

Presenting...

The Big “I” Virtual University’s



Top 10 Countdown *Personal Lines Edition*

A musical look at the Top 10 VU “Ask an Expert” PL Q&A



Bio of Bill Wilson

Bill Wilson, CPCU, ARM, AIM, AAM is the IIABA Assoc. VP of Education & Research and Director of the Big "I" Virtual University

Bill Wilson is a dynamic figure, often seen scaling walls and crushing ice. He has been known to remodel train stations on his lunch breaks, making them more efficient in the area of heat retention. He translates ethnic slurs for Lithuanian refugees bent on revenge, writes award-winning operas, and manages his time effectively. Occasionally, he treads water for three days in a row.

He woos women with his sensuous and godlike trombone playing, can pilot bicycles up severe inclines with unflagging speed, and cooks Thirty-Minute Brownies in twenty minutes. He is an expert in stucco application, a veteran in love, and an outlaw in Peru.

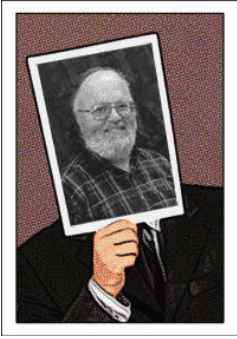
Using only a hoe and a large glass of water, he once single-handedly defended a small village in the Amazon Basin from a horde of ferocious army ants. He plays bluegrass cello, was scouted by the Mets, and has been the subject of numerous documentaries. When he is bored, he builds large suspension bridges in his yard. He enjoys urban hang gliding and dirigible polo. On Wednesdays, after work, he repairs electrical appliances free of charge.

He is an abstract artist, a concrete analyst, and a ruthless bookie. Fashion critics worldwide swoon over his original line of corduroy evening wear. He never perspires. He is a private citizen, yet he receives fan mail. He has been caller number nine and has won numerous weekend passes to various functions. Last summer, he toured New Jersey with a traveling centrifugal-force demonstration. He bats .400. His deft floral arrangements have earned him fame in international botany circles. Children trust him.

He can hurl tennis rackets at small moving objects with deadly accuracy. He once read Paradise Lost, Moby Dick, and David Copperfield in one day and still had time to refurbish an entire dining room that evening. He knows the exact location of every food item in the supermarket. He has performed several covert operations for the CIA. He sleeps once a week; when he does sleep, he sleeps in a chair. While on vacation in Canada, he successfully negotiated with a group of terrorists who had seized a small bakery. The laws of physics do not apply to him. He balances, weaves, dodges, frolics, and his bills are all paid—on time—with no past-due charges. On weekends, to let off steam, he participates in full-contact origami.

Years ago he discovered the meaning of life but forgot to write it down. He has made extraordinary four-course meals using only a mouli and a toaster oven. He breeds prizewinning clams. He has won bullfights in San Juan, cliff-diving competitions in Sri Lanka, and spelling bees at the Kremlin. He has played Hamlet, performed open-heart surgery, and has personally spoken with Elvis. His hobbies include whittling and speaking to the dead, and he is an internationally recognized expert on medieval Japanese yodelers. His primary personal life goals are to collect all of Ernest Borgnine's teeth and to make contact with an extraterrestrial civilization on behalf of humanity.

You can contact him personally (though God only knows why) at QuoteNotes@gmail.com.



Bio of Chris Amrhein

Chris Amrhein, AAI, LSMFT is the CFO (Chief Fun Officer) at InsurancelsFun.com

IIF Co-Chief Fun Officer Chris Amrhein, like most true believers in insurance, stumbled upon this business accidentally; specifically, after graduating from college and needing a job. For reasons known only to himself and the Federal Witness Protection Program, he stayed.

Yet if his over thirty-two years in the insurance industry – as a life-health agent, P&C producer and independent agency manager/owner, full-time educator/VP-Education for the Florida Association of Insurance Agents and VP-Education for the Independent Insurance Agents and Brokers of America – have taught him nothing else, it is the absolute truth of Jimmy Buffet's famous observation about those who make a career of the property-casualty business: "If we weren't all crazy we would go insane."

