

# CISR

## INSURING PERSONAL AUTO EXPOSURES

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S T U D Y   G U I D E

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# INSURING PERSONAL AUTO EXPOSURES

## S T U D Y   G U I D E

This Study Guide has been prepared to enhance your learning experience. It contains all of the Check-In questions, Knowledge Checks, and Self-Quizzes contained within the course, along with an Answer Key and Glossary. Use it as a tool to help practice and assess your knowledge of the course material, but *do not* mistake it for a comprehensive "short-cut" to preparing for the final exam.

Be sure to take a look at the section, "Appendix," that follows the Answer Key in this Study Guide. It contains valuable suggestions for test preparation and study techniques, as well as some sample exam questions and a glossary of terms.

Your path to success in passing the final exam will come from your attentiveness during the course and the effort you put into preparation.



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# **Answer Key**

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# **Tools to Assess Your Knowledge**

Check-Ins, Knowledge Checks,  
and Self-Quizzes by Topic



# Section 1: Introduction to the Personal Auto Policy

## Eligibility for an ISO Personal Auto Policy

### Check-In

**Directions:** Select Yes or No.



The following individuals have come to you for their auto insurance. Are they eligible for a Personal Auto Policy?

	Yes	No
Dan and his spouse, Elise, own two vehicles.		
Bob and Sherry own two vehicles. They are currently separated.		
Bruce and his roommate, Brad, jointly own a Jeep Wrangler.		
Matt and his fiancé, Diane, have jointly purchased a Mustang. Diane lives with her parents and Matt lives in an apartment across town.		
Tony wants to insure a vehicle registered to a corporation of which he is president.		
Dave and his spouse have registered their only cars under a family trust.		
Steve earns extra money driving his car for Uber.		
Jane owns a small pickup and a camping trailer.		
Stephanie owns a Ford F-550 pickup that has a GVWR of 15,000 lbs.		
Leilani drives her van several days a week delivering flowers for the local florist.		

## ► Knowledge Check



Alex is a seasoned surfer who recently purchased a new van to drive to the beach for surfing competitions. Due to the storage capability, it makes the most sense to house all his boards for the long journey. Considering the type of vehicle and its intended use, explain what factor(s) contribute to whether Alex's vehicle is considered a private passenger auto, thus granting him eligibility for an ISO Personal Auto Insurance Policy.

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# Policy Structure

## Check-In



**Directions:** For each statement, select True or False.

1. Information in the Declarations page is unimportant as it has no bearing on coverage at the time of a loss.

True	False
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2. The Insuring Agreement, additional definitions, exclusions, and conditions coverage Parts A through D apply separately to each coverage part.

True	False
------	-------
  
3. Endorsements attached to the Personal Auto Policy are used to broaden, restrict, clarify, or comply with state-specific regulations.

True	False
------	-------
  
4. The Declarations page should only be reviewed when the Personal Auto Policy is first written.

True	False
------	-------



## Knowledge Check

**Directions:** Review the scenario and check the policy Declarations page. Discuss your observations; for any observations, discuss how coverage could be impacted.

	Personal Auto Policy Declarations	
	YOUR Insurance Company of America	
<b>POLICYHOLDER:</b>	Hailey Johnsen	
<b>MAILING ADDRESS</b>	135 Prime Lane	
	Your Town, NE 00000	
<b>POLICY NUMBER</b>	ATX 009 987654	
<b>POLICY PERIOD</b>	<b>EFFECTIVE:</b> January 01, 2x01	
	<b>EXPIRATION:</b> July 01, 2x01	
But only if the required premium for this period has been paid, and for six-month renewed periods if renewal premiums are paid as required. Each period begins and ends at 12:01 A.M. standard time at the address of the policyholder.		
<b>INSURED VEHICLES</b>	<b>LIMITS OF INSURANCE</b>	<b>PREMIUM</b>
2018 Nissan Altima	VIN: 1N4AL3AP3JC99999	
<b>Coverage A – Liability:</b>		
Bodily Injury Liability	\$100,000 <b>Each Person</b>	\$ 185.00
	\$300,000 <b>Each Accident</b>	
Property Damage Liability	\$100,000 <b>Each Accident</b>	\$ 86.00
<b>Coverage B – Medical Payments</b>	\$ 5,000 <b>Each Person</b>	\$ 50.00
<b>Coverage C – Uninsured Motorist:</b>		
Bodily Injury	\$100,000 <b>Each Person</b>	\$ 35.00
	\$300,000 <b>Each Accident</b>	
<b>Coverage D – Collision</b>	Actual Cash Value less \$5,000	\$ 15.00
Other Than Collision	Actual Cash Value less \$500	\$ 150.00
<b>Policy Form And Endorsements</b>	PP 00 01 09 18 – Personal Auto Policy	
	PP 01 85 09 18 – Amendment of Policy Provisions – Nebraska	
	Total Premium	\$ 521.00
<b>Drivers:</b>	Hailey Johnsen (Age: 26)	
	Tommy Jansen (Age: 23)	

## Section 1: Introduction to the Personal Auto Policy

**Scenario:** Prospect Haylee Jansen accepted your annual auto quote on a 2018 Nissan Altima she jointly owns with her brother who lives in the apartment next door. You quoted coverage to include Collision and Other Than Collision, with \$500 deductibles.

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## Section 1 Self-Quiz

**Directions:** Answer each question in a sentence or two.

- When it comes to providing Personal Auto Coverage for a client, what are the three categories of *eligibility* requirements that you, as the insurance professional, must consider?

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- When it comes to gross vehicle weight rating (GVWR), explain how this impacts whether or not trucks and vans meet the requirement for private passenger auto coverage.

How does an ISO Symbol also impact this?

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**Directions:** Select the type of ownership under which a Personal Auto Policy may be issued for each scenario.

**Options:** Individually Owned, Jointly Owned, Trust Owned, Non-Owned

Scenario	Ownership Type
1. J. Marsh Holdings, LLC, owns a personal automobile for the benefit of another party, Gina. The intention is to protect assets and ensure that Gina, the beneficiary, receives the benefit of using those assets without probate and estate tax implications.	
2. Sacha owns a blue Corvette and is the sole owner of the vehicle. Sacha's is the named insured on the Declarations page of the policy.	
3. Kurt works in sales, and one of the perks of the job is that his company issued him a car. Kurt loves having a car to drive and uses the company car for both business and personal purposes.	
4. Maggie and Emma are not related but live in the same household and share one car between them. Both Maggie's and Emma's names are on the title.	

## Section 1: Introduction to the Personal Auto Policy

**Directions:** Read each statement below and indicate whether it is True or False.

1. Since eligibility and coverage are one and the same, Mary is correct to assume that if she's eligible for personal auto coverage for the car she drives, that she is covered at the time of a loss.

**True**                           **False**

2. A private passenger auto is identified as a four-wheeled motor vehicle, including a truck-type vehicle, used for public or livery conveyance, and can be rented to others.

**True**                           **False**

3. If an ISO symbol is assigned in the *Symbol and Identification Manual* to a vehicle greater than 10,000 lbs. GVWR, that vehicle may also be considered a private passenger auto.

**True**                           **False**

4. Trailers **are** eligible for coverage on a Personal Auto Policy when designed for use with private passenger autos, pickup vans, or if they are camper bodies.

**True**                           **False**

5. The SNOWMOBILE ENDORSEMENT (PP 03 20) is an example of an endorsement that provides auto policy coverage under the category of miscellaneous vehicles.

**True**                           **False**

6. Eligibility is determined *after* the policy application, using ownership, type of vehicle, usage, and other discoverable facts required by the insurance company.

**True**                           **False**

7. The endorsement granting "you" status to unrelated, unmarried, individuals living in the same household or to "nonresident relatives" who own a vehicle together would be the JOINT OWNERSHIP COVERAGE (PP 03 34) endorsement.

**True**                           **False**

8. Trust ownerships, where the grantor is a corporate entity, are not eligible for a Personal Auto Policy.

**True**                           **False**

# Section 2: Personal Auto Policy Definitions and Liability Coverage

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## Policy Definitions

### Check-In

**Directions:** Check Yes or No in the table below to indicate who is a “family member.”



Sarah has a Personal Auto Policy. Which of the following individuals are considered a “family member” by her policy?

	Yes	No
Her 14-year-old resident son, Scott		
Her mother, who is visiting her for a week		
Her daughter, Stephanie, who lives in her own apartment across town		
Sarah's daughter-in-law, Sherry, who is living with her for a year while Sarah's son, who is in the military, is stationed overseas		
Sarah's boyfriend Allen, who lives with her		

## Check-In



**Directions:** Read the scenario below and fill in the blanks using the coverage options in the word bank. Options may be used multiple times or not at all.

Andy has a Personal Auto Policy with the following vehicles and coverages:

### 2020 Ford F-150 Pickup

*Liability*  
*Medical Payments*  
*Uninsured Motorists*  
*\$250 ded. Collision*

### 2017 Dodge Caravan

*Liability*  
*Medical Payments*  
*Uninsured Motorists*  
*\$500 ded. Collision*

Andy buys a third vehicle, a 2022 Cadillac, on May 1st. What coverages, if any, will Andy's new vehicle automatically receive and for how long? If a deductible applies, identify the deductible amount.

### Word Bank

14 days	4 days	\$500	\$250	No Coverage
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1. Liability \_\_\_\_\_
2. Medical Payments \_\_\_\_\_
3. Uninsured Motorists \_\_\_\_\_
4. Collision \_\_\_\_\_, Deductible (if any) \_\_\_\_\_
5. Other Than Collision \_\_\_\_\_, Deductible (if any) \_\_\_\_\_

## ► Knowledge Check

**Directions:** Read the scenario below and explain what Deborah's agent should make her aware of, and why, when purchasing a new car for her son.

Deborah's resident son, Bryce, just turned 21! To celebrate this occasion, they are looking to purchase a new vehicle over the weekend. Bryce insists that he be the sole owner of his vehicle because he feels that he is now old enough to handle the responsibility. Deborah calls to let her agent know about their plans this upcoming weekend. What should the agent make Deborah aware of? Will Bryce's vehicle receive coverage under his mother's policy?

Deborah currently has the following coverages on her policy:

- Liability Coverage: 50/100/50
  - Medical Payment to Others: \$5,000
  - Collision: \$1000
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# Liability Coverage

## Check-In



**Directions:** Read each scenario and indicate if each party is an “insured” under the identified Personal Auto Policy.

Jerry is the named insured on a Personal Auto Policy. He borrows a neighbor’s van to take a group of scouts to camp. While driving to camp, Jerry has an at-fault accident and several of the children are injured. The parents of the injured children sue Jerry as the driver, the neighbor as the owner of the van, and the scout chapter on whose behalf the van was being driven.

*Pay close attention to whose Personal Auto Policy is being assessed for coverage.*

Who is an “insured” under Jerry’s Personal Auto Policy and therefore provided coverage?

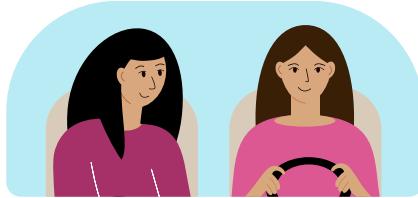
Person or Organization	“Insured”?
Jerry	
Neighbor	
The Scout Chapter	

Who is an “insured” under the neighbor’s Personal Auto Policy and therefore provided coverage?

Person or Organization	“Insured”?
Neighbor	
Jerry	
The Scout Chapter	

## ► Knowledge Check

**Directions:** Read the scenario below and explain what you would say to help Alex understand the importance of carrying higher limits of liability on her insurance. Explain your reasoning.



Alex knows that adding her daughter, Jane (a teenage driver) to her Personal Auto Policy can be expensive. Alex has requested that with this change of adding a youthful driver to her policy, she also wants to lower her Liability Coverage limits from 100/300/100 to 25/50/25. What should you say to help Alex understand the importance of carrying higher limits of liability?

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# Liability Coverage Exclusions

## Check-In



**Directions:** Read the scenarios below and select the letter choice of the corresponding exclusion.

Aaron has 250/500/100 Liability Coverage on his 2019 Dodge Durango. For each of the following scenarios, indicate which Part A – Liability Coverage exclusion, if any, will apply.

Scenario	Exclusions
_____ Aaron argues with his neighbor and repeatedly rams his Durango into his neighbor's parked car.	A. This situation is covered
_____ Aaron's 16-year-old son takes his car without permission and has an at-fault accident.	B. Vehicles, not a "your covered auto," you own or are furnished/available for your use
_____ Aaron backs his rental car into a concrete post and damages the rental car.	C. Use of a vehicle without a reasonable belief of entitlement to do so
_____ Aaron has an at-fault accident while driving his furnished company car.	D. Intentional damage or injury
_____ A visiting friend takes Aaron's car without his permission and has an at-fault accident.	E. "Property damage" to property rented to, use by, or in the care of that "insured"

## ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise your clients, Andrew and Annie. Be sure to explain your answer.

Your clients, Andrew and Annie, meet with you for an annual review of their auto policy. During the review, you discover they have had some significant changes in the past year. Andrew and Annie purchased a ride-on scooter for their 16-year-old son, Conner, to use to get to school. Anne also accepted a new position at her company and is provided a company car to drive. What should you tell Andrew and Annie about their Personal Auto Policy and what coverage recommendations should you make?

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## Out-of-State Coverage

### Check-In



**Directions:** Answer each question as True or False.

1. Payment dispersed under Liability Coverage cannot also be paid under Medical Payments or Uninsured/Underinsured for the same elements of a loss.

**True**

**False**

2. When Zander takes a road trip across the U.S., his auto policy coverage limits will be as stated on the Declarations page. In states where coverage requirements may be higher, this could leave him with a serious coverage issue.

**True**

**False**

3. When a combined single limit is selected and shown on the Declarations page, the full limit is applied individually to each claimant.

**True**

**False**

4. Coverage that is mandatory by law in a state other than where Kimberly resides will be automatically provided by Kimberly's policy while she is visiting that state, even if she has not selected that coverage on her policy.

**True**

**False**

## Other Insurance

### ► Knowledge Check

**Directions:** Determine how Liability Coverage will apply to the loss scenario below.



Your client, William, is the named insured on a Personal Auto Policy with Liability Coverage limits of 25/50/25, with no other coverage. William's son, Evan, who is visiting from out-of-state, had an at-fault accident while driving William's covered auto. There is damage to William's car and a parked auto. Both cars were total losses. The actual cash value (ACV) of William's car is \$28,000, and the ACV of the other car is \$22,000. Explain how William's policy will respond to the loss and how much, if anything, the policy will pay for damages.

