


**“Answering  
Difficult Personal  
Lines Questions”**

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**Some questions to ask  
when reviewing coverage:**

- ▶ Is the person an “insured”? (auto and HO)
- ▶ Is the property covered? (auto physical damage and HO)
- ▶ Are there any limitations on the property limit? (auto physical damage and HO)
- ▶ Is the peril covered? (HO property)
- ▶ Is the loss covered? (auto physical damage)



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**Some questions to ask when  
reviewing coverage:**

- ▶ Is the situation or activity excluded? (auto and HO liability)
- ▶ Is the vehicle excluded? (auto liability and physical damage)
- ▶ Are there any exceptions to the exclusions?
- ▶ Are there any additional coverages that might apply? (auto and HO)
- ▶ Are there any endorsements available to address the situation? (auto and HO)



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### Vandals Set Fire to a Vacant House

- ▶ Our insured's house is for sale and has been vacant for 75 days. Vandals broke into the house, spray-painted the walls with graffiti and then set a fire. The company is denying the entire loss because the house is vacant. We feel that since fire is a primary covered peril, and since the fire damage is separate from the vandalism damage, the loss should be covered. The adjuster can't be correct, can he?

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### Vandals Set Fire to a Vacant House

- ▶ What does "vacant" mean?
  - ▶ Premises having no fixtures, furniture, or inhabitants; empty
  - ▶ Having nothing in it, as a space; devoid of contents; empty; void.
- ▶ The 2011 edition of the homeowners policy excludes coverage for vandalism and malicious mischief if the dwelling has been vacant for more than 60 consecutive days
- ▶ The exclusion also applies to "any ensuing loss" (added in the 2000 edition, carried over to the 2011 and 2022 editions)

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### Vandals Set Fire to a Vacant House

- ▶ Is the fire an "ensuing loss"?
  - ▶ Occurring afterward or as a result
  - ▶ To come after in time or as a result
  - ▶ Occurring after something else; subsequent or following
- ▶ This loss is not covered

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### Vandals Set Fire to a Vacant House

- ▶ The '91 edition of the homeowners policy excludes vandalism and malicious mischief, but not "ensuing loss", if the dwelling is vacant for more than 30 consecutive days.
- ▶ The 2011 form says that "a dwelling being constructed is not considered vacant"
- ▶ The 2022 filing changes the exception to "a dwelling being constructed, remodeled, renovated or repaired is not considered vacant"
- ▶ Do you know which policy edition you are writing?
- ▶ Is there anything you can do to address this situation?

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### Damage Done by Honeybees

- ▶ Recently our insured noticed a sticky substance dripping down the walls of an upstairs bedroom. Upon investigation he discovered that there was a large nest of bees in the attic and the sticky substance was honey. They have to tear out part of the attic and the walls that were damage by the honey. Their insurance claim has been denied. We feel there should be coverage because the insured was not aware of the bees. Who is correct?

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### Damage Done By Honeybees

- ▶ Is a honeybee an insect?
  - ▶ An arthropod that has six legs and generally one or two pairs of wings
- ▶ Coverage A and B of the homeowners policy excludes direct physical loss caused by birds, rodents or insects
- ▶ Was the direct physical loss caused by the bees or the honey?

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### Damage Done By Honeybees

- ▶ The 2011 edition also excludes “nesting or infestation, or discharge or release of waste products or secretions, by any animal” (not in the '91 and '00 editions)
- ▶ The 2022 filing has the same exclusion
- ▶ A honey bee is an insect, so there is no coverage for direct damage under the birds, rodents, insects exclusion

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### Damage Done By Honeybees

- ▶ Is a honey bee also an animal in context of the “secretions” exclusion
  - A living organism that feeds on organic matter, typically having specialized sense organs and nervous system and able to respond rapidly to stimuli
- ▶ This loss is not covered in the 2011 and 2022 forms
- ▶ Would there be any coverage for damage to personal property caused by the honey?
- ▶ What can an insured do about this type of situation?

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### Damage to Electronic Equipment Caused by Power Surge

- ▶ During a recent storm our insured lost power. When the power was restored, a surge came through the insured’s electrical lines and destroyed his alarm system, computer, VCR and other electronic appliances. The adjuster is agreeing to pay part of the claim but is reducing the payment for damage to the electronic components. The insured has “replacement cost” coverage and we feel the entire loss should be paid. The policy covers damage caused by artificially generated electrical current. This should be paid in full, right?