A classic overachiever – he's both crazy AND insane - Chris somehow continues to earn a respectable living as a speaker, consultant, seminar leader, training developer and resident whacko for IIF. Much to the astonishment of his in-laws, he still cohabits with the love of his life (and wife) Donna and youngest son Alexandru (13). His two older sons - Patrick, 30 and Kevin, 28 – are greatly relieved to be doing quite well without him. Fan mail, speaking requests, Non-Nigerian business propositions, award notifications and the occasional blackmail demand may be sent directly to his SPAM filter at chris@insuranceisfun.com.



The VU Top 10 Countdown
Personal Lines Edition
 A Musical Look at 10 Big "I" Virtual University "Ask an Expert" Q&A

Presented by


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Testimonials for This Program

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Build an Ark!



Flood for Thought

- “Flood” versus “a ton of water in my basement”
- Misuse/nonuse of endorsements
- NFIP controversies
- Business Income in NFIP
- Excess flood
- Floodsmart.gov



What of a flooded basement then?

- Contents of old basement:
washer/dryer; furnace; Christmas decorations; junk





What of a flooded basement today?

- Contents of current “basement”:



ERM Tip: better insurance or move everything upstairs



With Apologies to Jeff Foxworthy...

- "If there are fish skeletons in your dining room ceiling light fixture, you just might have flood damage."
- "If you get a speeding ticket in your neighborhood – from the Coast Guard – you just might have flood damage."
- "If the government has posted a sign saying, "No running, diving, or horseplay" in your living room, you just might have flood damage."
- "If your insurer sends Michael Phelps to adjust your homeowners claim, you just might have flood damage."
- "If Jerry Bruckheimer calls you about using your house for the set of 'Pirates of the Caribbean IV: The Curse of the Black Mold,' you just might have flood damage."

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What is...??? (all them undefined terms)

- Vacant land
- Surface water
- Accidental discharge vs. sewer backup
- Wear and tear
- Mechanical breakdown
- Theft
- Racing



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Vacant Land

- Relevant because of "insured location" definition
- No policy definition of "vacant land"
- **ISO HO manual definition:** "any land on which there exists no man-made structures"
- **Case law:** Fences, walls, telephone poles, signs, abandoned wells, roads, deer stands, old foundations, drainage ditches, and ponds
- "[V]acant land requires that the property be unoccupied, unused and **in its natural state.**" – *Travelers Indemnity Co. v. Holman*, 330 F.2d 142, 5th Cir. Tex. (1964)



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Surface Water

- **Claim Scenarios**

- Your son leaves a garden hose running and water seeps through a basement window
- Water accumulates on a flat roof from a clogged drain and gets into the building
- Heavy rain puddles on the 16th floor of a condo high rise, causing water damage to the interior of the unit

- **1991 ISO HO Exclusion**

“Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind.”



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Surface Water (cont’d)

- **Case Law**

- “[N]atural precipitation coming on and passing over the surface of the ground....”
- “Surface waters are commonly understood to be waters on the surface of the ground, usually created by rain or snow....”
- “‘Surface’ water may be defined as water on the surface of the ground....”
- “Surface waters are those falling upon, arising from, and naturally spreading over lands produced by rainfall, melting snow, or springs.”



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Surface Water (cont’d)

- **Conclusion**

- The surface water exclusion applies only to **naturally occurring water sources**
- The surface water exclusion applies to water that accumulates on the ground, **not on an upper floor of a multi-story building or a roof**

But...

The 2000 ISO HO wording extends the exclusion to damage “caused by or resulting from human or animal forces or any act of nature.”



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Wear and Tear

- **Nonfortuitous losses**

Wear and tear, rust, corrosion, deterioration, latent defect, settling, cracking, shrinking or expansion, mechanical breakdown, marring, scratching, etc.

- **IRMI**

“The excluded perils in this group are characterized either by their predictable or expected occurrence, or by gradual, routine, or frequent occurrence. They are either the normal, unavoidable consequence of use of the property in question or detectable and preventable with proper maintenance.”



