8 – Other Personal Property and Liability Insurance

**1 – Inland Marine Floaters**

Inland marine insurance is designed to cover property that has a special value or that frequently moves (“floats”) from one location to another. Although these types of personal property are covered under a homeowners policy, they are usually subject to certain limitations. Such as jewelry, furs, fine arts, silverware, cameras, stamp and coin collections, clothes and luggage, sports equipment, and musical instruments.

**Characteristics and Components**

**The restrictive nature of some personal property coverages under a homeowners policy creates the need for personal inland marine policies, which can provide higher limits of insurance for losses of a particular type or that occur at a particular location**.

Often, individual who own these types of property insure the by adding an endorsement to the homeowners policy. These are some of the reasons people may prefer to obtain coverage under a separate inland marine policy:

* Highly valued paintings and sculptures, the insurer is reluctant to provide the requested amount of coverage by endorsement.
* To insure a costly collection of cameras and lenses, needs customized coverage that the homeowners policy cannot offer.
* Valuable jewelry or golf equipment owned by someone that lives in a retirement community and has no homeowners policy.
* Wanting to keep the homeowners premium separate from the premium on jewelry or collectibles because the homeowners premium is paid together with their mortgage payment.

Although personal inland marine insurance can be customized to meet a variety of coverage needs, **personal inland marine policies share these general characteristics:**

* **The coverage is tailored to the specific type of property to be insured, such as jewelry, cameras, or musical instruments.**
* **The insured may select the appropriate policy limits**
* **Policies are often written without a deductible**
* **Most policies insure property worldwide with special form coverage (open perils), subject to exclusions**

The inland marine policies have a shared structure consisting of 3 components; Declarations page; Common Policy Provisions; Coverage Form.

Declarations page lists the named insured, the policy period, the premium, any deductible, and forms attached, and other options.

**Common Policy Provisions**

The Common Policy Provisions of the ISO personal inland marine policy include an insuring agreement, definitions, exclusions and conditions. (Each personal inland marine policy also contains other conditions and exclusions that are listed in the particular coverage form selected.)

The insuring agreement states that the insurer is providing the insurance described in the policy in return for the premium paid by the insured and the insured’s compliance with the policy provisions.

The Definitions sections describes which terms in the policy refer to the insured and which refer to the insurer.

The Common Policy Provisions exclude coverage for: Ware; Nuclear hazard; Governmental actions; Intentional loss; Neglect

**The conditions section of the Common Policy Provisions specifies that insured property may have scheduled coverage by which articles or items are specifically listed. The Conditions section may also specify that insured property may have an unscheduled coverage by which articles are covered on a blanket basis, such as stamps or coins in a collection.**

**With certain exceptions, the amount paid for a covered loss is the least of four amounts:**

* **The actual cash value of the insured property at the time of loss or damage**
* **The amount for which the insured could reasonable be expected to have the property repaired to its condition immediately before loss**
* **The amount for which the insured could reasonable be expected to replace the property with property substantially identical to the lost or damaged article**
* **The amount of insurance stated in the policy.**

Coverages

In the ISO personal inland marine program, two types of coverage forms are available:

* Specialized forms are used to cover a single category of personal property, such as outboard motors and boats, fine arts, cameras, or motorized golf carts
* General forms are broader and generic in nature. These three general forms (Personal Articles Standard Loss Settlement Form, Personal Property Form, and Personal Effects Form) are commonly used to provide coverage on a single form for many kinds of personal property.

**Personal Articles Standard Loss Settlement Form**

The Personal Articles Standard Loss Settlement Form provides special form coverage for any of several classes of personal property, including jewelry, furs, cameras, musical instruments, silverware, golfer’s equipment, fine arts and stamp and coin collections. A specific amount of insurance is show in the policy for each class of property or for each specific article. (An agreed value version of the endorsement is also available).

The personal Articles Standard Loss Settlement Form excludes losses caused by wear and tear, deterioration, inherent vice, or insects or vermin.

