

## 30 Changes to ISO's Personal Auto Policy

ISO has filed 30 changes to its Personal Auto Program (PAP) to go into effect on Sept. 1, 2018, except in Hawaii and North Carolina. Nine of the changes are being made to the base PAP form itself and 21 endorsements were revised, removed or created. Exclusions previously requiring the attachment of three endorsements are now included in the base PAP.

### Nine Changes to the Personal Auto Program

1. **Newly Acquired Auto** - Currently, policy language gives automatic coverage to a “newly acquired auto” that replaces another without a requirement to notify the insurer (except for physical damage). However, if the carrier is not notified, there is no way to change the Symbol (if necessary) and charge the correct premium. Now when an insured acquires ANY vehicle (regardless if it's new or a replacement), they are required to notify the carrier within 14 days. Therefore, new notification requirements are taking place and essentially no more automatic long-term coverage is provided. This will probably be the hardest change for clients to realize.
2. **Supplementary Payments** - Currently, the supplementary payments pay up to \$200 per day for loss of earnings, but this limit does not match other ISO programs, therefore the daily limit is being increased to \$250.
3. **Public or Livery Conveyance Exclusion** - Currently, the public or livery conveyance contains exclusionary wording within the PAP that is absolute. Designed to reinforce the policy exclusion, the PP2340 Public or Livery Conveyance Exclusion Endorsement is also absolute, which starts the exclusionary coverage the minute the transportation network app is turned on. Therefore, there is a concern that this wording may be misapplied when volunteers transport others for charitable purposes. Now, language is being incorporated into the exclusion to provide an exception for the ownership or operation of a vehicle, or a “your covered auto,” when it's being used for volunteer or charitable purposes. In these cases, the Limited Coverage when you are on the Network with no passengers, PP2341, will provide coverage when you are logged in and have accepted a request for a ride, and the Limited Coverage endorsement, PP2345, will provide coverage while logged on the network, but coverage ends when you accept a ride. The transportation networks are to provide coverage once you pick the person up and are physically transporting them. Will Larson is not sure if this is legal in Kansas due to State Statue 403107.
4. **PAP Exclusionary Endorsements** - Currently, both the Personal Vehicle Sharing Program Exclusion PP2316 and the Custom Equipment Exclusion Endorsement PP1306 are required to attach to every PAP. Now, they are being included in the PAP base form wording, therefore no coverage impact is being changed.
5. **Racing Exclusion** - Currently, the PAP racing exclusion does not address driver “skill training” activities, and the wording that is being changed now excludes participation in a skill training or driver skill events. Therefore, this will be a reduction in coverage.
6. **Flying Car Exclusion** - Currently, there are no viable flying cars, and therefore there is no current flying car exclusion in the PAP or by endorsement. However, ISO believes technology and economics will soon or eventually allow for flying cars, so they have amended the PAP to state that injury or damage arising from, related to, or occurring to flying cars will be excluded under all four coverage parts. There is currently no effect, but eventually this may be a limitation on or reduction of coverage.

7. Other Insurance Provision - Currently, under Part A, the current policy wording reads: “However, any insurance we provide for a vehicle you do not own, including any vehicle while used as a temporary substitute for “your covered auto,” shall be excess over any other collectible insurance.” The issue is that the Personal umbrella policies generally state that they are excess over any other insurance. This led to confusion in the courts since both policies stated that they were excess. Therefore, ISO is adding the wording to the Other Insurance provision in Part A to recognize the possibility of an umbrella and state that it is not excess over a policy that is intended and is specifically an excess policy “except insurance written specifically to cover as excess over the limits of liability that apply in this policy.” This change is for clarification purposes.
8. Transportation Expense Coverage - Currently, the policy includes an unendorsed transportation expense limit in Coverage D. It is \$20 per day / \$600 maximum; however this has not kept up with the market conditions. Therefore, ISO is increasing the base transportation expense limit to \$30 per day / \$900 maximum.
9. Duties Provision - Currently, the Duties after an Accident or Loss provision in the B.3.b. of Part E requires that the insured must submit, as often as reasonably requested, to examination under oath. Also, there is currently no specific requirement that the insured provide a recorded statement, if requested. The insured could refuse without violating the duties owed and endangering coverage. ISO is adding wording requiring the insured to submit, as often as reasonably required, to recorded statements. An additional duty is being placed upon the insured. You will no longer be able to decline a recorded statement or you would be going against your “duties”; the unknown factor is what “reasonably” often means. The term is not a limited or defined term and could cause some issues.