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## Section 2 Self-Quiz

**Directions:** Read each question below and select the one correct answer.

1. Choose the answer that describes the function of the policy Insuring Agreement.
  - It helps clients predict the coverage they are likely to receive during a time of loss, based on the type of vehicles they own and how many.
  - It outlines that the insurance company will provide coverage as long as the named insured pays the policy premium and complies with conditions of the policy.
  - It provides specific meanings to terms that are used throughout the policy so clients can better understand their coverage options.
2. The individual named in the Declarations, as well as their spouse/partner, would fall under which policy term?
  - "We," "Us," and "Our"
  - "Family Member"
  - "You" and "Your"
3. The defined term, "occupying," helps ensure understanding of all the places a person can still be considered "occupying" a vehicle rather just sitting inside of it. Which one of the choices below does NOT relate to "occupying" a vehicle?
  - Under
  - In
  - Upon
  - Getting in
4. Choose the scenario in which a vehicle would be considered a "your covered auto."
  - Stewart's car is in the shop and he borrowed his neighbor Peter's car to get work.
  - Christina is towing her sister Laura's trailer en route to a family reunion in New York.
  - Gina rented an SUV big enough for her family while on vacation in New Mexico.
5. The "newly acquired auto" definition may provide clients with coverage for a limited time prior to the new vehicle being reported to the insurance company. Which one of the following is NOT part of what the definition outlines?
  - Where the vehicle is going
  - Who must own the vehicle
  - Which vehicles are eligible
  - When the vehicle must be acquired

## Section 2: Personal Auto Policy Definitions and Liability Coverage

**Directions:** Read each statement and select whether it is True or False.

1. The Personal Auto Policy considers a trailer a “your covered auto.”

**True**

**False**

2. While the **you** and **your** (named insured and spouse/civil partner) receive the best coverage provided by the policy, a “family member” receives the second-best coverage.

**True**

**False**

3. Roger purchased a new Prius. The Prius will have the lowest Collision deductible shown on the Declarations for up to 10 days from the date his Prius was acquired before he must request coverage to continue.

**True**

**False**

4. The AMENDMENT OF POLICY PROVISIONS endorsement for each state may add the “minimum limits” definition to the Personal Auto Policy, which is a term not originally found in the policy. It explains the required minimum limits of liability coverage for that state.

**True**

**False**

5. When it comes to Supplementary Payments, your agent, Grace, tells you that benefits are paid in addition to the Limits of Liability. This means that payment of the benefits will NOT reduce the limits shown on the Declarations page.

**True**

**False**

6. The following Supplementary Payment benefit may be paid on behalf of an “insured”: up to \$400 may be paid for the cost of bail bonds required because of a covered accident which resulted in “bodily injury.”

**True**

**False**

7. Group A exclusions take away coverage for “bodily injury” and/or “property damage” based on a person, even if that person was previously defined as an “insured.”

**True**

**False**

8. Group B exclusions provide liability coverage based on vehicle type, use, or its availability.

**True**

**False**

## Section 2: Personal Auto Policy Definitions and Liability Coverage

9. An example of the exclusion related to ownership or use of a vehicle being used as a public or livery conveyance would apply to an individual who is a driver for the ridesharing company, Lyft.

**True**

**False**

10. Raina walks over to her neighbor Jade's house, and sees that Jade's keys are in the ignition of the car parked in the driveway; Jade is nowhere in sight. Needing to run a quick errand and not having a car of her own, Raina decides to take Jade's car without permission. The following exclusion would apply in this case: (A.7.) liability coverage for vehicles used in any other "business" (other than farming or ranching).

**True**

**False**

**Directions:** Read the question below and respond with a sentence or two.

Understanding that exclusions restrict coverage in the policy, please give one example of an exclusion affecting the person (Group A), and one exclusion affecting a vehicle (Group B). In your response, describe each of these exclusions.

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# Section 3: Causes of Loss Forms

## Medical Payments

### Check-In



**Directions:** Read each statement and select whether it is True or False.

1. Medical Payments Coverage only applies while occupying a "your covered auto."  

True	False
------	-------
2. Courtney's 16-year-old resident daughter was hit by a vehicle while she was walking in the crosswalk. Since her daughter was not occupying a vehicle, Medical Payments Coverage will not apply.  

True	False
------	-------
3. The city bus Thomas was riding was involved in an accident. His Medical Payments Coverage will respond to medical expenses he incurs for resulting injuries.  

True	False
------	-------
4. Since Tom has health insurance, he does not need Medical Payments Coverage on his auto policy.  

True	False
------	-------
5. Amy's Medical Payments Coverage is available for her and her friend, who was a passenger in Amy's car at the time of an accident.  

True	False
------	-------

# Personal Injury Protection

## Check-In

**Directions:** Match the statement to the proper term.



Statements	Terms
_____ Coverage available for prosthetics, ambulance, emergency room, and X-rays	A. Medical Payments
_____ Coverage available if an automobile accident related death occurs within a specified time period	B. No-fault coverage
_____ Specified percentage of coverage available for lost wages resulting from a covered automobile accident	C. Work loss
_____ Personal Injury Protection is available regardless of who caused the accident.	D. Replacement services loss
_____ Provides payment for services temporarily needed while the injured party is unable to perform normal duties	E. Funeral expenses

## No-Fault vs. Tort States

### ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise Maria. Explain your reasoning.

Congratulations! You are a new insurance professional and Maria is your first personal auto prospect. While quoting Maria's coverage, you notice in the carrier's rating system you have the option to choose either Med Pay Coverage (with various coverage levels) or Personal Injury Protection. Both include Med Pay Coverage. Which option will provide Maria with the most comprehensive coverage? How should you explain to Maria the benefits and who receives coverage?

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## Section 3 Self-Quiz

**Directions:** Read each statement below and select whether it is True or False.

1. Med Pay and PIP coverage cannot be purchased by the client unless mandated by the state in which they reside.

**True**

**False**

2. Eliza is interested in better understanding Med Pay Coverage in her Personal Auto Policy. To find the limit that will be applied per person should she be involved in an auto accident, Eliza would review the Declarations page of her policy.

**True**

**False**

3. One of the differences between Med Pay and PIP is that unlike PIP, Med Pay does not pay lost wages.

**True**

**False**

4. Reasonable medical expense is not defined in the Personal Auto Policy, but it can be established by state regulation.

**True**

**False**

**Directions:** Read each question below and provide your response in a sentence or two.

1. Under Part B – Medical Payments, give an example of who would be entitled to Medical Payments Coverage? Explain.

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2. Explain how Med Pay or Personal Injury Protection (PIP) coverage may be the only coverage available to some people to cover medical expenses resulting from an at-fault accident.

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# Section 4: Uninsured and/or Underinsured Motorists Coverage

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## Uninsured/Underinsured Motorists Coverage

### ► Knowledge Check

**Directions:** Read the scenario below and respond with what you would say to help Thomas understand his coverage.

Your client, Thomas, contacts you about coverage on his policy. He'd like to remove Uninsured and Underinsured Motorists coverage because he knows that it is a state law that every registered vehicle carries automobile insurance which will pay for damages they cause to him. He says that if his policy protects others he causes damage to, then other drivers' policies will do the same for him. What should you say to ensure Thomas understands his UM/UIM coverage and hopefully changes his mind?



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# Uninsured Motorists Coverage

## Check-In



**Directions:** Read the following scenarios and select whether the individuals are or are not an “insured” as defined in Part C – Uninsured Motorists Coverage.

Sam and Laura have a Personal Auto Policy with Uninsured Motorists Coverage.

	Yes	No
Laura is injured when the taxi taking her to the airport is hit by an uninsured vehicle.		
Sam’s son, Chris, who lives across town, is hit by an uninsured vehicle while crossing the street as a pedestrian.		
Sam lets his neighbor, Angie, borrow his car to run errands. While driving Sam’s car, Angie is hit by an uninsured vehicle.		
Laura is in the crosswalk when she is hit by an uninsured driver who runs a red light. Due to her injuries, she will require a wheelchair for several months.		

### What Should You Do?

Cameron, your client, called to ask if he should remove his 2009 Polaris Ranger XP as a miscellaneous vehicle on his Personal Auto Policy after discovering that his Homeowners Policy will provide liability coverage as long as it is used solely to service his residence. The vehicle is insured for Liability, Medical Payments, and Uninsured Motorists coverage. What should you do?



- Have Cameron sign a coverage change request to remove the Polaris and process his request.
- Inform Cameron that he has misunderstood coverage under his Homeowner Policy and should keep the ATV insured on his Auto Policy.
- Discuss with Cameron the coverage differences between his Homeowner and Automobile policy to ensure he understands his decision.

## Check-In



**Directions:** Write the letter of each scenario in the appropriate column as either being an uninsured motor vehicle or not.

Victor has damage to his Nissan Titan. Assuming that the vehicles in the scenario's below caused the damage, consider each of the scenarios to decide if the vehicle in the scenario may or may not be an "uninsured motor vehicle."

Damage to Victor's truck was caused by:	An uninsured motor vehicle	Not an uninsured motor vehicle
A. an uninsured collector car owned by Victor B. a self-insured police cruiser owned by the state C. an unidentified vehicle while Victor was at the dentist D. an ATV being driving on the city street where Victor lives E. a vehicle that cut Victor off while driving but which did not make contact F. a vehicle/driver who's carrier denied coverage due to an exclusion in their policy G. an camper trailer that became dislodged while located at a long-term campsite H. a self-insured U.S. Postal Service mail truck		

## ► Knowledge Check



**Directions:** Understanding who is an “insured” and what is an “uninsured vehicle,” review the scenarios below, decide if the scenario is covered by Uninsured Motorists Coverage, and explain your reasoning.

Max has his car insured by a Personal Auto Policy with 100/300 Uninsured Motorists Coverage. For each of the following situations, explain if the loss is covered under Uninsured Motorists Coverage and include the reason for your answer.

1. Max is driving through an intersection and doesn't see the red light. He runs into the back of the car stopped in front of him. The other driver does not have insurance. Max has medical expenses totaling \$8,000.

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2. Max's car is rear-ended by a hit-and-run vehicle while he is stopped at a red light. The other car leaves the scene of the accident without being identified. Max turns in a claim to his own insurance company for his \$25,000 in medical bills.

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# Underinsured Motorists Coverage

## Check-In

**Directions:** Mark whether the following statements are True or False.



	True	False
In some states, a vehicle with 250/500 liability limits can be considered underinsured if it isn't enough to pay the insured's damages.		
In some states, the insured can only collect the difference between his/her UIM limit and the liability limit of the at-fault driver.		
A limits offset provides more coverage than a damages offset.		



## Knowledge Check



**Directions:** Read the scenario below and respond with what you would say to help Bernard know what to expect out of his UIM claim. Explain your reasoning.

Your client, Bernard, has Liability Coverage limits of 100/300/100 and equal limits for UM/UIM Coverage. He was hit by a vehicle with liability limits of 25/50/25 and now has \$115,000 in medical and physical therapy expenses. In reading your client's policy, you discover they have a limits trigger with a limits offset. How will you explain this to Bernard so that he has an idea of what to expect out of his UIM claim?

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## Section 4 Self-Quiz

**Directions:** Look at the table below and select the correct letter to match each term with the appropriate description.

<input type="checkbox"/> The insurance company's right to recover damages from an at-fault party	A. Compensatory damages
<input type="checkbox"/> Coverage triggered by an "underinsured motor vehicle" with liability limits less than the insured's own UIM limits	B. Limits trigger
<input type="checkbox"/> Protects you if you're in an accident with an at-fault driver who doesn't carry liability insurance	C. Damages trigger
<input type="checkbox"/> Money awarded to the injured party for special or general damages incurred	D. Underinsured Motorists Coverage
<input type="checkbox"/> Coverage triggered by an "underinsured motor vehicle" with liability limits less than the injured party's damages.	E. Uninsured Motorists Coverage
<input type="checkbox"/> When involved in an accident with an at-fault driver whose liability limits are too low to cover the medical expenses of any injured parties	F. Subrogation

## Section 4: Uninsured and/or Underinsured Motorists Coverage

**Directions:** Read each statement below and select whether it is True or False.

1. Damages trigger defines an “underinsured motor vehicle” as one with liability limits that aren’t enough to pay the insured’s damages.”

**True**

**False**

2. If the policy contains limits offset language, the UIM payment will be increased by the amount paid by the at-fault driver’s insurance.

**True**

**False**

3. UM/UIM is mandatory in most states, and clients do not have the option to reject this coverage.

**True**

**False**

4. Eva’s son, Sam, borrows Eva’s car to go to high school soccer practice. On the way there, he is rear-ended by another driver who is texting. Although the driver is not insured, Sam is covered under his mother’s Auto Policy under Part C – Uninsured Motorists Coverage.

**True**

**False**

5. Cory’s trailer does not have an applicable liability bond or policy, and he backs it up into another driver, causing damage. Cory’s trailer is considered to be an “uninsured motor vehicle.”

**True**

**False**

## Section 4: Uninsured and/or Underinsured Motorists Coverage

**Directions:** Read each question below and provide your response in a sentence or two.

1. Explain why UM coverage under the Personal Auto Policy will not pay for the punitive damages of an at-fault party.

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2. Explain what is the purpose of Uninsured Motorists Property Damage Coverage.

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## Section 4: Uninsured and/or Underinsured Motorists Coverage

# Section 5: Coverage for Damage to Your Auto

# “Collision” and Other Than “Collision”



**Directions:** Consider the scenario below and respond with examples you might give to Valerie.

The Personal Auto Policy provides a list of losses that could be considered Other Than "Collision" losses. Your client, Valerie, is wondering what other types of losses exist that may be considered Other Than "Collision" which are *not* named in the policy. What examples might you give to Valerie so that she is better informed?

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# Transportation Expenses

## ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise your client.

Stephen's coworker offered to let Stephen borrow her large SUV for a family camping trip. After Stephen discovered that his coworker only has liability coverage on her vehicle, he called you—his insurance professional. He is nervous about driving the SUV and wants to know how his policy would respond if he causes damage to the auto.

Before advising Stephen, you take a look at his auto policy and discover he has Liability (100/300/100), Medical Payments \$5,000, and UM/UIM equal to his Liability coverage. Stephen has three small sedans with Collision deductibles that range from \$500 to \$1000, but does not have Other Than "Collision" coverage.

What can you let Stephen know about his policy and how it may respond if he were to have either a Collision or Other Than "Collision" loss?

