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Technical Advisory

TA 243

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Subject: Electronic Equipment and the PAP & BAP

Background: The “Woodstock Generation” of the late 1960’s and 1970’s spawned many trends in music, clothing, politics, and even insurance. Many love-bead wearing dudes took great pride in their conversion vans and microbuses. Then as now, the owners did not consider the insurance implications of retrofitting their vehicles.

Fast-forward to the 21st century, and the insurance problems that arise when adding additional equipment to vehicles is still with us.

Main Points: The Personal Auto Policy and Business Auto Policy both provide physical damage to covered autos and their equipment, but exclude certain specific equipment, most of which can be bought back through endorsement.

In the Personal Auto Policy, there are long-established exclusions for “custom furnishings,” “camper bodies” and similar equipment.

With the growing popularity of electronic equipment, both the PAP and BAP have exclusions for certain types of electronic devices (which started with the CB craze of the 1980’s). However, there are more and more types of electronic equipment and gadgets being designed for use in autos, many of which are installed by the factory.

The dilemma for both insureds and insurance staff is to know what electronic equipment is included within the insuring agreement, and what must be purchased separately. Even some electronic equipment that is installed by the factory or dealer would not be included in the basic insuring agreement, which certainly complicates efforts to provide the proper insurance.

PERSONAL AUTO POLICY

Part D – Coverage For Damage To Your Auto. *“We will pay for direct and accidental loss to “your covered auto” or any “non-owned auto,” including their equipment, minus any applicable deductible.”* (Emphasis added.)

The broad coverage implicit in the phrase “their equipment” is clarified by 3 exclusions, as follows (1998 PAP):

EXCLUSIONS

We will not pay for:

4. Loss to any electronic equipment designed for the reproduction of sound and any accessories used with such equipment. This includes but is not limited to:

- a. Radios and stereos;
- b. Tape decks; or
- c. Compact disc players.

This Exclusion (4.) does not apply to equipment designed solely for the reproduction of sound and accessories used with such equipment, provided:

- a. The equipment is permanently installed in "your covered auto" or any "non-owned auto"; or
- b. The equipment is:
 - (1) Removable from a housing unit which is permanently installed in the auto;
 - (2) Designed to be solely operated by use of the power from the auto's electrical system; and
 - (3) In or upon "your covered auto" or any "non-owned auto" at the time of loss.

5. Loss to any electronic equipment that receives or transmits audio, visual or data signals and any accessories used with such equipment. This includes but is not limited to:

- a. Citizens band radios;
- b. Telephones;
- c. Two-way mobile radios;
- d. Scanning monitor receivers;
- e. Television monitor receivers;
- f. Video cassette recorders;
- g. Audio cassette recorders; or

h. Personal computers.

This Exclusion (5.) does not apply to:

a. Any electronic equipment that is necessary for the normal operation of the auto or the monitoring of the auto's operating systems; or

b. A permanently installed telephone designed to be operated by use of the power from the auto's electrical system and any accessories used with the telephone.

6. Loss to tapes, records, discs or other media used with equipment described in Exclusions 4. and 5

There is often confusion over whether or not there is coverage for certain electronic equipment if it is "factory installed." A review of the above exclusions shows that the phrase "factory installed" does not appear. For radios, tape decks and CD players (exclusion 4.), the requirement for coverage is that they be "permanently installed."

For all the various types of electronic devices in exclusion 5., only two types are covered through the exception. One is a "permanently installed" telephone. Therefore, autos with TV monitors, VCRs (probably including the newer DVDs), personal computers, as well as the other types listed, are all excluded. A coverage buy-back is available with Endorsement PP 03 13 – Coverage For Excess Sound Reproducing Equipment, Audio, Visual And Data Electronic Equipment, Tapes, Records, Discs, And Other Media.

The second exception to exclusion 5., for electronic equipment that is necessary for the normal operation of the auto, is the subject of much debate. While the apparent intent is to cover electronic equipment integral to the vehicle's operation, devices such as GPS, On-Star and similar electronic systems pose an uncertain interpretative problem. See the excellent article below from the IIABA's Virtual University on GPS and the auto policy.

In response to the growing use of electronic devices in autos, the new ISO 2005 PAP has significantly revised the above exclusions to provide much broader coverage. In the background information accompanying the filing, ISO stated that "equipment such as navigational systems, Internet access systems and similar items have become increasingly commonplace in automobiles."

Therefore, the exclusion was revised to provide coverage for such items as "navigation systems, Internet access systems, personal computers, video entertainment systems," and similar electronic equipment, so long as it is "permanently installed" in the auto.

BUSINESS AUTO POLICY

SECTION III – PHYSICAL DAMAGE COVERAGE

A. Coverage

1. We will pay for "loss" to a covered "auto" or its equipment

B. Exclusions

1. We will not pay for "loss" caused by or resulting from any of the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the "loss".

4. We will not pay for "loss" to any of the following:

a. Tapes, records, discs or other similar audio, visual or data electronic devices designed for use with audio, visual or data electronic equipment.

b. Any device designed or used to detect speed measuring equipment such as radar or laser detectors and any jamming apparatus intended to elude or disrupt speed measurement equipment.

c. Any electronic equipment, without regard to whether this equipment is permanently installed, that receives or transmits audio, visual or data signals and that is not designed solely for the reproduction of sound.

d. Any accessories used with the electronic equipment described in Paragraph c. above.

