

# **HOW TO INSURE PERSONAL AUTO INSURANCE**



# HOW TO INSURE PERSONAL AUTOMOBILES

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This ebook covers everything insurance agents need to know about insuring Automobiles, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the Commercial Lines insurance market.

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# HOW TO INSURE PERSONAL AUTOMOBILES

## Course Introduction

Now, folks, get ready for the most important questions an insurance agent might ask when writing or renewing a personal auto policy. This is the secret recipe for all you new agents out there, and a refresher for you experienced ones. These questions won't cover everything, but they'll get you pretty darn close!

Let's be real here, understanding the personal auto policy isn't a walk in the park. It's like a maze made of words that ties car owners in knots. It's supposed to be simple, but it's sneakily complex. There are gaps for those weird and wild exposures that need some special handling. So, as an agent, it's your job to unravel this web and find those hidden gems of potential loss.

But hey, it's not just about the clients! You've got responsibilities, my friend. You gotta guide these clueless car owners through the labyrinth of coverage, exclusions, and options. You're like their insurance superhero, fighting for them against any errors or omissions claims that might pop up. It's a tough gig, but someone's gotta do it.

So, strap on your cape, fellow agents, and get ready to ask these crucial questions. Let's make sure those personal auto policies are as tight as a superhero's spandex suit and as foolproof as a bat signal. Together, we can conquer the insurance world, one hilarious question at a time!

Once upon a time in a small town, there was a group of aspiring insurance agents eager to learn about personal auto insurance. They signed up for a course that promised to teach them everything they needed to know about the exposures and coverage options in this field. Little did they know, this course would take them on a journey of discovery and questioning.

The instructor began the course by presenting them with four critical questions. These questions would serve as the foundation for understanding personal auto insurance. The students were excited to delve into these questions and find the answers.

The first question was about whom the policy should protect. The students pondered over this question, realizing that it was not as simple as it seemed. They learned that personal auto insurance was not just about protecting the owner of the vehicle but also about protecting other drivers, passengers, and pedestrians. The students realized that they needed to consider all potential parties involved in an accident and ensure their coverage adequately protected them.

With the first question settled, the students moved on to the next one – what vehicles needed to be covered. They realized that personal auto insurance extended beyond just cars. Motorcycles, recreational vehicles, and even boats could also be covered under these policies. The students were amazed at the variety of vehicles that could be protected and understood the importance of correctly identifying all vehicles for insurance purposes.

As the course progressed, the students discovered the significance of how vehicles were used. This was the third question they had to answer. They learned that personal auto insurance coverage could differ depending on whether the vehicle was used for personal use, commuting, or commercial purposes. They realized that usage played a crucial role in determining the appropriate coverage and premiums for their clients.

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The final question posed by the instructor was about the level of protection the client desired. The students understood that personal auto insurance offers various coverage options, such as liability, comprehensive, collision, and uninsured/underinsured motorist coverage. They realized that each client's needs and preferences would dictate the level of protection required.

Throughout the course, the students learned about the different policies in the market. They discovered that the Insurance Services Office, Inc. (ISO) Personal Auto Policy (PAP) served as the basis for many insurance companies, but variations existed. Some companies modified the ISO contract with their endorsements, while others used the American Association of Insurance Services Personal Automobile Policy. The students understood the importance of referring to the actual contract to ensure accurate coverage information.

In addition, the students learned that state-specific endorsements often modified policies to comply with local requirements. They understood that auto policies and endorsements could vary, and it was crucial to consider the specific contract in force to provide the best advice to their clients.

As the course came to an end, the students realized how much they had learned about personal auto insurance. They had embarked on a journey of questioning and discovery, gaining the knowledge and confidence to assist their clients in making informed decisions about their coverage needs.

Armed with their newfound knowledge, the students were ready to step into the world of personal auto insurance and help individuals protect themselves and their vehicles. They knew that by asking the right questions about exposures, coverage options, and client preferences, they could provide the best insurance solutions to their clients. And so, with their course objectives fulfilled, the students set off on their insurance careers, ready to make a difference in the lives of those they served.

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# HOW TO INSURE PERSONAL AUTOMOBILES

## Chapter 1: The Auto Insurance Inquisition

Welcome, esteemed readers, to the riveting world of personal auto insurance. Brace yourselves, for we are about to embark on a journey filled with important questions and mind-boggling revelations. In this chapter, we shall delve into the captivating realm of property and liability exposures for those lucky souls who are, or could potentially be (with some strategic planning, of course), covered by a personal auto policy (PAP).

Now, my dear friends, let us discuss a perplexing challenge faced by insurance agents when arranging a family's insurance program. Picture this: a family, blissfully unaware, basking in the joy of their newly acquired vehicle. Little do they know, the question of who legally owns said vehicle is about to flip their world upside down. Alas, this matter is often neglected in the chaotic frenzy of purchasing or insuring a vehicle. It's like forgetting to add salt to your dish - you'll regret it later.

Imagine this scenario - a vehicle registered to a resident daughter, while the family's insurance policy only lists her parent as the unfortunate victim. Oh, the audacity! The vehicles used by family members are not always owned by the brave souls behind the wheel. They might be owned, leased, rented, or borrowed from others. Heck, they might even be handed down by a generous employer. It is of utmost importance to comprehend the intricate dance between vehicle owners and their operators, for it can have a profound impact on insurance coverage.

Oh, but that's not all, folks! Understanding the legal ownership of these majestic automobiles is also crucial in determining the type of policy and endorsements that shall bestow upon them the much-needed coverage. It's like choosing the perfect armor for a knight - except the armor is made of legal jargon and paperwork.

Let us now venture into the realm of chapter objectives, where we shall uncover the secrets of this mystical world. By the end of this chapter, you shall possess the wisdom to answer these burning questions:

Does insurance protect cars or drivers? Are we in the business of appeasing the mechanical gods or protecting the brave souls who dare to tame these metal beasts?

Whose name should grace the holy pages of the policy? Is it the proud owner, the skilled operator, or perhaps the family pet who occasionally enjoys a joyride?

Ah, the eternal conundrum - what other family or household members should be granted the privilege of coverage? Should it be limited to those who share the same last name or extended to the distant cousins thrice removed?

Does the PAP offer solace to passengers or pedestrians? Are we providing a safety net for those who dare venture into the metal realm or those who foolishly choose to walk amongst us?

And lastly, my dear comrades, whom else should this policy protect? Should we extend our benevolent shield to neighboring aliens or perhaps the mystical creatures that inhabit our wildest dreams?

Prepare yourselves, for the answers to these profound questions shall be revealed in due time. Until then, my brave readers, hold on tight and embrace the whimsical world of personal auto insurance. It's a wild ride, but oh-so-worth it!

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## Does Insurance Protect Cars or Drivers? Let's Settle This!

Alright, folks, buckle up because we're about to debunk a common misconception. You see, drivers out there usually think they're insuring their precious cars, but in reality, it's all about protecting themselves. That's right, auto insurance is all about safeguarding us, the fearless humans who take the wheel.

Now, let's break down the four main coverages of a Personal Auto Policy (PAP) and spice things up a bit. Think of them as the ultimate squad protecting us against financial losses.

First up, we have the liability coverage. Picture this: you're cruising down the road, minding your own business when BAM! You accidentally rear-end someone's fancy sports car.

Ouch! This coverage swoops in to save the day, protecting you from their hefty claims for injuries and property damage. Trust me, when major injuries are involved, those claims can turn into real monsters.

Next, we have the medical payments coverage. Imagine you and your buddies are on a wild road trip, singing at the top of your lungs when suddenly a truck decides to play bumper cars with your car. Yikes! This coverage comes to the rescue, paying for your medical bills and taking care of you and your friends. Because let's face it, nobody wants to end up singing "Oops, I Did It Again" in a hospital bed.

Now, let's talk about the physical damage coverage, also known as the "comprehensive and collision" tag team. Just imagine you're driving on a stormy night, rain pouring like there's no tomorrow, and out of nowhere, a tree falls on your beloved car. Oh no! This coverage steps in, sparing you the agony of paying for those expensive repairs. Because hey, no one wants to break the bank just because Mother Nature decided to play a prank on them.

Last but not least, we have the unsung hero, the uninsured motorists coverage. Imagine this nightmare scenario: you're innocently driving along when BOOM! Some reckless driver crashes into you like a wrecking ball. And guess what? They conveniently forgot to get insurance. Great, just great! But fear not, this coverage jumps into action, saving you from the financial burden of paying your own medical bills. Because hey, you didn't sign up to be your own doctor, right?

So, to answer the burning question, "Does insurance protect cars or drivers?" It's a no-brainer, my friends. Insurance is all about protecting us, the brave souls behind the wheel. It's like having a superhero squad backing us up against those pesky financial losses.

And remember, dear agents, when you're selling personal auto insurance, remind your clients that it's not just about the law or their shiny cars. It's about protecting themselves from all the crazy twists and turns the road throws at them. So, let's hit the road and ensure those drivers are covered, one laugh at a time!

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# HOW TO INSURE PERSONAL AUTOMOBILES

Once upon a time in a small town, there were two friends named Jack and Andy. They both loved cars and had been saving up for years to buy their dream vehicle. Eventually, after countless hours of hard work, they were finally able to purchase a shiny red sports car together.

Excited about their new purchase, Jack and Andy decided to get auto insurance for their beloved car. They knew it was important to have coverage in case of any accidents or damages. As they sat down to fill out the insurance application, they came across a question that puzzled them.

The question asked, "Whose name should be on the policy?" Jack and Andy exchanged confused glances. They thought it would be a simple answer, but soon realized it was more complicated than they initially thought.

Curious to find the right answer, they began to do some research. They discovered that the person or persons named on the policy had more rights than other individuals who were also insured. It was crucial that the policy included the legal owners of the car, which in this case was both Jack and Andy.

As they continued their search for knowledge, they found out that insurance applications varied from company to company. Besides providing the name of the insured, the application also asked for the names of people who were likely to drive the car. It could be family members or residents of the household.

Jack and Andy realized that being listed on the application or the declarations page of the policy didn't necessarily mean someone was an insured party. This distinction was often overlooked by many people, and it could have serious consequences.

They learned that the purpose of providing driver information on the application was for underwriting and rating purposes, not coverage purposes. It was essential to accurately disclose all drivers to avoid any issues with the insurer. Failure to do so could result in the insurer voiding the policy based on concealment, misrepresentation, or fraud.

Feeling more knowledgeable about the importance of being named on the policy, Jack and Andy moved on to the next question: "How is the vehicle titled?" They realized that this question was essentially asking, "Who legally owns the car?"

Understanding the significance of this question, they knew they had to answer it accurately. If the insurance policy was in Jack's name, but Andy was the legal owner of the car, complications could arise when it came to filing a claim for collision damage.

Jack would have insurance coverage, but he wouldn't have suffered any financial loss. On the other hand, Andy would have a financial loss, but it wouldn't be covered by insurance.

With this newfound knowledge, Jack and Andy decided to include both their names on the policy as named insureds and as legal owners of the car. They didn't want any surprises or complications in the future, and they wanted to ensure that they were fully protected.

Armed with the right information, Jack and Andy completed their insurance application confidently. They understood the importance of accurately disclosing all drivers and the significance of being named on the policy as the legal owners of the car.

# HOW TO INSURE PERSONAL AUTOMOBILES

Their dedication to understanding the intricacies of auto insurance paid off as they received their policy with both their names proudly displayed as insured parties. They felt a sense of security knowing that they were fully covered in case of any unforeseen circumstances.

And so, Jack and Andy continued their adventures with their beloved sports car, knowing that they had made the right choices when it came to their auto insurance policy. The importance of being named insureds and the significance of accurately disclosing all drivers and legal owners was a valuable lesson they would never forget.

Married couples often find themselves in a befuddling predicament, unable to recall whether they registered their beloved vehicle under one spouse's name or both. It's a common conundrum that can lead to a cascade of complications. And let's not forget the perplexing decisions parents face when purchasing a car for their dear offspring. Do they bestow the honor of ownership upon Junior, while secretly planning to insure it under their own policy? Or do they go the traditional route and title the car in their own names, while urging Junior to fend for himself in the insurance department?

But fear not! There is a simple antidote to this maze of confusion. The solution lies in ensuring that the individuals whose names grace the vehicle's title are also recognized as "named insureds" in the insurance policy. However, be prepared for a potential clash with the eligibility rules we'll delve into later. In such cases, a little tweaking may be required. Either the policy will need to be endorsed or, in some instances, the vehicle might have to undergo a grand retitling ceremony.

Now, let's switch gears to the realm of autos that have been paid for in full. When an individual purchases a car with the assistance of a loan, a seemingly odd twist enters the picture. The lender, my friends, must be acknowledged as a "loss payee," while the proud purchaser takes the rightful claim of "named insured."

But wait, folks! The plot thickens when it comes to leased autos. Brace yourselves for a more intricate situation. Leased vehicles, an increasingly popular choice, are officially titled under the watchful eye of their legal owner - the ever-vigilant leasing company. However, they gallivant through the streets, licensed and insured, under the name of the lessee. It's a mind-boggling dance of paperwork and logistics that adds an extra layer of complexity to this captivating saga.

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# HOW TO INSURE PERSONAL AUTOMOBILES

Why list both husband & wife?

## Example 1

Once upon a time, in a small town, there lived a married couple named John and Mary Smith. They were happily married and resided in the same household. One day, they decided to purchase a private passenger auto insurance policy, commonly known as PAP. Little did they know that this decision would lead them to understand the importance of having both spouses' names on the policy.

