

CHAPTER 7: COMMERCIAL AUTO POLICY

Let's Begin...



Introduction

Nearly every business operates at least one car to conduct deliveries, transport employees, or perform essential tasks away from the office. Fortunately, commercial auto coverage is similar to personal auto coverage and can also be purchased as part of a commercial package policy.

The Business Auto Policy is a general purpose policy used to write automobile insurance for most types of business vehicle risks. It is used to insure company cars, vans, trucks and other vehicles for many types of businesses, including those that own and supply company cars to employees, those that use vans and trucks to haul their own goods, those that transport passengers, and those that lease vehicles to others.

Businesses may have automobile exposures arising out of owned, leased, rented, or borrowed vehicles. At one time, the basic automobile policy was used to insure most of these risks. The basic policy only provided coverage for autos which were specifically scheduled on the policy, but coverage for hired cars and non-owned autos could be added by endorsement. At a later date, comprehensive automobile liability coverage was introduced, and it became very popular among businesses having large and continually changing fleets.

Commercial Auto Policies

The commercial auto coverage part will consist of:

- one or more commercial auto **declarations** forms,
- one or more commercial auto **coverage forms**,
- any **endorsements** that may apply, and
- special automobile coverage forms.

Different **coverage forms** have been designed for different types of commercial automobile exposures. A policy may include one or more of the following:

- ***Business Auto Coverage Form***,
- ***Garage Coverage Form***, and
- ***Truckers Coverage Form***



Two variations of the business auto coverage form are available for special types of risks. The **garage coverage form** is used to insure garage risks, such as service and repair shops, which have a premises-operations exposure and have temporary possession of customers' cars. The **truckers coverage form** is used to insure vehicles for trucking businesses that haul goods for others, and which frequently exchange trailers with other businesses.

Declarations

The business auto declarations are lengthy and are divided into six sections. The declarations identify the named insured, the policy number and the form of business (corporation, partnership, etc.), the mailing address of the named insured, the identity of the insurance company and the producer, and the policy period.

In addition, the declarations show the vehicles insured and the coverages provided, along with rates, premiums, deductibles and other information typically found on policy declarations. When numerous vehicles are insured, separate schedules of the vehicles may be attached. The information is grouped in the following ways:

- Item One—General information about the risk
- Item Two—Coverages, coverage symbols, limits of liability and the premium for each coverage
- Item Three—Schedule of owned autos
- Item Four—Schedule of hired or borrowed autos
- Item Five—Schedule for non-ownership liability
- Item Six—Schedule of gross receipts or mileage for liability coverage for public auto or leasing rental concerns

Various sections of the declarations will be completed as appropriate for the coverages being written. If a particular coverage does not apply, that section will be left blank.

Business Auto Coverage Form



The Business Auto Coverage form was updated in 2001. The basic coverage form (ISO CA 00 01 10 01) is divided into five distinct sections. The sections of the coverage form are:

- *Section I—Covered Autos*
- *Section II—Liability Coverage*
- *Section III—Physical Damage Coverage*
- *Section IV— Conditions*
- *Section V—Definitions*

Provisions for two common coverages, medical payments and uninsured motorists coverage, are not included in the coverage form. These are options which do appear on the declarations page, but endorsements must be attached to put the coverages into effect.

Policy Preamble

The coverage form begins with a few simple statements. First it cautions you to read the “entire policy,” meaning all parts of the policy in addition to this coverage form. It then explains that various pronouns (such as “you” and “we”) are used to refer to the named insured and the insurance company. The last statement points out that the coverage form has a specific “definitions” section, and that the meaning of any words that appear in quotation marks can be found in that section.



Important Preamble Notes

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered. **Throughout this policy the words “you” and “your” refer to the Named Insured** shown in the Declarations. **The words “we,” “us” and “our” refer to the Company providing this insurance.** Other words and phrases that appear in quotation marks have special meaning. Refer to Section V—Definitions.

Section I- Covered Autos

Symbols Used to Tailor Coverage

The policy uses "symbols" to designate what kind of cars are covered under the various parts of the policy.

Section I of the coverage form lists the nine symbols which may be used to identify "covered autos," and describes each one. Business auto coverage applies only to those autos which are identified as "covered autos" in the declarations by entry of the appropriate numerical symbol(s) after each coverage purchased.

Coverage may be tailored to your needs by selection of the appropriate symbols. Different symbols may be used for different coverages.

If no symbol is shown for a particular coverage, then that coverage is not provided. More than one symbol may be shown for a given coverage if there is no conflict or overlap between the symbol descriptions—for example, the same coverage could apply to "owned autos" and "hired autos" (symbols 2 and 8).

The broadest coverage available is reflected by symbol 1, because "any auto" includes all owned, hired, and nonowned autos. The insured may purchase the most narrow coverage by using symbol 7 and requesting that a coverage apply only to "specifically described autos." It is not uncommon for a policyholder to purchase liability coverage for "any auto," and to purchase physical damage coverage only for some specifically described autos. Liability insurance—of any kind—is the most important type to secure because liability risks pose the greatest threat to a business's financial well-being.

Symbols 3 and 4 would be used if the insured wanted a particular coverage to apply only to owned private passenger autos or to owned autos other than private passenger autos. Symbols 5 and 6 can be used to activate no-fault benefits and compulsory uninsured motorists coverage for owned autos which are required to have such benefits in the state where they are licensed or principally garaged.

Hired autos includes all autos the insured leases, hires, rents, or borrows, but not autos owned by employees or members of their households. Non-owned autos include all autos the insured does not own, lease, hire, or borrow which are used in connection with the business, including autos owned by employees or members of their households while being used in your business.

Certain symbols may be used only with specific types of coverage. Symbols 1, 2, 3, 4, 7, 8 and 9 may be used to designate liability coverage. But liability is the only coverage for which symbol 1 may be used, because other coverages cannot apply to "any auto"—no-fault benefits, medical payments, uninsured motorists and physical damage coverages are not available for "nonowned autos."

Symbols 2, 3, 4, 7 and 8 may be used to designate physical damage coverages. Symbol 5 may only be used to designate no-fault benefits. Symbol 6 may only be used to designate uninsured motorists coverage for certain vehicles for which the coverage is mandatory, but broader uninsured motorists coverage for all owned vehicles (whether the coverage is mandatory or voluntary) may be provided by showing symbol 2 for this coverage.



Covered Auto Notes- Policy Symbols

Item two of the Declarations shows the "autos" that are covered "autos" for each of your coverages. The following numerical symbols describe the "autos" that may be covered "autos." The symbols entered next to a coverage on the Declarations designate the only "autos" that are covered "autos".

A. SYMBOL DESCRIPTION

1 Any "auto".



2 **Owned "autos" only.** Only those "autos" you own (and for Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" you acquire ownership of after the policy begins.

3 **Owned Private Passenger "Autos" Only.** Only the private passenger "autos" you own. This includes those private passenger "autos" you acquire ownership of after the policy begins.



4 **Owned "Autos" Other Than Private Passenger "Autos" Only.** Only those "autos" you own that are not of the private passenger type (and for Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" not of the private passenger type you acquire ownership of after the policy begins.