Exclusions **4.c.** and **4.d.** do not apply to:

a. Equipment designed solely for the reproduction of sound and accessories used with such equipment, provided such equipment is permanently installed in the covered "auto" at the time of the "loss" or such equipment is removable from a housing unit which is permanently installed in the covered "auto" at the time of the "loss", and such equipment is designed to be solely operated by use of the power from the "auto's" electrical system, in or upon the covered "auto"; or

b. Any other electronic equipment that is:

(1) Necessary for the normal operation of the covered "auto" or the monitoring of the covered "auto's" operating system; or

(2) An integral part of the same unit housing any sound reproducing equipment described in a. above and permanently installed in the opening of the dash or console of the covered "auto" normally used by the manufacturer for installation of a radio.

Note that in exclusion 4.c., electronic equipment that "receives or transmits audio, visual or data signals" is excluded, even if permanently installed in the auto. The only exception is equipment that solely reproduces sound.

As in the PAP, there is also an exception for integral electronic equipment related to the operation of the auto.

For certain excluded equipment, coverage is available with endorsement CA 99 60 – Audio, Visual and Data Electronic Equipment Coverage.

**ARTICLE REPRINT FROM
IIABA'S VIRTUAL UNIVERSITY:**

Is a GPS Covered by an Auto Policy?

By Bill Wilson, Jr., CPCU, ARM, AIM, AAM - director of the Virtual University of the Independent Insurance Agents & Brokers of America (IIABA).

Abstract

Global Positioning Systems (GPS), once the fodder for science fiction tales, are becoming increasingly common. Recently, our "Ask an Expert" service received an email asking whether the PAP or BAP policies cover a GPS (and other hi-tech equipment). Below is an analysis of both the PAP and BAP relative to coverage (or lack thereof).

First, let's examine the Global Positioning System (GPS) issue under the ISO Personal Auto Policy (PAP), then the ISO Business Auto Policy (BAP).

GPS Coverage Under the PAP

The applicable exclusion for this type of equipment in the current [PP 00 01](#) is:

5. Loss to any electronic equipment that receives or transmits audio, visual or data signals and any accessories used with such equipment. This includes but is not limited to:

- a. Citizens band radios;*
- b. Telephones;*
- c. Two-way mobile radios;*
- d. Scanning monitor receivers;*
- e. Television monitor receivers;*
- f. Video cassette recorders;*
- g. Audio cassette recorders; or*
- h. Personal computers.*

This Exclusion (5.) does not apply to:

- a. **Any electronic equipment that is necessary for the normal operation of the auto or the monitoring of the auto's operating systems;** or*
- b. A permanently installed telephone designed to be operated by use of the power from the auto's electrical system and any accessories used with the telephone. [emphasis added]*

Since a GPS receives and transmits data signals and the exclusion says that the excluded equipment is not limited to the listed equipment, the initial (and probably safe) presumption is the the PAP excludes a GPS. Ask any auto underwriter or adjuster and that's probably the answer you'll get. So, to remove any doubt, it is advisable to attach endorsement [PP 03 13](#) to explicitly cover the GPS.

However, note that there is an exception to the exclusion for any electronic equipment that is necessary for the "normal operation of **the** auto." At first glance, this would not seem to apply to a GPS since it is not necessary for an auto to operate. But, the policy language does not say "normal operation of AN auto"...it says "normal operation of THE auto."

If your car is equipped with a GPS, wouldn't it be normal for YOUR specific auto to be operated with the GPS and the equipment, obviously, would be necessary for such normal operation? The fact that AN auto can be operated normally without a GPS doesn't change the fact that THE auto with a GPS cannot be operated normally without it.

While this may seem to be a splitting of hairs, it's this kind of imprecise wording that results in court interpretations of policy language at variance with the coverage intent. To clarify such intent, it would seem appropriate to change the word "the" to "an." A small point, but one that could affect coverage.

GPS Coverage Under the BAP

The applicable exclusion for this type of equipment in the current [CA 00 01](#) is:

4. We will not pay for "loss" to any of the following:

c. Any electronic equipment, without regard to whether this equipment is permanently installed, that receives or transmits audio, visual or data signals and that is not designed solely for the reproduction of sound.

Exclusions 4.c. and 4.d. do not apply to:

b. Any other electronic equipment that is:

(1) Necessary for the normal operation of the covered "auto" or the monitoring of the covered "auto's" operating system;

This exclusion (and exception) is similar to that in the PAP, but the "devil's advocate" argument that the exception is not precisely worded has even more credence since the policy refers to "the covered 'auto'," making it clear that it is referencing a specific vehicle.

Again, this may be a seemingly small (and debatable) point, but why take chances? We suggest revising the wording to make it clear to everyone, including insureds, juries and judges, that the intent is to NOT cover such electronic equipment.

Finally, just like the PAP, the BAP has an endorsement designed to provide coverage for excluded equipment. Since an adjuster would almost assuredly deny a GPS claim, we suggest scheduling this type of equipment on endorsement [CA 99 60](#) to explicitly cover it.

Necessary Action: Circulate this Technical Advisory to all appropriate Personal Lines and Commercial Lines staff.