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**SUBJECT: Summertime Brings A Plethora of Insurance Questions**

**BACKGROUND:**

Summertime brings many things: vacations and travel, sunburn and poison ivy, weddings, moving, houseguests, cookouts, rental cars, jet skis, and many insurance questions.

**MAIN POINTS:**

Here are some of the more common summertime activities, and the insurance issues that they bring.

***Personal Property of an insured.*** Under the standard Homeowners Policy, personal property owned or used by an insured (Coverage C) is covered worldwide. The only exception is for personal property which usually stays in another residence of the insured (second home, etc.), for which only 10% of Coverage C applies.

However, there is no theft coverage for watercraft and equipment, trailers or campers away from the residence premises.

***Personal Property of guests.*** Under circumstances in which the insured wishes to make a claim for personal property of guests, there is coverage under Coverage C for: (1) property of others while the property is at the insured's residence premises; or (2) property of guests while the property is in any residence occupied by an insured.

***Vacation rentals of hotel rooms, condos, cottages, etc. – Landlord's personal property.*** Under Coverage C, the eligible property includes personal property owned or used by an insured. This would include the household contents in a rented hotel room, condo, cottage, etc., for the perils covered by Coverage C.

***Vacation rentals of hotel rooms, condos, cottages, etc. – Landlord's building items.*** There is no Section I building coverage from the insured's Homeowners Policy which extends to non-owned buildings off premises. Under Section II, property damage liability is excluded for property which is in the care, custody or control of an insured.

However, the exclusion provides an exception for damage caused by fire, smoke or explosion.

There is a small amount of coverage available under the Section II Additional Coverage for Damage to Property of Others, which provides some modest relief for the “ccc exclusion” under PD liability. In the HO-91 Program, the amount is \$500; in HO-2000 it is \$1,000. Under the Damage to Property of Others provision, there is an exclusion for a premises owned, rented or controlled by an insured, other than an “insured location.” However, since one of the definitions of an “insured location” includes a premises occasionally rented to an insured for other than business, in all likelihood, a vacation rental would be within that definition.

**Loss of use of a vacation rental.** In the event a fire or other peril causes damage to the vacation rental, and the insured has to make other arrangements, there is no Coverage D – Loss of Use coverage. Coverage D only applies for damage to the residence premises.

**Homeowners Policy – Territory.** There is no territorial limit in the Homeowners Policy.

**Rental cars - Liability.** The ISO Personal Auto Policy provides Liability coverage “for the ownership, maintenance or use of any auto or trailer.” Assuming the rental car is used for the normal short-term usage during a vacation (and no issue arises about longer term “furnished or available for regular use”), the PAP would provide Liability coverage for the use of a rental car.

**Rental cars – Physical Damage.** Part D of the ISO Personal Auto Policy provides Physical Damage coverage for “your covered auto” and “non-owned autos.” The term “non-owned autos” is defined in the PAP as “any private passenger auto, pickup, van or trailer not owned by or furnished for regular use.”

However, the Other Sources of Recovery provision states that coverage for a “non-owned auto” is excess.

For the use of rental cars on vacation, there are a number of issues which provide a strong argument in favor of purchasing Physical Damage coverage from the rental car agency. This coverage is usually referred to as “CDW” (Collision Damage Waiver) or “LDW” (Loss Damage Waiver).

There is an excellent article on the subject of rental car CDW/LDW coverage on the IIAA Virtual University website. Go to <http://vu.iaaa.net>, Research Library, Personal Lines, Auto section – “Top 10 Reasons to Purchase the Rental Car CDW/LDW.”

**Rental motor homes – Liability.** As referenced above regarding rental cars, the PAP provides Liability coverage “for the ownership, maintenance or use of any auto or trailer.” At issue is whether the term “auto” includes a motor home.

The term “auto” is not defined in the PAP. (Neither is the term “automobile,” which it must be assumed “auto” is a shortened form of.) Black’s Law Dictionary does not contain a definition of either term.

*Webster’s Revised Unabridged Dictionary* defines “automobile” as “a self-propelled vehicle suitable for use on a street or roadway.”