5 **Owned "Autos" Subject To No-Fault.** Only those "autos" you own that are required to have No-Fault benefits in the state where they are licensed or principally garaged. This includes those "autos" you acquire ownership of after the policy begins provided they are required to have No-Fault benefits in the state where they are licensed or principally garaged.

6 **Owned "Autos" subject to a Compulsory Uninsured Motorists Law.** Only those "autos" you own that because of the law in the state where they are licensed or principally garaged are required to have and cannot reject Uninsured Motorists Coverage. This includes those "autos" you acquire ownership of after the policy begins provided they are subject to the same state uninsured motorists requirement.



7 **Specifically Described "Autos."** Only those "autos" described in Item Three of the Declarations for which a premium charge is shown (and for Liability Coverage any "trailers" you don't own while attached to any power unit described in Item Three).



8 **Hired "Autos" Only.** Only those "autos" you lease, hire, rent or borrow. This does not include any "autos" you lease, hire, rent, or borrow from any of your employees or partners or members of their households.



9 **Nonowned "Autos" Only.** Only those "autos" you do not own, lease, hire, rent or borrow that are used in connection with your business. This includes "autos" owned by your employees or partners or members of their households but only while used in your business or your personal affairs.

Section II - Liability Coverage



This is a typical insuring agreement for liability insurance coverage. The insurance company agrees to pay sums that the insured becomes legally obligated to pay "as damages" because of bodily injury or property damage. The injury or damage must result from an accident and arise out of an insured automobile exposure.

Remember, an automobile can do a great deal of harm and property damage to others. These are the exposures which can jeopardize the financial strength and management focus of any business.

The insurance also applies to "covered pollution cost or expense," but this is an extremely limited type of coverage. As you will see when you review the policy definitions, this applies only to a demand or order to clean up, remove or neutralize pollution caused by the escape of substances (such as fuel or motor oil) that escape from an automobile's normal operating systems. There is no coverage for any pollution resulting from the escape of any substances being transported, stored, treated or processed in or upon a covered auto.

Example: If the insured transports a drum of pesticide in a pickup truck and that pesticide is spilled on the highway, the cost of clean-up would not be covered.

Business auto liability coverage is usually written with a single limit of liability (split limits are available by endorsement). Up to that limit, the insurance company agrees to pay the insured's legal obligations for damages caused by a covered accident resulting in bodily injury or property damage, to pay the insured's legal obligations for covered pollution cost resulting from a covered accident, and to defend, investigate, and settle suits and claims. The duty to defend and settle ends when the limit of insurance has been exhausted by payment of judgments or settlements. There is no duty to provide a defense for any bodily injury or property damage not covered by the coverage form.

The final paragraph in this section spells out the insurance company's right and duty to defend suits and to investigate and settle claims. However, there is no duty to defend suits or claims for damages that are not covered by the policy form, or to defend after the limit of liability has been exhausted by the payment of claims.

Who Is An Insured

This section clarifies who is insured by the liability coverage. To the extent that coverage is not limited by exclusions, an “insured” includes:

- the named insured for any covered auto;
- the owner or anyone else from whom a trailer is hired or borrowed and connected to an auto owned by the named insured;
- anyone while using with permission a covered auto owned, hired, or borrowed by the named insured (except for the five excluded classes below); and
- anyone liable for the conduct of an insured person, but only to the extent of that liability.

The following five classes of people are **not** insured for liability exposure under the business auto coverage part:

- the owner or anyone else from whom the named insured hires or borrows a covered auto;
- employees of the named insured, if the covered auto is owned by that employee or a member of that employee’s household;
- anyone using a covered auto while working in a business of selling, servicing, repairing, or parking autos if it is not the named insured’s business;
- anyone other than the named insured’s employees, a lessee or borrower or any of their employees, while moving property to or from a covered auto;
- a partner of the named insured’s, for any covered auto owned by that partner or a member of his or her household.

In all of these cases the “named insured” would have liability coverage for any accidents that occur, but the owners or operators of such vehicles would not be covered under business auto liability coverage if they were named in a suit or claim—they should have their own liability insurance for these exposures.

Liability Exclusions

The liability section of the business auto coverage form lists **13 exclusions**. Exclusions generally appear in insurance policies to remove coverage for **three types of losses**:

- 1) losses which are not insurable,
- 2) losses which should be covered by other types of insurance coverage, and
- 3) losses which result from an above-average exposure and for which coverage is not provided automatically, but for which optional coverage may be available at an additional cost.

Most of the liability exclusions fall into the first two categories.

The first exclusion eliminates coverage for **expected or intended losses**, because they are not insurable. Coverage applies only to unexpected and accidental injury or damage.

On the surface the **contractual liability exclusion** may be misleading—it eliminates coverage for liability assumed under contract, but it does not apply to an “insured contract.” As you will see when you review the definitions, the meaning of an “insured contract” is actually very broad, and many contracts or agreements are covered.

The next three exclusions relate to injuries to employees and others that are part of the **workers compensation and employers liability exposures**. Auto liability insurance is designed to cover injuries to third parties who do not work for the insured. Injuries to employees, even when caused by a fellow employee, which arise out of and in the course of employment should be covered by workers compensation insurance.



Liability Exclusion Notes- #1-5

This insurance does not apply to any of the following:

1. EXPECTED OR INTENDED INJURY

"Bodily injury" or "property damage" expected or intended from the standpoint of the "insured."

2. CONTRACTUAL

Liability assumed under any contract or agreement.

But this exclusion does not apply to liability for damages:

- a. Assumed in a contract or agreement that is an "insured contract" provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement; or
- b. That the "insured" would have in the absence of the contract or agreement.

3. WORKERS COMPENSATION



Any obligation for which the "insured" or the "insured's" insurer may be held liable under any workers compensation, disability benefits or unemployment compensation law or any similar law.

4. EMPLOYEE INDEMNIFICATION AND EMPLOYER'S LIABILITY

"Bodily injury" to:

- a. An employee of the "insured" arising out of and in the course of employment by the "insured"; or
- b. The spouse, child, parent, brother or sister of that employee as a consequence of paragraph a. above.

This exclusion applies:

- (1) Whether the "insured" may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

But this exclusion does not apply to "bodily injury" to domestic employees not entitled to workers compensation benefits or to liability assumed by the "insured" under an "insured contract." For the purposes of the Coverage Form, a domestic "employee" is a person engaged in household or domestic work performed principally in connection with a residence premises.

5. FELLOW EMPLOYEE

"Bodily injury" to any fellow employee of the "insured" arising out of and in the course of the fellow employee's employment or while performing duties related to the conduct of your business.

There is no coverage for damage involving property owned or being transported by the insured, or to property in the insured's care, **custody or control**. These exposures should be covered by commercial property coverages. Liability insurance is designed to cover the insured's legal obligation for damages suffered by others.

Injury or damage resulting from the handling of property before it is accepted for **loading** onto a covered auto, or after it is **unloaded** from a covered auto, is excluded because this is part of a general liability exposure and is not an automobile liability exposure.

Automobile liability coverage applies while property is being loaded or unloaded manually or by a hand truck, but not by any mechanical device (such as a forklift) which is not attached to the auto. This is another general liability exposure.



Injury or damage arising out of the "operation" of certain types of "**mobile equipment**" is excluded because it is a general liability exposure. This applies to self-propelled vehicles upon which cherry pickers or similar devices are mounted to raise and lower workers, or which have permanently attached equipment such as air compressors, pumps and generators used for spraying, welding and other purposes.