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Wear and Tear (cont'd)

- **Case Law**

- “Losses due to normal wear and tear are not fortuitous...as such damage is inevitable...” – *Contractors Realty Co. v. Ins. Co. of N. Am.*, 469 F.Supp. 1287, 1293 (S.D.N.Y. 1979)
- “Normal wear and tear...is not an insurable risk, but is a certainty.” – *City of Burlington v. Indemnity Ins. Co. of North America*, 332 F.3d 38 (2d Cir. 2003)
- Black’s Law: “[D]eterioration or depreciation in value by ordinary and reasonable use of the subject matter.”

- **Examples**

- HO collapse claim
- PAP camper trailer claim



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Mechanical Breakdown

- **IRMI**

- “Damage to equipment from an **external** cause is not excluded by the mechanical breakdown exclusion. Instead, the mechanical breakdown exclusion **applies only to loss caused by an internal defect in the equipment.**”
- “[E]xclusion of losses caused by structural or mechanical breakdown or failure is restricted to losses arising from **internal or inherent deficiency or defect**, rather than from any external cause.” – *Caldwell v. Transportation Ins. Co.*, 234 Va. 639, 364 S.E.2d 1 (1988)

- **Example**

- **Homeowners**...water escaped from hot water heating boiler and firing chamber caused *fire damage* to it



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Theft

- **\$29,000 diamond ring**
 - Counterfeit cashier's check → "voluntary parting"
 - Adjuster offered \$500 counterfeit check coverage
 - What is theft...Black's Law
 - The rest of the story....
- **\$41,500 Corvette**
 - Counterfeit cashier's check → "voluntary parting"
 - Adjuster denied claim...no theft or insurable interest
 - What is theft...GA law
 - The rest of the story....



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Racing...The Fast, The Furious, The Foolish



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Racing...auto coverage games

"A close friend of our agency owner's teenager was in an accident in which he was believed to be drag racing on a public roadway. He and a passenger were seriously injured. The insurance company has denied the claim and probably lawsuit from the passenger, citing the 'racing exclusion.' Do you agree?"



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Racing...ISO PAP Exclusion

- B. We do not provide Liability Coverage for the ownership, maintenance or use of:
 - 4. Any vehicle, **located inside a facility designed for racing**, for the purpose of:
 - a. Competing in; or
 - b. Practicing or preparing for; any **prearranged or organized racing or speed contest**.



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Racing...ISO BAP Exclusion

This insurance does not apply to any of the following:
Covered "autos" while used in any professional or **organized racing or demolition contest or stunting activity**, or while practicing for such contest or activity.
This insurance also does not apply while that covered "auto" is being prepared for such a contest or activity.



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Baby, you can drive a car!



How shall I litigate thee? Let me count the ways

- 1 vs. 2 policies
- Parents' policy(ies)
- Kid's policy
- Bases of liability
 - Statutory
 - Vicarious
 - Direct
 - Negligent entrustment
 - Dangerous instrumentality
- Future liability
- Morality

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:

- a. Owned by a "family member"; or
- b. Furnished or available for the regular use of a "family member".



Emerging Rental Car Issues ...Top 10 Plus 2

- "Top 10 Reasons to Purchase the Rental Car Agency's Loss Damage Waiver"
- Plus 2:
 - Rental cars and valet parking
 - The BAP and rental cars



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Top 10 Reasons to Buy the LDW

1. Loss Valuation
 - Rental agreement typically requires reimbursement of "full value" of the auto or the rental agency's repair cost
 - PAP and BAP cover "actual cash value" or "necessary" repair cost
 - PAP and BAP exclude "betterment"
2. Loss Settlement
 - The insurer has the right to "...inspect and appraise the damaged property before its repair or disposal."
 - Similar provision in a farm equipment policy



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Top 10 Reasons (cont'd)

3. Loss Payment

- Rental agreement often requires immediate reimbursement for damages unless prohibited by law
- May result in "Griswald Dilemma"