Most authorities conclude that the term “auto” as used in the PAP Liability coverage is extremely broad, and would include the operation of a motor home. (Note: If a motor home is used for business, such usage is specifically excluded in the PAP.)

For an excellent article on rented motor homes and the PAP, go to the IIAA Virtual University website (see details above), and see the article “Rented Motor Homes, UHaul Trucks and Trailers.”

**Rental motor homes – Physical Damage.** The PAP would not provide any Physical Damage coverage for a motor home. As referenced above for rental car Physical Damage coverage, the only vehicles eligible for “non-owned” Physical Damage coverage are those of the “private passenger, pickup, van or trailer” types.

**Personal Auto Policy – Territory.** The defined Territory in the PAP is the USA, its territories and possessions, Puerto Rico, and Canada. There is no ISO endorsement to broaden the Territory in the PAP.

However, most Personal Umbrellas provide worldwide auto coverage.

It would certainly seem prudent to purchase Liability Coverage (and CDW/LDW coverage) from the rental car agency for rentals outside the PAP’s Territory.

**Rental watercraft – Liability.** Section II of the Homeowners Policy responds for BI and PD for the use of all rented watercraft, with two exceptions: rented inboards (and inboard/outdrives) over 50 horsepower, and rented sailboats over 26 feet.

As to rented inboards, by far the most common vacation rental watercraft is a jet-ski type “personal watercraft.” Unfortunately for insureds, nearly all are propelled by inboard engines over 50 horsepower. Even for insureds who own watercraft at home, and have added the Watercraft Liability endorsement HO 24 75, they have no coverage for these rented jet-skis. The endorsement only provides coverage for “described watercraft” – i.e., those scheduled on the endorsement.

There is growing popularity for pontoon boats, and more are being rented on vacations. Most are propelled by outboard motors, and these are covered for Liability regardless of horsepower.

Many Personal Umbrellas provide broad non-owned watercraft liability coverage, including jet-skis.

**Rental watercraft – Physical Damage (Hull).** Under Coverage C of a Homeowners Policy, there is coverage for “personal property owned or used by an insured while it is anywhere in the world.”

As with rented trailers discussed above, there are the same three issues. One, Coverage C in the HO-3 is subject to named perils. Two, there is a limitation for watercraft under the Special Limits of Liability provision of \$1,000 (under HO-91) or \$1,500 (under HO-2000). Third, there is no theft coverage for a watercraft away from the residence premises.

Under Section II, there is a PD liability exclusion for property in the care, custody or control of the insured. There is no coverage for watercraft under the Additional Coverage for Damage to Property of Others.

Many Personal Umbrellas provide broad coverage for property in the insured’s care, custody and control, and coverage could be found there for hull damage to rented watercraft. However, some Personal Umbrellas specifically exclude coverage for damage to rented watercraft.

For a comprehensive article on rented watercraft, see the article on the IIAA Virtual University website, Research Library/Personal Lines/Homeowners – “Rental Watercraft Exposures.”

**Rented go-carts, ATVs, etc. – Liability.** Both the HO-91 and HO-2000 Homeowners Policy provide Section II BI and PD Liability coverage for non-owned, off-road recreational vehicles which are not subject to registration.

**Rented go-carts, ATVs, etc. – Physical Damage.** Under Coverage C in the Homeowners Policy, the only types of motorized land conveyances eligible for coverage are those which are service vehicles, or assist the handicapped.

**Owned go-carts, ATVs, etc. – Off-premises Liability.** Some insureds who own these vehicles trailer them and take them along on the vacation trip. Liability for use of such owned vehicles off the residence premises is extremely limited. In the context of a vacation trip, coverage would apply to accidents which occur at: (1) a secondary residence declared or newly acquired; (2) any part of a premises where an insured is temporarily residing; (3) vacant land owned by or rented to an insured; (4) any part of a premises occasionally rented to an insured for non-business use.

**Moving – Personal Property.** The Homeowners Policy provides worldwide coverage for Coverage C property. There is no restriction or exclusion for personal property while in a moving van, rental truck or trailer.