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### Damage to Electronic Equipment Caused by Power Surge

- ▶ Is personal property covered for damage caused by power surge - i.e. is this an insured peril?
- ▶ Personal property peril # 15 covers direct physical loss caused by "sudden and accidental damage from artificially generated electrical current"
- ▶ There is no coverage for loss to "tubes, transistors, electronic components or circuitry that are a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus."
- ▶ The 2000, 2011, and 2022 editions all include this wording.
- ▶ The 1991 edition excludes "tubes, transistors, or similar electronic components"

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### Damage to Electronic Equipment Caused by Power Surge

- ▶ What type of personal property would be most susceptible to power surge damage?
  - "Tubes, transistors, electronic components or circuitry that are a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus."
- ▶ Is there any way to get this coverage?
- ▶ Be sure to offer an HO-5 form (or an HO-3 plus an HO-15 endorsement in the '91 edition)

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### Coverage for Tires and Wheels Stolen Out of a Garage

- ▶ Our insured had four expensive tires and wheels stolen out of his garage. They were stored there when not in use. The company adjuster has denied payment because he contends the tires and wheels were equipment of the vehicle and should be covered on the insured's auto policy. We think the homeowners policy should provide coverage. Who is correct?

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### Coverage for Tires and Wheels Stolen Out of a Garage

- ▶ Does the homeowners policy cover the peril of theft? Are there any theft limitations that would apply to this situation?
- ▶ The list of "property not covered" in the homeowners policy includes "motor vehicles" including equipment and parts.
- ▶ Tires and wheels are motor vehicle equipment.
- ▶ In the 1991 and 2000 editions, the limitation only applied to accessories, equipment, and parts while such property was in or on the motor vehicle

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### Coverage for Tires and Wheels Stolen Out of a Garage

- ▶ The 2011 edition does not include the exception
- ▶ This loss is not covered in the 2011 edition
- ▶ The 2022 filing reinstates the exception if the equipment and parts are not in or upon the motor vehicle - there would be coverage
- ▶ The PAP covers direct and accidental damage to "your covered auto" or any "non-owned auto" and their equipment - there is no requirement that the equipment be in or on the auto to be covered
- ▶ As long as the insured has "other than collision" (comprehensive) coverage on the auto to which the tires and wheels belong, there should be coverage for theft of the tires and wheels on the auto policy
- ▶ Note: Some company auto forms may only provide coverage if the tires are on the auto at the time of the loss

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### Coverage for a Small Child Operating a Toy Car in the Neighborhood

- ▶ Our insured bought their 6-year old daughter a small battery-powered toy car. Last week she was operating the car in her neighborhood and accidentally hit an elderly neighbor. The neighbor fell and broke her hip. We submitted a claim to the company and they have denied the loss based on the motor vehicle exclusion of the homeowners policy. We can't believe this situation is not covered. What is your opinion?

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### Coverage for a Small Child Operating a Toy Car in the Neighborhood

- ▶ The homeowners policy excludes coverage for liability arising out of a "motor vehicle"- is the toy car a "motor vehicle"?
- ▶ "Motor vehicle" is defined as "a land or amphibious vehicle that is self-propelled or capable of being self-propelled"
- ▶ An exception to the "motor vehicle" exclusion provides coverage if the "motor vehicle" is designed for recreational use off public roads and is owned by an insured provided the "occurrence" takes place on certain "insured locations"

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### Coverage for a Small Child Operating a Toy Car in the Neighborhood

- ▶ Questions:
  - Is the toy car "motor vehicle"
  - Is the car "designed for recreational use off public roads"?
  - Did the occurrence take place on an "insured location"?
- ▶ The "motor vehicle liability" exception applies to items a. b., d., e. or h. of the "insured location" definition
- ▶ The 1991 edition provided coverage on any "insured location"

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### Coverage for a Small Child Operating a Toy Car in the Neighborhood