4. Loss Damage Waiver

- Rental agreement makes the renter responsible for ANY loss beyond normal wear and tear (PAP and BAP have exclusions)
- But...the PAP and BAP may cover losses not covered by the LDW (e.g., operation off a paved road, DUI, and MAYBE operation by unlisted drivers)



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Top 10 Reasons (cont'd)

5. Indirect Losses

- Loss of rental income with limited or no PAP or BAP coverage
 - One renter charged over \$2,000 based on fleet utilization rates
 - Another renter charged \$7,000 for loss of use in July 2011 due to delay in getting Toyota parts following a tsunami
- Rental agreements permit assessment for **diminished value** which is excluded by most PAPs and BAPs
 - Claims of \$5,000, \$8,000, and \$15,000
 - March 2010 four-day rental resulted in \$4,400 damage, \$370 administrative fees, \$620 loss of use, and \$3,100 in diminished value...\$3,990 was uninsured



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Top 10 Reasons (cont'd)

6. Administrative Expenses

- Towing (one renter charged for a 230-mile tow)
- Storage charges
- Appraisal fees
- Claims adjustment expenses
- Others...few, if any, covered by PAP or BAP

7. Other Insurance

- Physical damage coverage excess over any other collectible source of recovery
- *State laws vary*



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Top 10 Reasons (cont'd)

8. Vehicles and Territories

- **Excluded vehicles**...no PAP physical damage coverage unless a private passenger auto, pickup truck, van, or trailer (and trailers usually limited to \$1,500 or less)
- **Excluded territories**...no PAP coverage outside the U.S., territories or possessions, Puerto Rico or Canada (BAP provides worldwide coverage for most private passenger auto rentals of 30 days or less IF the insurer settles or a suit is brought in the territory)...keep in mind that the rental agreement may limit territorial coverage



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Top 10 Reasons (cont'd)

9. Excluded Uses and Drivers

- **Excluded uses**...pre-1993 ISO PAPs provide no physical damage coverage for business use of nonowned pickups and vans and many proprietary forms may be more restrictive
- **Excluded drivers**...rental agreement usually only covers designated drivers (PAP and BAP may provide greater coverage but may also have a driver exclusion endorsement that provides less coverage than the LDW)

10. Additional/Future Costs

- Deductible expense
- Possible premium increase or even nonrenewal



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Rental Cars and Valet Parking

- Most rental car agreements only cover designated drivers, with a rare contract that automatically covers a spouse or co-worker
- Operation of a rental car by an unauthorized driver is likely to void the agreement, including the LDW
- So, if you valet-park a rental car at a hotel or restaurant, your only recourse is probably an auto policy

Taking a look at the ISO PAP...



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Valet Parking (cont'd)

- **PAP liability "insured" definition**
"Insured' as used in this Part means...Any person using 'your covered auto'."
- **PAP liability exclusion**
"We do not provide Liability Coverage for any 'insured' ...While employed or otherwise engaged in the 'business' of...Parking...vehicles designed for use mainly on public highways."



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Valet Parking (cont'd)

PAP physical damage coverage for nonowned autos:

"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'."



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Test Driving and Loaner Autos... No Coverage?

Real claims...

- \$37,000 dealer Cadillac loaned to a customer while his car was in the shop
- \$14,000 used car dealer auto being test driven by a prospective buyer

Vehicles were totaled by the drivers in at-fault accidents. Dealer garage policies paid for the damage, less collision deductibles.



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Garage policy pays, then...

- **Transfer of Rights of Recovery Against Others To Us**
If any person or organization to or for whom we make payment under this Coverage Form has rights to recover damages from another, those rights are transferred to us. That person or organization must do everything necessary to secure our rights and must do nothing after "accident" or "loss" to impair them.
- Also in 2010: CA 04 44 – Waiver of Subrogation
- Dealer can waive subrogation PRIOR to loss, but rarely does, so.....