An exception to the definition of "mobile equipment" states that these vehicles are considered to be "autos," and they are insured under auto liability coverage while they are being driven to and from job sites.



Example: A back-hoe driven on public roads for a brief distance between two job sites would be covered for liability under this coverage. But as soon as it is being "operated" for its intended purpose, the risk shifts to a general liability exposure.

(A similar exception in the exclusions of the general liability coverage form is made to pick up the coverage where the auto liability coverage ends.)

Injury or damage arising out of the insured's "**completed operations**" is excluded because this is another general liability exposure. Example: If the back-hoe were driven to a construction site on which a building was completed and later collapsed, the resulting loss would not be covered even though insured vehicles had been used in its construction.



Liability Exclusion Notes Cont.- #6-9

6. CARE, CUSTODY OR CONTROL



"Property damage" to or "covered pollution cost or expense" involving property owned or transported by the "insured" or in the "insured's" care, custody or control. But this exclusion does not apply to liability assumed under a sidetrack agreement.

7. HANDLING OF PROPERTY

"Bodily injury" or "property damage" resulting from the handling of property:

- a. Before it is moved from the place where it is accepted by the "insured" for movement into or onto the covered "auto" ; or
- b. After it is moved from the covered "auto" to the place where it is finally delivered by the "insured."

8. MOVEMENT OF PROPERTY BY MECHANICAL DEVICE

"Bodily injury" or "property damage" resulting from the movement of property by a mechanical device (other than a hand truck) unless the device is attached to the covered "auto".



9. OPERATIONS

"Bodily injury" or "property damage" arising out of the operation of any equipment listed in paragraphs 6.b. and 6.c. of the definition of "mobile equipment."



10. COMPLETED OPERATIONS

"Bodily injury" or "property damage" arising out of your work after that work has been completed or abandoned.

In this exclusion, your work means:

- a. Work or operations performed by you or on your behalf; and
- b. Materials, parts or equipment furnished in connection with such work or operations.

Your work includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any of the items included in paragraphs a. or b. above.

Your work will be deemed completed at the earliest of the following times:

- (1) When all of the work called for in your contract has been completed.
- (2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.
- (3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.



The final liability exclusions remove coverage for most forms of **pollution** and for any injury or damage resulting from **acts of war**.



The pollution exclusion is designed to reinforce the other policy language describing the limited coverage for "pollution cost or expense" and the related definitions. Nearly all forms of pollution liability resulting from substances being transported, towed by, stored or processed in or upon a covered auto are excluded. These risks are designed to be covered under a pollution liability endorsement—or separate environmental impairment liability insurance. An exception is made for the escape of certain substances, such as fuel and motor oil, from the normal operating systems of a covered auto.

Any injury or damage resulting from war or any act of war is excluded because war is a catastrophic peril and is usually not insurable.



Liability Exclusion Notes Cont.- #11 & #12

11. POLLUTION

"Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

a. That are, or that are contained in any property that is:

- (1) Being transported or towed by, handled, or handled for movement into, onto or from, the covered vehicle;
- (2) Otherwise in the course of transit by or on behalf of the "insured"; or
- (3) Being stored, disposed of, treated or processed in or upon the covered "auto" ;

b. Before the "pollutants" or any property in which the "pollutants" are contained are moved from the place where they are accepted by the "insured" for movement into or onto the covered "auto" ; or

c. After the "pollutants" or any property in which the "pollutants" are contained are moved from the covered "auto" to the place where they are finally delivered, disposed of or abandoned by the "insured."

Paragraph a. above does not apply to fuels, lubricants, fluids, exhaust gases or other similar "pollutants" that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the covered "auto" or its parts, if:

- (1) The "pollutants" escape, seep, migrate, or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such "pollutants"; and
- (2) The "bodily injury," "property damage," or "covered pollution cost or expense" does not arise out of the operation of any equipment listed in paragraphs 6.b. and 6.c. of the definition of "mobile equipment."

Paragraphs b. and c. above of this exclusion do not apply to "accidents" that occur away from premises owned by or rented to an "insured" with respect to "pollutants" not in or upon a covered "auto" if:

- (1) The "pollutants" or any property in which the "pollutants" are contained are upset, overturned or damaged as a result of the maintenance or use of a covered "auto"; and
- (2) The discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused directly by such upset, overturn, or damage.

12. WAR

"Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

Racing

Racing activity is defined here and excluded elsewhere in the policy.



Exclusion Notes Cont.- #13

13. RACING

Covered "autos" while used in any professional or organized racing or demolition contest or stunting activity. This insurance also does not apply while that covered "auto" is being prepared for such a contest or activity.



Limit of Liability

Business auto liability coverage is usually written with a single limit of insurance that applies per accident. This section states that the limit shown in the declarations is the most the insurance company will pay for "all damages" resulting from any one accident, regardless of the number of covered autos, insureds, claims made, or vehicles involved. (But any covered supplementary payments will be paid in addition to the limit of insurance.)

Although we often think of an automobile "accident" as something that occurs suddenly, as in the case of collision, the term also includes repeated exposure to the same conditions. The last paragraph clarifies that continuous or repeated exposure to substantially the same conditions is considered to be "one accident." This eliminates the possibility of a claimant seeking damages in excess of the limit of insurance on the basis of repeated exposure.

Example: The insured's overloaded truck continuously drives by a nearby business and eventually causes \$300,000 of structural damage to the building from repeated ground vibrations. The limit of coverage is \$100,000. The claimant sues for the entire \$300,000 and argues that you're the insured's truck passed by on at least three occasions. Although this accidental damage may be covered, the most the insurance company will pay is \$100,000 because it is a single accident.

No one is entitled to receive duplicate payments for the same elements of loss under the liability coverage and under any medical payments, uninsured motorists, or underinsured motorists coverage endorsements attached to the coverage part.



Limit of Liability Notes

LIMIT OF INSURANCE

Regardless of the number of covered "autos," "insureds," premiums paid, claims made or vehicles involved in the "accident," the most we will pay for the total of all damages and "covered pollution cost or expense" combined, resulting from any one "accident" is the Limit of Insurance for Liability Coverage shown in the Declarations.

All "bodily injury," "property damage," and "covered pollution cost or expense" resulting from continuous or repeated exposure to substantially the same conditions will be considered as resulting from one "accident."

No one will be entitled to receive duplicate payments for the same elements of "loss" under this Coverage Form and any Medical Payments Coverage Endorsement, Uninsured Motorists Coverage Endorsement or Underinsured Motorists Coverage Endorsement attached to this Coverage Part.

Section III - Physical Damage Coverage



Under the physical damage section, the business auto coverage form agrees to pay for loss to a covered auto or its equipment under any of three separate insuring agreements—comprehensive coverage, specified causes of loss, and collision coverage. Each coverage applies only if one or more coverage symbols and a premium are shown in the declarations.

When comprehensive coverage applies, it will pay for loss from any cause—including theft—except collision with another object or overturn of the vehicle (which is the definition of collision coverage). Comprehensive coverage is written with a deductible, but the deductible will not apply to loss caused by fire or lightning (this provision is stated in the declarations and in the physical damage deductible provision, and does not appear here in the coverage agreements).