- ▶ "Insured location" is defined
- ▶ The occurrence would have to take place:
  - On the "residence premises" (the dwelling, other structures and grounds at the described residence)
  - On that part of another premises shown in the declarations (e.g. a seasonal cottage)
  - On the premises of a non-owned, temporary residence (e.g. a hotel)

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### Coverage for a Small Child Operating a Toy Car in the Neighborhood

- ▶ The occurrence would have to take place:
  - On vacant land owned by or rented to the insured
  - On any part of a premises occasionally rented to an "insured" for other than "business" use (e.g. the social hall rented for the "insured's" daughter's wedding)

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### Coverage for a Small Child Operating a Toy Car in the Neighborhood

- ▶ Did the occurrence happen on any of the excepted parts of the definition of "insured location"?
- ▶ The parent's of the little girl are legally responsible for the injury to the elderly neighbor - however, they don't have any coverage
- ▶ Could the agent have recommended any coverage?
- ▶ HO 24 13 Incidental Low Power Recreational Motor Vehicle endorsement would have provided coverage

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### Coverage for a Small Child Operating a Toy Car in the Neighborhood

- ▶ In the 2011 homeowners filing, there is an additional exception to the "motor vehicle liability" exclusion (not in the 1991 and 2000 editions).
- ▶ There is coverage off an "insured location" for a motor vehicle that is:
  - ▶ (1) designed as a toy vehicle for use by children under seven years of age;
  - ▶ (2) powered by one or more batteries; and
  - ▶ (3) not built or modified after manufacture to exceed a speed of five miles per hour on level ground.
- ▶ There would be coverage if the toy car met this exception
- ▶ The 2022 filing has the same exception

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## Coverage for a Toy Drone

- ▶ Our insured bought a toy drone for his son for Christmas. The drone includes a mounted camera. The insured has asked if there is property and liability coverage on the drone. What should we tell him?

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## Coverage for a Toy Drone

- ▶ Section I – Property Coverages
  - Property not covered includes aircraft, meaning any contrivance used or designed for flight, including any parts whether or not attached to the aircraft
  - However, there is an exception for model or hobby aircraft not used or designed to carry people or cargo
  - The 2022 filing has the same exception but applies a \$2,000 sublimit for model or hobby aircraft
  - There should be property coverage for the toy drone
  - There might be a problem in the perils insured against in the HO-3 – the drone would be subject to the 16 named perils
  - An HO-5 would provide better perils

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## Coverage for a Toy Drone

- ▶ Section II – Liability Coverage
  - “Aircraft liability” definition
    - Ownership, maintenance, occupancy, operation, use, loading or unloading
    - Entrustment
    - Failure to supervise or negligent supervision
    - Vicarious liability for a minor child
  - The policy excludes BI and PD for “aircraft liability”
  - Aircraft means any contrivance used for designed for flight
  - There is an exception for model or hobby aircraft not used or designed to carry people or cargo
  - The 2022 filing has the same exception
  - There should be liability coverage for the toy drone

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### Coverage for a Toy Drone

- ▶ Since the toy drone has a camera, there is a personal injury exposure, especially for invasion of privacy
- ▶ Invasion of privacy would be considered personal injury
- ▶ Coverage for personal injury must be added by endorsement in the ISO policy

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### Coverage for a Toy Drone

- ▶ The personal injury endorsement provides coverage for invasion of privacy as one of the named offenses
- ▶ The offenses in the 1991 edition of the endorsement include "invasion of privacy, wrongful eviction or wrongful entry"

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### Coverage for a Toy Drone

- ▶ The 2000 and 2011 editions changed the wording to "the wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of the owner, landlord or lessor"
- ▶ The 2022 filing has the same wording
- ▶ The 1991 endorsement would apply to invasion of privacy arising out of a drone, but the 2000, 2011 and 2022 endorsements would not

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### Coverage for a Toy Drone

- ▶ Watch out for
  - HO 34 02 Aircraft Liability Definition Revised to Remove Exception for Model and Hobby Aircraft
  - HO 34 03 Personal Injury for Aircraft Liability Excluded – includes model and hobby aircraft
- ▶ Some carriers may be developing drone insurance

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### Increased Cost of Construction Due to an Ordinance or Law

▶ Our insured's home was recently damaged by a tornado. Because of changes in the local building codes, the home is going to cost 40% more to rebuild. The adjuster has advised the insured he will not pay for the increased cost of construction. We feel that since the insured purchased replacement cost coverage, the increase should be covered. What do you think?