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Garage insurer goes after driver

- Garage insurer files a claim with the customer who turns it into his PAP insurer
(Note: The PAP subrogation clause exempts permissive drivers.)
- You usually cannot subrogate against insureds but the customer, even as a permissive driver, is not an insured for physical damage coverage (from IRMI: *Amica Mutual v. Auto Driveway Co., Arizona, 1992*)



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Driver files PAP collision claim

OTHER SOURCES OF RECOVERY

If other sources of recovery also cover the loss, we will pay only our share of the loss. Our share is the proportion that our limit of liability bears to the total of all applicable limits. **However, any insurance we provide with respect to a "non-owned auto" shall be excess over any other collectible source of recovery including, but not limited to:**

1. Any coverage provided by the owner of the "non-owned auto"....

So, PAP insurer denies collision claim in excess of deductible...



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Garage insurer files suit...

...and the customer turns it over to his insurer whose **ISO PAP Liability Coverage** says...

EXCLUSIONS

- A. We do not provide Liability Coverage for any "insured":
 - 3. For "property damage" to property:
 - a. Rented to;
 - b. Used by; or
 - c. In the care of; that "insured".



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Possible Solutions

- State-specific endorsements
- **Adopt PAP wording in BAP/garage forms:**
"However, our rights in this Paragraph (A.) do not apply under Part D. against any person using 'your covered auto' with a reasonable belief that that person is entitled to do so."
- **Modify PAP "Other Insurance" clause to track BAP:**
"For Hired Auto Physical Damage Coverage, any covered 'auto' you lease, hire, rent or borrow is deemed to be a covered 'auto' you own...."



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Let's spend our lives together!



Let's Spend Our Lives Together: Significant others

ISO HO form language:
Personal property covered:

- "Insureds" anywhere in the world
- Others while the property is on the part of the "residence premises" occupied by an "insured".
- A guest or a "residence employee" while the property is in any residence occupied by an "insured".

• HO 04 58: Other Members of Your Household:

We insure the person named in the Schedule above who lives with you and is a member of your household and who is not an "insured", guest, "residence employee", tenant, roomer or boarder. We also insure a person under the age of 21 who lives with and is in the legal custody of the person named in the Schedule.



Something or Somebody Stinks ...Animal Claim Denials

- Rats, mice, lice, bedbugs, fleas, foxes, otters, badgers, weasels, minks, ferrets, muskrats, skunks, badgers, raccoons, turtles, bats, hawks, owls, gophers, squirrels, **offensive persons**.... "vermin"?
- Deer
- Goats
- Ghosts



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Something Stinks...

- An elderly lady came home one night from a church bingo party, flipped on the light, and discovered a skunk in her living room...
- The skunk sprayed the lady and the living room...
- Damage was done to wallpaper, wall-to-wall carpeting, furniture, clothing, and her...
- She incurred property damage, cleaning bills, the cost of the Critter Ridder to banish the skunk, and 2-3 days in a hotel while her house was fumigated...

More...



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Somebody Stinks...

- The adjuster correctly denied the personal property damage under her unendorsed 1991 ISO HO-3 policy due to lack of a named peril
- The adjuster denied the real property damage, citing the following exclusions:
 - The pollution exclusion
 - The rodent exclusion
 - The vermin exclusion



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Pollution Exclusion

- "Discharge, dispersal, seepage, migration, release or escape of **pollutants** **unless** the discharge, dispersal, seepage, migration, release or escape is itself **caused by a Peril Insured Against named under Coverage C.**
"Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste...."
- **Coverage C perils include:**
 - Windstorm
 - Explosion
 - Accidental discharge from plumbing system



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Rodent Exclusion

- "Birds, vermin, **rodents**, insects...or Animals owned or kept by an "insured."

Table 46-1. CLASSIFICATION OF RODENTS
(ORDER RODENTIA)

Suborder	No. of Species
Sciuromorpha ("squirrellike") Squirrels, marmots, chipmunks, gophers, beavers, kangaroo rats, springhairs	366
Myomorpha ("ratlike") Rats, mice, hamsters, lemmings, voles	1183
Hystriocomorpha ("porcupine-like") Porcupines, capybaras, chinchillas, agoutis	180



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Rodent Exclusion (cont'd)

- “Birds, vermin, **rodents**, insects...or Animals owned or kept by an “insured.”