According to the PAP eligibility rules, the policy can provide coverage for private passenger autos owned by either an individual or spouses living in the same residence. However, the definition of "marriage" and "spouse" can vary from state to state. Some states recognize de facto common-law marriages without a license or ceremony, while others do not consider them legally binding.

Understanding the significance of having both their names on the policy, John and Mary decided to list themselves as named insureds on the declarations page. This meant that they would both have the rights and benefits accorded to the named insured. It was a wise decision, as it ensured that both John and Mary were protected under the policy.

However, life has a way of throwing unexpected challenges at us, and unfortunately, John and Mary found themselves in a difficult situation. They separated, as many couples do, and Mary moved out of the household. Yet, despite the separation, Mary still retained her "you" or "your" status on the policy, as long as she remained a member of the household.

John's name was the only one listed on the declarations page, but this did not exclude Mary from having certain rights under the policy. She was still considered a part of the "you" or "your" category, although she was not the named insured. This situation left them in a rather complicated position.

To clarify their situation, let's take a specific example. John and Mary obtained a PAP policy from May 1, 2020, to May 1, 2021, with only John's name listed as the named insured. Unfortunately, on July 1, 2020, Mary decided to separate from her husband and moved into an apartment. She removed her car from John's policy and obtained her own policy on August 1, 2020. This action effectively removed her from the "you" or "your" category of John's policy.

However, had Mary not procured her own policy, she would have remained in the "you" or "your" category until the end of the 90-day period from her move-out date. In this case, it would have been September 30, 2020, when she would have ceased to be a part of John's policy.

Now, let's fast forward to April 1, 2021. Mary moves out of the household once again, but this time, she fails to immediately obtain her own policy. In this situation, she would no longer be considered a part of the "you" or "your" category from May 1, 2021, as it marks the end of the policy period.

This example clearly demonstrates the implications of having only one spouse listed as the named insured on the policy. The policy provision regarding the "you" or "your" category does not apply when both spouses are named insureds.

# HOW TO INSURE PERSONAL AUTOMOBILES

John and Mary's experience taught them the importance of including both spouses' names on the policy. It ensured that they both had the necessary coverage and protection, even in the event of separation or other life changes. From that day forward, they made sure to always have both their names on any insurance policy they obtained, understanding the value it brought to their lives and their peace of mind.

## Example 2

Once upon a time, there was a couple named John and Mary Smith. They were happily married and lived together in a beautiful house. They had a comprehensive Personal Auto Policy (PAP) that provided them with coverage for their vehicles.

However, as time passed, John and Mary's relationship began to deteriorate, and they decided to separate. John moved out of the house, leaving Mary behind. With this separation, they faced a dilemma regarding their PAP.

Mary, being the diligent one, wanted to update their policy and remove John as a named insured. She believed that since John no longer lived in the house, he shouldn't be covered under the policy. However, it wasn't as simple as she thought.

According to the declarations page of their policy, both John and Mary were listed as named insureds. This meant that even though they were separating, John still had the right to be covered under the policy. Mary couldn't simply demand his removal.

To complicate matters further, the policy had a 90-day provision that allowed spouses not listed on the policy to be removed if they moved out of the household. However, this provision didn't apply to John since he was already named insured.

Mary found herself in a difficult situation. She wanted John to be deleted from the policy, but he was opposed to the change. The insurer was hesitant to remove John since he was named insured and his rights would be affected.

Mary considered canceling the policy midterm to solve the problem. However, the termination provision stated that only the named insured shown in the declarations could cancel the policy during the policy period. If one named insured wanted to cancel, and the other didn't, the insurer wouldn't agree to it as it would negatively impact the rights of the named insured who had moved out.

After careful deliberation, the insurer came up with a solution. They decided that when the policy expired at the end of the term, they would not renew it. Instead, they would require both John and Mary to procure separate coverage in their individual names. This way, each of them would have their own policy and wouldn't be affected by the other's decisions.

The insurer realized that naming both spouses in the declarations was the best approach in most cases. It would avoid coverage problems if a separation occurred during the policy period and also protect the agents from errors and omissions exposures. Even if the spouses lived separately, the policy would continue to provide the broadest coverage to both individuals.

In this situation, it was crucial to understand not only what the policy definition included but also what it omitted. The named insured's resident children, for example, were not considered part of the "you" or "your" category and therefore weren't named insureds.

However, they could still be listed as drivers and be covered under the policy.

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And so, John and Mary learned the importance of understanding their policy and its provisions. They realized that in order to navigate through the complexities of insurance, it was crucial to communicate with their insurer and make informed decisions.

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## [Are You Eligible for Auto Insurance? Find Out Now!](#)

Before you start filling out that auto insurance application, you'll want to make sure you and your vehicle are eligible for coverage. But don't worry, we'll break it down for you in simple terms so you can understand it without getting a headache.

First off, let's talk about what a "private passenger auto" is. It's basically a regular old four-wheel car that isn't used for commercial purposes or rented out to others. So if you're driving around in a truck or using your car for a ride-sharing service, you'll need a different type of insurance.

But what about vans and pickups? Well, if they weigh less than 10,000 pounds and you're not using them to transport goods (unless it's for your own business or farming), then they can be considered private passenger autos too. So, if you're a farmer running errands or a government employee driving for work, you're in luck.

Okay, now let's talk about who can own these vehicles. If you're leasing a car for at least six months, it counts as being "owned." And if you're part of a trust, that also counts. But if you're sharing ownership with someone who isn't your spouse, things get a little trickier. In most states, the regular auto insurance won't cover joint ownership unless you're a married couple. However, you can get an endorsement added to your policy to cover nontraditional households.

Lastly, what about other types of vehicles? Motorcycles, motor homes, golf carts, and even snowmobiles can all be covered under the same policy if they're owned by individuals, spouses, or certain relatives. Just make sure you have the right endorsements added to your policy to cover these specific vehicles.

So, there you have it – the lowdown on who is eligible for auto insurance. Remember, these rules may vary depending on your specific insurance provider, so always check with them to make sure you're good to go. Now go out there and hit the road with peace of mind!

## [Can Drivers Who Don't Have a Car Get Insurance?](#)

Have you ever wondered if you can get car insurance even if you don't own a car? Well, the answer is yes! There's an endorsement called Named Non-Owner Coverage that allows you to get insurance even if you only drive rented or borrowed cars.

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Let's say you and your spouse don't own a car because your husband's employer provides one for him. You might think you don't need car insurance, but what if you borrow a friend's car and they don't have insurance? Or what if you rent a car and the insurance on it has lapsed? That's where the named non-owner endorsement comes in handy. It provides protection for situations like these.

This endorsement is also important if you have a business-owned vehicle and you need a personal umbrella policy. The umbrella insurer will require you to have underlying personal auto liability coverage, and the named non-owner endorsement fulfills that requirement.

Now, let's talk about trusts. If you have vehicles like motorcycles, motor homes, golf carts, or even snowmobiles, trailers, and camper bodies that are owned by a trust, you can still get insurance for them. However, there are a few requirements that need to be met. The person who created the trust and/or the trust itself must be the only named insured, and they must be an individual or a married couple. If the trust is owned by a corporation, then the vehicles are ineligible for personal auto insurance and must be insured under a commercial auto policy. Also, if a trustee of the trust is an organization or a licensed professional, the vehicles are ineligible unless that person is a relative of the trust's creator.

To get coverage for vehicles owned by a trust, you'll need the Trust Endorsement. This endorsement ensures that the vehicles are protected under the trust arrangement.

As an agent, it's your responsibility to make sure that both the insured and the vehicles meet the eligibility requirements before submitting an application for auto insurance. It's also a good idea to ensure that all the people who have an insurable interest in the vehicles are named insureds. This is especially important for married couples, as it can avoid complications in case of separation or divorce. Adding both names to the policy doesn't cost anything extra and can save you a lot of trouble later on.

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## Who is a “Family Member”?

Once upon a time in a small town, there was a family named the Johnsons. The Johnsons had just purchased a new car and were in the process of getting insurance coverage for it. They were going through the details of their Personal Auto Policy (PAP) and came across an important section about who would be covered in case of an accident.

According to the PAP's liability insuring agreement, the insurance company would pay for any damages caused by an insured person in an auto accident. But who exactly qualified as an insured? The definition of an insured was not limited to just the named insured and their spouse listed in the application or policy's declarations. It also included any resident family members.

The Johnsons were curious to know who exactly would be considered a family member. According to the ISO PAP's definition, a family member could be someone related to the named insured by blood, marriage, or adoption, and who lived in the same household.

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This could even include a ward or foster child temporarily residing with the family.

The concept of family members became a subject of many court cases, especially when it involved children transitioning into independence. For example, a college student who lived away from home most of the time but still received support from the family would be considered a family member. However, if the college student was financially independent and had their own legal residence, they would not be considered a family member.

The same logic applied to a child in the military. If a child enlisted in the military with no intention of returning home, they would not be considered a family member after moving out. The courts would also consider factors like residency when dealing with children of divorced parents. In some cases, the child would be recognized as having dual residency, making them eligible for insurance coverage under both parents' policies.

Unmarried couples living together also faced questions about what constituted a household. The definition stated that a family member must be related by blood, marriage, or adoption and reside in the named insured's household. In a court case called *Firemen's Ins. Co. v. Viktora*, the court outlined three circumstances indicative of residency in a household: living under the same roof, a close and intimate relationship, and an intended substantial duration.

The responsibility fell on the insurance agent to determine who qualified as a resident family member and to ask the necessary questions. It was not always easy to determine eligibility, but if a client wanted to ensure coverage for someone who didn't clearly qualify as a resident family member, there was an endorsement available to provide the needed coverage.

As the Johnsons read through the information, they realized the importance of understanding who would be covered under their auto insurance policy. They wanted to make sure their loved ones were protected in case of an accident, so they decided to consult their insurance agent to clarify any doubts they had. With a better understanding of the coverage, the Johnsons felt reassured and confident in their insurance choices, ready to hit the road with peace of mind.

## Passenger or Pedestrian: Does Your Auto Insurance Cover Them?

When it comes to car accidents, we often think of drivers as the main cause. But there are exceptions. Passengers can sometimes distract drivers, leading to accidents. Pedestrians can also be at fault if they carelessly step in front of a car, causing the driver to swerve and hit something else. In these unusual cases, the auto liability insurance of the negligent passenger or pedestrian might apply.

But what really matters is whether your auto insurance policy covers injuries to drivers, passengers, or pedestrians involved in an accident.

### **Liability Coverage:**

You can't be liable to yourself, so if you cause an accident and get injured, your liability coverage won't pay for your injuries. However, if you're at fault and a passenger gets injured, you can be held responsible, and your liability coverage will apply. But there are some exclusions to consider. For example, your policy won't cover injuries to a domestic employee eligible for workers compensation or injuries to a passenger during a ridesharing service like Uber or Lyft.

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## Medical Payments Coverage:

The liability coverage mentioned earlier only applies to passengers if you're at fault. But medical payments coverage is different. It provides coverage on a no-fault basis for anyone accidentally injured while in your covered vehicle. This includes medical expenses for you, your family members, or anyone else in the car. It also covers you if you're a pedestrian struck by a car. However, it's important to note that homeowners insurance also has medical payments coverage, but it's titled "medical payments to others" because it doesn't apply to you or your family members.

## UM and UIM Coverage:

Uninsured motorist (UM) and underinsured motorist (UIM) coverages come into play when you or a family member is injured by an uninsured or underinsured driver or a hit-and-run. These coverages apply whether you're in a car or a pedestrian. They also extend to others occupying your covered vehicle. However, there are exclusions to be aware of.

## Agent's Responsibility:

When selling auto insurance, it's crucial for agents to fully understand the policy and explain the differences between liability, medical payments, UM, and UIM coverage. Clients should also understand why the liability coverage won't cover a driver's injuries if they're legally responsible for the accident.

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## Who Else Can Benefit from Auto Insurance Protection?

When it comes to auto insurance, we often focus on the coverage it provides for the policyholder. However, there are other individuals and organizations that can also benefit from this important protection. Let's take a closer look at who they are.

**People using a covered auto:** The liability coverage in an auto insurance policy extends to anyone using the vehicle with a reasonable belief that they are entitled to do so. This means that even if you lend your car to a friend or family member, they are covered under your policy as long as they have a valid reason to believe they can use it.

**Persons or organizations vicariously responsible:** The definition of "insured" in auto insurance policies includes anyone held liable for damages caused by an insured person using a covered auto on their behalf. This includes employers, nonprofit organizations, and other entities. For example, if an employee uses their own car for work-related tasks and causes an accident, their employer would be covered under their personal auto policy.

**Other persons or organizations:** Auto insurance can also provide coverage for individuals or organizations when the named insured or their family members use vehicles that are not covered by the policy or owned by the organization.



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However, it's important to note that the owner of the nonowned or hired auto is not covered. For instance, if an employee borrows a coworker's car for a work-related errand, the employer would be protected under this category. Similarly, if a volunteer uses a friend's car to transport goods for a nonprofit organization and causes an accident, the organization would be covered under the friend's auto insurance policy.

It's worth mentioning that while auto insurance can offer protection to these additional parties, it does not cover the owner of the nonowned or hired vehicle. In such cases, the owner is expected to have their own insurance coverage.

In conclusion, auto insurance goes beyond protecting the named insured and their vehicle occupants. It provides coverage for others who may need or want protection for certain excluded situations. So, whether you're lending your car to a friend, using your vehicle for work purposes, or borrowing someone else's car for a good cause, auto insurance can offer you peace of mind knowing that you and others are protected in case of an accident.