When specified causes of loss coverage applies, the coverage will only pay for loss caused by any of the perils specified in the agreement. A \$25 deductible applies only to loss by vandalism or mischief (this provision is stated in the declarations and does not appear in the coverage form).

When collision coverage applies, it will pay for loss caused by collision with another object or the overturn of the auto. Note that “collision” does not necessarily mean collision with another vehicle—collision with a tree or a bridge is a covered collision. This coverage is written with a deductible.

The physical damage section includes an agreement for towing and labor costs which are incurred when a covered auto is disabled. This coverage is optional. The amount of coverage for each disablement of an auto will be the limit shown in the declarations.

Special provisions apply to glass breakage, hitting a bird or animal, and damage caused by falling objects or missiles. If an auto is insured for comprehensive coverage, the insurance company will pay under the “comprehensive coverage” for glass breakage and loss by hitting a bird or animal, or loss caused by falling objects or missiles. This usually works to the insured’s advantage, because comprehensive is usually written with a lower deductible than collision coverage. However, the insured is given the option of having glass breakage paid as a collision loss—this removes a possible double deductible if glass breakage and other damage result from a collision.



Physical Damage Notes

PHYSICAL DAMAGE COVERAGE



A. COVERAGE

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

a. **Collision Comprehensive Coverage.** From any cause except:

- (1) The covered "auto's" collision with another object; or
- (2) The covered "auto's" overturn.



b. **Specified Causes of Loss Coverage.** Caused by:

- (1) Fire, lightning or explosion;
- (2) Theft;
- (3) Windstorm, hail or earthquake;
- (4) Flood;
- (5) Mischief or vandalism; or
- (6) The sinking, burning, collision or derailment of any conveyance transporting the covered "auto".

c. Collision Coverage. Caused by:

- (1) The covered "auto's" collision with another object; or
- (2) The covered "auto's" overturn.

2. Towing.

We will pay up to the limit shown in the Declarations for towing and labor costs incurred each time a covered "auto" of the private passenger type is disabled. However, the labor must be performed at the place of disablement.

3. Glass Breakage—Hitting a Bird or Animal—Falling Objects or Missiles.

If you carry Comprehensive Coverage for the damaged covered "auto," we will pay for the following under Comprehensive Coverage:

- a. Glass breakage;
- b. "Loss" caused by hitting a bird or animal; and
- c. "Loss" caused by falling objects or missiles.

However, you have the option of having glass breakage caused by a covered "auto's" collision or overturn considered a "loss" under Collision Coverage.



Physical Damage Notes Cont.

4. Coverage Extension.

a. Transportation Expenses

We will pay up to \$20 per day to a maximum of \$600 for transportation expense incurred by you because of the total theft of a covered "auto" of the private passenger type. We will pay only for those covered "autos" for which you carry either Comprehensive or Specified Causes of Loss Coverage. We will pay for transportation expenses incurred during the period beginning 48 hours after the theft and ending, regardless of the policy's expiration, when the covered "auto" is returned to use or we pay for its "loss."

b. Loss of Use Expense

For Hired Auto Physical Damage, we will pay expenses for which an "insured" becomes legally responsible to pay for loss of use of a vehicle rented or hired without a driver, under a written rental contract or agreement. We will pay for loss of use expenses if caused by:

- (1) Other than collision only if the Declarations indicate that Comprehensive Coverage is provided for any covered "auto";
- (2) Specified Causes of Loss only if the Declarations indicate that Specified Causes of Loss Coverage is provided for any covered "auto"; or
- (3) Collision only if the Declarations indicate that Collision Coverage is provided for any covered "auto".

However, the most we will pay for any expenses for loss of use is \$20 per day, to a maximum of \$600.

Physical Damage Exclusions

Losses caused by nuclear hazards or war are excluded because these are catastrophic exposures.

Certain items, such as tape decks, CB radios, and other sound receiving equipment, are not covered unless permanently installed in the auto (portable or detachable devices are too easily removed). Tapes and records are not covered because they are easily lost, misplaced or removed. Equipment designed for radar detection is not covered because it suggests that the driver intends to violate speed laws, which is a practice the insurance companies want to discourage.

Maintenance type losses, such as wear and tear, mechanical breakdown, and tire damage, are not covered because these are expected as a consequence of using an automobile and do not result from accidents. An exception is made when these losses result from another covered cause of loss—if tires rupture due to a covered collision, the tire loss would be covered.



Physical Damage Exclusion Notes

B. EXCLUSIONS

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

a. Nuclear Hazard.

- (1) The explosion of any weapon employing atomic fission or fusion; or
- (2) Nuclear reaction or radiation, or radioactive contamination, however caused.

b. War or Military Action.

- (1) War, including undeclared or civil war.
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

2. We will not pay for "loss" to any covered auto" while used in any professional or organized racing or demolition contest or stunting activity, or while practicing for such contest or activity. We will also not pay for "loss" to any covered "auto" while that covered "auto" is being prepared for such a contest or activity.

3. We will not pay for "loss" caused by or resulting from any of the following unless caused by other "loss" that is covered by this insurance:

- a. Wear and tear, freezing, mechanical or electrical breakdown.
- b. Blowouts, punctures or other road damage to tires.

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

- a. Tapes, records, discs or other similar audio, visual or data electronic devices designed for use with audio, visual or data electronic equipment.
 - b. Any device designed or used to detect speed measuring equipment such as radar or laser detectors and any jamming apparatus intended to elude or disrupt speed measurement equipment.
 - c. Any electronic equipment, without regard to whether this equipment is permanently installed, that receives or transmits audio, visual or data signals and that is not designed solely for the reproduction of sound.
 - d. Any accessories used with the electronic equipment described in Paragraph c. above.
- Exclusions 4.c. and 4.d. do not apply to:

- a. Equipment designed solely for the reproduction of sound and accessories used with such equipment, provided such equipment is permanently installed in the covered "auto" at the time of the "loss" or such equipment is removable from a housing unit which is permanently installed in the covered "auto" at the time of the "loss", and such equipment is designed to be solely operating by used of the power from the "auto's" electrical system, in or upon the covered "auto", or
- b. Any electronic equipment that is:
 - (1) Necessary for the normal operation of the covered "auto" or the monitoring of the covered "auto's" operating system; or
 - (2) An integral part of the same unit housing any sound reproducing equipment described in a. above and permanently installed in the opening of the dash or console of the covered "auto" normally used by the manufacturer for installation of a radio.

5. We will not pay for "loss" to a covered "auto" due to "diminution in value".

Physical Damage Limits

The most the insurance company will pay for loss resulting from any one accident is the lesser of the actual cash value of the loss or the cost of repairing or replacing the damaged or stolen property. Recovery for physical damage losses will be reduced by any applicable deductible(s) shown in the declarations. However, any comprehensive coverage deductible shown in the declarations does not apply to loss caused by fire or lightning.



Physical Damage Limit Notes

C. LIMIT OF INSURANCE

1. The most we will pay for "loss" in any one "accident" is the lesser of:
 - a. The actual cash value of the damaged or stolen property as of the time of the "loss"; or
 - b. The cost of repairing or replacing the damaged or stolen property with other property of like kind and quality.
2. An adjustment for depreciation and physical condition will be made in determining actual cash value in the event of a total "loss".
3. If a repair or replacement results in better than like kind or quality, we will not pay for the amount of the betterment.