Table 48-1. CLASSIFICATION OF THE ORDER CARNIVORA

Family	Common Names	No. of Species
Canidae	Dogs, foxes, wolves	37
Ursidae	Bears	7
Procyonidae	Raccoons, kinkajou, pandas	18
Mustelidae	Skunks, otters, weasels	68
Viverridae	Civets, mongooses	82
Hyenidae	Hyenas	4
Felidae	Cats	36



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Vermin Exclusion

- What is a “vermin”?
 - Dictionaries...none can agree on what is a vermin (other than rodents and parasitic insects) dating back to at least 1828 and citing usage since 1513
 - Case law...every precedent-setting court case we can find says the term “vermin” is ambiguous except for rodents (e.g., *Jones v. American Economy Ins. Co.*, Texas Court of Appeals, 1984)
- Along comes the Big “I” national Technical Affairs committee.....



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“Solution”

- CP 10 30 excludes:
“Nesting or infestation, or discharge or release of waste products or **secretions** by insects, birds, rodents or other animals.”
- ISO HO 2011 adopts this wording, but...
 - Skunks
 - Bats
 - Other critters



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Oh, Deer Me

- BAP has collision coverage but only specified perils rather than comprehensive coverage for non-collision losses
- Insured hits a deer and the adjuster denies the damage, citing this policy provision:
“If you carry Comprehensive Coverage for the damaged coverage ‘auto’, we will pay for the following under Comprehensive Coverage...‘Loss’ caused by hitting a bird or animal....”



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Oh, Deer Me (cont’d)

- USA Today
Deer Accidents Are Often Not Covered
Thousands of the 1.5 million drivers who hit deer last year found out the hard way that their auto insurance did not cover damage to their vehicle. **Only comprehensive insurance pays up in such crashes.** “Many people are not aware that the collision coverage under an automobile insurance policy does not cover you if you hit a deer,” says Wisconsin Commissioner of Insurance Jorge Gomez.
http://usatoday30.usatoday.com/money/autos/2007-01-03-deer-insure-usat_x.htm
- Insurance Information Institute (www.iii.org)
Cars and Deer – A Risky Combination; Consider Including Comprehensive Coverage on Your Auto Policy
Damage caused by an accident with deer or other animals is covered under the optional comprehensive portion (**not the collision portion**) of an automobile insurance policy.
http://www.iii.org/press_releases/cars-and-deer-a-risky-combination-consider-including-comprehensive-coverage-on-your-auto-policy.html



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Goats and Ghosts

- **Indiana goat claim**
 - Policy excluded “domestic animals”
 - **CSR said claim was covered** because “domestic animals” means dogs, cats, etc.
 - Insurer denied claim
- **Illinois ghost claim**
 - Policy was open perils
 - CSR said claim was NOT covered
 - Insurer paid claim as a constructive total loss



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*She ain't an insured,
she's my daughter!*



She Ain't an Insured; She's My Daughter

•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 the care of any person named above;

• 11. "Residence premises" means:

- a. The one family dwelling where you reside;
 - b. The two, three or four family dwelling where you reside in at least one of the family units; or
 - c. That part of any other building where you reside;
- and which is shown as the "residence premises" in the Declarations.**



HO Vehicle Coverage Gaps... Here Are Some 'Mower'

A few quick vehicle scenarios...

- You cut your neighbor's yard
- You borrow your neighbor's lawn mower
- A lawn care service cuts your yard
- You operate an ATV
- You park a company car in your detached garage
- You rent a jet ski



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You and your neighbor

HO motor vehicle exclusion exception:

- **1991 HO-3**
Motor vehicles “Used to service an ‘insured’s’ residence”
- **2000 HO-3**
Motor vehicles “Used **solely** to service **an ‘insured’s’** residence”
- **2011 HO-3**
Motor vehicles “Used **solely** to service **a** residence”



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You and your neighbor (cont’d)

- **You borrow a neighbor’s mower...**
 - 1991 – you have liability coverage
 - 2000 – you have NO liability coverage
 - 2011 – you have liability coverage only if you AND your neighbor have never used it away from a residence
- **You return the mower to the neighbor and he’s using it...**
 - 1991 – he has liability coverage
 - 2000 – he has NO liability coverage
 - 2011 – he has liability coverage only if he AND you have never used it away from a residence
- **Other situations...**



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Hiring a lawn care service

Another ISO HO-3 motor vehicle exclusion:

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”...Is being...**Used for any “business” purpose** except for a motorized golf cart while on a golfing facility.