Additional exclusions apply to fine arts. Breakage of fragile articles unless the breakage is caused by fire or lightning, explosion, aircraft or collision; windstorm, earthquake; or flood; malicious damage or theft; or derailment or overturn of a conveyance.

**Personal Property Form**

**The Personal Property Form provides special coverage on unscheduled personal property owned or used by the insurance and normally kept at the insured’s residence. The form also provides worldwide coverage on the same property when it is temporarily away from the premises. The Personal Property Form can be used to insured 13 classes of unscheduled personal property, such as silverware, cameras and major appliances**.

The total amount of insurance n each category is the minimum limit of recovery for any single loss to property in that category. The total amount for the 13 categories is the total policy limit. Many of the exclusions that apply in the Personal Articles Standard Loss Settlement Form also apply to the Personal Property Form.

**Personal Effects Form**

**The Personal Effects Form is designed for frequent travelers. It provides special form coverage on personal property such as luggage, clothes, cameras, and sports equipment normally worn or carried by tourists and travelers. The form covers property worldwide, but only while the property is away from the insured’s permanent residence. Personal effects are not covered when in storage – you would cover that under Personal property Form**.

Personal Effects Form specifically excludes these types of property: Accounts, bills, currency, deeds, securities, passports; Animals; Artificial teeth or limbs; Contact lenses; Bicycles, hovercraft, motors, motor vehicles, watercraft; Household furniture; Merchandise for sale or exhibition; Physicians and surgeons instruments; Salesperson’s samples; Theatrical property; Contraband property in the course of illegal transport or trade.

Because the homeowners policy covers personal property worldwide, most homeowners do not see any need to purchase coverage under the inland marine Personal Effects Coverage. Coverage is occasionally sold to those who are ineligible for homeowners policies or to travelers who want the broadest possible protection on their luggage and other personal effects.

**2 – Personal Watercraft Insurance**

Personal watercraft includes small rowboats, canoes, outboard and inboard motorboats, sailboats, houseboats, and power yachts. The types of loss exposures and hazards arising from the ownership and operation of personal watercraft can help determine the appropriate type of insurance contact to treat the loss exposure.

Because watercraft are used on bodies of water for recreational purposes and few restrictions apply to their operation, certain personal insurance policies limit or restrict coverage.

These personal insurance policies provide watercraft or watercraft-related coverage:

* HO-3
* PAP
* Small boat policies
* Boatowners and Yacht policies

**HO – 3 Watercraft Coverage**

Property and liability coverage for watercraft and related equipment is available under the HO-3. However, this coverage is limited by exclusions. If the homeowners watercraft coverage does not suffice, boatowners insurance or yacht insurance may be an appropriate alternative.

**The HO-3 Section I - Property Coverages provides limited physical damage coverage under the homeowners policy that may be adequate for rowboats, canoes, and small outboard boats. Section I watercraft physical damage coverage includes these provisions:**

* **A $1,500 limit applies to watercraft, including trailers, furnishing, equipment (for example, an insured’s $800 kayak is fully covered for physical damage loss).**
* **Coverage is provided on a named-perils-only basis. (The insured’s kayak is covered only for the HO-3 Section I perils, not for perils of the sea).**
* **Windstorm coverage applies (up to the $1,500 limit) only when the craft is inside a fully enclosed building**
* **Theft coverage does not apply to the boat and motor when away from the residence premises; accessories, trailers, and other boating personal property are excluded from this coverage. (For example, the insured’s kayak would not be covered if it is stolen from the roof of the insured’s car while the insureds are traveling).**

**The liability section of the homeowners policy includes a detailed watercraft exclusion focusing on craft of certain size and length. The HO-3 Section II watercraft liability coverage, by virtue of the scope of the exclusion, covers only certain limited watercraft loss exposures:**

* **All watercraft not powered, except sailing vessels 26’ or more in length**
* **All inboard, inboard-outdrive and sailing vessels not owned or rented by an insured**
* **All inboard and inboard-outdrive boats of 50 hp or less, rented to an insured**
* **All sailing vessels with auxiliary power, if less than 36” long**
* **All boats powered by an outboard motor or motors, unless the motor both exceeds 25 hp and was owned by an insured at policy inception**

The homeowners forms limit the watercraft covered under Section II-Liability coverage according to the types an length of the watercraft and the horsepower of the motor or motors. Liability can be added by endorsement under Section II by attaching a Watercraft endorsement (HO 24 75) specifically scheduling the watercraft (boat and motor) for liability coverage.