D. DEDUCTIBLE

For each covered "auto," our obligation to pay for, repair, return or replace damaged or stolen property will be reduced by the applicable deductible shown in the Declarations. Any Comprehensive Coverage deductible shown in the Declarations does not apply to "loss" caused by fire or lightning.

Section IV - Conditions

The business auto coverage form includes a number of loss conditions and general conditions that apply to the automobile insurance in addition to the common policy conditions. See the boxes below for an overview on business auto conditions.



Business Auto Condition Notes (Loss Conditions)

The following conditions apply in addition to the Common Policy Conditions:

LOSS CONDITIONS



1. APPRAISAL FOR PHYSICAL DAMAGE LOSS

If you and we disagree on the amount of "loss," either may demand an appraisal of the "loss." In this event, each party will select a competent appraiser. The two appraisers will select a competent and impartial umpire. The appraisers will state separately the actual cash value and amount of "loss." If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.



Condition Notes Cont. (Loss Conditions)

2. DUTIES IN THE EVENT OF ACCIDENT, CLAIM, SUIT OR LOSS

We have no duty to provide coverage under this policy unless there has been full compliance with the following duties:

- a. In the event of "accident," claim, "suit" or "loss," you must give us or our authorized representative prompt notice of the "accident" or "loss." Include:
 - (1) How, when and where the "accident" or "loss" occurred;
 - (2) The "insured's" name and address; and
 - (3) To the extent possible, the names and addresses of any injured persons and witnesses.
- b. Additionally, you and any other involved "insured" must:
 - (1) Assume no obligation, make no payment or incur no expense without our consent, except at the "insured's" own cost.
 - (2) Immediately send us copies of any request, demand, order, notice, summons or legal paper received concerning the claim or "suit."
 - (3) Cooperate with us in the investigation, settlement or defense of the claim or "suit."
 - (4) Authorize us to obtain medical records or other pertinent information.



Condition Notes Cont. (Loss Conditions)

3. the insured LEGAL ACTION AGAINST US

No one may bring a legal action against us under this Coverage Form until:

- a. There has been full compliance with all the terms of this Coverage Form; and
- b. Under Liability Coverage, we agree in writing that the "insured" has an obligation to pay or until the amount of that obligation has finally been determined by judgment after trial.

No one has the right under this policy to bring us into an action to determine the "insured's" liability.

4. LOSS PAYMENT—PHYSICAL DAMAGE COVERAGES

At our option we may:

- a. Pay for, repair or replace damaged or stolen property;
- b. Return the stolen property, at our expense. We will pay for any damage that results to the "auto" from the theft; or
- c. Take all or any part of the damaged or stolen property at an agreed or appraised value. If we pay for the "loss", our payment will include the applicable sales tax for the damaged or stolen property.

5. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

If any person or organization to or for whom we make payment under this Coverage Form has rights to recover damages from another, those rights are transferred to us. That person or organization must do everything necessary to secure our rights and must do nothing after "accident" or "loss" to impair them.



Condition Notes Cont. (General Conditions)

GENERAL CONDITIONS

1. BANKRUPTCY

Bankruptcy or insolvency of the "insured" or the "insured's" estate will not relieve us of any obligations under this Coverage Form.

2. CONCEALMENT, MISREPRESENTATION OR FRAUD

This Coverage Form is void in any cause of fraud by you at any time as it relates to this Coverage Form. It is also void if you or any other "insured," at any time, intentionally conceal or misrepresent a material fact concerning:

- a. This Coverage Form;
- b. The covered "auto" ;
- c. Your interest in the covered "auto" ; or
- d. A claim under this Coverage Form.

3. LIBERALIZATION

If we revise this Coverage Form to provide more coverage without additional premium charge, your policy will automatically provide the additional coverage as of the day the revision is effective in your state.

4. NO BENEFIT TO BAILEE—PHYSICAL DAMAGE COVERAGES

We will not recognize any assignment or grant any coverage for the benefit of any person or organization holding, storing or transporting property for a fee regardless of any other provision of this Coverage Form.

5. OTHER INSURANCE

a. For any covered "auto" you may own, this Coverage Form provides primary insurance. For any covered "auto" you don't own, the insurance provided in this Coverage Form is excess over any other collectible insurance. However, while a covered "auto" which is a "trailer" is connected to another vehicle, the Liability Coverage this Coverage Form provides for the "trailer" is:

- (1) Excess while it is connected to a motor vehicle you do not own.
- (2) Primary while it is connected to a covered "auto" you own.

b. For Hired Auto Physical Damage coverage any covered "autos" you lease, hire, rent or borrow is deemed to be a covered "auto" you own. However, any "auto" that is leased, hired, rented or borrowed with a driver is not a covered "auto".

c. Regardless of the provisions of paragraph a. above, this Coverage Form's Liability Coverage is primary for any liability assumed under an "insured contract."

d. When this Coverage Form and any other Coverage Form or policy covers on the same basis, either excess or primary, we will pay only our share. Our share is the proportion that the Limit of Insurance of our Coverage Form bears to the total of the limits of all the Coverage Forms and policies covering on the same basis.





Condition Notes Cont. (General Conditions)

6. PREMIUM AUDIT

a. The estimated premium for this Coverage Form is based on the exposures you told us you would have when this policy began. We will compute the final premium due when we determine your actual exposures. The estimated total premium will be credited against the final premium due and the first Named Insured will be billed for the balance, if any. If the estimated total premium exceeds the final premium due, the first Named Insured will get a refund.

b. If this policy is issued for more than one year, the premium for this Coverage Form will be computed annually based on our rates or premiums in effect at the beginning of each year of the policy.

7. POLICY PERIOD, COVERAGE TERRITORY

Under this Coverage Form, we cover "accidents" and "losses" occurring:

- a. During the policy period shown in the Declarations; and
- b. Within the coverage territory.

The coverage territory is:

- a. The United States of America;
- b. The territories and possessions of the United States of America;
- c. Puerto Rico; and
- d. Canada.

e. Anywhere in the world if:

(1) A covered "auto" of the private passenger type is leased, hired, rented or borrowed without a driver for a period of 30 days or less; and

(2) The insured's responsibility to pay damages is determined in a "suit" on the merits, in the United States of America, the territories and possessions of the United States of America, Puerto Rico, or Canada or in a settlement we agree to.

We also cover "loss" to or "accidents" involving a covered "auto" while being transported between any of these places.

8. TWO OR MORE COVERAGE FORMS OR POLICIES ISSUED BY US

If this Coverage Form and any other Coverage Form or policy issued to you by us or any company affiliated with us apply to the same "accident," the aggregate maximum Limit of Insurance under all the Coverage Forms or policies shall not exceed the highest applicable Limit of Insurance under any one Coverage Form or policy. This condition does not apply to any Coverage Form or policy issued by us or an affiliated company specifically to apply as excess insurance over this Coverage Form.

Section V - Definitions



The business auto coverage form includes a definitions section which defines key terms applicable to the automobile insurance. Since many of these are self-explanatory, we will only comment briefly on the definitions, placing slightly more emphasis on the few longer and more complex definitions.