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Operating an ATV

- If you own it, you're only covered while on certain "insured locations"
- If you don't own it, you're covered anywhere in the world
- Solution to getting worldwide HO coverage for owned ATVs?



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Garaging a company car

- 1991 ISO HO-3 excludes detached structures "Used in whole **or in part** for 'business'."
- 2000 ISO HO-3 makes an exception for: [Business property] **solely owned by an "insured"**... provided that "business" property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.



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Renting a jet ski

- ISO HO-3 excludes liability for **any owned** watercraft with an inboard or inboard-outdrive engine or motor, including those that power a water jet pump
- ISO HO-3 excludes liability for any **rented** watercraft with an inboard or inboard-outdrive engine or motor, including those that power a water jet pump, of **over 50 hp**
- Borrowed or operated watercraft are covered
- Solution to getting worldwide HO coverage for *rented* watercraft?



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Conclusions

- Don't cut your neighbor's yard
- Don't borrow your neighbor's mower
- Don't lend your mower to your neighbor
- Don't cut your own yard, hire someone...oops!
- Don't ride your own ATV
- Don't park a company car in a detached garage
- Don't rent a jet ski but, if you do, rent one with a buddy and swap when the rental guy's not looking



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Are my iToys iCovered?



Are my iToys Covered?

- Insurance limited and often utilizes outdated definitions (acv; computer)
- If key risk is to hardware, consider HO peril issues:

Sudden And Accidental Damage From Artificially Generated Electrical Current

This peril does not include 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.

- Often overlooked: today **data loss** is critical risk, not device damage



iToys Solutions

-HO 5; surge suppressors
 -Data loss solution: risk management

- Regular Backups
- Massive increase in storage options (hardware, cloud) at steady decrease in cost
- Security recommendations (passwords, software)





Is Insurance a Commodity? Is There a Santa Claus?

Just because someone TELLS you something is true...

Just because you BELIEVE it's true...


Doesn't make it true!



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For example...

"All auto insurance is exactly the same. It doesn't matter what company you get it from. It's just a question of finding the lowest rate. But the reason these companies spend so much on advertising is that there are millions of idiots in this country who actually believe that there is a difference between different brands of auto insurance. These people have not yet figured out that they are being lied to, that all auto insurance is the same."



Broadcast Yourself™

<https://www.youtube.com/watch?v=J7vYuRqrOxc>



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An Inarguable Truth

The cornerstone of the independent agent advantage in competing *and beating* direct sales organizations consists of...

- Trust
- Choice
- Advocacy



Independent Insurance Agent



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Is Insurance a Commodity?

- McKinsey & Company
- Best's Special Report
- Nomura Equity Research
- Gartner
- J.D. Power
- Conning
- Channel Harvest Research
- University of Minnesota Law School



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Regarding online insurance sales...

Morty Seinfeld said it best:



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Counterpoint #1

“Reevaluating Standardized Insurance Policies” by Daniel Schwarcz

<http://uphelp.org/sites/default/files/SSRN-id1687909.pdf>

“The current personal-lines insurance marketplace is largely organized around a myth. That myth is that personal-lines insurance policies are completely uniform. This myth explains regulatory rules that do nothing to promote insurance contract transparency.”

“It is virtually impossible for consumers to comparison shop on the basis of these pervasive differences in policy forms”



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The Media

“Shop Around to Save Big Bucks On Car Insurance”

- Make sure you’re comparing ‘apples to apples’
- “Compare similar coverages and limits from each company to get the most accurate picture.”

