



The Personal Auto Policy A Friendly Little Fella Until He Isn't Physical Damage Discussion

Presented by:

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I. Introduction:

The Personal Auto Policy (PAP) is the most often written insurance policy in our industry. If a person has only one insurance policy, it is very likely a Personal Auto Policy. This coverage form is an incredibly important part of a personal risk management plan for each and every personal lines client because of their auto physical damage exposures. Even if a client does not own an auto, a Personal Auto Policy should be considered.

The PAP provides broad physical damage protection, but careful review of its Part D – Coverage For Damage To Your Auto Insuring Agreement, exclusions and conditions must be undertaken by the insurance professional to make certain that it truly is ‘A Friendly Little ‘Fella’.

Part D – Coverage For Damage To Your Auto

1. 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.

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The Insuring Agreement is
The policy's ‘Promise To Pay’



- A. The ‘promise to pay’ is made by We
1. To pay for *direct and accidental loss*
 2. To “your covered auto”
 - For other than “collision” only if the Declarations indicate *that* coverage for *that* auto
 - For “collision” only if the Declarations indicate *that* coverage for *that* auto
 3. 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
 4. Coverage, when present will include the vehicle’s equipment and will be subject to any deductible shown in the Declarations
 5. If more than one “your covered auto” or “non-owned auto” is damaged in the same “collision”, only the highest deductible will apply

DEFINITIONS

B. "We", "us" and "our" refer to the company providing this insurance.

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2. Definitions

A. "Collision"

1. Upset of "your covered auto" or a "non-owned auto" or their impact with another vehicle or object

B. Other than "collision"

1. *Any other loss that is not "collision" and not excluded*
2. 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".

C. “Your covered auto” (this definition is found on Page 1 of 14 and remains consistent throughout the Policy)

1. Any vehicle listed in the Declarations
2. Any “newly acquired auto”
3. An owned “trailer”
4. 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***



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

If the vehicle is **other** than a temporary substitute

1. The vehicle must be a private passenger auto, pickup, van or “trailer” and cannot be owned by or furnished or available for the regular use of you or any “family member”
2. While in the custody of or being operated by you or any “family member”

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

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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:

- a. The end of 90 days following the spouse's change of residency;
- b. The effective date of another policy listing the spouse as a named insured; or
- c. The end of the policy period.

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.

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If the vehicle is a temporary substitute

1. It can be **ANY AUTO**

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.

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UNDERSTAND THESE DISTINCTIONS AND YOU HAVE ACCOMPLISHED THE MOST DIFFICULT ASPECT OF PART D – COVERAGE FOR DAMAGE TO YOUR AUTO



E. “Custom equipment”

1. This definition is later used in a broad exclusion with an exception for the first \$1,500 of “custom equipment”

D. "Custom equipment" means equipment, furnishings and parts in or upon any auto, other than:

1. Original manufacturer equipment, furnishings or parts; or
2. Any replacement of original manufacturer equipment, furnishings or parts with other equipment, furnishings or parts of like kind and quality.

"Custom equipment" includes but is not limited to:

- a. Special carpeting or insulation;
- b. Furniture or bars;
- c. Height-extending roofs;
- d. Body, engine, exhaust or suspension enhancers;
- e. Winches, or anti-roll or anti-sway bars;
- f. Custom grilles, louvers, side pipes, hood scoops or spoilers;
- g. Custom wheels, tires or spinners;
- h. Custom chrome, murals, paintwork, decals or other graphics; or
- i. Caps, covers or bedliners.

"Custom equipment" does not include electronic equipment that reproduces, receives or transmits audio, visual or data signals.

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3. Exclusions of note – Part D – Coverage For Damage To Your Auto

A. Public or livery conveyance

EXCLUSIONS

We will not pay for:

1. Loss to "your covered auto" or any "non-owned auto" which occurs while it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" or any "non-owned auto" is being used by any person who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.

This exclusion (1.) does not apply:

- a. To a share-the-expense car pool; or
- b. While "your covered auto" or any "non-owned auto" is being used for volunteer or charitable purposes.

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B. Wear and tear

EXCLUSIONS

We will not pay for:

2. Damage due and confined to:
 - a. Wear and tear;
 - b. Freezing;
 - c. Mechanical or electrical breakdown or failure; or
 - d. Road damage to tires.

This exclusion (2.) does not apply if the damage results from the total theft of "your covered auto" or any "non-owned auto".

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C. Loss to electronic equipment

1. A very important exception to this exclusion negates the exclusion for electronic equipment that is permanently installed in "your covered auto" or any "non-owned auto"

EXCLUSIONS

We will not pay for:

4. Loss to any electronic equipment that reproduces, receives or transmits audio, visual or data signals. This includes but is not limited to:
 - a. Radios and stereos;
 - b. Tape decks;
 - c. Compact disc systems;
 - d. Navigation systems;
 - e. Internet access systems;
 - f. Personal computers;
 - g. Video entertainment systems;
 - h. Telephones;
 - i. Televisions;
 - j. Two-way mobile radios;
 - k. Scanners; or
 - l. Citizens band radios.