Accident, Auto and Bodily Injury

"Accident" includes continuous or repeated exposure to these same conditions resulting in bodily injury or property damage.



"Auto" for the purposes of automobile insurance means land motor vehicles designed for use on public roads. Usually these are vehicles subject to licensing and registration—but not always. The term "auto" does not include "mobile equipment"—these terms are mutually exclusive, because mobile equipment exposures are covered by general liability insurance. However, as noted earlier, a back-hoe would be considered an auto when driven on a public road, en route to a job site.

"Bodily injury" includes injury, sickness or disease, including death resulting from any of these conditions.



Important "Definitions"

SECTION V—DEFINITIONS

- A. "Accident" includes continuous or repeated exposure to the same conditions resulting in "bodily injury" or "property damage."
- B. "Auto" means a land motor vehicle, trailer or semi trailer designed for travel on public roads but does not include "mobile equipment."
- C. "Bodily injury" means bodily injury, sickness or disease sustained by a person including death resulting from any of these.

Covered Pollution

Although the definition of “covered pollution cost or expense” is very detailed, it is designed to reinforce other policy language and exclusions related to this limited coverage. The intent is to provide only a very limited coverage for the cleanup and removal of pollution resulting from certain substances (such as fuel or motor oil) that escape from an automobile’s normal operating systems as the result of an accident.

Coverage also exists for expenses arising from suits brought by governmental authorities.

There is no coverage for any pollution resulting from the escape of any substances being transported, stored, treated or processed in or upon a covered auto. As noted earlier, escape of pollutants other than those used to drive the vehicle would fall under other coverage.

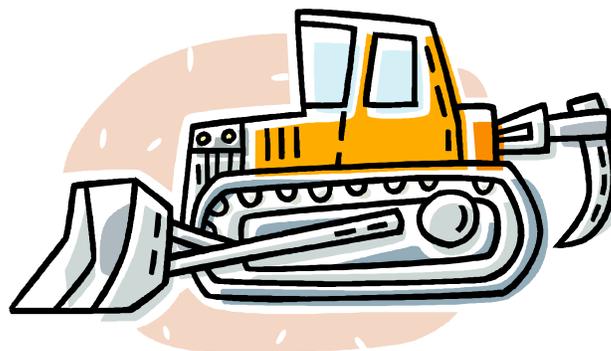
Mobile Equipment



The definition of “mobile equipment” is rather detailed, but it generally applies to motorized equipment that is not designed or intended for travel on public roads. Such things as bulldozers, forklifts, and road construction equipment are not subject to registration, and are not covered by automobile insurance (they are covered by general liability insurance). However, exceptions are made for some types of self-propelled vehicles which have “permanently attached” equipment and are designed for use on public roads.

Snowplows and street cleaning equipment which perform their intended operations on public roads are insured as “autos” under this coverage form. Vehicles with other types of equipment mounted on auto or truck bodies may be insured as “autos” while traveling to job sites but, as stated earlier (see the liability exclusions), auto liability coverage terminates as soon as the special equipment is being operated (at this point the risk shifts to a general liability exposure).

The definition of “mobile equipment” is identical on the business auto and general liability coverage forms. This allows the two coverages to fit together precisely, and removes any doubt about which coverage applies to “autos” and which applies to “mobile equipment.” Both forms specify that certain self-propelled vehicles are not mobile equipment and will be considered to be autos. This group of self-propelled vehicles includes those with permanently attached equipment designed primarily for snow removal, road maintenance other than construction or resurfacing, or street cleaning. Cherry pickers and similar devices used to raise or lower workers are “autos” if they are mounted on an automobile or truck chassis.



Final Definitions

"Property damage" means not only direct damage to property, but loss of use of tangible property as well.

Example: The insured's truck that is involved in a collision topples over and blocks the entrance to a store parking lot. The insured driver is liable for the accident. Although the store suffered no actual property damage, it loses sales because customers cannot reach the premises. The storeowner would have a legitimate automobile liability property damage claim against the insured on the basis of loss of use.

"Suit" means a civil proceeding in which damages because of bodily injury, property damage, or covered pollution cost or expense, to which the insurance applies are alleged. The term "suit" also means an arbitration proceeding or alternative dispute resolution proceeding in which damages are claimed and to which the insured must submit with the insurance company's consent.

The final definition found on the business auto coverage form specifies that the term "trailer" include a semi trailer.

"Property damage" means damage to or loss of use of tangible property.

"Suit" means a civil proceeding in which:

1. Damages because of "bodily injury," or "property damage"; or
2. "covered pollution cost or expense," to which this insurance applies are alleged.

"Suit" includes

- a. An arbitration proceeding in which such damages or "covered pollution costs or expenses" are claimed and to which the "insured" must submit or does submit with our consent; or
- b. Any other alternative dispute resolution proceeding in which such damages or "covered" pollution costs or expenses" are claimed and to which the insured submits with our consent.

"Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

"Trailer" includes semi trailer.

Policy Endorsements

Because the business auto coverage form uses a flexible system of coverage symbols, it has eliminated the need for a number of endorsements that once were common

Endorsements are no longer needed to add coverage for non-owned autos and hired cars. However, business auto coverage still leaves a few gaps that can only be closed by endorsement when the coverages are needed. This section will review the most frequently used endorsements.

Medical Payments

Commercial auto coverage forms do not automatically include medical payments coverage. Commercial auto declarations forms have a space to enter a limit and premium for medical payments, but the coverage applies only when the auto medical payments coverage endorsement is attached to the policy.

Medical payments coverage is written with a limit of insurance per person, per accident. Necessary medical and funeral expenses resulting from accidental bodily injury and incurred within three years of the accident date are covered. When the named insured is an individual, the named insured and all family members are covered while occupying or when struck by any auto. For all insured businesses, coverage applies to anyone occupying a covered auto or a temporary substitute for a covered auto. Coverage does not apply to injuries to the insured's employees if the injury arises out of and in the course of their employment, but domestic employees not eligible for workers compensation are covered.

Uninsured Motorists



Commercial auto coverage forms do not automatically include uninsured motorists coverage. Commercial auto declarations forms have a space to enter a limit and premium for uninsured motorists coverage, but the insurance applies only when an uninsured motorists coverage endorsement is attached to the policy.

Generally, the coverage pays amounts that an "insured" is legally entitled to recover from the owner or driver of an "uninsured motor vehicle" because of bodily injury sustained in an accident. Unless altered by state requirements, "uninsured motor vehicle" means any of the following:

- a vehicle which at the time of accident is not covered by a bodily injury liability policy or bond;
- a vehicle which at the time of accident is covered by a bodily injury liability policy or bond, but the coverage limit is less than the minimum amount required by the financial responsibility law of the state where the vehicle is principally garaged;
- a vehicle which at the time of accident is covered by a bodily injury liability policy or bond, but the insuring or bonding company denies coverage or becomes insolvent; and
- a hit-and-run vehicle whose owner or operator cannot be identified.

This coverage varies from one state to the next because of differences in statutory requirements. In most states it applies only to bodily injury, but some states permit or require it to include property damage coverage. In some states, the definition of "uninsured" motor vehicle includes an "underinsured" vehicle.