## What is a "Loss Payee"?

Once upon a time, in a small town, a young man named Mark had just bought his dream car. He had saved up for years to purchase the sleek, shiny vehicle, and he was beyond excited to show it off to his friends and family. But before he could take his new car for a spin, he had to deal with the necessary paperwork.

Mark went to the bank, where he had taken out a loan to finance his car, to complete the necessary paperwork. The bank informed him that he needed to purchase physical damage insurance to protect their interest in the car. This meant that if anything happened to the car, the insurance would cover the financial loss. Mark agreed and purchased the insurance.

The bank explained to Mark that they would be listed as the loss payee on the insurance policy. This meant that in the event of any damage to the car, the insurance claim would be paid jointly to Mark and the bank. However, the bank's payout would only be up to the amount they had loaned Mark for the car. If the car was valued at more than the loan amount, the bank would only receive their share.

Mark understood the terms and was relieved that he had insurance to protect his investment. Little did he know that this insurance would come in handy sooner than he expected.

A few months later, Mark was driving his car when another driver ran a red light and crashed into him. The accident was severe, and Mark's car was completely totaled. Thankfully, Mark and the other driver were not seriously injured.

## What is "Gap Coverage"?

Mark filed an insurance claim and was informed that the insurance would pay up to the actual cash value of the car, minus the loan amount. Unfortunately for Mark, the remaining balance on his loan was higher than the car's value. This meant that the insurance would only cover the car's value, leaving Mark with a balance to pay the bank.

Disheartened, Mark thought he would have to face the financial burden on his own. But then he remembered the Auto Loan/Lease Coverage endorsement, also known as "gap coverage," that the bank had explained to him when he purchased the insurance.

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Mark contacted the insurance company and asked if he had gap coverage. Fortunately, he did. The insurance company explained that gap coverage would cover the remaining balance on his loan, so he wouldn't have to worry about the extra cost. Mark was relieved and grateful that he had made the right decision to purchase this additional coverage.

## What is “Additional Insured Lessors Coverage”?

In another part of town, a woman named Sarah was working for a car rental agency. One day, she received a call from her boss, who informed her that the agency had just signed a lease agreement for a new fleet of cars. Sarah was excited about the new addition and knew that the agency's business would boom.

However, Sarah's excitement was short-lived when she learned that the agency needed additional insurance coverage to protect their interests as lessors. The agency had to make sure they were covered in case any accidents or damages occurred while customers were driving the leased cars.

Sarah contacted the insurance company and asked about adding the Additional Insured Lessor endorsement to their insurance policy. This endorsement would protect the agency from any legal actions taken against them due to accidents caused by their customers.

One day, a customer named John rented a car from the agency. Unfortunately, John was a reckless driver and ended up causing an accident. Not only did the injured party sue John, but they also sued the rental agency for leasing the car to him.

Thanks to the Additional Insured Lessor endorsement, the insurance company provided the necessary defense for the rental agency. This meant that the agency wouldn't have to worry about expensive legal fees or damages caused by John's negligence.

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## What is “Extended Non-Owned Coverage”?

Back in town, a woman named Emily worked for a company that provided her with a company car for her regular use. Emily loved her job and enjoyed the perks of having a company car. However, she soon realized that her personal auto insurance policy didn't cover her while she was using the company car.

Concerned about this gap in coverage, Emily contacted her insurance company to find a solution. The insurance company explained that she could add the Extended Non-Owned Coverage endorsement to her policy to restore the excluded coverage for the company car.

Emily added the endorsement and felt relieved knowing that she was now protected while using the company car. She never imagined that this additional liability protection would come in handy in such a unique situation.

# HOW TO INSURE PERSONAL AUTOMOBILES

One day, while driving the company car with a fellow employee, Emily was involved in an accident caused by her co-worker's negligence. The co-worker sustained injuries and decided to sue Emily for damages. Luckily, with the Extended Non-Owned Coverage endorsement, Emily had the liability protection she needed. The insurance company covered the damages, preventing Emily from facing financial ruin due to the accident.

In the end, Mark, Sarah, and Emily all learned the importance of having the right insurance coverage to protect their interests. Whether it was protecting their investment in a financed car, ensuring the rental agency was covered in case of accidents, or adding coverage for company cars, they all saw firsthand the benefits of having the right endorsements on their insurance policies. From that day forward, they made sure to review their insurance policies regularly, knowing that proper coverage could save them from unexpected financial burdens in the future.

## How do you cover "Joint Owners" who are not married?

Once upon a time, in a small town called Oakville, there lived two best friends named Bob Smith and Nancy Jones. The pair had been inseparable since they met in college and they decided to continue their strong bond by becoming roommates. They shared everything, from their deepest secrets to their Sunday morning pancakes.

One day, Bob and Nancy had a brilliant idea. They thought it would be a great idea to pool their resources and purchase a car together. They loved the idea of going on road trips and exploring new places. The only problem was that they weren't married, so they weren't sure if they would be able to insure the car jointly.

Just when they were about to give up on their dream, they stumbled upon an endorsement called Joint Ownership Coverage (PP 03 34). This endorsement would allow them to insure the car they jointly owned, even though they weren't legally married. It seemed like a miracle!

With renewed hope, Bob and Nancy decided to move forward with their plan. They added the PP 03 34 endorsement to their Personal Auto Policy (PAP) and were overjoyed to find out that they were eligible to be insured as joint owners, despite not being spouses. The endorsement modified the policy's definition of "you" and "your" to include nonresident relatives who jointly owned the car.

Excitedly, they started brainstorming all the possibilities. They realized that this endorsement could benefit many other people in similar situations. They came up with examples such as unmarried couples who wanted to jointly own a vehicle, grandparents who purchased cars for their grandchildren, parents buying cars for their children who had different living arrangements due to divorces or custody arrangements, and even parents and children who jointly owned a car but lived separately.

With their minds buzzing with ideas, Bob and Nancy continued to read about the endorsement. They discovered that the jointly owned vehicles needed to be specifically described on the endorsement schedule. They were relieved to know that coverage was available for liability, medical payments, uninsured motorist protection, collision, and other-than-collision coverages.

However, they also learned that any loss from jointly owned vehicles that were not specifically described in the schedule would not be covered. It was a small price to pay for the peace of mind they would have knowing they were protected.

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As they read further, they found out that the endorsement excluded liability coverage for the ownership, maintenance, or use of any other vehicle, except for the one that was covered. They were a bit disappointed, but then they noticed a buy-back option in the endorsement schedule. This option allowed them to include non-owned auto liability coverage if they wished to.

Bob and Nancy were thrilled with their newfound knowledge. They couldn't wait to share it with others who might benefit from the PP 03 34 endorsement. They realized that this endorsement was not required when a PAP was used to cover a motor vehicle owned by a farm family co-partnership or a farm family corporation, as long as the owners were relatives living in the same household and the vehicle was primarily stored on the farm or ranch.

With their hearts full of gratitude, Bob and Nancy thanked the insurance company for providing a solution that allowed them to fulfill their dream of jointly owning a car. They knew that this endorsement would make a difference in the lives of many nontraditional households and nonresident relatives.

And so, armed with their knowledge and a shared determination to help others, Bob and Nancy set off on a journey to spread the word about the Joint Ownership Coverage endorsement. Through their efforts, they hoped to bring happiness and security to those who, like them, had once thought their dreams were out of reach.

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## Title held by a Trust

Once upon a time, in a small town called Oakville, there was a trust that held the title to a beautiful red automobile. The trust was a legal agreement that allowed one person to hold the property interest for the benefit of another. This arrangement was often recommended by estate planners for advantageous income tax purposes.

To ensure that the trust was properly recognized, the Trust Endorsement (PP 13 03) was needed. This endorsement amended the definitions section by stating that the automobile would be considered owned by the person if the title was transferred to the trust designated in the endorsement schedule. It was similar to the approach used with leased vehicles. If the insurance policy for the car was canceled or not renewed, the trustee listed in the endorsement schedule would also receive a notice.

The endorsement also required prompt notification to the insured if there were any changes in the trust's name, address, or trustees. It also included provisions for the termination of the trust, as well as the death or disability of the trust's trustee or grantor. The insurer had the right to request copies of trust documents as often as needed.

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## [Additional Resident of Your Household \(PP 33 37\)](#)

In the same town of Oakville, a new endorsement called Additional Resident of Your Household (PP 33 37) was introduced in 2018. It aimed to accommodate the changing household structures that included domestic partners, significant others, live-in nannies, or roommates who did not own the insured's vehicle but had access to it. With this endorsement, these designated individuals had the same coverage as true "family members" who were related to the named insured by blood, marriage, or adoption.

However, the named insured had to inform the insurer within 30 days of any changes in the person's residency.

## [Pet Injury Coverage \(CP 33 31\)](#)

Meanwhile, in a cozy house on Elm Street, lived a family who considered their pets to be part of their family. They loved their dog and cat dearly and wanted to ensure their well-being. That's why they were delighted when the Pet Injury Coverage (CP 33 31) endorsement was introduced in 2018. This endorsement provided coverage without a deductible for veterinary and other expenses incurred due to bodily injury or death of the covered pet. It was only applicable to dogs and cats owned by the named insured or a family member.

As the story unfolded, it became clear that the personal lines agent had a crucial responsibility. Many policyholders were unaware of all the different people and situations that a standard Personal Auto Policy (PAP) covered. It was important for the agent to ask the right questions to determine who else needed coverage and then modify the policy accordingly. Whether it was lenders, lessors, additional household members, or even pets, the agent had to ensure that everyone was properly protected or explain why certain coverage was not available.

And so, in the town of Oakville, where trust, family, and the well-being of loved ones mattered, the importance of endorsements and the agent's role in providing comprehensive coverage became clear. It was a story of trust, responsibility, and ensuring that everyone was taken care of, no matter what their relationship to the insured.

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# HOW TO INSURE PERSONAL AUTOMOBILES

## Chapter 2: Introduction

The topics in this chapter are all about what vehicles should be covered by auto insurance. Many people think that auto insurance only covers the cars they own that are listed in their policy. But a good agent will let them know that a personal auto policy (PAP) can actually cover more than just their own cars.

In this chapter, we'll go over why it's important for an agent selling PAPs to ask these questions and what to do with the answers.

The first question is pretty straightforward: what vehicles do you want coverage for? Most people think of their own cars, and that's correct. The PAP covers the vehicles listed in the policy. But it also covers other vehicles automatically and can cover even more types of vehicles with the right endorsement.

The PAP uses the term "your covered auto" to refer to a vehicle that is covered by the policy. The easiest way to make a vehicle a covered auto is to list it in the declarations page of the policy. However, the vehicle has to be owned or leased by the named insured for at least 6 months to be listed. So, if you regularly use your neighbor's car, it can't be listed because you don't own it. And if your son has his own car, it can't be listed on your policy because he needs his own insurance.

It's also important to note that a PAP can only cover vehicles that meet certain eligibility requirements. Question #2 focused on who is eligible for coverage, and now we're looking at what vehicles those eligible people can get coverage for.

The PAP is designed to cover private passenger autos. But what exactly falls into that category? The rating manual has a definition for "private passenger auto," but it's not part of the insurance contract. However, it does give us some insight into the intentions of the insurance provider.

According to the manual, a private passenger auto is a four-wheel motor vehicle that is owned or leased for at least 6 months, not used for public transportation, and not rented to others.

So, when thinking about what vehicles are eligible for PAP coverage, keep these criteria in mind.

### Discover the World of Public or Livery Conveyances

Forget about your ordinary, run-of-the-mill private passenger auto. We're here to explore the fascinating realm of public or livery conveyances. So, what exactly is a public or livery conveyance, you may ask? Well, it's not just any vehicle. According to common law, a public or livery conveyance is a vehicle that is available for everyone to use. We're talking about buses, taxicabs, and other vehicles that provide services to the public. It's a whole different ball game compared to your regular car!

Now, here's the thing. Your typical personal auto policy (PAP) doesn't cover vehicles used in connection with transportation network companies like Uber or Lyft. However, fear not! You can tweak your PAP with some nifty endorsements to address these ridesharing situations. It's all about finding the right balance between convenience and insurance coverage.

# HOW TO INSURE PERSONAL AUTOMOBILES

But hold on, folks! We haven't covered all the exciting aspects of this topic yet. Let's dive into the world of vehicles rented to others. You see, there are folks like Mary who have cars sitting idly in their driveways, while their car payments keep piling up. Luckily for Mary, she can join the car-sharing trend and rent out her vehicle when she's not using it. However, it's important to note that once Mary's car is rented to other parties, it no longer falls into the private passenger auto category. Rules are rules, after all.

Now, let's talk pickups and vans. Here's where things get a bit tricky. While the definition of private passenger auto excludes truck-type vehicles, pickups and vans can still qualify as private passenger autos if they meet certain criteria. For instance, if a pickup has a gross vehicle weight rating of 10,000 pounds or less, and it's not used for carrying or delivering goods, it's in the private passenger auto club. That's good news for folks like the named insured repairing lawn mowers, who occasionally needs to deliver them to customers in their trusty pickup.

But wait, there's more! If you're a farmer who relies on a pickup for your farm business, rest assured that it can qualify for a PAP, as long as it meets the weight requirements. It's all about keeping our hardworking farmers covered, folks!

Now, here's an interesting twist. If you happen to be a government employee using a pickup or van for federal government business, it'll only be considered a private passenger auto if it meets certain requirements. Oh, and let's not forget about the Federal Employees Using Autos in Government Business endorsement. This little gem excludes the US government and its agencies from the liability coverage section. It's a whole different ball game when the government is involved, my friends!

