Subject: Personal vehicle pulling company-owned trailer

Q. I am quoting on a commercial account that would be new business to the agency. I would like your insight on the situation where a personal vehicle is being used to pull a company-owned trailer on business, and how coverage would apply between the Personal Auto Policy, the Business Auto Policy, and the CGL. Their current agent is retiring, so the business owners decided to shop the renewal with two agencies.

The insured is a BBQ restaurant, with two locations. They also do catering, and have two large, double-axle trailers, which are basically barbeque grills on wheels. I write the PAP for one of the three owners of the corporation, who is an acquaintance of mine. He often pulls one of the trailers to a catering event, using his Ford F-350.

The other agent is telling my PAP-insured that when one of the trailers is hitched to his truck, his PAP provides liability coverage for restaurant. He goes on to say that since the restaurant also has Hired & Non-Owned auto coverage on their CGL, they do not need a BAP, since his F-350 is a non-owned auto from the standpoint of the restaurant. I’m pretty sure the other agent is wrong, but I’d like a second opinion before I climb out on a limb.

A. You won’t be climbing out on a limb - you’re on solid ground. Here is the pertinent excerpt from the ISO PAP (01 01 05 edition):

PART A – LIABILITY

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".

For the sake of discussion, assume the restaurant is BBQ,Inc. ("BBQI"), and “Bill” is your acquaintance, who is one of the business owners. If Bill is pulling one of the...
trailers owned by BBQI with his F-350, here is how coverage applies under Bill’s PAP, and the CGL of BBQI.

Bill’s PAP – Part A – Liability: Bill is an “insured” under B.1. He is covered for any trailer, whether owned, rented, borrowed, declared or undeclared (except as excluded). Since he was pulling the trailer for business use by his company, the business exclusion in his PAP should be examined. In the ISO PAP, the business exclusion does not apply to:

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

BBQI is an “insured” under B.3. However, note that BBQI is covered only for their vicarious liability, where they would be made liable due to Bill’s negligent driving of his F-350, causing the restaurant to be sued. But if the accident was due to faulty maintenance of the trailer by BBQI, the restaurant would not be covered in Bill’s PAP under B.3. for their own negligence.

Bill’s PAP – Part D – Coverage For Damage To Your Auto
Bill’s physical damage coverage applies to “direct and accidental loss to "your covered auto" or any "non-owned auto." And a “non-owned auto” is defined as “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.” However, under the Limit of Liability provision in Part D, there is a limit of $1,500 for non-owned trailers.

BBQI’s CGL (12 07 edition) excerpts:

**COVERAGE A – EXCLUSIONS**
g. Aircraft, Auto Or Watercraft
"Bodily injury” or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading".

**SECTION V – DEFINITIONS**
2. "Auto” means:
a. A land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment
The unendorsed CGL of BBQI excludes coverage for the two owned trailers within the “auto” exclusion, since the CGL defines “autos” to include “trailers.” Further, the Hired/Non-Own endorsement would not provide coverage for any liability arising out of the trailers, since they are not “non-owned” by BBQI. This means that the restaurant’s liability is excluded for BI/PD arising out of a trailer while it is being towed by Bill’s truck. For example, if BBQI fails to properly maintain the trailer, and this causes an accident, the CGL excludes, even with the H/N-O endorsement.

In addition, while the trailer is parked at a catering event – even unhitched from a vehicle – and there is BI/PD (such as an LP gas tank exploding, or the trailer rolls downhill and injures someone, etc.), the CGL excludes this as well. Bottom line is that from a CGL perspective, a trailer is excluded in the same ways that an auto is.

There is one situation where the Hired/Non-Owned endorsement could provide coverage for BBQI. If Bill has an at-fault accident while driving his F-350 on company business, such as pulling a BBQI trailer to a catering event, both Bill and BBQI will of course be sued. If the BBQI trailer played no role in the accident, and BBQI’s liability arises solely from their vicarious role as employer and owner of the trailer, then the Hired/Non-Owned endorsement covers BBQI, since Bill’s truck is not owned by BBQI. (The other agent did get this part right!) However, under most Hired/Non-Owned endorsements, the owner of the non-owned auto – Bill in this case – is not an insured. He must rely solely on his PAP.

**BAP for BBQI:** Since the restaurant owns the two trailers, BBQI needs a Business Auto Policy, for at least liability and physical damage.

**Other articles on trailers:** I frequently get questions on trailers. Many of them, like yours, often involve both Personal Lines and Commercial Lines issues simultaneously. All the “Ask Mike” articles are archived at our web site. From our home page ([www.iiabl.com](http://www.iiabl.com)), you’ll see a link to “Ask Mike Column Index.” Here are the articles on trailers:

- #2011-08  BAP & the 2,000 lb. Trailer Issue
- #2011-06  Borrowed Camper Trailer
- #2010-02  Borrowed Horse Trailer
- #2009-09  Trailers & CGL
- #2009-03  Trailers at Campsite (HO)
- #2007-03  Commercial Trailers – CGL/BAP & PAP
- #2005-07  Towing a Friend’s Boat – HO vs. PAP

Good luck with the account! Thanks for the question.