Drive Other Car Coverage

Commercial auto coverage may also be extended by endorsement to insure the nonbusiness exposures of named individuals who may not own an automobile and may not carry personal auto insurance. Some company executives are issued company cars. Business auto coverage insures their exposure while using those vehicles, and it may cover them while using any other vehicles in the course of business activities. But business auto coverage would not insure them while using other autos for personal activities. For example, it would not cover use of a rental car while on a personal vacation.



By attaching a "Drive Other Car" endorsement, the business auto coverage can be amended to provide personal-type automobile insurance for named individuals. The endorsement changes the liability coverage to insure the named individual and spouse while using any non-owned auto for both business and personal use. It changes the physical damage coverage to make any non-owned "private passenger vehicle" a "covered auto" when used by the named individual or spouse. If medical payments and uninsured motorists coverage are part of the business auto coverage, the "Who Is An Insured" section is expanded to include the named individual and any "family member" who is a resident of the same household. However, coverage will not apply to any auto owned by the named individual or a family member—such owned autos must be specifically insured outside of the business coverage.

Sole proprietors who operate a business may extend business auto coverage to provide personal auto insurance for immediate family members. The proprietor, as named insured, might be covered for use of any auto, but family members would not normally have that protection—particularly for the personal use of non-owned autos. An "Individual Named Insured" endorsement may be used to add family coverage to business auto insurance. It removes the "fellow employee" exclusion with respect to family members, because family members often work for a family business. It changes the liability coverage to apply to all family members who are residents of the same household. Physical damage coverage is provided for family members using a "private passenger auto" owned by the named insured, and non-owned autos are also covered but coverage for a non-owned trailer is limited to \$500.

Normally, the business auto coverage form would not cover a partner of the named insured's for liability while using an auto owned by that partner or a member of his or her household. This problem may be resolved by endorsing the policy to name the partnership as the named insured with respect to liability coverage. When this endorsement is attached, the liability exposure of individual partners would be covered while using their own cars or those owned by members of their family.

If a business has broad coverage for "all autos," it would be covered in any suit arising out of an accident involving owned, hired, borrowed, or non-owned autos, including autos owned by employees while used for business purposes. Although the employees are insured under the business auto liability section while driving autos owned by the business, they are not insured while driving their own cars in the course of business. If a suit against a business also named an employee as the driver and owner of a vehicle, the business auto coverage would only protect the business. If the employee had personal auto coverage, it would provide some protection. But claims resulting from a business-related accident might involve amounts well above the employee's coverage limits. Employees can be protected under the business auto coverage by attaching the "Employees as Additional Insureds" endorsement. It states that any employee is an insured person while using an auto the business does not own, hire, or borrow, when the autos are used in the business or personal affairs of the named insured.

This coverage insures employees for the business use of their own autos or autos owned by family members. It does not protect other family members who may own a vehicle being used by an employee.



Individual Named Insured

On a BAP, when the named insured is an individual, rather than a corporation or a partnership, the Individual Named Insured endorsement is used. It is also used when there are several named insured and one of them is an individual.

Mobile Equipment

An endorsement may be added to a policy to provide coverage for scheduled items of mobile equipment. When attached, the items scheduled will be treated as covered autos and not mobile equipment.

Deductibles

This endorsement may be used to establish deductible amounts for bodily injury liability and property damage liability. Separate deductibles may be shown for bodily injury on a per person and a per accident basis. The property damage deductible will always apply per accident. When applicable, damages otherwise payable under the policy are reduced by the appropriate deductible amounts.

Rental Reimbursement Coverage

A rental reimbursement coverage endorsement may be attached to a policy to cover expenses incurred for the rental of another auto because of loss to a covered auto that is shown in the schedule. This coverage applies to expenses beginning 24 hours after a physical damage loss, and continuing for the number of days it takes to reasonably repair or replace the covered auto or for the number of days shown in the schedule. No deductible applies to this coverage.

Other Endorsements

A variety of other endorsements may be used to alter business auto coverage. The traditional single limit of liability may be changed to split limits, and physical damage coverage can be changed from an actual cash value basis to a stated amount of insurance for specified vehicles. An endorsement may be used to alter the pollution exclusion and provide broadened pollution coverage. Other endorsements alter physical damage exclusions and provide comprehensive coverage for such things as citizens band radios and sound reproduction equipment.

Miscellaneous incidental exposures which are not usually covered may often be added to the policy by endorsement. Of course, additional endorsements almost always result in additional premiums.

Garage Liability Coverage



Garage Coverage Form



Businesses that sell, service, repair, park or store autos use the **garage coverage form** to cover risks that would not be covered under a Business Auto Policy alone. Typical of garage businesses are auto, truck, motorcycle, and mobile-home dealers; repair facilities; service stations; car washes, and parking facilities.

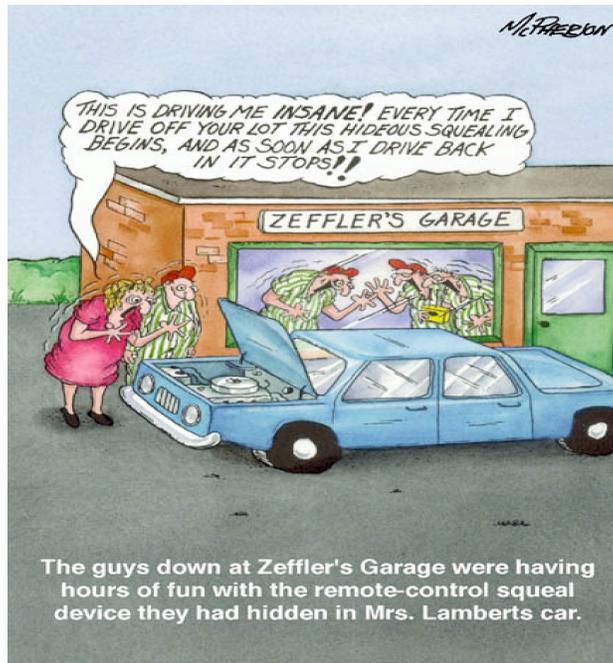
The **Garage Coverage Form** (CA 00 05) offers three basic kinds of insurance: garage liability, garagekeepers legal liability and dealers physical damage coverage. Supplementary schedules CA 00 07 (for auto dealers) or CA 00 08 (for non-dealers and trailer dealers) must be attached to the Garage Coverage Form. Garage liability includes coverage for premises and operations, products, non-owned autos and, under the dealers form, owned autos.

The garage form is similar in format and coverage to the business auto policy with some notable exceptions. As with the business auto policy, liability and physical damage coverage is provided.



In addition there is a **Section III—Garagekeepers coverage**, which includes additional coverages. This section provides coverage for autos in the insured's care, and other exposures. The garage form has many of the same definitions as in the business auto policy. There are four additional defined coverages:

1. garage operations,
2. loss of use,
3. products, and
4. work performed.



There are also some definitions that you saw in the business auto policy have different meanings in the garage coverage form. Under the garage form, the term **auto** is broadened to include vehicles not designed for travel on public roads and to include mobile equipment (although not specifically defined, it is also not specifically excluded as it was in the business auto policy, so coverage exists). Other business auto policy definitions with new meanings under the garage policy include **covered pollution** and **insured contract**. The conditions in the garage form are almost identical to the business auto conditions as well.