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# Coverage for Damage to Your Auto Exclusions

## Check-In



**Directions:** Read the statements below and mark whether they are True or False.

1. The transportation network coverage endorsement nullifies exclusions in the policy and provides coverage for ridesharing, starting with accepting a passenger and ending when the passenger arrives at their destination.

**True**

**False**

2. Samantha spent \$6,000 on her car by adding custom rims and custom paint to match her favorite NFL team colors. Her auto policy will pay the full cost of damage under Other Than "Collision" after thieves stole her rims and damaged the paint in the process.

**True**

**False**

3. The Excess Custom Equipment endorsement cannot be used to provide coverage for custom sound or navigation systems.

**True**

**False**

4. Candice is having trouble with the transmission in her car. Unfortunately, her auto policy will not pay to replace the transmission.

**True**

**False**

# Appraisal

## ► Knowledge Check



**Directions:** Read the scenario below and respond with what you would say to help Penelope. Explain your reasoning.

Your client, Penelope, is the original owner of a one-year-old Chevrolet Corvette Stingray. She purchased the Corvette for \$90,000 and added the following customizations:

- \$6,000 custom rims
- \$3,500 custom sound system to replace the manufacturer's stereo

Her unendorsed Personal Auto Policy provides "Collision" and Other Than "Collision"—each with a \$1,000 deductible. Penelope's vehicle was damaged in a covered collision loss which resulted in damage to the rims, complete damage to the sound system, and \$20,000 in damage to the body of the vehicle. She will need a rental vehicle for seven days while her vehicle is being repaired and would like a sports vehicle.

**How much would you expect Penelope's policy to pay and what endorsement(s), if any, should she consider adding to her policy to improve coverage?** Disregard depreciation.

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## Part F – General Provisions (Selected)

### ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise your client. Explain your reasoning.

Your client just returned from a trip to Canada, and they are ready for their next adventure—Mexico! Planning even further ahead, they will soon be driving through the country hills of England. In fact, they are so excited they do not even seem concerned enough to ask any questions about their insurance. What should you inform your client of, if anything, about where their policy coverage applies?

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## Section 5 Self-Quiz

**Directions:** Read each question below and select the one correct answer.

1. Eloise wants to understand what types of damages her policy provides coverage for as it pertains to her own vehicle. As her agent, you advise the policy covers damage which is:
  - Indirect and accidental
  - Direct and intentional
  - Direct and accidental
  - Indirect and intentional
2. Dennis' car was speeding along some neighborhood back roads when he lost control of the car and crashed into a tree. This is defined as a(n) \_\_\_\_\_ loss.
  - Other than "Collision"
  - "Collision"
  - peril
  - indirect
3. Of the following, which one would NOT be considered an Other Than "Collision" loss?
  - Riot or civil commotion
  - Explosion or earthquake
  - Missiles or falling objects
  - Impact with a tree
4. Select the statement that is true concerning "non-owned autos" other than those considered a temporary substitute.
  - They must be private passenger autos, pickups, vans, or "trailers" that are not furnished to a you or "family member" for regular use.
  - They must be available for regular use by a you or "family member."
  - They cannot be rented for business trips.
  - They cannot be lent for one-time use as company cars.
5. Mitch lives near the beach in a house without a garage. Parked outside and repeatedly exposed to the salty air, Mitch's battery cables on his car corroded. This would be an example of which exclusion for Coverage For Damage To Your Auto?
  - Electronic Equipment Exclusion
  - Custom Equipment Exclusion
  - Wear and Tear, Freezing, Mechanical Breakdown, or Road Damage Exclusion
  - Prolonged Elements Exposure Exclusion

## Section 5: Coverage for Damage to Your Auto

**Directions:** Read each statement below and select whether it is True or False.

1. Ed's car broke down and he has been given a loaner car to use in the meantime. This would be an example of a temporary substitute for a "your covered auto."

**True**

**False**

2. Iris owns two cars, and both of them are insured on her policy. Only one is listed as having Collision coverage in the Declarations page. Regardless, both of Iris' cars will be covered in the event of a collision.

**True**

**False**

3. Since getting in a car accident that landed his car in the shop, Xavier must resort to taking the bus to and from work each day, incurring a daily expense in bus fares. This transportation expense would be covered in Xavier's PAP.

**True**

**False**

4. "Non-owned auto" coverage is provided for expenses the insured is legally responsible for due to loss of a "non-owned auto," but only when "Collision" or Other Than "Collision" purchased for at least one vehicle on the policy Declarations.

**True**

**False**

5. The OPTIONAL LIMITS TRANSPORTATION EXPENSE COVERAGE endorsement provides coverage for transportation expenses and expenses for lodging and meals in the event of a mechanical or electrical breakdown.

**True**

**False**

## Section 5: Coverage for Damage to Your Auto

**Directions:** Look at the table below and select the correct letter to match each term with the appropriate description.

<input type="checkbox"/> The insurance company has the authority to choose to pay the insured directly for a loss, or the carrier may choose to repair or replace damaged or stolen property.	A. Actual cash value
<input type="checkbox"/> Property's replacement cost less an allowance for depreciation, wear and tear, or obsolescence	B. Bailee
<input type="checkbox"/> When a client fails to maintain coverage for damage to their auto, the lienholder may purchase coverage for the vehicle and require the client to pay for that coverage as part of their loan repayment.	C. Forced placed coverage
<input type="checkbox"/> The insured doesn't have the authority to transfer their policy or rights and duties of the policy over to another person without written consent of the insurance carrier.	D. Payment of Loss provision
<input type="checkbox"/> Person or organization that has possession of the property of others	E. Assignment of rights

**Directions:** Read the question below and provide your response in a sentence or two.

Explain how the policy period and coverage territory impacts where and when the Personal Auto Policy provides coverage.

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# Section 6: Coverage for a Rented Vehicle

## The Rental Contract

### Check-In



**Directions:** Answer the questions as True or False.

- When renting a vehicle, anyone may drive the vehicle with the permission of the person who rented the vehicle.

**True**

**False**

- According to the rental agency contract, persons who rent vehicles are not responsible for damage caused by someone else.

**True**

**False**

- It is impermissible to use rental vehicles for transporting passengers or delivery of goods (rideshare or pizza delivery, for example).

**True**

**False**

- Direct damages are physical damages that occur to a vehicle.

**True**

**False**

- Indirect damages are damages that are caused by accident and not directly involving the person who rented the vehicle.

**True**

**False**

# Options for Coverage

## ► Knowledge Check



**Directions:** Read the scenario and explain how Steven's policy will respond to all damages.

Steve insures his car on a Personal Auto Policy that provides Liability, Medical Payments, UM/UIM, Other than Collision, and Collision coverages. Steve rents a large U-Haul box-truck to transport furnishings from his home to a storage unit. While parking the truck, Steve hits his neighbor's car. Explain how Steve's policy will respond to damage to the neighbor's car and damage to the U-Haul truck?

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## Check-in



**Directions:** Use the words in the word bank to fill in the blanks. Words may be used more than once or not at all.

### Word Bank

<b>rental agency</b>	<b>active retention</b>	<b>Liability coverage</b>
<b>hold harmless</b>	<b>coverage</b>	<b>credit card company</b>
<b>insurance carrier</b>	<b>passive retention</b>	<b>Collision coverage</b>

- Purchasing the Collision/Loss Damage Waiver through the \_\_\_\_\_ may add a significant additional cost to the total cost of a rental vehicle.
- Clients may choose to pay out-of-pocket for damage to a rental vehicle. When they are informed on this decision, this is known as \_\_\_\_\_.
- A \_\_\_\_\_ may require that the renter decline the CDW/LDW.
- The CDW/LDW is not insurance; rather, it is a \_\_\_\_\_ agreement.
- Using the Personal Auto Policy and \_\_\_\_\_ offered by a \_\_\_\_\_ is an example of combining coverage options for damage to a rental vehicle.
- \_\_\_\_\_ is not usually offered with the CDW/LDW or by credit card companies.

# The Best Response?

## ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise your client. Be sure to explain your reasoning.

Quick! Your client is standing at the counter of a rental vehicle agency in another state, and they have called you for advice. This is their first time renting a vehicle and they are getting overwhelmed about coverage options and waivers being offered to them before they can get their keys. Another customer in line tells them not to let the rental company take any more of their money because their auto policy will pay for any damage. As an experienced insurance professional, informed on the various other coverage options available when renting vehicles, what could you say to your client to help them make an informed decision?

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## Section 6 Self-Quiz

**Directions:** Read each statement below and select whether it is True or False.

1. Greta's insurance agent tells her to be aware of three distinct sections of her rental contract: Authorized Drivers, Prohibited Uses, and Responsibilities. Each of these is a primary requirement of someone interested in renting a vehicle.

**True**

**False**

2. The only prohibited uses the rental agreement lists are those related to operation during the commission of a felony or for the transportation of illegal drugs or contraband.

**True**

**False**

3. Same state Amendment of Policy Provisions and state regulations may require damage for a rental vehicle be covered under Part A - Liability Coverage.

**True**

**False**

4. Evan's vacation has concluded and, unfortunately, he returned his rental vehicle with damage to the bumper. When he receives the invoice for damage, other than the actual cost to repair the damage, he noticed charge for loss of rental totaling \$304.16. This would be an example of indirect damage.

**True**

**False**

5. Transportation Expenses provides up to a maximum of \$1,500 for expenses for which a **you** becomes legally responsible due to a loss to a "non-owned auto."

**True**

**False**

## Section 6: Coverage for a Rented Vehicle

**Directions:** Read each question below and select the one correct answer.

1. Of the choices below, which one would NOT be a reason for why a renter should purchase CDW/LDW?
  - Peace of mind
  - To avoid issues with the rental agency
  - Because it protects them for every kind of loss
  - To avoid financial hardship
2. When it comes to relying on rental coverage provided by a credit card, coverage might not be available depending on which one of the following factors?
  - The length of the rental term
  - The color of the rental car
  - The electronic equipment inside the rental car
  - The rental agency
3. Unplanned acceptance of losses because of failure to identify risk, failure to act, or forgetting to act, is the definition for what term?
  - Active retention
  - Subrogation
  - Passive retention
  - Diminution of value
4. After purchasing the Collision/Loss Damage waiver, Adam is presented with a rental agreement as he prepares to secure a car for his business trip. Glossing over the agreement, Adam signs where he is instructed to, and then sets out to continue his trip. What is a likely consequence of Adam's actions?
  - The cost! He may have missed hidden fees that will be charged to his credit card.
  - A waiver of rights! The agreement outlines the rights that Adam has waived during a claim.
  - Requirements and responsibilities! If Adam is not aware of the responsibilities required of him by the rental agreement, it could nullify the CDW/LDW.
5. An agent is analyzing an auto policy for coverage for a rental vehicle. From the choices below, what is one question this agent should be thinking about?
  - How fast does the person typically drive?
  - What rental agency is the person using?
  - Has this person ever rented a car before?
  - Will the auto be rented within the coverage territory?

## Section 6: Coverage for a Rented Vehicle



# **Answer Key**



# Section 1: Introduction to the Personal Auto Policy

## Eligibility for an ISO Personal Auto Policy

### Check-In

**Directions:** Select Yes or No.



The following individuals have come to you for their auto insurance. Are they eligible for a Personal Auto Policy?

	Yes	No
Dan and his spouse Elise own two vehicles. <b>Individual and spouse</b>	X	
Bob and Sherry own two vehicles. They are currently separated. <b>Individuals and spouses must reside in the same household.</b>		X
Bruce and his roommate Brad jointly own a jeep wrangler <b>Non-related residents of the same household</b>	X	
Matt and his fiancé, Diane, have jointly purchased a Mustang. Diane lives with her parents and Matt lives in an apartment across town. <b>The individuals are not related and live in separate households.</b>		X
Tony wants to insure a vehicle registered to a corporation of which he is president. <b>Vehicle owned by a legal entity (other than a trust)</b>		X
Dave and his spouse have registered their only cars under a family trust. <b>The grantor of the trust is an individual and spouse and all vehicles are owned by the trust.</b>	X	
Steve earns extra money driving his car for Uber. <b>Public or livery conveyance use</b>		X
Jane owns a small pickup and a camping trailer. <b>Pickups and trailers are eligible.</b>	X	
Stephanie owns a Ford F-550 pickup that has a GVWR of 15,000lbs. <b>GVWR exceeds 10,000 lbs. (would be eligible if the pickup has a symbol assigned to it.)</b>		X
Leilani drives her van several days a week delivering flowers for the local florist. <b>Pickup or van used to deliver or transport goods or materials is not eligible.</b>		X

## ► Knowledge Check



Alex is a seasoned surfer who recently purchased a new van to drive to the beach for surfing competitions. Due to the storage capability, it makes the most sense to house all his boards for the long journey. Considering the type of vehicle and its intended use, explain what factor(s) contribute to whether Alex's vehicle is considered a private passenger auto, thus granting him eligibility for an ISO Personal Auto Insurance Policy.

### Sample Answer:

Alex owns the van.

The van is for Alex's personal use.

GVWR must be either be 10,000 lbs. or less or an ISO symbol must assigned to a vehicle greater than 10,000 lbs. GVWR for the van to be an eligible private passenger auto.

# Policy Structure

## Check-In



**Directions:** For each statement, select True or False.

1. Information in the Declarations page is unimportant as it has no bearing on coverage at the time of a loss.

True

False

The Declarations page signifies the who, what, and when a client has coverage. In other words, it details to whom coverage is provided, what specific coverage the policy provides, and when the policy will provide those coverages.

2. The Insuring Agreement, additional definitions, exclusions, and conditions coverage Parts A through D apply separately to each coverage part.

True

False

Parts A through D of the Personal Auto Policy operate independently of each other.

Each coverage part has its own Insuring Agreement, additional definitions, exclusions, and conditions that apply to that coverage part only.

3. Endorsements attached to the Personal Auto Policy are used to broaden, restrict, clarify, or comply with state-specific regulations.

True

False

Endorsements are attached to the policy and alter the policy form and coverage to broaden, restrict, clarify, or comply with state-specific regulations.

4. The Declarations page should only be reviewed when the Personal Auto Policy is first written.

True

False

It is vital for insurance advisors and professionals to review the Declarations when the policy is received and any time it is serviced to ensure the information is correct and the policy reflects the coverages requested.

## Section 1: Introduction to the Personal Auto Policy



## Knowledge Check

**Directions:** Review the scenario and check the policy Declarations page. Discuss your observations; for any observations, discuss how coverage could be impacted.