“15 Insurance Policies You Don’t Need”

http://finance.yahoo.com/news/pf_article_109906.html

9. Flood Insurance

Unless you live in a flood plain or an area with a history of water problems, don't even bother buying flood insurance. If none of the homes in the area has ever been flooded, yours is unlikely to be the first.



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The Media (cont’d)

“How to Cut Your Car Insurance Bill in Half”

October 19, 2010

<http://www.insure.com/car-insurance/minimum-limits.html>

“The Consumer Federation recommends consumers shop around to get quotes from insurers that don’t use agents, such as Amica Mutual Insurance and USAA (for families with military ties), and then ask an agent to beat the best price.”



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Industry Advertising

- “Save 15%!”
- “Minimum Coverage for Minimum Budgets”
- “**Same coverage**, better value!”
- “**Same coverage**, more savings.”
- “You get the **same coverage**, often for less.”



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Personal Auto

Policy included a document suggesting the insured consider reducing UM/UIM limits from the current 100/300/50 to 25/50/10

Guess the Premium Savings:

- a. \$ 9.51
- b. \$156.78
- c. \$282.50
- d. \$746.00



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Personal Auto (cont’d)

- Undisclosed household residents are excluded
- Named insureds driving another resident family member’s auto are excluded
- Numerous physical damage shortcomings
- Any type of delivery is excluded
- Theft excluded without evidence of forced entry

More...



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Personal Auto (cont'd)

- Business use of nonowned pickups and vans excluded
- Business use of ANY nonowned auto excluded
- ANY business use excluded
- Use of any nonowned auto over 10,000 GVW excluded
- Use of ANY nonowned auto excluded
- Rental car exclusions

More...



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Personal Auto (cont'd)

- Some carriers are known for poor claims handling
- Some permissive users only get minimum limits
- Unlisted drivers in the household only get minimum limits
- Indirect property damage not covered
- Policy excludes "street racing"
- But...one policy covers the use of nonowned motorcycles



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Personal Auto (cont'd)

- Medical payments only covers licensed physician fees
- Criminal acts excluded or limits are reduced
- No options to cover custom equipment
- Punitive damages excluded
- "Our duty to settle or defend ends when our limit of liability for this coverage has been exhausted by payment of judgments or settlements."



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Personal Auto (cont'd)

Insurer advertises that they sell the “same coverage” as everyone else...

- A youthful driver moved into the household after the policy was written...a January 2014 property damage liability claim was denied due to nondisclosure
- A church allowed someone to park his car in their heated bus barn in ND...he damaged the garage door and the claim was denied by his auto insurer based on the care, custody or control exclusion in their policy



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Personal Auto (cont'd)

An insurer that says they save you 15%:

- Insured’s car was in the shop so she rented a car and loaned it to someone who loaned it to someone who negligent killed someone and critically injured others
- Insurer denied the claim on the basis that the vehicle was not a “temporary substitute” and the operator was not an insured
- This appears to be covered by the ISO PAP

<http://www.floridasupremecourt.org/decisions/2011/sc10-1070.pdf>



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Personal Auto (cont'd)

VU “Ask an Expert” Service:

Dad A, Mom B, and Son C are insured by Company 1 in Florida. Stepson X resides in Maine. Dad A cosigns a loan for a car for Stepson X. Stepson X insures car in Maine with Company 2...policy only names Stepson X, not Dad A. Stepson X moves in with family in Florida and advises Company 2 of the change (policy still does not name Dad A). Son C backs Mom B’s car insured by Company 1 into Stepson X’s car in the driveway. Company 2 repairs Stepson X’s car and subrogates against Son C and Company 1. Company 1 denies the claim because Dad A owns both cars.

- **Would direct sales insurers be able to figure this out?**
- **Would an independent agent be able to figure this out?**
Hint: “We do not provide Liability Coverage for any ‘insured’...For ‘property damage’ to property owned or being transported by that ‘insured’.”



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What we CAN do...

New VU Featured Resource area:

"Is Insurance a Commodity?"

<http://www.independentagent.com/Education/VU/Pages/featured-resources/Commodity/default.aspx>



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Thank you for your participation...
Rock on!



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