So, there you have it. The thrilling world of public or livery conveyances, rented vehicles, and pickups and vans. It's a wild ride, but with the right insurance coverage, you'll be cruising along just fine.

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## Exciting News: Farm Vehicles Made Simple!

Owning a farm has its perks, including some special considerations when it comes to insurance. Today, we're diving into the world of farm vehicles and how they fit into the insurance landscape. Don't worry, we promise to keep it interesting and less technical!

Imagine this: Meet the Smith family. They live on a beautiful farm and work together to make it thrive. The Smiths have their own cars and pickups, all under 10,000 pounds, and these vehicles are titled in the farm's name. Now, here's the exciting part - these vehicles qualify for a special type of insurance called Private Auto Insurance (PAP).

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So, what exactly is a PAP? Well, it's insurance coverage for vehicles that are owned by multiple family members and primarily located on a farm or ranch. It's like having a joint ownership agreement but with added insurance benefits!

But hold on, it's not just limited to cars. When we say "auto," we mean any vehicle that falls under the private passenger auto category or meets the definition we just discussed. So, whether it's a sleek sedan or a sturdy pickup truck, as long as it meets the criteria, it's eligible for PAP coverage.

Now, let's talk about the agent's role in all of this. The agent is like the superhero of insurance, responsible for understanding what vehicles the client owns and wants to insure. Before submitting the PAP application to the insurer, the agent double-checks that the vehicle(s) listed are eligible for PAP coverage.

Here's the exciting part: sometimes, the client might not even be aware that their PAP insurance can cover additional vehicles. How cool is that? It's like unlocking a secret bonus level in a video game! This could happen automatically or by adding an appropriate endorsement. Don't worry, we've got you covered with more information in later chapters.

So, there you have it, folks. Farm vehicles don't have to be a headache when it comes to insurance. With PAP coverage, the Smiths and other farm families can enjoy peace of mind knowing that their vehicles are protected. Remember, it's all about finding the right insurance solution for your unique needs, and a PAP might just be the ticket!

Stay tuned for more exciting insurance adventures. Until then, keep driving with a smile!

## The Excitement of Adding or Replacing a Car: Do You Need Instant Coverage?

When it comes to adding a new car or replacing an old one, most people would answer with a resounding "yes" to the question of whether they want automatic coverage. After all, cars age, get worn out, and sometimes find themselves in unfortunate accidents. It's only natural that we eventually replace our trusty steeds with newer, more valuable models.

And let's not forget about those moments when we decided to expand our vehicular fleet by adding another car to the mix.

Luckily, the Personal Auto Policy (PAP) understands our needs. It includes a provision for "newly acquired autos." But what does this mean exactly?

For starters, the PAP provides some automatic coverage for newly acquired autos, especially for private passenger-type cars. So, if you buy a shiny new car or a noncommercial-type truck, you don't have to frantically call your agent to get coverage. However, it's important to report the new purchase as soon as possible.

Now, let's talk about trucks. Automatic coverage for trucks is a bit more restricted. If the truck has a Gross Vehicle Weight (GVW) of 10,000 pounds or more, you can't rely on automatic coverage. Typically, trucks referred to as "one ton" fall into this category, as well as some three-quarter-ton trucks. If these vehicles are primarily used for commercial purposes, they should be insured under a commercial automobile policy. However, there are some exceptions. A pickup or van with a GVW greater than 10,000 pounds can still be considered a covered auto if it meets specific criteria outlined in the ISO's Symbol and Identification Manual. Essentially, as long as it's not primarily used for commercial operations, it can qualify for coverage.



# HOW TO INSURE PERSONAL AUTOMOBILES

When it comes to liability, medical payments, personal injury protection, and uninsured motorist coverages, a newly acquired auto will have the same broad coverage as the other vehicles listed in the policy. Coverage starts as soon as you become the legal owner of the vehicle, but you have 14 days to request coverage from your insurer. If you miss this 14-day window, coverage begins on the day you actually make the request.

Collision coverage for a newly acquired auto kicks in on the day of purchase, as long as you give proper notification. Proper notification is within 14 days if any of the existing vehicles on your policy have collision coverage. In this case, the new vehicle will have the same collision coverage as the other autos. If your current policy doesn't include collision coverage, proper notification is within 4 days, with a \$500 deductible. Again, if you don't request coverage within the specified time period, it won't start until you make the request.

Comprehensive coverage, also known as "other-than-collision" coverage, starts on the day you purchase the vehicle, but you must provide proper notification. This notification is within 14 days if any of the previous vehicles on your policy have comprehensive coverage. If your current policy doesn't cover this type of damage, you have 4 days to notify your insurer, with a \$500 deductible. And just like before, if you miss the notification period, coverage won't begin until you request it.

In the past, the PAP differentiated between replacement autos and additional autos. If you replaced a vehicle listed in the policy, the new auto was automatically covered for liability, medical payments, and uninsured motorist coverage without needing a specific request.

However, with the new 2018 policy form, this is no longer the case. Replacement vehicles must be reported for these coverages to continue. It might sound like a strict rule, but most insured individuals inform their agent or insurer about replacement autos to comply with state vehicle registration requirements.

Now, let's talk about the agent's responsibility. Policyholders should know that the PAP does provide automatic coverage for additional autos or replacement autos, but only for a limited time. Agents who sell policies other than the ISO PAP need to be aware that other policies might not be as generous when it comes to covering newly acquired autos. For example, ISO's Special Personal Auto Policy only provides automatic coverage for a replacement auto for 14 days after the named insured's ownership begins. And for an additional vehicle, there's no automatic coverage at all.

Considering the complexity of these policy terms and rules, the safest thing an agent can do is advise policyholders to immediately report any changes in vehicles to their insurance agent. This may also be a requirement when licensing a replacement or additional auto.

So, if you're adding a new car to your collection or replacing a trusty old one, don't forget to let your insurance agent know. It might just save you from any potential coverage gaps or headaches down the road.

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# HOW TO INSURE PERSONAL AUTOMOBILES

## Driving a borrowed vehicle

Once upon a time, in a small town called Ridgemont, lived a young man named Jack. Jack was an adventurous spirit and loved exploring new places. However, he didn't own a car of his own. One day, his friend, Mark, invited him to a party in the neighboring town. Mark had a car, but after a few drinks, he was in no state to drive back home. That's when Jack stepped in to save the day.

Jack had heard about the concept of borrowing someone else's car before, but he wasn't quite sure about the insurance aspect. He didn't want to end up in trouble if something were to happen while he was driving Mark's car. So, he decided to do some research and seek answers from his trusted insurance agent, Mr. Johnson.

Mr. Johnson explained to Jack that when it comes to driving a car you don't own, there are certain insurance coverages that come into play. He told Jack about "nonowned autos" and how his own insurance policy provided secondary coverage in such situations.

Essentially, Jack's insurance would only kick in if Mark's insurance didn't cover any damages or accidents.

Jack was relieved to hear this, but he still wanted to know more about another scenario - renting a car. He had seen people renting cars before but wasn't sure about the insurance implications. Mr. Johnson explained that renting a car was different from borrowing one, especially when it came to insurance.

Car rentals, Mr. Johnson told Jack, involved signing rental contracts that made the renter responsible for any damages to the rented vehicle or liability to a third party caused by their use of the car. This meant that even without a rental contract, Jack could still be liable under state laws. It was essential for Jack to understand the terms and conditions of the rental contract before signing it.

The rental contract itself had various provisions that clarified, limited, or transferred liabilities between the rental company and the renter. These provisions could vary from one company to another and even from one state to another. It was a lot to take in, but Mr. Johnson assured Jack that he would guide him through the most common provisions found in traditional auto rental contracts.

One crucial thing that Mr. Johnson emphasized was not to solely rely on the rental company's liability coverage. While rental companies were legally required to provide a minimum level of liability insurance or self-insurance, their rental contracts often disavowed such coverage for the customer. Even if coverage was required by law, it would be limited to the minimum limits set by the state. Moreover, there was no guarantee that the laws of the state where the car was rented would apply if it was driven in another state.

To address this, rental companies offered optional liability coverage called supplemental liability insurance (SLI), or sometimes referred to as supplemental liability protection (SLP) or additional liability insurance. This coverage would provide additional protection to the renter in case of any accidents or damages.

Armed with this newfound knowledge, Jack felt more confident about renting a car or borrowing someone else's car in the future. He thanked Mr. Johnson for his guidance and set off on his next adventure, knowing that he had the right information to keep himself protected on the road.

# HOW TO INSURE PERSONAL AUTOMOBILES

And so, Jack continued exploring the world, driving in cars that weren't his own, but with the assurance that he was covered. The end.

## Insurance offered by Car Rental Companies

Once upon a time in a bustling city, there was a rental car company called FastDrive. FastDrive prided itself on providing top-notch service and reliable vehicles to its customers. However, there were some important things that the customers needed to know before hopping into one of their cars.

One of these things was UM and UIM insurance. Now, UM and UIM insurance may sound like some sort of secret code, but it's actually quite simple. UIM stands for "underinsured motorists" and UM stands for "uninsured motorists." These are coverages that protect you in case you get into an accident with someone who doesn't have enough insurance or no insurance at all. But here's the catch - unless the law requires it, FastDrive doesn't provide this coverage. So, it's important for customers to check their own insurance policies to see if they're covered for UM and UIM.

In addition to UM and UIM, there were a few other types of insurance that FastDrive offered. One of them was personal accident insurance, which reimbursed customers and other passengers in case of accidental medical expenses. This could come in handy if you were to get hurt while driving one of FastDrive's cars. There was also personal effects coverage, which insured any personal belongings you had with you in the rental car. This was similar to the coverage you might already have in your homeowner's insurance, so it was important to avoid paying for duplicate coverage.

Now, let's talk about the condition of the car. When you rent a car from FastDrive, you're responsible for returning it in the same condition you received it, with the exception of normal wear and tear. That means if anything happens to the car - whether it's a collision, theft, vandalism, or even a fire - you're the one who has to pay for the damages, regardless of whose fault it is. It's like taking care of a borrowed toy - you have to keep it safe and sound. That's why FastDrive offers something called a loss damage waiver (LDW) or collision damage waiver (CDW). If you purchase this waiver and follow all the rules in the rental agreement, FastDrive won't hold you responsible for any physical damage to the car. It's like having a safety net that protects you from unexpected expenses.

Now, who is allowed to drive the rental car? Well, normally it's only the person who rented it in the first place. FastDrive has some rules in place to ensure the safety of everyone involved. Most rental car companies don't allow drivers under the age of 21, unless the law says otherwise. However, there are exceptions for spouses and even employers or fellow employees. So, if you need someone else to drive the rental car, it's best to check with FastDrive to see if it's allowed.

FastDrive always made sure to explain these important details to their customers, but sometimes it could be overwhelming, especially if you're standing in line with other customers waiting to get your rental car. So, it was always a good idea to be prepared and do some research beforehand. That way, you can make informed decisions and enjoy a smooth and worry-free ride in one of FastDrive's reliable cars.

# HOW TO INSURE PERSONAL AUTOMOBILES

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## Forbidden Activities with a Rental Vehicle

Once upon a time, in the picturesque town of Riverville, there was a car rental company called Speedy Wheels. They had a fleet of shiny, new cars that were eagerly waiting to be driven by adventurous customers. However, there were certain rules that every customer had to follow to ensure the safety of the vehicles.

One sunny day, a young man named Jake walked into Speedy Wheels to rent a car for a weekend getaway. As he filled out the rental contract, the friendly employee, Sarah, explained to him the prohibited uses of the rental vehicle. These were actions that could void the insurance and make the customer responsible for any damages to the car.

Sarah listed off the forbidden activities with a serious tone. She mentioned that intentionally damaging the car or engaging in willful misconduct was a big no-no. Jake nodded, understanding the importance of treating the car with respect.

Then, Sarah warned him about the dangers of driving under the influence of drugs or alcohol. She emphasized that the rental contract specifically stated that no one who had consumed alcoholic beverages within the past 12 hours should be behind the wheel. Jake promised Sarah that he would only drive sober.

Next, Sarah told Jake that he couldn't allow anyone who wasn't authorized to drive the car to take the wheel. It was a safety measure to prevent any accidents caused by inexperienced drivers. Jake assured her that he wouldn't let anyone else drive the car.

Sarah continued to list the prohibited uses, like using the car for illegal purposes or carrying passengers for hire. She even mentioned that using the car in a race or speed contest was strictly forbidden. Jake listened attentively, realizing that these rules were in place to keep everyone safe.

As Sarah reached the end of the list, she mentioned that the car couldn't be used for towing or pushing anything. She also warned Jake not to overload the car or drive recklessly. These were all common-sense rules that Jake knew he had to abide by.

Lastly, Sarah instructed Jake to always wear his seat belt and not exceed the number of passengers allowed in the car. She also mentioned that the car should only be driven on paved public roads, private roads, or driveways. Jake nodded, understanding the importance of obeying traffic laws.

Sarah then moved on to a more specific rule. She informed Jake that the car couldn't be taken out of the state without written consent from Speedy Wheels. Jake was surprised and asked if he couldn't even drive to a neighboring state. Sarah explained that this rule was to ensure that the company could keep track of their vehicles and provide assistance if needed.

# HOW TO INSURE PERSONAL AUTOMOBILES

With a sigh of relief, Jake reached the end of the list of prohibited uses. He thanked Sarah for the information and assured her that he would follow all the rules. Sarah smiled and handed him the keys to his rental car, wishing him a safe and enjoyable trip.