	Personal Auto Policy Declarations	
	YOUR Insurance Company of America	
<b>POLICYHOLDER:</b>	Hailey Johnsen	
<b>MAILING ADDRESS</b>	135 Prime Lane	
	Your Town, NE 00000	
<b>POLICY NUMBER</b>	ATX 009 987654	
<b>POLICY PERIOD</b>	<b>EFFECTIVE:</b> January 01, 2x01	
	<b>EXPIRATION:</b> July 01, 2x01	
But only if the required premium for this period has been paid, and for six-month renewed periods if renewal premiums are paid as required. Each period begins and ends at 12:01 A.M. standard time at the address of the policyholder.		
<b>INSURED VEHICLES</b>	<b>LIMITS OF INSURANCE</b>	<b>PREMIUM</b>
2018 Nissan Altima	VIN: 1N4AL3AP3JC99999	
<b>Coverage A – Liability:</b>		
Bodily Injury Liability	\$100,000 <b>Each Person</b>	\$ 185.00
	\$300,000 <b>Each Accident</b>	
Property Damage Liability	\$100,000 <b>Each Accident</b>	\$ 86.00
<b>Coverage B – Medical Payments</b>	\$ 5,000 <b>Each Person</b>	\$ 50.00
<b>Coverage C – Uninsured Motorist:</b>		
Bodily Injury	\$100,000 <b>Each Person</b>	\$ 35.00
	\$300,000 <b>Each Accident</b>	
<b>Coverage D – Collision</b>	Actual Cash Value less \$5,000	\$ 15.00
Other Than Collision	Actual Cash Value less \$500	\$ 150.00
<b>Policy Form And Endorsements</b>	PP 00 01 09 18 – Personal Auto Policy	
	PP 01 85 09 18 – Amendment of Policy Provisions – Nebraska	
	Total Premium	\$ 521.00
<b>Drivers:</b>	Hailey Johnsen (Age: 26)	
	Tommy Jansen (Age: 23)	

## Section 1: Introduction to the Personal Auto Policy

**Scenario:** Prospect Haylee Jansen accepted your annual auto quote on a 2018 Nissan Altima she jointly owns with her brother who lives in the apartment next door. You quoted coverage to include Collision and Other Than Collision, with \$500 deductibles.

Haylee Jansen's name is not spelled correctly.

The policy term is for six months; the client accepted a one-year (annual) term.

The Collision deductible is \$5,000, but should be \$500.

Since the vehicle is jointly owned by non-resident relatives (a brother and sister living in separate apartments), the Joint Ownership Coverage endorsement should be present.

### **Coverage Impact:**

The named insured is not accurate; at the time of a claim, this could present an issue.

The policy term is not correct. If Haylee paid in full, she could miss her next payment since she believes she has an annual policy. This may result in a lapse in coverage if premium is not paid again in six months.

Haylee accepted a \$500 Collision deductible, not \$5,000. At the time of a claim, Haylee will have a higher deductible to pay than she expects.

Since Tommy co-owns the vehicle with Haylee, the Joint Ownership Coverage endorsement should be used.

**Bonus:** If Tommy does not have his own auto policy, the Additional Liability coverage indicator should be checked on the Joint Ownership Coverage endorsement so that Tommy will receive liability coverage for the use of vehicles other than a "your covered auto."

## Section 1 Self-Quiz

**Directions:** Answer each question in a sentence or two.

- When it comes to providing Personal Auto Coverage for a client, what are the three categories of *eligibility* requirements that you, as the insurance professional, must consider?

**Sample Answer:**

When It comes to providing personal auto coverage for a client, you must look at whether the client meets the eligibility requirements. These requirements include **ownership, type of vehicle, and usage**. If the eligibility requirements are met, a Personal Auto Policy can be written for that client.

- When it comes to gross vehicle weight rating (GVWR), explain how this impacts whether or not trucks and vans meet the requirement for private passenger auto coverage.

How does an ISO Symbol also impact this?

**Sample Answer:**

The gross vehicle weight rating (GVWR) must be 10,000 pounds (lbs.) or less. However, if an ISO Symbol is assigned in the *Symbol and Identification Manual* to a vehicle greater than 10,000 lbs. GVWR, that vehicle may also be considered a private passenger auto. Some states modify the eligible GVWR by reducing it as low as 9,000 lbs. or increasing it to 12,000 lbs. or more in their Amendment of Policy Provisions endorsement.

## Section 1: Introduction to the Personal Auto Policy

**Directions:** Select the type of ownership under which a Personal Auto Policy may be issued for each scenario.

**Options:** Individually Owned, Jointly Owned, Trust Owned, Non-Owned

Scenario	Ownership Type
1. J. Marsh Holdings, LLC, owns a personal automobile for the benefit of another party, Gina. The intention is to protect assets and ensure that Gina, the beneficiary, receives the benefit of using those assets without probate and estate tax implications.	Trust Owned
2. Sasah owns a blue Corvette and is the sole owner of the vehicle. Sasah's is the named insured on the Declarations page of the policy.	Individually Owned
3. Kurt works in sales, and one of the perks of the job is that his company issued him a car. Kurt loves having a car to drive and uses the company car for both business and personal purposes.	Non-Owned
4. Maggie and Emma are not related but live in the same household and share one car between them. Both Maggie's and Emma's names are on the title.	Jointly Owned

## Section 1: Introduction to the Personal Auto Policy

**Directions:** Read each statement below and indicate whether it is True or False.

- Since eligibility and coverage are one and the same, Mary is correct to assume that if she's eligible for personal auto coverage for the car she drives, that she is covered at the time of a loss.

True

False

It is important not to confuse eligibility with coverage, as eligibility does not determine coverage. Eligibility is based on the ownership, vehicle, and usage requirements at the time of application, while coverage is determined by policy language at the time of a loss.

- A private passenger auto is identified as a four-wheeled motor vehicle, including a truck-type vehicle, used for public or livery conveyance, and can be rented to others.

True

False

A private passenger auto is identified as a four-wheeled motor vehicle owned or leased for six months or longer. The vehicle can not be used for public or livery conveyance and may not be rented to others.

- If an ISO symbol is assigned in the *Symbol and Identification Manual* to a vehicle greater than 10,000 lbs. GVWR, that vehicle may also be considered a private passenger auto.

True

False

If an ISO Symbol is assigned in the Symbol and Identification Manual to a vehicle greater than 10,000 lbs. GVWR, that vehicle may also be considered a private passenger auto. Some states modify the eligible GVWR by reducing it as low as 9,000 lbs. or increasing it to 12,000 lbs. or more in their Amendment of Policy Provisions endorsement.

- Trailers **are** eligible for coverage on a Personal Auto Policy when designed for use with private passenger autos, pickup vans, or if they are camper bodies.

True

False

Trailers are eligible for coverage on a Personal Auto Policy when designed for use with private passenger autos, pickup, vans, or if they are camper bodies designed for use with pickups. Trailers also include farm wagons or implements when towed by private passenger autos, pickups, or vans.

## Section 1: Introduction to the Personal Auto Policy

5. The SNOWMOBILE ENDORSEMENT (PP 03 20) is an example of an endorsement that provides auto policy coverage under the category of miscellaneous vehicles.

**True**

**False**

The SNOWMOBILE ENDORSEMENT (PP 03 20) is attached to the policy. Specialized personal lines policies provide more specialized coverage for miscellaneous vehicles over the Personal Auto Policy.

6. Eligibility is determined after the policy application, using ownership, type of vehicle, usage, and other discoverable facts required by the insurance company.

**True**

**False**

Eligibility is determined at the time of the policy application using ownership, type of vehicle, usage, and other discoverable facts required by the insurance company. Through the process of underwriting, the company will decide on approving the application for policy issuance.

7. The endorsement granting "you" status to unrelated, unmarried, individuals living in the same household or to "nonresident relatives" who own a vehicle together would be the JOINT OWNERSHIP COVERAGE (PP 03 34) endorsement.

**True**

**False**

The JOINT OWNERSHIP COVERAGE (PP 03 34) endorsement must be used when two individuals jointly own an automobile. The owners must be people—other than spouses—residing in the same household, or "nonresident relatives" (as defined in the endorsement). This endorsement grants "you" status to unrelated, unmarried individuals living in the same household or a "nonresident relative."

## Section 1: Introduction to the Personal Auto Policy

8. Trust ownerships, where the grantor is a corporate entity, are not eligible for a Personal Auto Policy.

**True**

**False**

Trust ownerships where the grantor is a corporate entity are not eligible for a Personal Auto Policy. Also ineligible are trusts managed by a partnership, corporation, Limited Liability Company (LLC), or other organization.

## Section 2: Personal Auto Policy Definitions and Liability Coverage

# Section 2: Personal Auto Policy Definitions and Liability Coverage

## Policy Definitions

### Check-In



**Directions:** Check Yes or No in the table below to indicate who is a “family member.”

Sarah has a Personal Auto Policy. Which of the following individuals are considered a “family member” by her policy?

	Yes	No
Her 14-year-old resident son, Scott.	X	
Her mother, who is visiting her for a week.		X
Her daughter, Stephanie, who lives in her own apartment across town.		X
Sarah’s daughter-in-law, Sherry, who is living with her for a year while Sarah’s son, who is in the military, is stationed overseas.	X	
Sarah’s boyfriend Allen, who lives with her.		X

## Check-In



**Directions:** Read the scenario below and fill in the blanks using the coverage options in the word bank. Options may be used multiple times or not at all.

Andy has a Personal Auto Policy with the following vehicles and coverages:

### 2020 Ford F-150 Pickup

*Liability*  
*Medical Payments*  
*Uninsured Motorists*  
*\$250 ded. Collision*

### 2017 Dodge Caravan

*Liability*  
*Medical Payments*  
*Uninsured Motorists*  
*\$500 ded. Collision*

Andy buys a third vehicle, a 2022 Cadillac, on May 1st. What coverages, if any, will Andy's new vehicle automatically receive and for how long? If a deductible applies, identify the deductible amount.

### Word Bank

<b>14 days</b>	<b>4 days</b>	<b>\$500</b>	<b>\$250</b>	<b>No Coverage</b>
----------------	---------------	--------------	--------------	--------------------

1. Liability 14 days
2. Medical Payments 14 days
3. Uninsured Motorists 14 days
4. Collision 14 days, Deductible (if any) \$250
5. Other Than Collision 4 days, Deductible (if any) \$500

## ► Knowledge Check

**Directions:** Read the scenario below and explain what Deborah's agent should make her aware of, and why, when purchasing a new car for her son.

Deborah's resident son, Bryce, just turned 21! To celebrate this occasion, they are looking to purchase a new vehicle over the weekend. Bryce insists that he be the sole owner of his vehicle because he feels that he is now old enough to handle the responsibility. Deborah calls to let her agent know about their plans this upcoming weekend. What should the agent make Deborah aware of? Will Bryce's vehicle receive coverage under his mother's policy?

Deborah currently has the following coverages on her policy:

- Liability Coverage: 50/100/50
- Medical Payment to Others: \$5,000
- Collision: \$1000



### Sample Answer:

Deborah should be informed that for her vehicle she will have her policy limits for Liability and Medical Payments Coverage as well as Collision Coverage with a \$1,000 deductible for up to 14 days. Since she does not currently have Other Than "Collision" Coverage, her policy will provide OTC with a \$500 deductible for up to four days. Deborah should call her agent before the automatic coverage periods end in order to continue her coverage.

Unfortunately, Bryce's vehicle does not qualify as a "newly acquired auto" for automatic coverage under his mother's policy. Since Deborah is not a co-owner of Bryce's vehicle and he is not a named insured, he is not a **you**, and therefore his vehicle is not eligible to be insured on Deborah's policy.

# Liability Coverage

## Check-In



**Directions:** Read each scenario and indicate if each party is an “insured” under the identified Personal Auto Policy.

Jerry is the named insured on a Personal Auto Policy. He borrows a neighbor’s van to take a group of scouts to camp. While driving to camp, Jerry has an at-fault accident and several of the children are injured. The parents of the injured children sue Jerry as the driver, the neighbor as the owner of the van, and the scout chapter on whose behalf the van was being driven.

*Pay close attention to whose Personal Auto Policy is being assessed for coverage.*

Who is an “insured” under Jerry’s Personal Auto Policy and therefore provided coverage?

Person or Organization	“Insured”?	Reason
Jerry	Yes	You (or a “family member”) for the ownership, maintenance, or use of any auto or “trailer” (Category 1)
Neighbor	No	Does not include the owner of the non-owned auto (Category 4)
The Scout Chapter	Yes	A person or organization legally responsible for the acts or omissions of you or a “family member” while driving a vehicle other than a “your covered auto” (Category 4)

Who is an “insured” under the neighbor’s Personal Auto Policy and therefore provided coverage?

Person or Organization	“Insured”?	Reason
Neighbor	Yes	You (or a “family member”) for the ownership, maintenance, or use of any auto or “trailer” (Category 1)
Jerry	Yes	Anyone using a “your covered auto” (Category 2)
The Scout Chapter	Yes	A person or organization legally responsible for the acts or omissions of a person covered under this coverage part (Category 3)

## ► Knowledge Check

**Directions:** Read the scenario below and explain what you would say to help Alex understand the importance of carrying higher limits of liability on her insurance. Explain your reasoning.



Alex knows that adding her daughter, Jane (a teenage driver) to her Personal Auto Policy can be expensive. Alex has requested that with this change of adding a youthful driver to her policy, she also wants to lower her Liability Coverage limits from 100/300/100 to 25/50/25. What should you say to help Alex understand the importance of carrying higher limits of liability?

**Sample Answer:**

When involved in an at-fault accident, a client can be sued. If their liability limits are not high enough to cover the suit, their current and future assets could be at risk. The Limits of Liability are the total amounts available for the Personal Auto Policy to pay for "bodily injury" and "property damage" resulting from an auto accident when an "insured" is legally responsible. This limit includes prejudgment interest.

The number of persons injured and the amount or extent of damage to property will chip away at the Limits of Liability, which can be exhausted quickly. Consider the skill of a new driver and the severity of damage caused by distracted driving. Now consider the cost of medical care, the cost of lost wages of an injured party (or multiple parties), or the cost of new vehicles.

# Liability Coverage Exclusions

## Check-In



**Directions:** Read the scenarios below and select the letter choice of the corresponding exclusion.

Aaron has 250/500/100 Liability Coverage on his 2019 Dodge Durango. For each of the following scenarios, indicate which Part A – Liability Coverage exclusion, if any, will apply.