As to perils, the named peril “Vehicles” provides very broad coverage. Personal property which is in transit, and damaged as a result of an auto accident, would certainly be covered by the Homeowners Policy.

Potential gaps include property damaged while being loaded or unloaded, or property damaged during transit by being poorly packed, or damaged by a shifting load, etc.

At the IIAA website of the Virtual University is an informative article on how the “Vehicle” peril applies to moving situations. Go to the Personal Lines/Homeowners section, and see the article, “The Homeowners ‘Vehicle’ Peril.”

**Moving – Use of a rental truck or rental trailer- Liability.** Similar to the above discussion on motor homes and Liability coverage under the Personal Auto Policy, the coverage grant for “any auto or trailer” is thought by most authorities to be broad enough to include “UHaul-type” rental trucks. However, business use of such vehicles is excluded.

See the excellent article on the IIAA Virtual University website, in the Personal Lines/Personal Auto section - “What is an ‘Auto’?”

**Moving – Use of a rental truck – Physical Damage.** The Personal Auto Policy does not provide any Physical Damage coverage. See the above discussion for rented motor homes.

**Moving – Use of a rental trailer – Physical Damage.** Interestingly, there is coverage for rental trailer Physical Damage under both the Personal Auto Policy and the Homeowners Policy.

In the PAP, the Physical Damage coverage for “non-owned autos” applies to a “private passenger, pickup, van or trailer.” However, in the Limit of Liability section, payment for non-owned trailers is limited to \$500

Under the Homeowners Policy, Coverage C applies to “personal property owned or used by an insured.” A rental trailer clearly comes within that coverage provision.

However, three issues bear on a loss to a rental trailer. First, Coverage C property is subject to named perils under the HO-3. Second, there is no theft coverage for trailers off the residence premises. Third, loss to trailers is limited in the Special Limits of Liability provision to \$1,000 (under HO-91) or \$1,500 (under HO-2000), and is subject to the Section I deductible.

**Weddings – Personal Property.** Wedding gifts clearly fall within Coverage C. However, a Wedding Presents Floater is often recommended to overcome the limitations in the Special Limits of Liability for theft of silverware, jewelry, etc.

Personal property that is rented by the insured for the wedding is also eligible for Coverage C, if the insured wishes to submit a claim.

***Weddings – Liability.*** For such a happy occasion, no one except an insurance agent would be thinking about potential liability exposures, but they certainly do exist.

For slip-and-falls at a rented premises such as a banquet facility, there is coverage for BI and PD Liability, as such locations are within the definition of an “insured location” – a premises occasionally rented to an insured for non-business use.

Some rented facilities require that they be provided a Certificate of Insurance. While unusual in Personal Lines, issuance of a Certificate on a Homeowners Policy is well within acceptable practice.

However, if the rental facility also wants to be named as an Additional Insured in the Homeowners Policy (and on the Certificate), there is no way under the standard Homeowners rules to accomplish this. While there is an Additional Insured endorsement available in the Homeowners program (HO 04 41), it only provides the person or entity named on the endorsement with premises liability for BI or PD arising out of the residence premises.

The most logical way to provide Additional Insured status to a rental facility is through a Special Events Policy.

One additional coverage recommendation could prove helpful to insureds who are planning a wedding is Wedding Insurance. Some of the broader policies provide coverage for loss of deposits, postponement/cancellation expenses, loss of wedding photographs or videos, loss to wedding attire, wedding gifts, and wedding rings.

For additional information on Wedding Insurance, go to [www.wedsafe.com](http://www.wedsafe.com) .

***Trip cancellation/Travel insurance.*** As one large hotel chain says in their advertising, “The best surprise is no surprise.” But veteran travelers know all too well that many unpleasant surprises often await the unsuspecting traveler. Trip cancellation and travel insurance provide many needed coverages for the traveling public, especially where extensive or elaborate reservations and plans have been made.

**NECESSARY ACTION:**

Circulate this Technical Advisory to all appropriate staff. In addition, it might be useful to give copies to insureds.