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### Increased Cost of Construction Due to an Ordinance or Law

- ▶ The homeowners policy excludes loss caused directly or indirectly by ordinances or laws requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including debris removal
- ▶ Section I - Additional Coverages provides up to a 10% increase of Coverage A for ordinance or law losses (in the 2000, 2011, and 2022 editions, not in the 1991 edition)

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### Increased Cost of Construction Due to an Ordinance or Law

- ▶ "Ordinance or Law Increased Amount of Coverage" endorsement can be used to increase the automatic 10%

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### Increased Cost of Construction Due to an Ordinance or Law

- ▶ Rebuilding costs at time of loss can be increased for other than "ordinance or law" exposures - increases in demand for labor and materials can greatly increase the reconstruction cost - two endorsements are available to address this issue:
  - ▶ HO 04 20 - Specified Additional Amount of Coverage for Coverage A - Dwelling - increases coverage A by a stated percentage (25%, 50%) - it does not increase coverage B, C or D
  - ▶ HO 04 11 - Additional Limits of Liability For Coverages A, B, C and D - increases Coverage A to any amount needed to rebuild - it also increases Coverages B, C and D

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### Coverage for a Motor Home Rented for Vacation

- ▶ Our insured is renting a motor home for vacation. The motor home has a value of \$250,000. The rental company has said that the insured must provide insurance for liability and for damage to the vehicle. Does the Personal Auto Policy cover this situation?

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### Coverage for a Motor Home Rented for Vacation

- ▶ Liability definition of "insured" says that the named insured and "family members" are covered for the ownership, maintenance or use of any auto or "trailer" - is a motor home an auto?
- ▶ Is the activity, situation or type of vehicle excluded?
- ▶ Is there liability coverage for the rented motor home?

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### Coverage for a Motor Home Rented for Vacation

- ▶ Physical damage part defines "non-owned auto" - the broadest coverage of any "your covered auto" applies - does the motor home meet the definition of "non-owned auto"?
- ▶ Do any exclusions take away coverage?
- ▶ Exclusion 7. excludes loss to a motor home which is not shown in the declarations (this exclusion does not appear in the '94 version of the PAP)
- ▶ There is no physical damage coverage for the mobile home - what should the insured do?

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### Physical Damage Coverage for a Temporary Substitute Auto

- ▶ Our insured's Personal Auto Policy lists two vehicles, a vehicle owned by dad and one owned by his son. We have full coverage on dad's car but only liability coverage on the son's car. Recently the son wrecked his car. While the car was in the shop, he rented a car. While the son was using the rental car, a hit-and-run driver hit the vehicle. The son filed a claim under the dad's policy for damage to the rental car but the adjuster denied the loss because the son did not have collision coverage on his own vehicle. Should this loss be covered?

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### Physical Damage Coverage for a Temporary Substitute Auto

- ▶ The physical damage coverage section defines "non-owned auto" - the broadest coverage of any "your covered auto" applies
- ▶ What is the definition of "your covered auto"?
- ▶ Does the rental vehicle meet the definition of "non-owned auto"? Which part of the definition?
- ▶ Do any exclusions apply?
- ▶ There is physical damage coverage on the rental car

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### Use of a Personal Auto on Behalf of An Employer

- ▶ Our insured regularly uses his personal vehicle on behalf of his employer. Recently he was involved in an at-fault accident in which he caused severe bodily injury to the other driver. The insured has received suit papers naming the insured and the employer as defendants. Will the insured's Personal Auto Policy provide coverage for him and the employer?