Little did Jake know that by abiding by these rules, he was not only protecting himself but also ensuring that he wouldn't void his insurance coverage. It was a lesson that every customer of Speedy Wheels had to learn. And so, Jake set off on his adventure, knowing that he had the responsibility to drive safely and protect the rental car.

As for the rental charges and insurance coverage, that's a story for another day.

## What coverages extend to a Rental Vehicle?

Once upon a time in a small town called Meadowville, there lived a man named Sam. Sam was planning a weekend getaway with his best friend, Jake. They were excited to explore the neighboring city of Rivertown and decided it would be best to rent a car for their adventure.

Sam had heard about something called a Personal Auto Policy (PAP), which provided coverage for rental cars. Eager to learn more, he attended a local workshop where they discussed the ins and outs of PAP exclusions. The workshop was quite technical, but Sam managed to grasp the key points.

The instructor explained that the PAP had certain exclusions that could affect coverage for Sam's rental car. They focused on the countrywide PAP, which was relevant to Sam's situation. The instructor also mentioned that if Sam planned to use the rental car for ridesharing or car-sharing, there might be additional endorsements to consider. It was all a bit overwhelming, but Sam knew he had to understand these exclusions to protect himself.

One of the biggest concerns Sam had was whether the PAP would cover any damage to the rental car itself. The instructor explained that the PAP had a liability exclusion known as the care, custody, or control liability exclusion. This exclusion meant that if Sam caused any property damage to a rental car, he wouldn't be covered. However, there was an exception for damage to a rented residence or private garage, but unfortunately, no exception for rental cars. This meant that if Sam totaled the rental car in an accident, he would have to rely on the physical damage section of the PAP for coverage.

Sam discovered that some states had amended this exclusion to include rental cars. But there was a catch - if Sam had low or minimum limits of liability, there could be a coverage gap. For example, if he had a property damage limit of \$10,000, it would be nowhere near enough to cover the cost of a totaled rental car. It was a risk Sam didn't want to take.

As Sam delved deeper into the exclusions, he learned that some limitations only applied to the renter's coverage for liability to a third party, not for damage to the rental car itself. It was a relief to know that there was some protection for his liability in case of an accident.

Another important limitation Sam discovered was the rental agreement provision that prohibited unauthorized drivers from operating the rental car. The PAP stated that any loss where an insured used a vehicle without a reasonable belief that they were entitled to do so would not be covered.

# HOW TO INSURE PERSONAL AUTOMOBILES

Sam couldn't help but think about his teenage son, who had a habit of taking his car without permission. He made a mental note to have a serious conversation with his son before their trip.

The rental agreement also stated that the rental car couldn't be used for transportation of persons or property for hire. There was an exclusion in the PAP that prevented coverage for liability arising from the use of the rental car as a public or livery conveyance, except for carpooling arrangements. Sam wasn't planning on using the rental car for any commercial purposes, so this exclusion didn't worry him too much.

Sam also learned about two business exclusions in the PAP that dealt with using a car for business purposes. The first exclusion stated that there would be no liability coverage if any insured was employed or engaged in an auto business. This exclusion didn't apply to Sam, as he was just a regular guy renting a car for a weekend getaway.

The second business exclusion was more relevant to Sam. It stated that there would be no liability coverage if any insured maintained or used a vehicle while engaged in any business other than farming or ranching. However, there was an exception to this exclusion for the use of private passenger autos, whether they were owned or nonowned. Sam breathed a sigh of relief knowing that this exception would protect him during his rental adventure.

Lastly, Sam was intrigued by the racing exclusion mentioned by the instructor. He had no plans to race the rental car, but it was interesting to note that rental contracts usually included a clause prohibiting racing activities. It seemed like common sense to him, but he couldn't help but wonder if there were people out there who rented high-performance cars just to test their limits.

Armed with this newfound knowledge, Sam felt more confident about renting a car for his weekend getaway. He knew he had to be cautious, especially when it came to the care, custody, and control of the rental car. As he packed his bags, he couldn't help but imagine the adventures that awaited him and Jake in Rivertown. Little did he know, this trip would be one for the books, filled with laughter, unexpected twists, and memories that would last a lifetime.

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## What about Med Pay in a Rented Vehicle?

Once upon a time, there was a town called Cloverfield. In this town, many people loved to go on adventures and explore new places. One of the most popular ways to do this was by renting a car. But with every adventure comes risks, and the people of Cloverfield knew they had to be prepared for anything.

Meet Emma, a young woman with a passion for traveling. She had heard about the importance of having medical payments coverage when driving a rental car, so she made sure to have it in her insurance policy. Little did she know that this coverage would come in handy sooner than she thought.

# HOW TO INSURE PERSONAL AUTOMOBILES

One sunny day, Emma decided to rent a car and drive to the nearby mountains for a hiking trip. As she was driving up the winding roads, a reckless driver crashed into her car, causing her to sustain injuries. Emma was in pain and needed immediate medical attention.

Luckily, Emma had medical payments coverage in her insurance policy. This coverage would help her pay for all the necessary medical expenses, including hospital bills and funeral services if needed. It was a relief for Emma to know that her insurance would take care of her in this difficult time.

But there was a catch. The insurance only provided coverage on an excess basis, which meant that it would only cover the costs that were not already covered by other insurance. Emma had to make sure she understood all the terms and conditions of her policy to avoid any surprises.

Another important aspect of renting a car was having UM/UIM coverage. This coverage would protect Emma if she was involved in an accident with an uninsured or underinsured driver. Thankfully, her insurance policy had this coverage as well, giving her peace of mind during her adventures.

As Emma continued her journey, she couldn't help but wonder about the physical damage coverage for the rental car itself. The rental agreement clearly stated that she was responsible for any damage to the car. However, state laws could limit the extent of this responsibility.

In her insurance policy, there was a section that explained the extent of physical damage coverage. It stated that the insurance company would pay for any direct and accidental loss to the rental car, minus any deductible. This coverage would apply if Emma already had collision or other-than-collision coverage on one of her own cars.

Fortunately, Emma owned three cars, and one of them had both collision and other-than-collision coverage. This meant that if she rejected the optional coverage offered by the rental company, her insurance policy would provide primary coverage for any physical damage to the rental car. It was a relief for Emma to know that she was protected in case of any mishaps.

However, Emma had to be careful about certain exclusions that could prevent coverage. For example, the rental agreement prohibited unauthorized drivers from operating the rental car. Emma had to make sure that only she or authorized drivers were behind the wheel to avoid any complications.

Another exclusion to be aware of was using the rental car for business purposes. Emma loved using the car for her personal adventures, but she knew that it was not allowed to be used for any professional activities. This was important because it could void any damage waiver purchased and prevent her from being covered by her insurance policy.

There were also exclusions for loss to a nonowned auto being used by someone in the auto business or for participating in races or speed contests. Emma knew that she had to abide by these rules to ensure that her insurance would be there for her when she needed it the most.

# HOW TO INSURE PERSONAL AUTOMOBILES

Lastly, Emma learned about an exclusion that prevented coverage for any loss of use of the rental car if the rental company couldn't recover the loss from her based on the rental agreement or state law. This was added to protect the insurance policy from being used for damages that were not the insured's fault.

With all this knowledge in mind, Emma continued her adventure with a newfound confidence. She knew that she was well-prepared and protected by her insurance policy. No matter where her travels took her, Emma could rest easy knowing that she had the right coverage by her side. And so, her journey continued, filled with excitement and the comfort of knowing she was covered.

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## Should you buy the LDW or CDW?

Once upon a time in the city of Carville, there lived a man named John who was planning a vacation with his family. He had decided to rent a car for their trip, but he was unsure whether he should purchase the Loss Damage Waiver (LDW) or Collision Damage Waiver (CDW). Little did he know, this decision would make a significant difference in their adventure.

John visited an insurance professional named Mr. Smith to seek advice on the matter. Mr. Smith explained that even though John's Personal Auto Policy (PAP) provided coverage for physical damage, it was still recommended to purchase the LDW or CDW for several reasons. He wanted to make sure John had all the information he needed to make the right choice.

First, Mr. Smith told John that most car rental agreements held the insured driver responsible for loss of use. This meant that if the rental car was damaged, the rental company would lose revenue because the car couldn't be rented out. The fees for loss of use could quickly add up, and the PAP only provided a limit of \$20 per day for this coverage. However, by purchasing the LDW or CDW, John could increase this limit to \$30, \$40, \$50, or even \$100 per day.

Next, Mr. Smith explained that most PAPs had a physical damage deductible, except in a few states where the liability coverage paid for damage to a rental car. On the other hand, the CDW typically did not have a deductible. This meant that if John chose not to purchase the LDW or CDW, he would have to pay the deductible out of pocket in case of any damage to the rental car.

Furthermore, Mr. Smith warned John about the rental agreement's requirement to reimburse the rental car company for the "full value" of the vehicle. While most PAPs covered the lesser of the actual cash value or the amount necessary for repairs or replacement, the rental agreement might demand the full value. This could leave John underinsured and responsible for paying the difference. The rental agreement could also hold John accountable for any "diminution in value," which the PAP did not cover.



# HOW TO INSURE PERSONAL AUTOMOBILES

Additionally, Mr. Smith mentioned that the rental agreement might include administrative expenses like towing, storage, and impound fees. Fortunately, if John had existing towing coverage, he would have some coverage for these expenses. However, without it, he would have to bear the costs.

Lastly, Mr. Smith discussed how an at-fault accident in the rental car could affect John's future auto insurance premium. If he had an accident covered by the CDW or LDW, his PAP premium would remain unaffected. However, if he didn't have this coverage, his premium might increase.

John listened carefully to Mr. Smith's explanations. He realized that while these potential coverage gaps were not insignificant, they were not extremely large either. However, he couldn't ignore the fact that the premium charged for the LDW was extraordinarily high compared to what his personal auto insurer would charge for the same coverage.

After weighing all the information, John decided that risk-tolerant individuals like himself, under certain circumstances, could still choose to decline the LDW. He believed that insurance was best designed to handle large losses, not smaller ones associated with forgoing the LDW. However, he understood that purchasing the LDW or CDW could reduce the possibility of errors and omissions allegations against an agent.

In the end, John realized that the best approach for agents would be to inform consumers about the extremely high daily cost of the LDW and let them decide. Agents should also stay updated on optional endorsements and car rental agreements to ensure the decisions made by their customers were still appropriate.

Before making a final decision, John discovered that his credit card company also provided collision damage protection as a bonus for using their card to pay for the rental car. This coverage would be in addition to his PAP coverage, but it wouldn't apply if he purchased the LDW from the rental company.

John kept in mind that relying on credit card coverage came with its own set of requirements and limitations. The credit card company might have strict rules for reporting a claim, including time limits and paperwork. If he chose to rely on credit card coverage, he would have to deal with both the rental company and his PAP insurer.

With all this newfound knowledge, John felt more confident in his decision-making process. He thanked Mr. Smith for his guidance and left the office, ready to embark on an unforgettable vacation with his family.

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# HOW TO INSURE PERSONAL AUTOMOBILES

## How to cover Substitute Vehicles

Once upon a time, in a small town called Autoville, there lived a group of car enthusiasts. They loved their cars dearly and took great care of them. But sometimes, even the most well-maintained cars would break down or need repairs.

One day, a man named Jack found himself in a bit of a pickle. His beloved car, Lightning, had broken down and needed some serious TLC. Jack was devastated because he relied on Lightning to get him everywhere - from work to his favorite fishing spot by the lake.

Feeling stranded without Lightning, Jack went to his friend, Sam, who happened to work at an insurance office. Sam had an idea. He asked Jack, "Hey, have you ever thought of renting a car while Lightning is being repaired?"

Jack had never considered this option before. He was intrigued and asked Sam to explain more. Sam told him that insurance professionals called a rented car in this situation a "temporary substitute auto." It meant that while Lightning was out of commission, Jack could rent another car to get around.

But here's the interesting part - the insurance policy didn't actually use the term "temporary substitute auto." It was just a fancy way insurance folks referred to it. Jack found this amusing, like a secret code only they knew.

Sam continued to explain the details. When it came to things like liability, medical payments, and uninsured motorist coverages, a temporary substitute auto was treated just like any other covered auto. The policy stated that "your covered auto" included any car or trailer that wasn't yours but was being used temporarily while your own car was out of service.

However, when it came to physical damage coverages like collision and other-than-collision, a temporary substitute auto was considered a nonowned car. It meant that the same coverages that applied to any other nonowned car would also apply to the rental.

Jack's eyes widened as he listened to Sam. He never realized that renting a car could be so seamless and worry-free. The thought of driving around in a shiny new rental car while Lightning got fixed made him feel excited.

So, Jack went ahead and rented a flashy red sports car. He felt like a superstar as he cruised through the town, turning heads wherever he went. It was a temporary change, but it brought a refreshing twist to his everyday life.

And when Lightning was finally back in action, Jack said goodbye to the rental car with a hint of nostalgia. He would always remember the time he got to experience a different set of wheels, all thanks to the concept of a temporary substitute auto.

From that day on, Jack knew that if Lightning ever needed repairs again, he wouldn't hesitate to rent another car. It was a convenient solution that made his life a little more exciting, even in the face of car troubles.

And so, the tale of Jack and his temporary substitute auto spread throughout Autoville. People started seeing the bright side of car repairs, knowing that they could always rely on a rented car to keep them moving. It became a story of how a temporary setback could lead to a temporary adventure, making life just a little more interesting.