Scenario	Exclusions
D Aaron argues with his neighbor and repeatedly rams his Durango into his neighbor's parked car.	A. This situation is covered
A Aaron's 16-year-old son takes his car without permission and has an at-fault accident.	B. Vehicles, not a "your covered auto," you own or are furnished/available for your use
E Aaron backs his rental car into a concrete post and damages the rental car.	C. Use of a vehicle without a reasonable belief of entitlement to do so
B Aaron has an at-fault accident while driving his furnished company car.	D. Intentional damage or injury
C A visiting friend takes Aaron's car without his permission and has an at-fault accident.	E. "Property damage" to property rented to, use by, or in the care of that "insured"

## ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise your clients, Andrew and Annie. Be sure to explain your answer.

Your clients, Andrew and Annie, meet with you for an annual review of their auto policy. During the review, you discover they have had some significant changes in the past year. Andrew and Annie purchased a ride-on scooter for their 16-year-old son, Conner, to use to get to school. Anne also accepted a new position at her company and is provided a company car to drive. What should you tell Andrew and Annie about their Personal Auto Policy and what coverage recommendations should you make?

### Sample Answer:

The scooter that Conner is using to get to school will not receive Liability Coverage from Andrew and Annie's Personal Auto Policy because there is an exclusion in the policy for vehicles that have fewer than four wheels. The Miscellaneous Vehicle Type endorsement should be offered to Andrew and Annie to minimally provide Liability Coverage, but also allow them to add coverage for damage to the scooter if desired.

The furnished company vehicle that Annie is now driving will not receive Liability Coverage from their Personal Auto Policy, either. There is an exclusion in the policy for vehicles owned by them or that are furnished or available for their regular use if the auto is not a "your covered auto." The Extended Non-Owned Coverage endorsement should be used to provide Liability Coverage for the company vehicle. If Andrew drives Annie's company vehicle, the box on the endorsement schedule should be checked to ensure coverage applies for Andrew's use of the auto.

# Out of State Coverage

## Check-In



**Directions:** Answer each question as True or False.

1. Payment dispersed under Liability Coverage cannot also be paid under Medical Payments or Uninsured/Underinsured for the same elements of a loss.

True

False

Part B of the Limit of Liability provision states that no one may receive duplicate payments for the same elements of loss under Liability Coverage, Med Pay Coverage, Uninsured Motorists Coverage, or Underinsured Motorists Coverage.

2. When Zander takes a road trip across the U.S., his auto policy coverage limits will be as stated on the Declarations page. In states where coverage requirements may be higher, this could leave him with a serious coverage issue.

True

False

The Out Of State Coverage provision states that the policy will provide the required minimum coverage, according to financial responsibility or compulsory insurance laws, when an auto accident occurs in a state other than where a "your covered auto" is principally garaged.

3. When a combined single limit is selected and shown on the Declarations page, the full limit is applied individually to each claimant.

True

False

Combined Single Limit is applied per accident; however, the limit may be used, as necessary, for "bodily injury" and/or "property damage" without a per-person sublimit.

*This Check-In is continued on the next page.*

### Check-In *continued*

4. Coverage that is mandatory by law in a state other than where Kimberly resides will be automatically provided by Kimberly's policy while she is visiting that state, even if she has not selected that coverage on her policy.

True

False



The Out Of State Coverage provision states that the policy will provide the required minimum coverage, according to financial responsibility or compulsory insurance laws, when an auto accident occurs in a state other than where a "your covered auto" is principally garaged.

## Other Insurance

### ► Knowledge Check



**Directions:** Determine how Liability Coverage will apply to the loss scenario below.

Your client, William, is the named insured on a Personal Auto Policy with Liability Coverage limits of 25/50/25, with no other coverage. William's son, Evan, who is visiting from out-of-state, had an at-fault accident while driving William's covered auto. There is damage to William's car and a parked auto. Both cars were total losses. The actual cash value (ACV) of William's car is \$28,000, and the ACV of the other car is \$22,000. Explain how William's policy will respond to the loss and how much, if anything, the policy will pay for damages.

#### Sample Answer:

Liability Coverage will not pay for damage to William's car. While Evan is an "insured" for the use of William's car, an exclusion applies to "property damage" to property used by or in the care of that "insured" (Evan). William's policy would need Collision Coverage to pay for damage to William's vehicle.

William's Liability Coverage will pay \$22,000 for damage to the parked car as well as any loss of use, but the policy limit for Property Damage is \$25,000. \$25,000 is the maximum that William's policy will pay for property damage of others.

## Section 2 Self-Quiz

**Directions:** Read each question below and select the one correct answer.

1. Choose the answer that describes the function of the policy Agreement.  
 It helps clients predict the coverage they are likely to receive during a time of loss, based on the type of vehicles they own and how many.  
 It outlines that the insurance company will provide coverage as long as the named insured pays the policy premium and complies with conditions of the policy.  
 It provides specific meanings to terms that are used throughout the policy so clients can better understand their coverage options.
2. The individual named in the Declarations, as well as their spouse/partner, would fall under which policy term?  
 "We," "Us," and "Our"  
 "Family Member"  
 "You" and "Your"
3. The defined term, "occupying," helps ensure understanding of all the places a person can still be considered "occupying" a vehicle rather just sitting inside of it. Which one of the choices below does NOT relate to "occupying" a vehicle?  
 Under  
 In  
 Upon  
 Getting in
4. Choose the scenario in which a vehicle would be considered a "your covered auto."  
 Stewart's car is in the shop and he borrowed his neighbor Peter's car to get work.  
 Christina is towing her sister Laura's trailer en route to a family reunion in New York.  
 Gina rented an SUV big enough for her family while on vacation in New Mexico.
5. The "newly acquired auto" definition may provide clients with coverage for a limited time prior to the new vehicle being reported to the insurance company. Which one of the following is NOT part of what the definition outlines?  
 Where the vehicle is going  
 Who must own the vehicle  
 Which vehicles are eligible  
 When the vehicle must be acquired

## Section 2: Personal Auto Policy Definitions and Liability Coverage

**Directions:** Read each statement and select whether it is True or False.

1. The Personal Auto Policy considers a trailer a “your covered auto.”

True

False

The auto policy considers trailers a vehicle designed to be pulled by a private passenger auto, pickup, or van. A boat trailer, camping trailer, horse trailer, and utility trailer are all “trailers.” Farm wagons or farm implements are also considered “trailers,” but only while being towed by a private passenger auto, pickup, or van.

2. While the **you** and **your** (named insured and spouse/civil partner) receive the best coverage provided by the policy, a “family member” receives the second-best coverage.

True

False

While the **you** and **your** (named insured and spouse/civil partner) receive the best coverage provided by the policy, a “family member” receives the second-best coverage. Who is a “family member” though? The PAP has two requirements; the person must be (1) related to the named insured (the **you**) by blood, marriage, adoption, or is a ward or foster child, and (2) a resident of the same household as the named insured. Age or status of driver’s license is NOT a factor.

3. Roger purchased a new Prius. The Prius will have the lowest Collision deductible shown on the Declarations for up to 10 days from the date his Prius was acquired before he must request coverage to continue.

True

False

Roger will receive the broadest Collision coverage already purchased on the policy but must request coverage for the new vehicle within 14 days from the date the vehicle was acquired for coverage to apply and continue. If coverage is requested AFTER 14 days, coverage will begin on the day Roger requests it.

## Section 2: Personal Auto Policy Definitions and Liability Coverage

4. The AMENDMENT OF POLICY PROVISIONS endorsement for each state may add the “minimum limits” definition to the Personal Auto Policy, which is a term not originally found in the policy. It explains the required minimum limits of liability coverage for that state.

True

False

This definition is not found in the PP 00 01 Personal Auto Policy, but is added through the AMENDMENT OF POLICY PROVISIONS endorsement for most states. The definition will explain the lowest limits allowable for that state on a split limit basis, though some states may offer a minimum combined single limit as well.

5. When it comes to Supplementary Payments, your agent, Grace, tells you that benefits are paid in addition to the Limits of Liability. This means that payment of the benefits will NOT reduce the limits shown on the Declarations page.

True

False

Supplementary (also known as Additional) Payments are paid in addition to the Limits of Liability, which means they will not reduce the limits shown on the Declarations page.

6. The following Supplementary Payment benefit may be paid on behalf of an “insured”: up to \$400 may be paid for the cost of bail bonds required because of a covered accident which resulted in “bodily injury.”

True

False

Up to \$250 may be paid for the cost of bail bonds required because of a covered accident. For this benefit to be paid, the accident must have resulted in “bodily injury” or “property damage” covered by the policy.

7. Group A exclusions take away coverage for “bodily injury” and/or “property damage” based on a person, even if that person was previously defined as an “insured.”

True

False

Group A (ISO Exclusions A.1. through A.10.) exclusions take away coverage for “bodily injury” and/or “property damage” based on a person, even if that person was previously defined as an “insured.”

## Section 2: Personal Auto Policy Definitions and Liability Coverage

8. Group B exclusions provide liability coverage based on vehicle type, use, or its availability.

True

False

Group B (ISO Exclusions B.1. through B.5) exclusions take away liability coverage based on vehicle type, use, or its availability.

9. An example of the exclusion related to ownership or use of a vehicle being used as a public or livery conveyance would apply to an individual who is a driver for the ridesharing company, Lyft.

True

False

This exclusion (A.5.) applies when a vehicle is being used by an “insured” who is logged into a “transportation network platform” (such as Uber or Lyft) as a driver for that platform regardless of whether or not there is a TNC passenger “occupying” the vehicle.

10. Raina walks over to her neighbor Jade's house, and sees that Jade's keys are in the ignition of the car parked in the driveway; Jade is nowhere in sight. Needing to run a quick errand and not having a car of her own, Raina decides to take Jade's car without permission. The following exclusion would apply in this case: (A.7.) liability coverage for vehicles used in any other “business” (other than farming or ranching).

True

False

The exclusion (A.8.) does not provide Liability Coverage for an “insured” using a vehicle without a reasonable belief that “insured” is entitled to do so. This exclusion does not apply to a “family member” using a “your covered auto” which is owned by you.

## Section 2: Personal Auto Policy Definitions and Liability Coverage

**Directions:** Read the question below and respond with a sentence or two.

Understanding that exclusions restrict coverage in the policy, please give one example of an exclusion affecting the person (Group A), and one exclusion affecting a vehicle (Group B). In your response, describe each of these exclusions.

**Sample Answer:**

An exclusion affecting the person is A.7. Liability Coverage does not apply for vehicles used in any other "business" (other than farming or ranching). If a client used their owned, rented, or borrowed private passenger autos, pickups, or vans for business use; coverage is given back.

An exclusion for the vehicle is B.1. Liability Coverage is not provided for the ownership, maintenance, or use of a vehicle which has fewer than four wheels or is mainly for use off public roads.

Your answers may be different from above; you can check your answer by looking at the Personal Auto Policy PP 00 01 09 18 and reviewing Liability Exclusions A and B.

# Section 3: Causes of Loss Forms

## Medical Payments

### Check-In



**Directions:** Read each statement and select whether it is True or False.

1. Medical Payments Coverage only applies while occupying a "your covered auto."

True

False

For anyone other than a **you** or "family member," Medical Payments coverage applies only while occupying a "your covered auto." For the **you** or a "family member," coverage applies while "occupying" a motor vehicle or as a pedestrian when struck by a motor vehicle.

2. Courtney's 16-year-old resident daughter was hit by a vehicle while she was walking in the crosswalk. Since her daughter was not occupying a vehicle, Medical Payments Coverage will not apply.

True

False

For the **you** or a "family member," coverage applies while "occupying" a motor vehicle or as a pedestrian when struck by a motor vehicle.

3. The city bus Thomas was riding was involved in an accident. His Medical Payments Coverage will respond to medical expenses he incurs for resulting injuries.

True

False

For the **you** or a "family member," coverage applies while "occupying" a motor vehicle or as a pedestrian when struck by a motor vehicle. This could be the policyholder or family member "occupying" (in, upon, getting in, on, out, or off) their own vehicle, a rental car, or a friend's vehicle; while a passenger in a cab or bus, etc.

*This Check-In is continued on the next page.*

## Check-In *continued*



4. Since Tom has health insurance, he does not need Medical Payments Coverage on his auto policy.

True

False

The client may have health insurance that can help with their own injuries, but what if the client has a high deductible health insurance plan and has a hefty upfront deductible before health insurance pays?

5. Amy's Medical Payments Coverage is available for her and her friend, who was a passenger in Amy's car at the time of an accident.

True

False

For the **you** or a "family member," coverage applies while "occupying" a motor vehicle or as a pedestrian when struck by a motor vehicle. For anyone other than a **you** or "family" member, Medical Payments coverage applies only while occupying a "your covered auto."

# Personal Injury Protection

## Check-In

**Directions:** Match the statement to the proper term.



Statements	Terms
A Coverage available for prosthetics, ambulance, emergency room, and X-rays	A. Medical Payments
E Coverage available if an automobile accident related death occurs within a specified time period	B. No-fault coverage
C Specified percentage of coverage available for lost wages resulting from a covered automobile accident	C. Work loss
B Personal Injury Protection is available regardless of who caused the accident.	D. Replacement services loss
D Provides payment for services temporarily needed while the injured party is unable to perform normal duties	E. Funeral expenses

## No-Fault vs. Tort States

### ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise Maria. Explain your reasoning.

Congratulations! You are a new insurance professional and Maria is your first personal auto prospect. While quoting Maria's coverage, you notice in the carrier's rating system you have the option to choose either Med Pay Coverage (with various coverage levels) or Personal Injury Protection. Both include Med Pay Coverage. Which option will provide Maria with the most comprehensive coverage? How should you explain to Maria the benefits and who receives coverage?

**Sample Answer:**

Med Pay is going to pay for reasonable medical expenses incurred within three years of an auto accident. It pays for things like X-rays, crutches, surgery, and ambulance transportation, and in some states, it even pays for funeral expenses.

Personal Injury Protection includes Med Pay coverage but also provides coverage for things like lost wages and replacement services the injured person can't perform while recovering. It could even provide some funeral expense and/or survivor benefits.

PIP coverage is more comprehensive than Med Pay coverage alone. Med Pay and PIP coverages are available regardless of whether or not Maria is at-fault, and the coverage is for both Maria and passengers in her covered vehicle. Even if Maria has medical insurance, what if her health insurance does not pay all expenses or she has a high deductible plan? This coverage can help fill the gaps of medical coverage too.