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### Use of a Personal Auto on Behalf of An Employer

- ▶ "Business" is defined
- ▶ Liability coverage for "business" use applies unless one of the liability exclusions apply - do any exclusions apply?
- ▶ The named insured has liability coverage for the ownership, maintenance or use of any auto or "trailer"
- ▶ The auto meets the definition of "your covered auto" because it's listed on the declarations page

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### Use of a Personal Auto on Behalf of An Employer

- ▶ The employer is also an “insured” based on definition b.3. of the definition of “insured” – 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 in this part – this is “vicarious” liability
- ▶ Coverage is primary for the named insured and the employer

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### Use of a Personal Auto on Behalf of An Employer

- ▶ The employer also has coverage on a BAP if symbol 1 – “any auto” or symbol 9 – “non-owned autos” is provided for liability coverage
- ▶ The PAP insured is not an “insured” on the employer’s BAP because he owns the auto
- ▶ CA 99 33 Employees As Insureds endorsement could be added to the BAP to cover the employee on an excess basis – the PAP would still be primary

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### Coverage for Pizza Delivery

- ▶ Our insured’s 16-year old son just got a job delivery pizza for a local pizza shop. He is paid minimum wage plus tips. He is also reimbursed for gasoline. Our underwriter told us there is no coverage for this exposure due to the “public or livery” conveyance exclusion. We don’t think the boy’s car is a public or livery conveyance. What is your opinion.

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### Coverage for Pizza Delivery

- ▶ The ISO PAP has a “public or livery conveyance” exclusion in all of the coverage parts of the policy
  - The exclusions include any period of time a vehicle is being used by any “insured” who is logged into a “transportation network platform” as a (e.g. Uber, Lyft)
  - Exclusion does not apply to:
    - “Share the ride” carpool
    - Vehicle while being used for volunteer or charitable purposes

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### Coverage for Pizza Delivery

- ▶ The policy does not define “public or livery conveyance”
- ▶ A dictionary defines the terms as:
  - “Public” –“of or relating to people in general” or “accessible to or shared by all members of the community”
  - “Livery” is “delivery; to deliver” or “the act of delivering legal possession of property.”
  - “Conveyance” is defined as “a means of transport; a vehicle”
  - Generally, public or livery conveyances are indiscriminately available to the general public (e.g. bus or cab)

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### Coverage for Pizza Delivery

- ▶ The ISO policy would not consider the son’s vehicle as a “public or livery conveyance”
- ▶ Some policies exclude coverage for any vehicle used to carry people or property for a fee, or
- ▶ Used for the delivery of magazines, newspapers, food, or any other products

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### Coverage for a "Furnished or Available" Vehicle

- ▶ Our Personal Auto insured has a furnished company car. Both he and his wife have permission to drive the vehicle. She recently drove the car and was involved in an accident. The company is denying the loss. We feel that since the car is furnished to her husband and not to her there should be coverage. Is this covered?

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### Coverage for a "Furnished or Available" Vehicle

- ▶ What is the definition of "you" and "your"?
- ▶ Liability exclusion B.2 excludes coverage for the ownership, maintenance or use of any vehicle that is furnished or available for "your" regular use.
- ▶ Since the spouse was using the vehicle and since the vehicle is furnished for "your" regular use (named insured and resident spouse), there is no coverage.

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### Coverage for a "Furnished or Available" Vehicle

- ▶ The wife would be covered on the employer's BAP as long as she is a permissive user. However, the BAP insurer might subrogate against the employee's PAP insurer or the employer's policy might not be in force. If this happened, there is no coverage.
- ▶ Liability and medical payments coverage can be added using the "Extended Non-Owned Coverage - Vehicles Furnished or Available for Regular Use" endorsement - Both the named insured and spouse should be included on the endorsement. "Family members" can also be added to the endorsement

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### Coverage for 14-Year Old "Joyriding" His Parent's Car

- ▶ Our insured's 14-year old son "borrowed" his dad's car for some late-night joyriding. Unfortunately, he was involved in an accident. We submitted the claim to the company but the adjuster denied the loss because the son is not a licensed driver. We think the son should be covered because he is a "family member". Who is correct?

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### Coverage for 14-Year Old "Joyriding" His Parent's Car

- ▶ "Family member" is defined – Is the son a "family member"?
- ▶ A "family member" is an "insured" for the ownership, maintenance or use of any auto or "trailer"
- ▶ Since the son is underage, and knows he needs a driver's license to operate a car, he is using the vehicle "without a reasonable belief he's entitled to do so"?
- ▶ This is excluded.

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### Coverage for 14-Year Old "Joyriding" His Parent's Car

- ▶ However, the exclusion doesn't apply to a "family member" using "your covered auto" owned by the named insured" (you).
- ▶ This situation is covered.
- ▶ The exception to the exclusion appeared in the '98 edition of the PAP. Prior to this, there would be no coverage.

