstone have their Homeowner Policy (HO 2011 form HO 03) with your agency. Fred and Wilma have three young sons, Jet, Jeff, and Jump. Fred and Wilma have several items that move under their own power: a riding lawnmower, a golf cart, and a G.I. Joe battery powered Jeep.

### *Questions:*

1. While mowing his yard with the riding lawnmower, a rock is thrown from the mower into the window of a car passing on the street in front of Fred's home. The driver is startled, loses control of his vehicle, and runs through a neighbor – Barney's yard. He damages the yard, two trees, and a portion of the sprinkler system. The damage to the sprinkler system causes a gush of water that runs down the curb and into another neighbor – Mr. Flintstone's – driveway. Water runs down the grade into his attached garage and floods a classic vehicle he has stored therein. Water damage causes total loss to that vehicle, several other personal property items in the garage as well as drywall and flooring in the finished portion of the garage. How will Fred and Wilma's HO respond?



2. Wilma's elderly Grandmother, Freda Rockstone, lives with Fred and Wilma. She has battery powered 'Lil Rascal' motorized wheelchair. While at Golden Corral one Friday night, Jeff and Jet decide to take Great Grandma Rockstone's wheelchair for a ride. Ultimately, the run over two patrons, breaking the leg of one and burning one by causing her to spill her spaghetti and meatballs on herself. How will Fred and Wilma's HO respond?



3. Jump decides to take the G.I. Joe Jeep to down the street to take young Pebbles Pebblestone for a ride. After getting her into the vehicle, he turns the toy over on the edge of the curb causing an injury to her shoulder. How will Fred and Wilma's HO respond?

**NOTES**

---

---

---

---

---

---

---