## Section 3 Self-Quiz

**Directions:** Read each statement below and select whether it is True or False.

- Med Pay and PIP coverage cannot be purchased by the client unless mandated by the state in which they reside.

True

False

Medical Payments and Personal Injury Protection are coverages the client can purchase, or which may be mandatory in some states, and are available for injuries and related expenses to persons in the client's vehicle, including the client and "family members."

- Eliza is interested in better understanding Med Pay Coverage in her Personal Auto Policy. To find the limit that will be applied per person should she be involved in an auto accident, Eliza would review the Declarations page of her policy.

True

False

According to the Limit of Liability provision, when viewing the Declarations page, the limit selected and shown in the Declarations is the limit that will be applied per person; it is not a maximum per accident limit.

- One of the differences between Med Pay and PIP is that unlike PIP, Med Pay does not pay lost wages.

True

False

Under PIP, reimbursement of lost wages is generally at a certain percentage of the person's income (i.e., 70% or 80% of the person's income) they would have earned had they not been injured.

- Reasonable medical expense is not defined in the Personal Auto Policy, but it can be established by state regulation.

True

False

While reasonable medical expense is not defined in the Personal Auto Policy, it can be established by state regulation.

### Section 3: Causes of Loss Forms

**Directions:** Read each question below and provide your response in a sentence or two.

- Under Part B – Medical Payments, give an example of who would be entitled to Medical Payments Coverage? Explain.

**Sample Answer:**

Individuals who fall within the definition of “insured” in Part B are entitled to coverage.

There are two groups of individuals: 1) **you** and “family members” and 2) others who are “occupying” a client’s “your covered auto.”

- Explain how Med Pay or Personal Injury Protection (PIP) coverage may be the only coverage available to some people to cover medical expenses resulting from an at-fault accident.

**Sample Answer:**

Passengers in the client's vehicle are eligible to receive coverage under Part A – Liability Coverage, but Liability Coverage limits are not available for the client (**you/your**) or any “family members.” Medical Payments and Personal Injury Protection are coverages the client can purchase—or which may be mandatory in some states—and are available for injuries and related expenses to persons in the client's vehicle, including the client and “family members.”

# Section 4: Uninsured and/or Underinsured Motorists Coverage

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## Uninsured/Underinsured Motorists Coverage

### ► Knowledge Check



**Directions:** Read the scenario below and respond with what you would say to help Thomas understand his coverage.

Your client, Thomas, contacts you about coverage on his policy. He'd like to remove Uninsured and Underinsured Motorists coverage because he knows that it is a state law that every registered vehicle carries automobile insurance which will pay for damages they cause to him. He says that if his policy protects others he causes damage to, then other drivers' policies will do the same for him. What should you say to ensure Thomas understands his UM/UIM coverage and hopefully changes his mind?



### Sample Answer:

The purpose of this coverage is to allow clients the ability to protect themselves against the same potential for loss they protect others for with their Liability Coverage. Of course, auto insurance may be required in Thomas's state, but does that mean every vehicle on the road is insured? What if the other person's policy was canceled for non-payment and they didn't realize it?

Uninsured drivers are not the only problem for your clients; drivers who are not carrying enough liability coverage are also a concern. With state-required minimum coverage limits being so low—often dangerously low considering the cost of medical care today—why would you want to provide more coverage for others than you desire for yourself?

# Uninsured Motorists Coverage

## Check-In



**Directions:** Read the following scenarios and select whether the individuals are or are not an “insured” as defined in Part C – Uninsured Motorists Coverage.

Sam and Laura have a Personal Auto Policy with Uninsured Motorists Coverage.

	Yes	No
Laura is injured when the taxi taking her to the airport is hit by an uninsured vehicle.	X	
Sam’s son, Chris, who lives across town, is hit by an uninsured vehicle while crossing the street as a pedestrian.		X
Sam lets his neighbor, Angie, borrow his car to run errands. While driving Sam’s car, Angie is hit by an uninsured vehicle.	X	
Laura is in the crosswalk when she is hit by an uninsured driver who runs a red light. Due to her injuries, she will require a wheelchair for several months.	X	

## What Should You Do?

Cameron, your client, called to ask if he should remove his 2009 Polaris Ranger XP as a miscellaneous vehicle on his Personal Auto Policy after discovering that his Homeowners Policy will provide liability coverage as long as it is used solely to service his residence. The vehicle is insured for Liability, Medical Payments, and Uninsured Motorists coverage. What should you do?



- Have Cameron sign a coverage change request to remove the Polaris and process his request.

Interesting choice. Of course, you could always simply comply with the client's request, but is that what is in their best interest, in this case? The Homeowners Policy will provide liability coverage for owned recreational vehicles, but only when on the residence premises. If Cameron ever rode the ATV off his residence, the Homeowners coverage would not follow him. What if an uninsured vehicle were to hit Cameron while he was riding on his ATV? Even on his property, his Homeowners Policy does not have Uninsured Motorists Coverage.

- Inform Cameron that he has misunderstood coverage under his Homeowner Policy and should keep the ATV insured on his Auto Policy.

While this is a decent response, your client likely needs to hear from you about what makes his automobile policy the better choice. The Homeowners Policy will provide Liability coverage for Cameron's owned ATV, but only when it is on the residence premises. If Cameron ever rode the ATV off his residence, the Homeowners coverage would not follow him. What if an uninsured vehicle were to hit Cameron while he was riding on his ATV? Even on his property, his Homeowners Policy does not have Uninsured Motorists Coverage.

- Discuss with Cameron the coverage differences between his Homeowner and Automobile policy to ensure he understands his decision.

Absolutely, the choice is Cameron's to make, but as his advisor, you can ensure Cameron understands coverage under each of his policies and the possible consequences of his choice. Cameron would likely keep the ATV on his Personal Auto Policy if he understood that his Homeowners Policy will not provide Uninsured Motorists Coverage or that if he rode his ATV down to the gas station, taking it off the residence, he would not have Liability coverage without his Personal Auto Policy.

## Check-In



**Directions:** Write the letter of each scenario in the appropriate column as either being an uninsured motor vehicle or not.

Victor has damage to his Nissan Titan. Assuming that the vehicles in the scenario's below caused the damage, consider each of the scenarios to decide if the vehicle in the scenario may or may not be an "uninsured motor vehicle."

Damage to Victor's truck was caused by:	An uninsured motor vehicle	Not an uninsured motor vehicle
A. an uninsured collector car owned by Victor	C	A
B. a self-insured police cruiser owned by the state	D	B
C. an unidentified vehicle while Victor was at the dentist	E	G
D. an ATV being driving on the city street where Victor lives	F	H
E. a vehicle that cut Victor off while driving but which did not make contact		
F. a vehicle/driver who's carrier denied coverage due to an exclusion in their policy		
G. an camper trailer that became dislodged while located at a long-term campsite		
H. a self-insured U.S. Postal Service mail truck		

## ► Knowledge Check



**Directions:** Understanding who is an “insured” and what is an “uninsured vehicle,” review the scenarios below, decide if the scenario is covered by Uninsured Motorists Coverage, and explain your reasoning.

Max has his car insured by a Personal Auto Policy with 100/300 Uninsured Motorists Coverage. For each of the following situations, explain if the loss is covered under Uninsured Motorists Coverage and include the reason for your answer.

1. Max is driving through an intersection and doesn’t see the red light. He runs into the back of the car stopped in front of him. The other driver does not have insurance. Max has medical expenses totaling \$8,000.

**Sample Answer:**

Uninsured Motorists Coverage will not respond to damage to Max’s vehicle. To be covered, the insured cannot be at fault in the accident, OR, to be covered, someone else must be legally responsible for bodily injury to an insured.

2. Max’s car is rear-ended by a hit-and-run vehicle while he is stopped at a red light. The other car leaves the scene of the accident without being identified. Max turns in a claim to his own insurance company for his \$25,000 in medical bills.

**Sample Answer:**

Max’s Uninsured Motorists coverage will respond to his \$25,000 in medical bills. Max is not at-fault for the accident and a hit-and-run vehicle qualifies as an uninsured motor vehicle.

# Underinsured Motorists Coverage

## Check-In

**Directions:** Mark whether the following statements are True or False.



	True	False
In some states, a vehicle with 250/500 liability limits can be considered underinsured if it isn't enough to pay the insured's damages.	X	
In some states, the insured can only collect the difference between his/her UIM limit and the liability limit of the at-fault driver.	X	
A limits offset provides more coverage than a damages offset.		X

## ► Knowledge Check



**Directions:** Read the scenario below and respond with what you would say to help Bernard know what to expect out of his UIM claim. Explain your reasoning.

Your client, Bernard, has Liability Coverage limits of 100/300/100 and equal limits for UM/UIM Coverage. He was hit by a vehicle with liability limits of 25/50/25 and now has \$115,000 in medical and physical therapy expenses. In reading your client's policy, you discover they have a limits trigger with a limits offset. How will you explain this to Bernard so that he has an idea of what to expect out of his UIM claim?

**Sample answer:**

Bernard's UIM coverage will be triggered by the fact that the at-fault driver has liability limits lower than Bernard's UIM limits. The at-fault driver's limits of 25/50 are lower than Bernard's limits of 100/300.

Bernard can expect that his UIM claim will not pay more than his own UIM limits, reduced by the amount the at-fault driver's liability limit pays. Bernard's \$50,000 of medical expense will paid by \$25,000 of the at-fault driver's liability coverage and \$75,000 of Bernard's UIM limits. \$15,000 of Bernard's expenses will be unpaid since a damages offset will not allow Bernard to collect more than his UIM limit for the total accident.

## Section 4 Self-Quiz

**Directions:** Look at the table below and select the correct letter to match each term with the appropriate description.

<u>F</u>	The insurance company's right to recover damages from an at-fault party	A. Compensatory damages
<u>B</u>	Coverage triggered by an "underinsured motor vehicle" with liability limits less than the insured's own UIM limits	B. Limits trigger
<u>E</u>	Protects you if you're in an accident with an at-fault driver who doesn't carry liability insurance	C. Damages trigger
<u>A</u>	Money awarded to the injured party for special or general damages incurred	D. Underinsured Motorists Coverage
<u>C</u>	Coverage triggered by an "underinsured motor vehicle" with liability limits less than the injured party's damages.	E. Uninsured Motorists Coverage
<u>D</u>	When involved in an accident with an at-fault driver whose liability limits are too low to cover the medical expenses of any injured parties	F. Subrogation

## Section 4: Uninsured and/or Underinsured Motorists Coverage

**Directions:** Read each statement below and select whether it is True or False.

1. Damages trigger defines an “underinsured motor vehicle” as one with liability limits that aren’t enough to pay the insured’s damages.”

True

False

This definition of a UIM vehicle is based on the amount of the insured’s damages and defines an “underinsured motor vehicle” as one with liability limits that are not enough to pay the insured’s damages (over half of all states use this definition).

2. If the policy contains limits offset language, the UIM payment will be increased by the amount paid by the at-fault driver’s insurance.

True

False

If the policy contains Limits Offset language, the UIM payment will be reduced by the amount paid by the at-fault driver’s insurance. The insured will never collect more in total payment (from the at-fault driver’s insurance and UIM combined) than their own UIM limit.

3. UM/UIM is mandatory in most states, and clients do not have the option to reject this coverage.

True

False

UM/UIM is required in a handful of states, but in most, it is optional. Some states allow coverage to be rejected by the client (a signed rejection form is required).

4. Eva’s son, Sam, borrows Eva’s car to go to high school soccer practice. On the way there, he is rear-ended by another driver who is texting. Although the driver is not insured, Sam is covered under his mother’s Auto Policy under Part C – Uninsured Motorists Coverage.

True

False

Sam is considered a “family member” on his mother’s auto policy, therefore he is entitled to receive the benefits of coverage.

## Section 4: Uninsured and/or Underinsured Motorists Coverage

5. Cory's trailer does not have an applicable liability bond or policy, and he backs it up into another driver, causing damage. Cory's trailer is considered to be an "uninsured motor vehicle."

True

False

A land motor vehicle or trailer that does not have an applicable liability bond or policy at the time of the accident is considered an "uninsured vehicle."

**Directions:** Read each question below and provide your response in a sentence or two.

1. Explain why UM coverage under the Personal Auto Policy will not pay for the punitive damages of an at-fault party.

**Sample Answer(s):**

Punitive damages are generally excessive and shocking for a reason; to discourage others from making the same mistake(s). UM coverage under the Personal Auto Policy will not pay for the punitive damages of an at-fault party. It would be counterproductive to sue your own insurance carrier for excessive fees which are meant to make an example of someone else.

2. Explain what is the purpose of Uninsured Motorists Property Damage Coverage.

**Sample Answer(s):**

UMPD protects clients if their property is damaged by an "uninsured motor vehicle." Damaged property can be the insured's vehicle or other property, such as their home, damaged by an uninsured motor vehicle.

# Section 5: Coverage for Damage to Your Auto

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## “Collision” and Other Than “Collision”

### ► Knowledge Check



**Directions:** Consider the scenario below and respond with examples you might give to Valerie.

The Personal Auto Policy provides a list of losses that could be considered Other Than “Collision” losses. Your client, Valerie, is wondering what other types of losses exist that may be considered Other Than “Collision” which are *not* named in the policy. What examples might you give to Valerie so that she is better informed?

**Sample Answer(s):**

Bleach spilled that damages the vehicle upholstery

Squirrels that damage the wiring of the vehicle

An occupant getting car-sick and vomit-soaking the interior of the vehicle

Over-spray of paint damaging the vehicle when spray painting furniture in the driveway

A case of Coca-Cola left in a vehicle on a hot day explodes into a sticky mess, damaging the upholstery, car stereo, and navigation system

A bear climbing through an open car window and shredding the interior of the vehicle

# Transportation Expenses

## ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise your client.

Stephen's coworker offered to let Stephen borrow her large SUV for a family camping trip. After Stephen discovered that his coworker only has liability coverage on her vehicle, he called you—his insurance professional. He is nervous about driving the SUV and wants to know how his policy would respond if he causes damage to the auto.

Before advising Stephen, you take a look at his auto policy and discover he has Liability (100/300/100), Medical Payments \$5,000, and UM/UIM equal to his Liability coverage. Stephen has three small sedans with Collision deductibles that range from \$500 to \$1000, but does not have Other Than "Collision" coverage.

What can you let Stephen know about his policy and how it may respond if he were to have either a Collision or Other Than "Collision" loss?