This exclusion (4.) does not apply to electronic equipment that is permanently installed in "your covered auto" or any "non-owned auto".

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2. Note that a sublimit of \$1,000 later applies to electronic equipment that is permanently installed, but not where the manufacturer would have installed it

LIMIT OF LIABILITY

A. Our limit of liability for loss will be the lesser of the:

1. Actual cash value of the stolen or damaged property; or
2. Amount necessary to repair or replace the property with other property of like kind and quality.

However, the most we will pay for loss to:

- b. Electronic equipment that reproduces, receives or transmits audio, visual or data signals, which is permanently installed in the auto in locations not used by the auto manufacturer for installation of such equipment, is \$1,000.

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D. “Trailer”, camper body or motor home which is not shown in the Declarations

1. Exclusion does not apply to trailer that you do not own – but a sublimit of \$1,500 later applies

LIMIT OF LIABILITY

A. Our limit of liability for loss will be the lesser of the:

1. Actual cash value of the stolen or damaged property; or
2. Amount necessary to repair or replace the property with other property of like kind and quality.

However, the most we will pay for loss to:

- a. Any "non-owned auto" which is a trailer is \$1,500.

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2. Exclusion does not apply to a “trailer”, camper body and attached equipment thereto which is acquired by you during the policy period and you ask us to insure within 14 days of becoming the owner

E. Reasonable belief of entitlement of use of a
“non-owned auto”

EXCLUSIONS

We will not pay for:

8. Loss to any "non-owned auto" when used by you or any "family member" without a reasonable belief that you or that "family member" are entitled to do so.

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F. Loss to any “non-owned auto” by any person
employed in an auto-related “business”

EXCLUSIONS

We will not pay for:

11. Loss to any "non-owned auto" being maintained or used by any person while employed or otherwise engaged in the "business" of:

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

vehicles designed for use on public highways. This includes road testing and delivery.

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4. Limit of Liability

A. The PAP is **NOT** a Replacement Cost form

1. Limit of liability - **LESSER OF**

- Actual cash value – depreciation and physical condition will be a factor
- Cost to repair or replace with like kind and quality
- No coverage for betterment

LIMIT OF LIABILITY

A. Our limit of liability for loss will be the lesser of the:

1. Actual cash value of the stolen or damaged property; or
2. Amount necessary to repair or replace the property with other property of like kind and quality.

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2. Some items are subject to sublimits

- Any “non-owned auto” which is a trailer is limited to \$1,500
- Electronic equipment that is permanently attached - but not where the manufacturer would put it is limited to \$1,000
- “Custom equipment” in or upon “your covered auto” or any “non-owned auto” is limited to \$1,500

5. Part F – General Provisions

- A. These provisions can be seen as ‘rules’
- B. They are policy level conditions that affect ALL coverage parts – Liability, Medical Payments, UM/UIM and Physical Damage
- C. The most relevant General Provisions
 - 1. Changes
 - It is the decision of the company as to what changes are acceptable and any resultant premium changes will be determined by the company
 - 2. Fraud
 - Fraudulent statements or conduct will nullify coverage
 - 3. Policy period and territory - Policy applies to accidents & losses that occur
 - During the policy period; and
 - Within the policy territory
 - ✓ U.S., its territories & possessions
 - ✓ Puerto Rico
 - ✓ Canada
 - ✓ Transport of “your covered auto” between their ports

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 Motorists, 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 2011 Chevrolet Impala. 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?



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 2018 Dodge Ram 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. The executed rental agreement obligates Jack Daniel to pay for replacement of the damaged Nissan. How will Jim's PAP respond?

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



3. Several weeks after the *'bull incident'*, 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 the 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 a 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 be at fault in an auto accident – damaging the dump truck and another vehicle while driving it - how would his PAP respond?

Loss Scenario

Thurston Howard III is an affluent client whose personal lines, including his PAP you service in your office. Thursty, as every calls him, is a busy fellow and doesn't always communicate with you as well as you would like. He has multiple ex-wives as well as several adult children for whom he provides autos. You list all of these individuals as drivers on his PAP, but you know that they do not live with Mr. Howard.

1. One of Thursty's sons, Frances travels extensively, both domestically and internationally. There is no doubt that he routinely rents vehicles during his travels. As to physical damage coverage on Thursty's PAP, what advice would you give Frances?
2. An adult daughter, Keeley has possession of a 2021 Honda Passport solely titled to Thursty. She lives with her boyfriend, Ben Their, who owns his own personal auto and is the only named insured on the policy and it has state minimum liability limits and no physical damage coverage. What advice would you give Keeley concerning this situation?