The liability section of the garage coverage form is much broader than that under the business auto policy to cover the unique garage risks. Garage liability covers not only the automobiles covered, but also products, premises, and work performed at the garage. There are two limits of liability:

- one for both an accident limit and an aggregate limit of insurance for garage operations—other than covered autos, and
- a second limit of insurance for garage operations—covered autos.

Because the overall coverage is broader, there are more exclusions than under the business auto policy in order to limit the specific coverages. These exclusions include expected or intended injury, employee indemnification and employers liability, leased autos, watercraft or aircraft, defective products, work you performed, loss of use, products recall, and liquor liability. Section III—Garagekeepers coverage **provides liability coverage**, but under the direct coverage option can also reimburse garage customers for damage to their autos regardless of fault, and without regard to any other insurance on the vehicles. This coverage also provides physical damage covering autos held for sale or company vehicles such as towing trucks.

Garagekeepers legal liability provides coverage for loss or damage to customers' autos. Dealers physical damage can insure vehicles in stock for the perils of collision, fire and theft or comprehensive and allows for coverage on a reporting or non-reporting basis.

Coverage can be written for the following types of risks:

1. Franchised and nonfranchised car, truck, recreational vehicle or motorcycle dealers;
2. Automobile repair shops;
3. Automobile service stations;
4. Storage garages and public parking places;
5. Mobile home or commercial trailer dealers.

Bodily Injury and Property Damage

This portion of coverage is handled carefully for auto dealers due to the rapid turnover of salespeople and other help, the use of loan cars and the slip and fall hazards on premises. Service stations and repair shops are also handled carefully due to the many young people they traditionally hire. With respect to products/completed operations hazard, experience of mechanics should be investigated.

Public parking lots present problems if there is attendant parking or if premises are poorly maintained.



Garagekeepers Legal Liability

This coverage is applicable to risks having vehicles in their custody. Theft is the biggest hazard. The underwriter must know what protection is afforded by the insured against this hazard. Auto parking facilities are hazardous when keys are left in cars. Check for concentration of values and catastrophe hazard.

Truckers Coverage Form



Overview

Businesses that have to deal with major trucking and other land transportation issues sometimes use a complex mixture of specialized auto coverages. We'll briefly consider these kinds of insurance.

Another modernized coverage form has been designed for truckers who are engaged in the business of transporting goods for others. It also follows the simplified wording, style and format of business auto coverage, but modifies a number of provisions to better shape the coverage to the needs of truckers. For example, the business auto coverage form does not provide liability coverage for the owner of an auto hired or borrowed from an employee (or member of the employee's family) by the insured company. The comparable limitation on the truckers policy refers only to private passenger autos. This means that the policy covers an employee who owns a commercial vehicle and furnishes it to the named insured for use in the trucking business. This would apply to businesses that use so-called "owner/operators" of large trucks.



The **motor carrier coverage form** is a variation of traditional truckers coverage developed to reflect certain changes in motor carrier regulation. It has been described as an underwriting alternative for some carriers, and it may provide more appropriate coverage for some insureds. However, the differences between truckers coverage and motor carrier coverage are very minor and very subtle.



This form does not define the term "trucker." Instead, it has a definition for motor carrier (a part of the Motor Carrier Act of 1980), which means any person or organization providing transportation by auto in the furtherance of a commercial enterprise. One distinction that can be drawn between this definition and the definition of "trucker" found in the truckers form is that a "trucker" is someone engaged in the business of transporting property by auto for hire while a "motor carrier" may be engaged in the transporting of property or passengers.



As with the other commercial auto forms, this form has its own set of coverage symbols. On the motor carrier coverage form we find some minor variations in wording in the "Who Is An Insured" section and in the "Other Insurance" condition. In many places, the term "motor carrier" appears instead of the word "trucker."



In most other respects the motor carrier and trucker forms are the same. The liability coverage, coverage extensions, and exclusions are the same. Trailer interchange coverage and physical damage coverage are the same. Most of the policy conditions and definitions are the same.



Commercial Carrier Regulations

Special regulations apply to commercial carriers of both passengers and cargo because of the risk of common carrier accidents. To protect the interest of the general public, state and federal laws have created minimum financial responsibility requirements for commercial carriers. These requirements may be met by purchasing insurance or obtaining a surety bond guaranteeing payment in amounts that at least equal the minimum limits. In some cases, full or partial self-insurance may be permitted, if the carrier provides the necessary financial data to demonstrate the ability to fully or partially self-insure.

Federal rules for common carriers were established by the Motor Carrier Act of 1980, which took effect in 1981. It has since been amended to increase the financial responsibility limits required. Enforcement of the requirements falls under the jurisdiction of the Department of Transportation.

The act requires minimum liability coverage for carriers of certain hazardous substances. In addition to the direct injury and damage that can be caused by a collision involving a commercial carrier, hazardous substances pose a special threat. Some substances carry a special risk of fire and explosion. Others might release poisonous gases. Toxic wastes and radioactive substances might endanger people and pollute the environment. Many substances which pose no immediate short-term risk to humans might still carry a long-term risk to the environment. Liability regulations serve two purposes: first, they provide some degree of protection to the public by providing funds for actual damage claims; second, the existence of the requirements creates financial incentives and serves as a reminder to common carriers to follow safety standards.

The federal law requires a single limit of liability that will apply to all payments for bodily injuries, property damage and environmental restoration resulting from negligence in the maintenance, operation or use of motor vehicles subject to the act. It is not necessary for the type of motor vehicle "accident" we normally think of to occur for liability to be imposed. "Negligence" could result from failure to close a valve, resulting in leakage of fluids or gases.

The required coverage is designed to pay for "public liability"—it does not apply to injuries to the carrier's employees or loss of the cargo being carried. Coverage is usually obtained by attaching an endorsement to a policy providing commercial auto or truckers coverage. The endorsement has been developed by the Department of Transportation, and not all insurance carriers are willing to provide it. Commercial coverage forms exclude nearly all forms of pollution, and when insurers are unwilling to write the "environmental restoration" coverage the commercial carrier will have to look to other markets. Some states have a commercial automobile assigned risk pool, which may provide the coverage. Residual market mechanisms and the surplus lines market may have to be explored in order to obtain coverage.

The required limits vary by size of the vehicle and the type of commodity being carried. Materials are classified by listings under Title 49 of the Code of Federal Regulations (CFR), Section 387.33.

The minimum liability requirements are:

- \$750,000 for the transportation of non-hazardous property;
- \$1 million for the transportation of oil listed in 49 CFR 172.101; hazardous wastes, materials, or substances defined in 49 CFR 171.8 and listed in 49 CFR 172.101 but not included in the next category;
- \$5 million for the transportation of hazardous substances as defined in 49 CFR 171.8 and designated by the letter "E" in 49 CFR 172.101, and transported in cargo tanks, portable tanks, or hopper-type vehicles with capacities in excess of 3,500 water gallons; all bulk class A and B explosives; poison gas (poison A); liquefied compressed gas or compressed gas transported in tanks or hoppers with capacities in excess of 3,500 gallons; or highway route-controlled radioactive materials as defined in 49 CFR 173.455.

For a more detailed account of the classifications and requirements, you should consult the Federal Motor Carrier Act at www.fmcsa.dot.gov.