**Personal Auto Policy Watercraft Coverage**

**The Pap does not provide physical damage or liability coverage for watercraft, motors or watercraft related equipment. However, physical damage loss to a bot trailer is covered if the trailer is described on the PAP declarations. Also, a boat trailer the insured owns is covered for liability (regardless of whether it is described on the declarations page) if it is designed to be pulled by a private passenger auto, pickup, or van**. The PAP also covers non-owned trailers under Part D – Coverage for Damage to Your Auto to a limit of $1,500. Any boat trailer the insured may rent or borrow could be covered under the pap for auto-related loss exposures.

Any non-owned watercraft trailers that exceed $1,500 in value, or if the insured has any watercraft (which are excluded under the PAP), the appropriate coverage can be provided under a small boat policy or boatowners or yacht policy.

**Small Boat Policies**

Small boat policies are designed to cover boats up to a certain size (such as 26’ length). Although small boat policies are not standard, they have certain commo features regarding covered property, perils, and policy exclusions.

A small boat policy may cover the boat, motor, equipment, and trailer. Most small boat policies are written on an Actual Cash Value (ACV) basis and contain a deductible, such as $100 $250, or more.

A small boat policy can be written to provide named perils or special form (“all-risk”) coverage. Most small boat policies are of the special from type and cover all direct losses to covered watercraft except losses that are specifically excluded. **Typical property loss exposures covered under a small boat policy could include damage to the boat as a result of a collision with another object, theft of the boat’s motor or equipment, lighting damage to the boat’s electrical and navigational equipment, and wind damage to a sail.**

**Generally, a small boat policy includes liability insurance for bodily injury, loss of life, illness, and property damage to third parties arising out of the ownership, maintenance, or use of the boat. Medical payments coverage is typically included for any insured person who sustains bodily injury while in, upon, boarding, or leaving the boat. Liability loss exposures covered under a small boat policy can include bodily injury liability for injuries sustained by passengers when a boat collides with a dock, property damage liability for damage to the dock resulting from the collision, and liability for medical payments to a patron on the dock who sustains a minor leg injury as a result of the collision**.

These major exclusions are commonly found in small boat policies:

* General risk of direct loss – there is not coverage for loss caused by wear and tear, gradual deterioration, vermin and marine life, rust and corrosion, inherent vice, latent defect, mechanical breakdown, or extremes of temperature.
* Repair of service – loss or damage from refinishing, renovating, or repair is not covered
* Business pursuits – coverage is excluded if the boat is used to carry passengers for compensation, if the boat is insured property is rented to others, or if the covered property is being operated in any official race or speed contest.

**Boat Owners and Yacht Policies**

Many insurers have developed special boatowners package policies for boats up to a certain length, such a 26’. Larger boats are usually written under yacht policies. Both types of policies combine physical damage, liability, and medical payments coverage in one policy and typically include perils of the sea coverage. Although boatowners and yacht policies have no standard rules or forms, they contain certain common features, including warranties, persons insured, physical damage coverage, liability coverage, medical payments coverage, and other coverages.

**Personal watercraft insurance generally contains several warranties. If a warranty is violated, higher premiums may be required, or the coverages may not apply, depending on the warranty. These are the major personal watercraft insurance warranties**:

* **Pleasure use – The insured warrants that the boat will be used only for private, pleasure purposes and will not be hired or chartered unless the insurer approves.**
* **Seaworthiness – The insured warrants that the boat is n seaworthy condition**
* **Lay-up period – The insured warrants that the boat will not be in operation during certain periods, such as during the winter months.**
* **Navigational limits – These warranties limit the use of the vessel to a certain geographical area (example, inland waterways, and coastal areas only)**

**The insured includes those named on the declarations page, resident relatives of the household, and persons under the age of 21 in the insured’s care. The insured’s paid captain and crew are also considered insureds. Other persons or organizations using the boat without a charge are covered provided the named insured gives permission.**

**Boatowners and yacht policies contain physical damage coverage (also called hull insurance) on either a named-perils or a special form basis covering the boat or “hull”, equipment, accessories, motor, and trailer**.