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### Rental of a Large Truck for a Personal Move

- ▶ Our insured is renting a large truck to move to an apartment. Our underwriter has told us that the insured's Personal Auto Policy provides no coverage for this vehicle. We disagree because his policy covers his use of any auto. Do you believe there is coverage for this situation?

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### Rental of a Large Truck for a Personal Move

- ▶ The named insured is an "insured" for the ownership, maintenance or use of any auto
- ▶ Is the truck an auto?
- ▶ Do any liability exclusions apply to this situation?

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### Rental of a Large Truck for a Personal Move

- ▶ Physical damage coverage is based on whether the truck meets the definition of "non-owned auto"
- ▶ Does the truck meet this definition?
- ▶ The insurer would probably say the truck is not a "non-owned auto" because of the size - i.e. it is not a private passenger auto, pickup truck or van.
- ▶ What is the definition of van?
- ▶ Absent any policy definition of "van", a court would use a standard dictionary definition.

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### Rental of a Large Truck for a Personal Move

- ▶ The Random House College Dictionary defines "van" as "a covered vehicle, usually a large truck or trailer, used for moving furniture, goods, animals, etc."
- ▶ Dictionary.com defines "van" as "an enclosed, boxlike motor vehicle having rear or side doors and side panels especially for transporting people. A covered or enclosed truck or wagon often used for transporting goods or livestock."

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### Rental of a Large Truck for a Personal Move

- ▶ Based on the dictionary definitions cited, is the truck a van?
- ▶ Is it covered by the definition of "non-owned auto"?
- ▶ The insurer would still probably exclude a physical damage loss, although they might lose in court. After all, they drafted the policy language.
- ▶ What would you advise the insured to do regarding this situation?
- ▶ Buy the loss damage waiver from the rental company

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### Legal Responsibility Under a Rental Car Contract

- ▶ Our insured had an accident in a rental car. The rental car company has presented a bill for the damage to the car (\$4,500) and also \$1,000 for loss of use, \$2,000 for loss of turn-back value, \$1,250 for administrative fees and \$300 for storage fees. The insurer has agreed to pay the vehicle damage and \$900 on the other items. We believe that the entire loss should be paid because the insured was legally responsible under the rental car contract? Shouldn't this loss be covered?

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### Legal Responsibility Under a Rental Car Contract

- ▶ The physical damage insuring agreement says that it will pay for direct and accidental loss to a "non-owned auto". What is meant by "direct and accidental"?
- ▶ Transportation Expenses covers "expenses for which you become legally responsible in the event of loss to a "non-owned auto"
- ▶ Is the insured legally responsible for the direct and indirect damage?
- ▶ How did he become responsible?

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### Legal Responsibility Under a Rental Car Contract

- ▶ The policy would pay for the direct damage (\$4,500) based on the insuring agreement.
- ▶ The Transportation Expenses coverage would pay for the indirect damage up to \$900. However, the most it would pay for "loss of use" is \$30 per day.

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### Legal Responsibility Under a Rental Car Contract

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|---|---|
| <ul style="list-style-type: none"> <li>▶ The Insured Owes           <ul style="list-style-type: none"> <li>◦ \$4,500 for direct damage</li> <li>◦ \$1,000 for loss of use</li> <li>◦ \$2,000 for loss of turnback value</li> <li>◦ \$1,250 for administrative fees</li> <li>◦ \$300 for storage fees</li> <li>◦ Total owed \$9,050</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>▶ The Policy Will Pay           <ul style="list-style-type: none"> <li>◦ \$4,500 - \$500 deductible or \$4,000 for direct damage</li> <li>◦ \$900 for the other indirect expenses</li> <li>◦ Total paid \$4,900</li> <li>◦ \$4,150 will be applied to the insured's credit card</li> </ul> </li> </ul> |
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## Legal Responsibility Under a Rental Car Contract

- ▶ The \$30 per day and \$900 total limits can be increased using the "Optional Limits Transportation Expenses Coverage" endorsement
- ▶ How would you recommend the insured handle this situation?

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The End

Thanks for your support

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