# HOW TO INSURE PERSONAL AUTOMOBILES

## Do any of your cars have a trailer hitch?

It may seem like a strange question, but it actually has implications for your insurance coverage. While the policy may not specifically mention trailer hitches, there is an exclusion for "custom equipment" that is worth more than \$1,500. This means that if you have an expensive trailer hitch that is not original manufacturer equipment, it may not be covered by your policy.

But the real question is, why do you have a trailer hitch? If you say that it was already on the car when you bought it or that you added it for a bike rack, then there is no major exposure other than the custom equipment. However, if you have a trailer hitch because you use it to tow a trailer, then we need to discuss the coverage for owned and nonowned trailers and whether you need additional coverage.

So, does your policy cover a trailer? The answer is not a simple "yes" or "no."

First, let's consider what the policy means by a trailer. A trailer is a vehicle designed to be pulled by a private passenger auto, pickup truck, or van. It does not include things like a child's wagon or a trailer for a riding mower. However, a farm wagon or farm implement does qualify as a trailer when it is being pulled by a car, truck, or van, but not when it is being pulled by a farm tractor.

If you own a trailer, it is covered under your policy even if it is not listed in the declarations. This means that liability, medical payments, and uninsured/underinsured motorist coverages apply to the ownership, maintenance, or use of an owned trailer, even if it is not specifically named in your policy. However, if you want physical damage coverage for your trailer, you will need to add an endorsement and pay an additional premium. The collision and other-than-collision coverages only apply to covered autos listed in the declarations and to nonowned autos, which includes trailers that are not regularly used by you or your family.

When it comes to newly acquired trailers and temporary substitute trailers, your policy's liability coverage automatically applies. This means that if you acquire a new trailer or use a temporary substitute for your owned trailer, you are covered for liability without notifying your insurer. However, for physical damage coverage, you will still need to add the endorsement mentioned earlier. On the other hand, nonowned trailers are covered for physical damage as long as they are not regularly used by you, but the coverage is limited to \$1,500.

It's also worth noting that your homeowners insurance may provide some coverage for damage to trailers. Trailers are considered personal property and have limited coverage for certain perils. There is a sublimit of \$1,500 for watercraft and their trailers, as well as trailers not used with watercraft.

As an agent, it is my responsibility to help you navigate these complexities. If you have a car with a trailer hitch, it's likely that you either own a trailer or tow a nonowned trailer.

Towing a trailer behind your car can create additional risks, so it's important to make sure you have the right coverage.

If you want physical damage coverage for your owned or nonowned trailer worth more than \$1,500, I recommend consulting with me. I can help you understand the provisions of your auto and homeowners policies and find a solution that fits your specific needs.

# HOW TO INSURE PERSONAL AUTOMOBILES

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## What about Other Motor Vehicles?

Have you ever thought about all the different kinds of vehicles that could be insured under your auto policy? It's not just about cars and trucks, there are so many other possibilities! Let's explore some of the more interesting and unexpected options.

First, let's consider the classics. Do you own a vintage car or an antique beauty? These cherished vehicles may not be on the road every day, but they still need insurance coverage. And how about those fun off-road adventures? Dune buggies, all-terrain vehicles, and dirt bikes are all exciting possibilities that should be covered too.

But it doesn't stop there. Have you ever thought about insuring your motorhome or your beloved motorcycle? These are two more popular choices that should definitely be included in your policy. And let's not forget about the cool kids' toys! Motorized scooters and other fun gadgets might seem harmless, but they should still be insured.

Now, here's something you might not have considered. Do you own a golf cart or any other low-powered vehicle? These may seem like innocent mode of transportation, but accidents can still happen, so it's better to be safe than sorry.

And here's a surprising fact: even motor vehicles that are out of service can pose a liability risk. If you have any junked autos on your property, they could be an attractive nuisance that might cause trouble. So, it's important to be aware that your auto policy doesn't provide liability coverage for vehicles not listed in the policy. However, your homeowner's policy may offer some coverage for vehicles in dead storage. But before you decide to bring that old car out for a test-drive, make sure you have the proper insurance in place.

So, next time you're reviewing your auto policy, take a moment to think about all the motor vehicles in your life. From classic cars to off-road adventures and even those unexpected kids' toys, it's important to have the right coverage for all your wheels.

## Chapter 3: How are vehicles used?

The topics in this chapter deal with various aspects of a broader question: How is (are) the vehicle(s) used? Cars, pickups, and vans insured under a personal auto policy (PAP) are usually used for shopping, recreational travel, and other personal errands, and a standard PAP is designed to cover these exposures. However, exposures and coverage can get more complicated when a personal auto is also used in business, when it is used to transport people or property for a fee, or when it is rented to others.

# HOW TO INSURE PERSONAL AUTOMOBILES

## Chapter Objectives

On completion of this chapter, you should understand why an agent selling PAPs should ask the following questions and know what to do with the answers.

- Is (are) the vehicle(s) used only for personal use?
- How many miles do you drive to get to work or to school? Is the vehicle ever used in your business?
- Is the vehicle ever used to deliver people or property for a fee? Is the vehicle ever loaned or rented to others?
- Are You Using Your Vehicle Only for Personal Use?

When it comes to insuring your car, one important question to consider is whether you use it solely for personal purposes. This question not only affects your rating, but also your coverage. Let's dive into the details.

Most people insure their cars for personal use, and if that's the case for you, you'll be eligible for standard rates. You won't need any additional endorsements related to usage. Now, let's talk about rating considerations. If you regularly use your vehicle to commute to work or school, or if you use it for business purposes, your car has a greater exposure to potential losses. It only makes sense for insurers to charge more for these types of usage.

Here are some classifications they use for rating purposes:

- **Farm use:** This applies to vehicles that are not typically used for commuting to other work or school, or for any other occupation. If you're a farmer and your vehicle is primarily used for farming activities, this classification is for you.
- **Business use:** This is for vehicles that are customarily used for work-related tasks. If your car is an essential part of your business operations, it falls under this category.
- **Pleasure use:** This classification covers drivers who use their vehicles for pleasure, including driving to work or school within a short distance, or driving to work or school a few days a week. It might be more accurate to call it "occasional use" since not every driving activity is pleasurable.
- **Commuting less than 15 miles:** If you use your car to commute to work, but it's not for business purposes, and your commute is less than 15 miles, this classification applies to you.
- **Commuting 15 miles or more:** Similar to the previous category, this one is for drivers who commute to work without using their vehicle for business purposes, but their commute is 15 miles or more.

Remember, these classifications are only used for rating purposes and are not a part of your insurance contract. So, if you occasionally use your car for business purposes, like attending a conference, it won't affect your coverage. However, if you lie about your vehicle's normal use just to get a lower rating classification, you might find yourself without coverage if the insurer discovers the fraud.

Lastly, if you're involved in car-sharing or ridesharing arrangements, your vehicle will require special treatment. We'll talk more about this later in this chapter.

# HOW TO INSURE PERSONAL AUTOMOBILES

In conclusion, it's important to be honest about how you use your vehicle when getting insurance. Remember, the more accurately you classify your car's usage, the better your rates and coverage will be.

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## Revving Up the Action: Racing and Insurance Coverage

Imagine the thrill of racing down a track, the wind in your hair and the adrenaline pumping through your veins. It's an exhilarating experience that many racing enthusiasts crave. But when it comes to insurance coverage, things can get a little tricky.

Let's take a closer look at John Smith, a passionate racer who is gearing up for a big competition. If John decides to practice his skills at a racing facility, his personal auto insurance policy won't provide any coverage in case of an accident. That's because the policy is not designed to handle the risks associated with formal auto racing activities. But don't worry, there are specialty coverage options available specifically for this type of loss exposure.

Now, here's where things get interesting. The racing exclusion in John's policy doesn't apply to racing activities on public roads. So, if John's teenage son takes his car out for a joyride in the dead of night and engages in an impromptu drag race with his friends on a public street, coverage would still apply if an accident occurs. Some insurance experts believe that this is a loophole in the racing exclusion, as it only applies to vehicles located inside a racing facility. However, implementing a broader racing exclusion might be difficult for insurers to enforce. It could also be seen as unjust, leaving injured parties without any source of recovery in cases like John's son accidentally hitting a pedestrian while drag racing.

It's important to note that different insurance policies may have more restrictive wording in their racing exclusions. So, it's crucial for insurance agents to ask the right questions and ensure that their clients are aware of any exclusions or special treatment required. By asking whether the vehicle is used solely for personal use, agents can uncover any potential exposures that may not be automatically covered.

So, buckle up and get ready for the race of a lifetime. Just make sure you have the right insurance coverage to protect yourself and others on the road. Happy racing!

# HOW TO INSURE PERSONAL AUTOMOBILES

## How Far Do You Travel to Get to Work or School?

Have you ever thought about how many miles you drive to get to work or school? Well, it turns out that the distance you travel can actually affect your insurance premium. But it's not just a boring technicality - it can also raise some interesting questions about your coverage.

One important question to consider is whether you make the trip alone or with others. Many people carpool with coworkers or other commuters who are heading in the same direction. If you share the ride and split the cost, there shouldn't be any coverage issues.

Some carpool participants take turns driving. Maybe you drive one day, and someone else drives their own car on another day. Or maybe you all take turns driving the same car. If you drive 14 miles to work but only drive a couple of days a week, you might qualify for a "pleasure use" rating. However, if you charge your passengers more than the actual cost of operating the vehicle, like parking and tolls, you might not be covered. It's important to know that there's no standard insurance endorsement to address this situation. If you're charging a fee that exceeds your expenses, then you might need a commercial auto policy.

There is an endorsement called Extended Non-Owned Coverage that can eliminate the coverage exclusion for public or livery use. However, it only applies to vehicles that you don't own and doesn't cover vehicles owned by you, your family members, or temporary substitute vehicles. This endorsement could be used if you drive a company van provided by your employer for a vanpool.

As an insurance agent, it's your responsibility to make sure your clients are aware of any personal auto exposures that might be excluded or require special treatment. Carpool arrangements where the vehicle owner earns a profit can be a potential problem. It's important to warn clients that using their car to make money could lead to a loss of coverage.

These arrangements can sometimes be sneaky. For example, a college student might advertise on a bulletin board that they're driving to a certain area for the weekend and will take passengers for a fee. The student might not even realize the insurance implications, but if they're making a profit, their insurer could deny coverage in the event of an accident during the trip.

So, next time you hop in your car to go to work or school, think about how many miles you're traveling. It might just have an impact on your insurance coverage.

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## Do you ever use your personal vehicle in business?

Once upon a time, in a small town called Maplewood, there were several individuals who had interesting jobs in the automobile industry. One of them was John Smith, a talented mechanic who worked at ABC Service Station. One day, John finished repairing a customer's car and decided to take it out for a test drive. Little did he know that this joyride would turn into a disaster. While driving, John accidentally damaged the vehicle.

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To his dismay, he discovered that his personal auto insurance policy (PAP) would not cover the damages. The insurance company believed that since John worked in the business of repairing cars, his employer's commercial auto policy should be responsible for any accidents that occurred during work-related activities.

Another person who faced a similar situation was Bill Parker, the owner of ABC Service Station. Bill, being the boss, occasionally took it upon himself to test-drive the cars after repairs. Unfortunately, if Bill were to damage a customer's car during one of these test drives, his PAP would not provide any coverage either. The insurance company argued that since Bill was in the business of repairing cars, he should rely on the garage policy of the service station for coverage.

Over at XYZ Used Cars, Jack Doe, the sales manager, had his fair share of troubles too. One day, he was driving a potential trade-in vehicle and ended up having an accident. Just like John and Bill, Jack's PAP did not cover the damages. The insurance company insisted that the garage policy of the automobile-related business should be responsible for accidents that occurred during work-related activities.

However, there was one exception to this exclusion. If an employee used their own vehicle for business purposes within the auto-related business, their personal auto insurance policy would provide coverage. For instance, if John, the mechanic, was repairing his own car in the shop on a lazy Sunday and had an accident during a test drive, his PAP would cover the damages. This exception only applied when it involved the named insured's own vehicle.

But it wasn't just employees of auto-related businesses who faced coverage exclusions. The PAP also had an exclusion for other "business" loss exposures. The term "business" here was quite broad and included any trade, profession, or occupation. This meant that if an insured individual used a vehicle while being employed in an occupation that was not included in the auto-related business exclusion, their PAP would not provide coverage.

However, this exclusion mainly referred to larger commercial vehicles like tractors for hauling semi-trailers. It did not apply to private passenger autos, pickups, vans, or trailers being hauled by these types of vehicles.

For example, John Smith knew firsthand how this exclusion worked. He used a company-owned flatbed truck to haul materials for a construction company. Since this involved a commercial auto loss exposure, the truck should be covered by the construction company's commercial auto policy, not John's PAP. However, if Tom Jones used a flatbed truck in his personal ranching business, the exclusion would not apply.

In another scenario, John Smith was a salesman for a food company and used his personal sedan to make sales calls at various grocery stores. Luckily for him, this fell into the private passenger exception, and his PAP would provide coverage. The same applied when John worked for a realtor and used his pickup and small trailer to put up and remove realty signs for homes. Since his pickup and trailer fit the exception to the exclusion, his PAP would cover any accidents that occurred during these work-related activities.

As insurance agents, it was our responsibility to educate clients about these coverage exclusions. We needed to understand their occupation, hobbies, and side gigs to identify situations where their PAP would not provide coverage.



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For example, if a client worked in the auto business, they might encounter situations that triggered the auto-related-business exclusion. In such cases, it was crucial for the client's business to have auto liability coverage that protected them.

Similarly, clients who needed to drive larger vehicles for business purposes should be aware that their PAP would not cover them. Unless their business involved farming, the PAP would only provide coverage for private passenger autos, vans, or pickups.