**Certain property damage exclusions are commonly found in boatowners and yacht policie**s:

* **Wear and tear, gradual deterioration, rust, corrosion, mold, wet or dry rot, marring, denting, scratching, inherent vice, latent or physical defect, insects, animal or marine life, weathering, and dampness of atmosphere.**
* **Mechanical breakdown or faulty manufacturing – unless caused by fire or explosion**
* **Freezing and thawing of ice, unless the insured has taken reasonable care to protect the property**
* **Oss that occurs while the boat is used in any official race or speed contest**
* **Intentional loss caused by an insured**
* **War, nuclear hazard, and radioactive contamination**

Boatowners and yacht policies can be written on either a replacement cost basis or an ACV basis. Because replacement cost coverage offers better protection for the insured than coverage on an ACV basis, this difference in valuation is important in any comparison of boat policies. Yachts are typically insured on an agreed value basis. Agreed value means that in the event of a total loss, the insurer pays the insured the full amount stated in the policy declarations as the total, or agreed value of the hull. Small boats are usually written with a $100 to $250 deductible. Medium to large boats often carry a deductible equal to 1% - 10% of the insured value.

**Basic watercraft liability policies typically cover only bodily injury and property damage perils related to the operation of watercraft. In addition, boatowners and yacht policies typically include a form of liability coverage called protection and indemnity (P&I) insurance. P&I is a broader form of bodily injury and property damage coverage that protects an insured against bodily injury and property damage liability arising from the ownership, maintenance, or use of the boat, and also against crew injuries, wreck removal, and negligence for an unseaworthy vessel. Defense costs arising from any claim, including suits from 3rd parties is also covered**.

**List of exclusions that insures include in boatowners and yacht policies:**

* **Intentional injury or illegal activities**
* **Renting the watercraft to others or carry persons for a fee**
* **Liability arising out of water-skiing, parasailing or other airborne or experimental devices**
* **Using watercraft (except sailboats in some policies) in any official race or speed test**
* **Losses covered by a workers compensation or similar law**
* **Bodily injury or property damage arising out of transportation of the boat on land**
* **Liability assumed under a contract**
* **Injury to an employee if the employee’s work involves operation or maintenance of the watercraft \*unless otherwise covered by the P&I coverage).**
* **Business use**
* **Discharge or escape of pollutants unless sudden or accidental**
* **War, insurrection, rebellion and nuclear perils**

**Medical payments coverage under boatowners and yacht insurance policies includes coverage for such bodily-injury related to the expenses as medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, and funeral services; and for first aid rendered at the time of the accident. An insured does not have to be at fault for the coverage to apply**. Coverage is usually limited to a maximum of $1,000 to $5,000 per person per occurrence.

Covered persons include the insured, family members, or any other person (except employees of the insured, trespassers, and racing participants) while in, upon, boarding, or leaving the covered watercraft. Similar to personal auto policies because it covers the insured family and family members. In contract medical payments in a homeowners policy does not cover the insured or resident family members.

Additional Coverages may be added or provided in a boatowners and yacht policies:

* Uninsured boaters coverage – uninsured boaters coverage typically excludes bodily injury caused by an individual’s occupying or being struck by an watercraft owned by the insured or by any family member insured under the policy.
* The insured’s liability for injury to maritime workers (except crew members) injured in the course of employment who are covered under the US Longshore and Harbor Worker’s Compensation Act.
* The legal obligation of the insured to remove a wrecked or sunken vessel following a loss may be included
* Bodily injury or property damage arising out of transportation of the boat on land can be include
* Damage to or loss of the insured’s personal effects, for a limited amount. Intended for the normal operation of the boat, such as portable television, stereo, camera
* The cost of commercial towing
* Hurricane protection coverage – to reimburse the boatowner for the cost of removing their vessel from the water if a hurricane is approaching

**3 – Personal Umbrella Liability Insurance**

Most personal umbrella policies provide not only higher limits but also broader coverage than underlying personal insurance policies.