**Sample Answer:**

While Stephen may be liable for damages to the SUV, his policy's Liability coverage will not respond to any damage while the vehicle is under his care. Part - D Coverage For Damage To Your Auto, however, promises in its Insuring Agreement that "non-owned autos" will receive the broadest coverage provided of any vehicle shown in the Declarations page. The SUV Stephen is borrowing qualifies as a "non-owned auto" as it is not owned by him, will be used by him, and is not furnished for his regular use. Having the broadest coverage provided means the SUV will receive coverage with a \$500 (the lowest deductible in the Declarations); however, since Stephen does not have OTC coverage, his policy will not provide OTC coverage to the SUV.

The Transportation Expense coverage provided by Stephen's policy will also be provided if covered damage occurs to the SUV while in Stephen's care. This would help the coworker with expenses incurred for alternative transportation while her SUV was being repaired. Transportation Expense coverage would only be available after a covered Collision loss, though, since Stephen does not have OTC.

# Coverage for Damage to Your Auto Exclusions

## Check-In



**Directions:** Read the statements below and mark whether they are True or False.

1. The transportation network coverage endorsement nullifies exclusions in the policy and provides coverage for ridesharing, starting with accepting a passenger and ending when the passenger arrives at their destination.

True

False

### The TRANSPORTATION NETWORK DRIVER COVERAGE (NO PASSENGER) (PP 23 41)

endorsement does not remove exclusions, but gives back coverage when an “insured” is logged in as a driver to the “transportation network platform” described in the Schedule, and a passenger is not “occupying” the vehicle. This provides coverage during both Phase 1 (looking for a passenger request) and Phase 2 (accepting a passenger request).

2. Samantha spent \$6,000 on her car by adding custom rims and custom paint to match her favorite NFL team colors. Her auto policy will pay the full cost of damage under Other Than “Collision” after thieves stole her rims and damaged the paint in the process.

True

False

The coverage exclusion for “custom equipment” will not apply to the first \$1,500 of “custom equipment” in or upon “your covered auto” or any “non-owned auto.”

Samantha needs the **EXCESS CUSTOM EQUIPMENT COVERAGE (PP 03 18)** endorsement to increase coverage up to an amount selected and shown in the endorsement Schedule.

*This Check-In is continued on the next page.*

## Check-In *continued*



**Directions:** Read the statements below and mark whether they are True or False.

3. The Excess Custom Equipment endorsement cannot be used to provide coverage for custom sound or navigation systems.

True

False

The Excess Custom Equipment endorsement will still not cover property excluded in Part D – Exclusions #4, 5, 7, or 9. Since electronic equipment is addressed by a separate exclusion (#4), electronic audio, visual, or data signal equipment is not included in “custom equipment.”

4. Candice is having trouble with the transmission in her car. Unfortunately, her auto policy will not pay to replace the transmission.

True

False

The Personal Auto Policy is not designed to be a vehicle maintenance policy, which is why the policy excluded coverage for damage due to and confined to wear and tear, freezing, mechanical or electrical breakdown, and road damage.

## Appraisal

### ► Knowledge Check



**Directions:** Read the scenario below and respond with what you would say to help Penelope. Explain your reasoning.

Your client, Penelope, is the original owner of a one-year-old Chevrolet Corvette Stingray. She purchased the Corvette for \$90,000 and added the following customizations:

- \$6,000 custom rims
- \$3,500 custom sound system to replace the manufacturer's stereo

Her unendorsed Personal Auto Policy provides “Collision” and Other Than “Collision”—each with a \$1,000 deductible. Penelope’s vehicle was damaged in a covered collision loss which resulted in damage to the rims, complete damage to the sound system, and \$20,000 in

## Section 5: Coverage for Damage to Your Auto

damage to the body of the vehicle. She will need a rental vehicle for seven days while her vehicle is being repaired and would like a sports vehicle.

**How much would you expect Penelope's policy to pay and what endorsement(s), if any, should she consider adding to her policy to improve coverage? Disregard depreciation.**

**Sample Answer:**

\$24,210

The policy will pay the following, less the \$1,000 "collision" deductible:

- \$20,000 for body damage (like kind and quality)
- \$1,500 for custom rims ("custom equipment" limited by the policy to \$1,500)
- \$3,500 for the sound system (permanently installed in a location intended by manufacturer)
- Seven days car rental at \$30 per day: \$210.

Penelope should consider endorsements for:

- Excess Custom Equipment for the custom rims
- Optional Limits Transportation Expense Coverage to increase coverage for a rental vehicle beyond \$30 per day.

Bonus Endorsement: The unendorsed PAP pays ACV on a total loss. Penelope should consider purchasing the Replacement Cost Coverage Endorsement as it will provide her with replacement cost or up to 110% of MSRP for a total loss to her vehicle as it is under 24 months from the date of the original owner purchase.

## Part F – General Provisions (Selected)

### ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise your client. Explain your reasoning.

Your client just returned from a trip to Canada, and they are ready for their next adventure—Mexico! Planning even further ahead, they will soon be driving through the country hills of England. In fact, they are so excited they do not even seem concerned enough to ask any questions about their insurance. What should you inform your client of, if anything, about where their policy coverage applies?

**Sample Answer:**

Policy coverage only applies within the U.S., its territories, and possessions; Puerto Rico, Canada, and between the ports of these areas. Your client's coverage followed them into Canada.

Mexico is not a covered territory, and even though the Limited Mexico Coverage endorsement is available, Mexican auto insurance is still required for the endorsement to function and also required by Mexican law to drive in that country. England is not a covered territory, either. You may advise your client to seek foreign automobile coverage from a specialty carrier or the rental vehicle agency, if they rent a vehicle.

## Section 5 Self-Quiz

**Directions:** Read each question below and select the correct answer.

1. Eloise wants to understand what types of damages her policy provides coverage for as it pertains to her own vehicle. As her agent, you advise the policy covers damage which is:
  - Indirect and accidental
  - Direct and intentional
  - Direct and accidental
  - Indirect and intentional
2. Dennis' car was speeding along some neighborhood back roads when he lost control of the car and crashed into a tree. This is defined as a(n) \_\_\_\_\_ loss.
  - Other than "Collision"
  - "Collision"
  - peril
  - indirect
3. Of the following, which one would NOT be considered an Other Than "Collision" loss?
  - Riot or civil commotion
  - Explosion or earthquake
  - Missiles or falling objects
  - Impact with a tree
4. Select the statement that is true concerning "non-owned autos" other than those considered a temporary substitute.
  - They must be private passenger autos, pickups, vans, or "trailers" that are not furnished to a you or "family member" for regular use.
  - They must be available for regular use by a you or "family member."
  - They cannot be rented for business trips.
  - They cannot be lent for one-time use as company cars.
5. Mitch lives near the beach in a house without a garage. Parked outside and repeatedly exposed to the salty air, Mitch's battery cables on his car corroded. This would be an example of which exclusion for Coverage For Damage To Your Auto?
  - Electronic Equipment Exclusion
  - Custom Equipment Exclusion
  - Wear and Tear, Freezing, Mechanical Breakdown, or Road Damage Exclusion
  - Prolonged Elements Exposure Exclusion

## Section 5: Coverage for Damage to Your Auto

**Directions:** Read each statement below and select whether it is True or False.

1. Ed's car broke down and he has been given a loaner car to use in the meantime. This would be an example of a temporary substitute for a "your covered auto."

True

False

A temporary substitute is ANY auto being used because "your covered auto" is out of normal use, or not in working condition, for the following very specific reasons: breakdown, repair, servicing, loss, or destruction.

2. Iris owns two cars, and both of them are insured on her policy. Only one is listed as having Collision coverage in the Declarations page. Regardless, both of Iris' cars will be covered in the event of a collision.

True

False

A "your covered auto" will only receive coverage which is shown in the Declarations for that specific vehicle, meaning that if two autos are insured—vehicle A. has "Collision" indicated in the Declarations, and vehicle B. does not—only vehicle A. will receive "Collision" coverage. Coverage will not extend from vehicle A. to vehicle B.; it must be purchased for each vehicle individually.

3. Since getting in a car accident that landed his car in the shop, Xavier must resort to taking the bus to and from work each day, incurring a daily expense in bus fares. This transportation expense would be covered in Xavier's PAP.

True

False

The ISO Personal Auto Policy automatically includes coverage for Transportation Expenses when for a covered Other Than "Collision" or "Collision" loss. Transportation Expenses can be more than just helping with a rental vehicle; they may also include bus fare, cab fare, metro fare, reimbursing a friend for assisting with transportation, etc.

4. "Non-owned auto" coverage is provided for expenses the insured is legally responsible for due to loss of a "non-owned auto," but only when "Collision" or Other Than "Collision" purchased for at least one vehicle on the policy Declarations.

True

False

In the event of a covered loss to a "non-owned auto," Transportation Expense coverage is provided for expenses the insured is legally responsible for due to the loss, but only if

## Section 5: Coverage for Damage to Your Auto

coverage for “Collision” or Other Than “Collision” has been purchased for at least one vehicle on the policy Declarations (maximum \$30 per day/\$900 per claim).

5. The OPTIONAL LIMITS TRANSPORTATION EXPENSE COVERAGE endorsement provides coverage for transportation expenses and expenses for lodging and meals in the event of a mechanical or electrical breakdown.

True

False

TRIP INTERRUPTION COVERAGE (PP 13 02) provides a \$600 limit for Transportation Expense and expenses for lodging and meals in the event of a mechanical or electrical breakdown of the scheduled auto that occurs more than 100 miles from home and is withdrawn from use for at least 24 hours.

**Directions:** Look at the table below and select the correct letter to match each term with the appropriate description.

<p><b>D</b> The insurance company has the authority to choose to pay the insured directly for a loss, or the carrier may choose to repair or replace damaged or stolen property.</p>	<p>A. Actual cash value</p>
<p><b>A</b> Property's replacement cost less an allowance for depreciation, wear and tear, or obsolescence</p>	<p>B. Bailee</p>
<p><b>C</b> When a client fails to maintain coverage for damage to their auto, the lienholder may purchase coverage for the vehicle and require the client to pay for that coverage as part of their loan repayment.</p>	<p>C. Forced placed coverage</p>
<p><b>E</b> The insured doesn't have the authority to transfer their policy or rights and duties of the policy over to another person without written consent of the insurance carrier.</p>	<p>D. Payment of Loss provision</p>
<p><b>B</b> Person or organization that has possession of the property of others</p>	<p>E. Assignment of rights</p>

## Section 5: Coverage for Damage to Your Auto

**Directions:** Read the question below and provide your response in a sentence or two.

Explain how the policy period and coverage territory impacts where and when the Personal Auto Policy provides coverage.

**Sample Answer:**

The Personal Auto Policy does not provide worldwide coverage. A loss must occur during the policy period and within the coverage territory. The policy period is the time between when the policy starts (the effective date) and when coverage expires (the expiration date).

Coverage territory is as follows: The U.S., its territories or possessions, Puerto Rico, Canada, and a "your covered auto" while being transported between ports of these locations

# Section 6: Coverage for a Rented Vehicle

## The Rental Contract

### Check-In



**Directions:** Answer the questions as True or False.

- When renting a vehicle, anyone may drive the vehicle with the permission of the person who rented the vehicle.

True

False

Only authorized drivers may operate the rental vehicle. They may be the renter's immediate family, business, employer, etc. This should be stated in the rental agreement.

- According to the rental agency contract, persons who rent vehicles are not responsible for damage caused by someone else.

True

False

Persons renting a vehicle are responsible for the rental vehicle being returned in the same condition in which it was received. This means the renter is responsible for whatever happens to the vehicle while it is in his or her custody.

- It is impermissible to use rental vehicles for transporting passengers or delivery of goods (rideshare or pizza delivery, for example).

True

False

Types of uses that are prohibited will vary by rental vehicle agency and the location of the rental at the time of a loss. Examples of prohibited use might include carrying passengers or property for hire.

*This Check-In is continued on the next page.*

## Check-In *continued*



4. Direct damages are physical damages that occur to a vehicle.

**True**

**False**

The rental contract may hold the renter responsible for two categories of damages. One of which is direct damages, such as the repair of physical damages or the replacement value of the rental vehicle.

5. Indirect damages are damages that are caused by accident and not directly involving the person who rented the vehicle.

**True**

**False**

Indirect damages are those which are incidental or consequential to a direct loss (i.e., loss of use, administrative expenses, and diminution of value).

# Options for Coverage

## ► Knowledge Check



**Directions:** Read the scenario and explain how Steven's policy will respond to all damages.

Steve insures his car on a Personal Auto Policy that provides Liability, Medical Payments, UM/UIM, Other than Collision, and Collision coverages. Steve rents a large U-Haul box-truck to transport furnishings from his home to a storage unit. While parking the truck, Steve hits his neighbor's car. Explain how Steve's policy will respond to damage to the neighbor's car and damage to the U-Haul truck?

### Sample Answer:

Steve's Liability Coverage will respond for damage caused to the neighbor's vehicle. Steve is a you and an "insured" under Part A - Liability Coverage for the ownership, maintenance or use of ANY auto with more than four wheels and designed for use on public roads (review Liability Part B exclusions).

Part D - Coverage For Damage To Your Auto of Steve's policy will not cover damage to the U-Haul truck, as the large truck is not a "non-owned auto" since it is not a private passenger auto, pickup, or van. Part A - Liability will also not cover damage to the rental truck as damage to property rented to an "insured" is excluded (Liability Exclusion A.2).

## Check-in



**Directions:** Use the words in the word bank to fill in the blanks. Words may be used more than once or not at all.

### Word Bank

rental agency	active retention	Liability coverage
hold harmless	coverage	credit card company
insurance carrier	passive retention	Collision coverage

1. Purchasing the Collision/Loss Damage Waiver through the rental agency may add a significant additional cost to the total cost of a rental vehicle.
2. Clients may choose to pay out-of-pocket for damage to a rental vehicle. When they are informed on this decision, this is known as active retention.
3. A credit card company may require that the renter decline the CDW/LDW.
4. The CDW/LDW is not insurance; rather, it is a hold harmless agreement.
5. Using the Personal Auto Policy and coverage offered by a credit card company is an example of combining coverage options for damage to a rental vehicle.
6. Liability coverage is not usually offered with the CDW/LDW or by credit card companies.

# The Best Response?

## ► Knowledge Check



**Directions:** Read the scenario below and respond with how you would advise your client. Be sure to explain your reasoning.