So, as we navigated the world of insurance in Maplewood, it was important for us to understand the intricacies of business use and ensure that our clients had the right coverage for their unique circumstances.

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## What Vehicle Coverage is needed when used to deliver people or property for a fee?

Once upon a time, in a city called Autoville, there were three friends named Jack, Mary, and John. They all had cars and loved driving around town. Little did they know, there were certain risks and exclusions that they needed to be aware of.

Now, Jack had a fancy Cadillac and thought it would be a great idea to make some extra money by becoming an Uber driver. He loved meeting new people and thought it would be a fun way to explore the city. However, Jack didn't realize that his personal auto policy (PAP) didn't cover him when he used his car for ridesharing. If he got into an accident while driving for Uber, he wouldn't be protected by his insurance. Jack was in for a surprise!

On the other hand, Mary had a minivan and enjoyed using it to take school kids on field trips. The school district even reimbursed her for her expenses, such as gasoline. Mary didn't have to worry about the public or livery exclusion because she wasn't providing transportation to the general public for a fee. Her PAP coverage applied to her noble efforts of helping the children explore and learn.

Lastly, there was John. He had a pickup truck and sometimes used it to help his friends move. He didn't charge them for his services; he simply volunteered to lend a hand. This meant that John's PAP coverage still protected him because he wasn't using his truck for commercial purposes. His good-hearted nature allowed him to continue helping others without any insurance worries.

Now, there was another risky situation that our friends needed to be aware of. If any of them decided to use their cars as taxicabs or limousines, their PAP wouldn't provide any coverage. This was a commercial exposure that required a separate commercial auto policy. It was important for our friends to remember that their personal policies had limitations.

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Lastly, there was a gray area when it came to delivering goods for a fee. Take pizza delivery drivers, for example. They often used their own cars for work, but they weren't business owners with commercial coverage. Some insurance policies excluded liability coverage for such situations, while others were more flexible. It was hard to predict how claims adjusters or courts would interpret these cases.

During the 2020 pandemic, things became even more complicated. Suddenly, many businesses started delivering food and goods to people who were quarantined or working from home. Employees and volunteers were making deliveries without considering the insurance implications. It was a whole new world out there!

One major retailer even announced a program where employees would deliver packages to customers on their way home from work. It seemed like a great idea, but it also introduced another potential commercial exposure that might not be covered by personal auto policies. It was crucial for drivers to understand the fine print in their policies and for insurance agents to educate their clients about exclusions and find ways to address these risks.

And so, our friends in Autoville learned the importance of understanding their auto insurance coverage. They vowed to be more cautious and informed, making sure to protect themselves and others on the road. The end.

## Ridesharing Arrangement Rules

Once upon a time, in the bustling city of Riderville, there was a popular ridesharing service called Cruise & Ride. It was a convenient way for people to get around town without the hassle of owning a car. Drivers, like our protagonist, Sam, would use their own personal vehicles to transport passengers to their desired destinations. All they had to do was connect with passengers through the Cruise & Ride smartphone app, and voila! A ride was arranged.

The passengers would pay their fare to Cruise & Ride, and the company would then give a portion of that fee to the driver. It was a win-win situation for everyone involved. However, there were a few rules that drivers had to follow. They couldn't just pick up random people off the street like taxis did. All rides had to be prearranged through the app.

But, as with any rule, there were always those who tried to bend it. Some drivers would secretly accept cash payments from passengers, without going through the official app. It was like a secret under-the-table deal. These drivers would keep all the cash for themselves, but little did they know that they were playing with fire.

You see, if anything were to happen during one of these unofficial rides, neither Cruise & Ride nor the driver's personal auto insurer would provide any coverage. It was a risky game to play.

The ridesharing experience had three phases. Phase one started when a driver logged onto the Cruise & Ride app and continued until they found a passenger to pick up. It also included the time from when the passenger left the vehicle until the driver either logged off the app or accepted another ride. Phase two was the period from when the driver accepted a passenger's request on the app to when they actually picked them up. And finally, phase three was the actual ride itself, until the passenger got out of the car.

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If a driver had a regular personal auto insurance policy, it wouldn't cover them during any of these phases. That's where the optional endorsements from Insurance Services Office (ISO) came into play. They offered two endorsements specifically designed for rideshare drivers, called Transportation Network Driver Coverage (No Passenger) (PP 23 41) and Limited Transportation Network Driver Coverage (No Passenger) (PP 23 45).

The PP 23 41 endorsement provided coverage for phases one and two of the ridesharing activity. It kicked in from the moment the driver logged into the Cruise & Ride app until they picked up a passenger.

On the other hand, the PP 23 45 endorsement only covered phase one. It started when the driver logged into the app and ended when they accepted a specific online ride request.

It was crucial for agents to educate their clients about these endorsements. Many people assumed that as long as they had car insurance, they were covered no matter how they used their vehicle. But that wasn't always the case. In times of emergencies or crises, like the recent outbreak of the Riderville pandemic or widespread layoffs, people often used their cars for different purposes without considering the insurance implications.

Agents had a responsibility to reach out to their policyholders and check if their exposures had changed due to the crisis. They could offer help in adjusting their coverage accordingly. It was important for clients to report any additional activities that might affect their insurance, even if it meant paying a little extra premium. Failing to do so could mean having no coverage when they needed it the most.

And so, in the city of Riderville, the wise agents of Cruise & Ride urged their clients to inform them if they started any ridesharing activities. It was a small but vital step to ensure that they were adequately covered and protected. They knew that being prepared and proactive was the key to a smooth ride in the unpredictable world of ridesharing.

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## The Exciting World of Sharing Cars: Who's Responsible When Something Goes Wrong?

Have you ever loaned your car to a friend or considered renting it out to make some extra cash? Well, there are some important things you need to know about the implications of sharing your vehicle.

Let's start with the scenario of letting someone else use your car. In most cases, the insurance coverage for liability and physical damage still applies when you lend your car to someone else. And guess what? The person borrowing your car might also have their own insurance that kicks in. But here's the catch - your insurance is considered primary, while the driver's insurance is secondary. It may not seem fair, but that's how it works.

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Here's a fun example to help illustrate this. Mary and Bill are at a birthday party and Mary realizes she forgot to bring her gift. She asks Bill if she can borrow his car to quickly run home and grab it. Bill agrees and Mary parks the borrowed car on the street in front of her house. But then, a reckless driver slams into Bill's car and drives off. Who should pay for the damage? You might think Mary should be responsible since she borrowed the car, but actually, Bill's insurance is the one that covers the collision damage. If Mary's insurance has a lower deductible, it will only pay the difference between the deductibles.

Now, what if you want to make some money by renting your car to strangers through a car-sharing service? There are two types of car-sharing companies out there. The first type owns all the cars available for rent, just like traditional car rental companies. The second type, known as peer-to-peer car sharing, acts as a middleman between car owners and drivers seeking rentals. For example, you can let the car-sharing company know your car is available while you're at work, and someone can rent it for a few hours and return it to your parking spot by the end of the day.

But here's an important thing to note - your personal auto insurance policy won't cover you if you're renting your car through a personal vehicle-sharing program. So, make sure you read the terms and conditions of the car-sharing company you're using.

Car-sharing companies have their own liability agreements to protect themselves and their members. These agreements can vary depending on state laws and may change over time. While we can't cover every single detail, we can say that it's important to understand the provisions of these agreements before you start sharing your car.

So, whether you're lending your car to a friend or renting it out to strangers, make sure you're aware of the insurance implications and follow the guidelines set by the car-sharing company. After all, sharing cars can be a thrilling experience, but you want to make sure you're protected when the unexpected happens.

## [Exciting Updates about Liability Insurance for Car-Sharing!](#)

Looking to rent a car from a car-sharing company? Well, we've got some interesting news for you! Let's dive into the world of liability insurance and find out what these companies have to offer.

First up, we have a standard car-sharing company called ZoomZoom. They provide liability coverage for their members, but here's the catch - it depends on your age. If you're 21 or older, you'll get coverage up to 100/300/25. But if you're under 21, they only offer the state minimum coverage. So, make sure you check the fine print before hitting the road!

Next, let's talk about a peer-to-peer car-sharing company named DriveShare. These guys are all about giving you peace of mind. They automatically provide \$1 million in combined single limit coverage for both car owners and renters. And get this - you can choose between their premium-level insurance package with those same liability limits or go for the less-expensive option with the state minimum limits. Talk about having options!

But here's an important thing to note: if you're an owner enrolling your car in a car-sharing program, your own personal auto insurance policy won't cover any liabilities. Don't worry though, most car-sharing companies have their own insurance program in place. Just double-check what coverage they provide before you sign up.

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Now, let's move on to UM and UIM insurance. Car-sharing companies usually only offer this coverage if it's required by law, like the minimum state limits. They call it optional UM protection, but it's always a good idea to have that extra coverage just in case.

When it comes to no-fault and medical payments coverage, car-sharing companies often waive it or provide the state minimum limits. So, if you're looking for full coverage in these areas, you might want to explore other options.

Alright, buckle up because we're about to talk about physical damage to the rental vehicle. For most car-sharing agreements, you'll be responsible for any physical damage to the vehicle, regardless of fault. Yeah, we know, it's a bummer. But hey, you can always get a damage fee waiver that limits your loss exposure to a certain amount. So, at least there's that silver lining!

Now, let's talk about peer-to-peer car-sharing agreements. Some of them offer almost full indemnification for damage to the rented vehicle. That means if something happens, the car-sharing company will cover the expenses of repair or even the actual cash value of the car. Pretty cool, right? Just keep in mind that some companies might require you to pay a damage fee if you violate their terms. So, follow the rules and keep your wallet happy!

Last but not least, let's talk about prohibited uses of the rental vehicle. Just like with any rental, there are certain actions that are a big no-no. These restrictions vary from car-sharing agreement to agreement, but they're similar to what you'd find with a traditional rental. So, don't go off-roading or hosting a dance party in the car. Stay safe and abide by the rules!

Phew, that was a lot of information, but we hope it helped you understand liability insurance for car-sharing a little better. Remember, as an insurance agent, it's our job to make you aware of any unusual exposures and help you navigate through them. So, if you have any questions or concerns, don't hesitate to reach out. And who knows, maybe you'll even get to rent a motorhome for your next adventure! Happy sharing! endorsement to the PAP, but when a motor home is rented to others, an additional endorsement— Miscellaneous Type Vehicle Amendment (Motor Homes) (PP 03 28)—must be added to address that exposure.

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## Chapter 4: Determining Your Personal Auto Policy Needs

Welcome to the final chapter of our journey into the world of personal auto policies (PAPs)! In this chapter, we will dive into five intriguing topics that will help you determine the level of protection you truly need, want, and select for your PAP. Get ready to make some exciting decisions!

First things first, we need to address liability and med pay policy limits. It's not just about having coverage; it's about ensuring that your coverage is sufficient to protect you in case of any unfortunate incidents. So, we'll explore what level of liability coverage suits your needs and how much med pay limits you feel comfortable with.

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Next up, let's talk about physical damage deductibles. This is where things get interesting. Your deductible should reflect your risk tolerance and your ability to handle smaller losses. We'll help you find the right balance that aligns with your preferences and financial situation.

Now, let's move on to the topic of uninsured/underinsured motorists (UM/UIM) coverage. This is an important aspect to consider because you want to be protected even if the other party involved in an accident doesn't have sufficient insurance. We'll explore the various options available to you and help you make an informed decision.

Last but certainly not least, we delve into the intriguing realm of no-fault insurance. Depending on your state, this coverage might be mandatory or available as an option. We'll address any questions you may have and guide you through the decision-making process.

As we wrap up this chapter, remember that it's not just about having coverage; it's about having the right coverage for your unique needs. We want to ensure that your auto liability and physical damage exposures are fully covered, with sufficient limits to protect you from potential losses.

So, get ready to embark on this final chapter with us. By the end, you'll not only understand why these questions are crucial for your PAP, but you'll also know exactly what to do with the answers you uncover.

Chapter Objectives: Upon completing this chapter, you'll be equipped to confidently answer the following questions:

- What level of liability coverage suits your needs and desires?
- What med pay limits make you feel secure?
- How do you want to structure your physical damage deductibles?
- What are your thoughts on UM/UIM coverage?
- What's your stance on no-fault insurance?

Let's dive in and uncover the perfect PAP for you!

## What level of liability coverage suits your needs and desires?

Once upon a time in the town of Autoville, there lived a young man named Jack. Jack treasured his sleek, shiny car more than anything in the world. He would spend hours polishing it and making sure it was in perfect condition. However, Jack was not too concerned about getting liability coverage for his car. He believed that since he didn't have many personal assets, there was no need for him to protect himself or others in case of an accident.

On the other side of Autoville, there lived a woman named Emily. Emily had just purchased a brand new car, but she was worried about the potential damage it could sustain. She wanted her car to be covered in case of any accidents, but she hadn't thought much about liability coverage. She didn't realize that it was not only required by law, but also socially responsible to have it.

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In Autoville, auto liability insurance could be written either on a split limits basis or a single limit basis. The split limits approach was more common, but the single limit approach offered greater flexibility in coverage. However, both approaches had their pros and cons, and it was difficult to determine which one was better.

In Autoville, liability coverage was mandatory for all car owners. Each state had specific minimum limits of liability insurance that motorists had to carry. However, some residents of Autoville preferred to stick to the minimum limits.

They believed that they couldn't afford to buy car insurance, despite being able to afford owning a car. It was up to their insurance agents to make them understand that the cost of insurance was part of the cost of owning a car.