A personal umbrella policy provides liability protection to insured for amounts over the liability limits on existing homeowners personal auto, and watercraft policies.

**Purposes of Personal Umbrella Coverage**

A personal umbrella policy is designed to provide bodily injury, personal injury, and property damage liability coverage in the case of a catastrophic claim, lawsuit or judgement. Umbrella coverage provides additional liability limits over any underlying insurance policies, such as homeowners Section II – Liability Coverages, Personal Auto Liability, and Personal Watercraft Liability policies. A condition of umbrella coverage, is that the insured must maintain certain underlying policies with specified limits. If the loss is covered by one of these underlying policies, the umbrella insurers pays only after these limits are exhausted.

**The personal umbrella policy also typically provides drop-down coverage which is broader than the underlying coverage. When the underlying insurance does not apply to a particular loss and the loss is not excluded in the umbrella coverage, the umbrella coverage “drops-down” to cover the entire loss, less a self-insured retention (SIR). Usually the retention (similar to a deductible) is $250 but can be as high as $10,000. The SIR only applies when the loss is not covered by an existing underlying policy**.

**The policy covers the named insured, resident relative, and usually persons using (with the named insured’s permission) cars, motorcycles, recreational vehicles, or watercraft owned by or rented to the named insured. Also, persons younger than 21 who are in the care of the named insured or of a resident relative generally are covered**.

**Personal Umbrella Coverages**

There is no single standard umbrella policy. However, most insurers’ umbrella policy provisions are similar. The ISO Personal Umbrella Liability Policy includes a listing of definitions the Insuring Agreement, Exclusions, and General Provisions.

**Insuring Agreement**

**The ISO Personal Umbrella Liability Policy Insuring Agreement states that the policy covers bodily injury and property damage as well as personal injury for which the insured becomes legally liable. Bodily injury is defined as bodily harm, sickness, or disease, including required care, loss of services, and death. Property damage is defined ad physical injury to or destruction of tangible property and includes loss of use of the property. In addition to the bodily injury and property damage, the definition of personal injury in the umbrella policy includes false arrest, false imprisonment, wrongful entry or eviction, malicious prosecution or humiliation, libel, slander, defamation of character, invasion of privacy, and assault and battery not intentionally committed or directed by a covered person**.

The personal umbrella policy includes coverage for legal defense costs that are not payable by the underlying insurance policies. Defense costs include payment of attorney fees, premiums on appeal bonds, release of attachment bonds, court costs, interest on unpaid judgements, other legal costs and loss of earnings up to a certain amount (such as $250) per day to attend court hearings.

Some states require the insurer to offer the insured the option to extend the personal umbrella to cover uninsured and underinsured motorist protection. This would be provided in an endorsement. If this coverage is not wanted, the state usually requires the insured reject it in writing.

**Exclusions:**

* Intentional injury
* Business property and pursuits
* Public or livery conveyance
* Professional liability
* Aircraft
* Watercraft (unless covered under underlying homeowners or covered by underlying insurance)
* Recreational vehicles – golf carts, snowmobiles unless there is underlying insurance
* Transmission of communicable disease
* Directors and officers – except officers and directors of not-for-profit organization
* Damage to the insured’s property
* **Workers compensation**
* Nuclear energy

**Conditions**

**These are among the most important conditions in the personal umbrella policy:**

* **The insured must maintain the underlying insurance coverages and limits shown in the declarations. If underlying coverage is not maintained, the policy will pay no more than would have if the underlying insurance was in effect.**
* **The insured must give the insurer written notice of loss as soon as practicable.**
* **The umbrella policy is excess over any other insurance, whether collectible or not**
* **The policy territory is worldwide.**