Quick! Your client is standing at the counter of a rental vehicle agency in another state, and they have called you for advice. This is their first time renting a vehicle and they are getting overwhelmed about coverage options and waivers being offered to them before they can get their keys. Another customer in line tells them not to let the rental company take any more of their money because their auto policy will pay for any damage. As an experienced insurance professional, informed on the various other coverage options available when renting vehicles, what could you say to your client to help them make an informed decision?

### Sample Answer:

You could let your client know that their auto policy will provide them with liability coverage (assuming the rental vehicle is a private passenger auto, pickup, or van), but you will need to check their policy for "Collision" and Other Than "Collision" coverage. You let them know that all limitations and exclusions in the policy will apply to the rental vehicle.

You could let them know the credit card they are using may provide some coverage, but it is best advised to call the credit card company for coverage details. You also explain they could also pay for any damages out-of-pocket, particularly if no other parties are involved.

You may also inform them that the Personal Auto Policy may not cover the costs of administrative fees charged by the rental agency, loss of use while the vehicle is being repaired, or the possibility that the vehicle loses value as a result of the accident. But, the CDW/LDW being offered by the rental agency will waive their financial responsibility of both direct or indirect damages to the vehicle and is likely the best option to provide them with the fewest headaches to enjoy their trip.

## Section 6 Self-Quiz

**Directions:** Read each statement below and select whether it is True or False.

1. Greta's insurance agent tells her to be aware of three distinct sections of her rental contract: Authorized Drivers, Prohibited Uses, and Responsibilities. Each of these is a primary requirement of someone interested in renting a vehicle.

True

False

The three primary requirements from the renter include understanding who is considered an authorized driver, prohibited uses of the rental vehicle, and the renter's responsibilities while a vehicle is rented to them.

2. The only prohibited uses the rental agreement lists are those related to operation during the commission of a felony or for the transportation of illegal drugs or contraband.

True

False

Prohibited Uses will vary by the rental vehicle agency and the location of the rental at the time of a loss. Examples of prohibited use might include but are not limited to failure to use seatbelts or child seats, impaired driving, or driving on highways specified in the rental agreement.

3. Same state Amendment of Policy Provisions and state regulations may require damage for a rental vehicle be covered under Part A - Liability Coverage.

True

False

For the ISO Personal Auto Policy, damage to the rental vehicle cannot be covered under Part A - Liability Coverage, however, some states require the damage to the rental vehicle be covered under liability and the policy is revised accordingly through each state specific Amendment of Policy Provisions endorsement.

4. Evan's vacation has concluded and, unfortunately, he returned his rental vehicle with damage to the bumper. When he receives the invoice for damage, other than the actual cost to repair the damage, he noticed a charge for loss of rental totaling \$304.16. This would be an example of indirect damage.

**True**

**False**

Indirect damages are those which are incidental or consequential to a direct loss such as Loss of use, administrative fees, and diminution in value.

5. Transportation Expenses provides up to a maximum of \$1,500 for expenses for which a **you** becomes legally responsible due to a loss to a "non-owned auto.

**True**

**False**

Transportation Expenses provides up to a maximum of \$900 for expenses a you becomes legally responsible for due to a loss to a "non-owned auto."

## Section 6: Coverage for a Rented Vehicle

**Directions:** Read each question below and select the correct answer.

1. Of the choices below, which one would NOT be a reason for why a renter should purchase CDW/LDW?  
 Peace of mind  
 To avoid issues with the rental agency  
 Because it protects them for every kind of loss  
 To avoid financial hardship
2. When it comes to relying on rental coverage provided by a credit card, coverage might not be available depending on which one of the following factors?  
 The length of the rental term  
 The color of the rental car  
 The electronic equipment inside the rental car  
 The rental agency
3. Unplanned acceptance of losses because of failure to identify risk, failure to act, or forgetting to act, is the definition for what term?  
 Active retention  
 Subrogation  
 Passive retention  
 Diminution of value
4. After purchasing the Collision/Loss Damage waiver, Adam is presented with a rental agreement as he prepares to secure a car for his business trip. Glossing over the agreement, Adam signs where he is instructed to, and then sets out to continue his trip. What is a likely consequence of Adam's actions?  
 The cost! He may have missed hidden fees that will be charged to his credit card.  
 A waiver of rights! The agreement outlines the rights that Adam has waived during a claim.  
 Requirements and responsibilities! If Adam is not aware of the responsibilities required of him by the rental agreement, it could nullify the CDW/LDW.
5. An agent is analyzing an auto policy for coverage for a rental vehicle. From the choices below, what is one question this agent should be thinking about?  
 How fast does the person typically drive?  
 What rental agency is the person using?  
 Has this person ever rented a car before?  
 Will the auto be rented within the coverage territory?

# Appendix

## Appendix

# Appendix

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## Preparing for the Final Exam

For many learners, test preparation is stressful. Please keep in mind that the most important measure of your knowledge will be witnessed in your service to your organization. Think of a test as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period for the Final Exam is one hour long. The test itself is composed of 50 multiple-choice questions that ask you to demonstrate what you know. Each question is worth two points. To pass, you are required to earn a minimum of 70 out of 100 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the test. Pace yourself and be aware that unanswered questions are considered incorrect.

## Study Techniques

There are some techniques you can use to help you prepare for the end-of-course test. Apply the same techniques to each chapter in your learning guide.

1. Review the Section Goal.
2. Review each Learning Objective.
3. Change each header and subhead into a question. Then answer the question. For example,  
Header: Characteristics of Whole Life Insurance  
Question: What are some characteristics of Whole life insurance?
4. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific Learning Objective.
5. Check your answers to each Check-In. Correct your original answers, if necessary.
6. Check your answers to each Knowledge Check. Consider ways to improve your original answers.
7. Re-read the summary at the end of each section.
8. Check your answers to each question in the Self-Quizzes at the end of each section. Correct your original answers, if necessary.

9. Review any comments, highlights, or notes you made in each section.
10. Rewrite important ideas in your own words. Find ways to connect those ideas to your own work experiences.
11. Make flash cards to help you review important vocabulary.

## Sample Test Questions

1. Which of the following is NOT covered by Part D - Coverage For Damage to Your Auto in an unendorsed Personal Auto Policy?
  - A. A personal laptop computer stolen out of the back seat of the vehicle.
  - B. A DVD system permanently installed in the vehicle.
  - C. A \$5,000 custom stereo that replaced the manufacture stereo
  - D. New \$500 custom rims
2. Antonio has a Personal Auto Policy with Liability Coverage and both Collision and Other Than Collision coverages. He purchased a second vehicle Friday evening. Monday morning Antonio called to inform you that he hit a deer Sunday night. How will Antonio's policy respond?
  - A. Damage to the auto will be paid under Collision coverage.
  - B. Damage to the auto will be paid under Other Than Collision coverage.
  - C. There will be no coverage for damage to the auto as it was not reported to the carrier prior to the loss.
  - D. Damage to the auto will be paid from the Liability Coverage property damage limit.

**Sample 1:** The correct answer is **A**.

A personal laptop computer stolen out of the back seat of the vehicle.

**Sample 2:** The correct answer is **B**.

Damage to the auto will be paid under Other Than Collision coverage.

# Glossary of Terms

**active retention** – planned acceptance of losses to be financed internally through the use of deductibles on insurance policies, loss-sensitive insurance plans, and deliberate non-insurance

**add-on no-fault states** – typically tort states where Personal Injury Protection benefits must be offered, but are optional

**Amendment of Policy Provisions** – state-specific modifications to the Personal Auto Policy

**arbitration** – a process meant for resolving conflict outside of the court system; typically, an agreement to settle a dispute using one or more neutral parties (arbitrators) to assess the facts and make a determination

**attachment** – an action filed by a plaintiff to ensure they will be paid from property assets of the defendant if the court rules in their favor

**bail** – a cost imposed by the court as a guarantee that if the person is released from jail, the person promises to appear for their court date

**bail bond** – way for a defendant to pay the jail to get out of jail until their court date; usually (10%) of the bail

**bailee** – the party to whom personal property is delivered and entrusted (without transfer of ownership) for a specific purpose

**beneficiary** – the party that receives a trust's assets when the trustor dies

**betterment** – repairing or replacing damaged parts of the vehicle (or the vehicle itself) with better quality materials or which have higher value than like-kind or quality; the PAP does not intend to provide betterment

**choice no fault states** – states which allow the consumer to opt-out of Personal Injury Protection coverage in writing and retain their rights to sue for injuries; the policyholder must carry certain minimum coverage limits, and they may sue an at-fault party for injuries sustained, regardless of severity; opting-out means the policyholder could be sued for injuries they are responsible for causing

**compensatory damages** – payment intended to compensate the injured party(ies) for damages incurred; two categories are: (1) special damages—actual measurable costs and (2) general damages—intangible costs such as pain and suffering

**coverage territory** – the geographical area within which insurance coverage applies

**Declarations** – the front page (or pages) of a policy that specifies the named insured, address, policy period, location of premises, policy limits, and other key information that varies from insured to insured; also known as the information page; often informally referred to as the “Dec” or “Dec page”

## Appendix

**damages offset** – policy language which indicates that damages will be reduced by the amount paid by the at-fault driver's insurance

**direct loss** – loss incurred due to direct physical damage to property, as opposed to time element or other indirect losses

**Financial Responsibility provision** – states that the policy will comply with requirements of financial responsibility laws

**forced placed coverage** – coverage purchased by the lienholder of the vehicle to protect the lienholder's interests when a client fails to maintain coverage for damage to their auto; the lienholder can require the client to pay for that coverage as part of their loan repayment; this coverage is generally more expensive than the coverage the client can purchase, and it only protects the interest of the lender; it does not provide coverage to the client

**gap insurance** – covers the difference between the ACV of the auto and the loan/lease balance

**gig economy** – economic activity that involves the used of temporary or freelance workers to perform jobs, typically in the service sector (Merriam-Webster's Dictionary)

**GVWR (gross vehicle weight rating)** – refers to the maximum weight a vehicle is designed to safely carry according to the vehicle manufacturer and includes the total weight of the vehicle plus passengers, vehicle fluids, accessories, and cargo

**grantor** – the individual who establishes a trust; also referred to as the trustor, settlor, or creator

**indirect loss** – loss resulting from the inability to use damaged property

**intrapolicy stacking** – adding together the limits of multiple vehicles insured on the policy to increase the limit available for a loss; this generally NOT allowed, but be sure to review your state's Amendment of Policy Provisions as some states/jurisdictions do allow for the stacking of limits.

**ISO symbol** – based on the vehicle's suggested retail price (MSRP) or the price-new symbol; is then adjusted based on actual and predicted claim frequency or severity; used to help carriers match premium to actual and predicted losses for any given vehicle

**ISO vehicle rating symbols (VSRs)** – numbers assigned to vehicles that represent extensive actuarial facts of historical claims data and the suggested retail price for the same or comparable vehicles

**judgment** – settlement or final decision from a court concerning the rights or obligations of each party in a suit

**lienholder** – one who has a financial interest in property—generally a bank or other financial institution, but may also be an individual

**lessee** – the borrower under a lease agreement who contracts with a financial institution and agrees to pay loan interest

## Appendix

**lessor** – the financial institution contracting a lease agreement (e.g., to lease a car)

**limits offset** – policy language which indicates payment will be reduced by the amount paid by the at-fault driver's insurance

**no-fault coverage** – coverage that is available regardless of who caused the accident; Personal Injury Protection is an example of no-fault coverage; the intent is to provide quicker payments to injured parties

**no-fault states** – states in which each driver is responsible for their own medical expenses in an automobile accident, even when someone else is at fault for the accident

**Other Insurance provision** – confirms that the policy will pay proportionate to the total limit of liability of all applicable limits

**passive retention** – unplanned acceptance of losses because of failure to identify risk, failure to act, or forgetting to act

**personal vehicle sharing program** – a formal arrangement that allows members of the program to earn money by allowing others to use their vehicle; may be airport car sharing, peer-to-peer, or business-to-consumer car sharing

**phantom vehicle** – a “hit-and-run” vehicle which causes an accident without physical contact

**Price-Anderson Act** – enacted in 1957 to respond to growing concern over the liability and potential costs of nuclear accidents at a time when private nuclear energy investment and development was encouraged

**pro-rata share** – when a policy pays proportionate to the total limit of liability of all applicable limits

**public or livery conveyance** – refers to the use of a vehicle for transporting people or goods for a fee (or hire); consider an Uber, Lyft, Taxi, or delivery service

**punitive and exemplary damages** – meant to make an impact or an example out of gross wrongdoings; generally excessive and shocking for a reason—to discourage others from making the same mistake(s)

**release attachment bond** – counteracts an attachment and gives back to the defendant control over their asset(s)

**residual market** – consists of assigned risk and state-offered insurance plans for consumers who are unable to obtain automobile insurance through private insurance carriers, often because of driving history or high risk factors

**settlor** – the individual who establishes a trust; also referred to as the trustor, creator, or grantor

**subrogation** – insurance company's right to recover damages (payment already made to the injured party) from the at-fault party

## Appendix

**stacking limits** – means that when multiple vehicles are covered on the policy, their limits can be added together to increase the limit available for a loss; NOT allowed under the Personal Auto Policy

**strict no fault states** – states in which Personal Injury Protection coverage is required; laws generally limit possibilities to sue based on the severity of injuries as defined by that state's regulations

**tangible property** – touchable property such as a vehicle, a fence, a mailbox, a building, or a utility pole

**tort states** – states where the at-fault driver is responsible for compensating individuals they injure in an automobile accident; claims are usually not paid until fault is determined or a judgment is rendered in a suit; there are little to no limitations on an injured party's right to sue the at-fault party in a tort state

**trigger** – the conditions required for coverage to apply

**trust** – relationship in which one party holds property for the benefit of another party; intended to protect assets and ensure that an appointed beneficiary receives the benefit of using those assets without probate and estate tax implications should something happen to the trust's trustor

**trustee** – the individual who establishes a trust; is often a trustor's attorney or accountant

**trustor** – the individual who establishes a trust; also referred to as the settlor, creator, or grantor

**Underinsured Motorists (UIM) coverage** – comes into play when the at-fault party has liability limits that are simply too low to cover the cost of damages

**Uninsured Motorists (UM) coverage** – protects the client involved in an auto accident with an unidentified (or hit-and-run) vehicle or with an at-fault party where liability insurance is not in place at the time of the accident

**utmost good faith** – a principal used in insurance contracts; legally obliges all parties of a contract to act honestly and not mislead or withhold critical information from one another

**vicarious liability** – liability one party brought through the actions of another party