On the other hand, there were residents like George who recognized the importance of protecting their assets. They requested the highest limits available and were even recommended to get a personal umbrella. These residents understood that their financial position allowed them to invest in higher limits of liability coverage.

Most residents of Autoville fell somewhere in between these two extremes. They sought guidance from their insurance agents to determine the appropriate liability limits they should carry. However, a responsible agent would never recommend a specific limit.

Instead, they would advise their clients to get as much liability coverage as they could afford. After all, it was impossible to predict the exact amount they would be sued for in the event of an accident.

Insurance agents in Autoville made sure to discuss the various levels of liability coverage available with their clients. They reminded their clients to periodically reevaluate their limits, as outdated policies could leave them underinsured. The agents were careful to leave the liability issue open-ended, making their clients aware that there were different levels of coverage to choose from.

An agent's duty was to present their clients with choices and avoid implying that the highest limit quoted was the only option available. They would also suggest getting a personal umbrella for added protection. These choices not only showed the clients that the agents cared about their best interests, but also allowed them to document the options presented and the choices made by their clients.

In Autoville, the importance of liability coverage was not just a legal requirement, but a way to protect oneself and others on the road. The level of liability coverage one chose depended on their personal circumstances and the value they placed on their assets. With the guidance of their insurance agents, the residents of Autoville made informed decisions about their liability coverage, ensuring they were adequately protected.

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## What about Automobile Medical Payments?

Once upon a time in the small town of Oakville, there lived a group of friends - Emma, Jake, and Sarah. They were known for their adventurous spirit and love for road trips. One sunny afternoon, they decided to embark on a thrilling journey to a nearby city.

Little did they know that their lives were about to take an unexpected turn. As they were cruising along the scenic highway, a reckless driver crashed into their car, leaving them injured and shaken. It was a terrifying ordeal, but luckily they had auto medical payments coverage, or "med pay," to rely on.

Med pay coverage, although not mandatory in their state, was included in their insurance policies. It was a safety net that would cover their medical expenses, regardless of fault. Similar to a no-fault statute, med pay would take care of their medical bills, ensuring they received the treatment they needed to recover from the accident.

The coverage had two distinct groups it protected - the policyholders themselves, including their family members, and anyone else occupying the car at the time of the accident. It was a comforting thought, knowing that even their friends who were just along for the ride would be taken care of.

Different insurance companies offered varying limits for med pay coverage. Some offered as little as \$1,000, while others went as high as \$100,000. It was important to choose the right limit to ensure they were adequately protected in case of an accident. As they were reviewing their options, they stumbled upon an interesting difference - some policies had a per-person limit, while others had a per-accident limit.

Emma, Jake, and Sarah realized the significance of this difference when they considered a scenario where multiple people were injured. They understood that a \$2,500 per person limit would be far more beneficial than a \$2,500 per accident limit. It was a crucial aspect to consider when comparing policies and making a decision.

What amazed them even more was the fact that med pay coverage extended beyond their car. They discovered that if they were ever pedestrians struck by someone else's vehicle, they could file a claim and be covered by their own auto insurance. It was a valuable piece of information that many were unaware of, and they made a mental note to share it with others.

As they pondered whether to purchase med pay coverage, they took into account their health insurance plans as well. They realized that their health insurance might not cover all medical expenses related to a car accident. Copays, deductibles, and other policy terms could limit their coverage. They also considered the possibility of non-family members riding in their car and suffering injuries. Did they want to be responsible for their guests' medical expenses?

The cost of med pay coverage was relatively low compared to liability and physical damage coverages. It seemed like a wise investment to protect themselves and their loved ones, especially knowing that med pay was the only coverage that covered their own injuries, even if they were at fault. The thought of being left without coverage for their own injuries was unsettling, and they didn't want to take any chances.



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However, they understood that some individuals might be in a different situation. If someone had excellent health insurance and needed to cut insurance costs to the bone, they might consider skipping med pay coverage. In these cases, it was crucial for the insurance agent to document that the coverage was offered but rejected, to avoid any misunderstandings or regrets later on.

As Emma, Jake, and Sarah compared policies and discussed their options, they couldn't stress enough the importance of paying attention to the limits. Per-person coverage was always preferable to per-accident coverage, even if it meant paying a little extra. It was about prioritizing their well-being and ensuring they had the necessary coverage in case of an unfortunate accident.

In the end, they decided to go with a policy that provided comprehensive med pay coverage. They were confident that they had made the right choice, knowing that they were protected no matter what happened on their future adventures. It was a story they would share with others, reminding them of the importance of considering med pay coverage and choosing wisely for their own safety and peace of mind.

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## Get the Best Physical Damage Deductibles for Your Car Insurance

When it comes to protecting your car from damage or theft, your physical damage insurance coverage is essential. In the past, this coverage was commonly referred to as collision and comprehensive. However, the term "comprehensive" was misleading, as it implied that every kind of loss was covered. Nowadays, these coverages are known as "collision" and "other-than-collision" or simply "physical damage" coverages. Despite the name change, many insurance professionals still use the term "comprehensive" to refer to other-than-collision coverage. Even ISO's commercial auto policies and the American Association of Insurance Services Personal Automobile Policy continue to use the "comprehensive" label.

Unlike liability coverage, physical damage coverages apply regardless of negligence. This means that you are covered regardless of who is at fault. Unlike other property insurance, there is no dollar limit on coverage in the Personal Automobile Policy (PAP). However, coverage is provided on an actual cash value basis, which means that the amount payable by the insurer is based on the pre-loss market value of your car, minus a dollar deductible.

As an insurance buyer, you may be more concerned about covering potential damage to your own car or another vehicle you might use, rather than liability claims. When it comes to physical damage insurance, you have several choices to make. Your insurance agent can guide you through these decisions, but ultimately, the decision should be made by you.

The first choice you have is whether to buy comprehensive and/or collision coverage. If you do choose to purchase these coverages, you will also need to decide on the deductibles for each.

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If your vehicle is financed or leased, the lender or lessor will likely require you to have physical damage insurance to protect their interests. In this case, insurance on the car is mandatory, and your only choice is the selection of a deductible.

For cash buyers or drivers who have paid off their car loan, physical damage insurance is not mandatory. The choice to purchase coverage is up to you as the car owner. However, it's often advised to consider dropping collision insurance or both collision and other-than-collision insurance on an older vehicle. As a car ages, its value declines and the amount recoverable from an insurer for damages decreases. It may not make financial sense to pay a high premium for physical damage insurance on a vehicle that is worth less than the deductible.

However, it's important to weigh factors such as the physical damage premium, deductible size, the likelihood of an accident that exceeds the deductible, and the salvage value of the vehicle at a junkyard.

In some cases, it may be more feasible to drop collision coverage but maintain comprehensive coverage. Comprehensive coverage is often more affordable and can protect you from uncontrollable events, such as a broken windshield.

When choosing a deductible, keep in mind that higher deductibles can help reduce insurance costs. The higher the deductible, the lower the premium. However, a higher deductible means that you will have to pay more out of pocket whenever a loss occurs that exceeds the deductible. It's important to consider your budget and determine if increasing the deductible is worth the potential savings. Some clients may choose to increase their deductibles and use the saved money to increase their liability limits.

It's also common for clients to choose different deductibles for comprehensive and collision coverage, depending on the nature of the losses involved and the relative costs of each coverage.

Ultimately, the decision to purchase physical damage insurance and select deductibles should consider your financial and emotional ability to tolerate risk. Your insurance agent can help you understand these considerations, but the final decision should rest with you. It's important to document that deductible options were presented to you and that you made the decision yourself. By doing so, you can avoid any potential errors or omissions issues and ensure that you have the best physical damage coverage for your car insurance.

## Why you should consider UM & UIM

Once upon a time in a small town called Crestwood, there was a young man named Jack who loved to go on adventures with his best friend Mike. They would often hop in Mike's trusty car and drive around, exploring new places and having a great time. Little did they know, their adventures were about to take an unexpected turn.

One sunny afternoon, Jack and Mike were cruising down the highway, windows down and music blaring, when out of nowhere, a reckless driver crashed into them. It was clear that the other driver was at fault, but to their shock, he didn't have any car insurance. Jack and Mike were left with injured bodies and a damaged car, with no way to get compensated for the damages.

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That's when their insurance coverage came into play. You see, Jack and Mike were smart enough to have uninsured motorist (UM) coverage on their policy. UM coverage is like a safety net that protects you when you encounter irresponsible drivers who don't have insurance. It gives you the financial support you need to recover from the injuries caused by these drivers.

Luckily, Mike's insurance policy had UM coverage, which meant that they could rely on it to cover their medical expenses and car repairs. UM coverage works like this: if you are at fault in an accident with an uninsured driver, the coverage doesn't apply. But if the uninsured driver is to blame, then it kicks in and helps you out.

UM coverage is designed to provide primary coverage for the insured's owned vehicles and excess coverage for non-owned vehicles. This means that if Jack and Mike were driving in Mike's car and got injured by an uninsured driver, Mike's UM coverage would be their primary source of help.

Now, let's not forget about the other side of the coin - underinsured motorists (UIM) coverage. UIM coverage comes into play when the at-fault driver has some insurance, but not enough to cover all the damages. It's like a backup plan for when the responsible driver's insurance falls short.

For example, let's say Jack and Mike had UIM coverage on their policy. If the negligent driver had insurance, but the limits were lower than Jack's injuries were worth, their UIM coverage would provide additional compensation to make up for the difference. It's like having extra protection against drivers who have inadequate insurance.

Some people may question why they should pay extra for UIM coverage when other drivers should have enough insurance. But the truth is, accidents can happen, and it's better to be prepared. The only way to ensure you have enough coverage for your injuries is to have your own UM and UIM coverage.

As an insurance agent, it's important to understand the laws and regulations regarding UM and UIM coverage in your state. Each state may have unique statutes that determine how this coverage works. But one thing is for sure - UM and UIM coverages are essential for protecting families on the road.

So, the next time you hit the road with your friends or family, make sure you have UM and UIM coverage to keep you safe. It may be a small investment compared to other coverages, but it's worth every penny for the peace of mind it brings. Remember, you deserve to be protected just as much as you protect others.

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## No Fault Auto Insurance: Exploring a Fairer System

No one likes to be blamed for something they didn't do, especially when it comes to car accidents. That's where no-fault auto insurance comes into play. This intriguing concept is available in select states, offering a unique approach to indemnifying the insured, regardless of fault. Let's dive into the fascinating world of no-fault insurance and explore its different forms.

When it comes to physical damages in a Personal Auto Policy (PAP), no-fault coverage reigns supreme. But wait, there's more! In states with no-fault laws, medical payments coverage transforms into the exciting realm of personal injury protection (PIP) coverage, providing a safety net for those involved in accidents.

So what exactly does no-fault insurance entail? Typically, it requires insurers to offer first-party benefits encompassing medical expenses, loss of income, funeral expenses, and other related costs, regardless of fault. The goal is to streamline the compensation process and reduce auto liability coverage costs, particularly bodily injury liability. It's all about creating an efficient system to help those affected by automobile accidents.

Now, let's dive into the different types of no-fault auto insurance in the United States. Brace yourself for the compulsory, add on (compulsory), add on (optional), and choice categories. In compulsory no-fault states (currently nine plus Puerto Rico), no-fault coverage is mandatory, limiting a claimant's ability to sue for damages in tort. In other jurisdictions, limited "add-on" benefits exist, offering medical expenses and income loss coverage in addition to tort liability. These benefits are compulsory in three states and available at the insured's option in six others. And in the "choice" states, individuals get to decide whether to embrace the no-fault or tort option.

Under a no-fault or PIP system, insured individuals seek compensation from their own insurers instead of the other party's insurer, irrespective of fault. It's a game-changer! But keep in mind that no-fault insurance only covers actual economic damages, leaving out general damages like pain and suffering. While it may not be a perfect solution, most US motorists aren't willing to give up their right to seek compensation for non-economic damages. As a result, current no-fault statutes create barriers within the realm of tort law instead of completely replacing it.

But what happens when an insured individual ventures into a no-fault state without purchasing no-fault coverage? Fear not, dear reader, for the out-of-state coverage provision has you covered! If an accident occurs in a state with compulsory insurance or similar laws, the Personal Auto Policy steps in to provide the required limits and insurance automatically. It's like having a guardian angel looking out for you when you're away from home.

For insurance agents, it's crucial to have a deep understanding of no-fault laws and their implications. Explaining mandatory coverages and available options to clients is part of their responsibility. Even clients from states without no-fault laws may have questions, which agents should be well-equipped to answer. A basic understanding of the concept and knowledge of neighboring states with no-fault laws can go a long way in assisting clients. Agents must also explain how no-fault coverage seamlessly applies when clients drive into such states, reassuring them that they are protected.

# HOW TO INSURE PERSONAL AUTOMOBILES

No-fault insurance is a game-changer, aiming to reduce auto bodily injury liability claims. It's a concept that deserves attention and exploration. Agents and their clients who grasp this unique approach often wonder how it modifies a PAP's liability coverage. Surprisingly, it doesn't! No-fault laws don't directly impact liability coverage. Instead, they reduce the number of liability claims insurers must handle since injured drivers and passengers can access no-fault benefits from their own insurer instead of filing a liability claim against another insurer.

So there you have it, a glimpse into the captivating world of no-fault auto insurance. It's all about fairness, efficiency, and ensuring individuals are protected regardless of fault. Next time you hit the road, remember that no-fault insurance might be your trusty companion, ready to support you when you need it most.

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