## **21 Changes to Multistate Endorsements**

1. Trailer/Camper Body Coverage Endorsement - New mold exclusionary wording is being added to PP0307; according to ISO, apparently RVs, camper bodies and trailers are or can be especially susceptible to mold damage. New exclusionary wording in the endorsement reads: “We will not pay for: Loss due to “fungi,” wet or dry rot, or bacteria meaning the presence, growth, proliferation, spread or any activity of “fungi” wet, or dry rot, or bacteria.” Therefore adding the definition of “fungi” to the endorsement.
2. Coverage for Damage to Your Auto Endorsement - ISO is inserting the statement, “Coverage is not provided on an agreed value basis” to PP0308. This endorsement is meant for special value autos, such as classic and antique autos, and it allows vehicles to be written on a stated value basis; the loss settlement provision states that losses will be settled for the lesser (least) of stated value or ACV. The new wording simply reinforces that coverage, and it is NOT on an agreed value basis, so there is no effect to coverage.
3. Change Endorsement Withdrawn - Currently, PP0310 is being used to document the date a policy change is to become effective, but ISO has been notified that carriers are no longer making use of this endorsement, therefore it will be withdrawn from use.
4. Underinsured Motorist Coverage Endorsement - The changes on PP0311 are being made in order to dovetail with changes made to the PAP. The volunteer or charitable use exception

wording is being added, the personal vehicle sharing exclusionary wording is being incorporated into the wording, and the flying vehicle exclusionary wording is being added.

5. Limited Mexico Coverage Endorsement - ISO is revising the endorsement's warning statement on PP0321, due to recent research conducted and information received. The new warning shall read: "Auto accidents in Mexico MAY BE Subject to the Laws of Mexico, not the laws of the United States. Under Mexican Law, auto accidents are considered a criminal offense as well as a civil matter. The coverage we provide you by this endorsement MAY not meet Mexican Auto insurance Requirements." You should advise your clients to not depend on any US policy and buy specific coverage for Mexico.
6. Miscellaneous Type Vehicle Endorsement - ISO is introducing a mold exclusion under coverage Part D and adding a definition of "fungi" to form PP0323. ISO will also be revising the exception to Exclusion 7 to reinforce that coverage is excluded for a motor home the named insured does not own when used as a temporary substitute for a covered motor home.
7. Miscellaneous Type Vehicle Amendment (Motor Homes) - The PP0328 endorsement allows the insured to purchase liability, med pay, comp and/or collision when a motor home that is a "your covered auto" is rented to others for an additional premium. ISO made a rule change regarding the rating of these motor homes, stating that they would be rated as PPAs used for business purposes. Because of the rules revisions, the endorsement removed references to premium since it will now be a rating issue. Checkboxes were added, which can be used to indicate if such coverage will be provided for a particular motor home and which coverages are provided. Therefore, an additional premium charge will be added in order to include the liability when you are renting it to others.
8. Joint Ownership Endorsement - Current wording on the PP0334 endorsement allows resident individuals (other than husband and wife), related or not, and non-resident relatives, to have joint ownership. The revised form provides for a listing of the joint owners, if a non-resident relative, entry space for name and address, removes coverage information, and replaced "husband and wife" with "spouses." This has no effect on coverage, but it allows the carrier increased flexibility to address current trends in home make ups. If they live in the same residence they do not have to be related, but if they live in different residences they do have to be related.
9. Auto Loan/Lease Coverage Endorsement - They are revising form PP0335 to address how interest from deferred payments are to be handled and also primacy of coverage when another source of gap coverage applies to the loss. Therefore, this endorsement results in a reduction in coverage. This form will read that the policy is excess over other coverages, such as those purchased through the dealer. Also, if the lender agrees to deferred payments, the buyer might owe more interest at the time of loss, had the payments been paid on time. The difference in the interest would be excluded now and owed by the client.
10. Transition Endorsement - PP0009 - This endorsement can be attached to the 0105 edition of the PAP to make it equate to the 0918 edition.
11. Full Safety Glass Coverage Endorsement - New Optional endorsement PP3305 where coverage will apply when the "other than collision" coverage is in effect and the auto is listed on the endorsement.

12. Key Replacement and Related Services Coverage Endorsement - This is a new optional endorsement, PP3327, that will provide coverage for scheduled vehicles only and pays without application of a deductible for reasonable expenses to: get into the car if the fob is lost or stolen, the cost to replace, and program keys or key fobs lost or stolen. This endorsement is to help keep up with the market and the max limit applies per auto.
13. Pet Injury Coverage Endorsement - This is a new optional endorsement, PP3331, where the insured chooses a limit and no deductible applies. Coverage extends from Part D and applies only when collision and OTC applies to at least one vehicle and the pet (limited to dog or cat) owned by a "you" or "family member" is in the car at the time of the accident. Covered costs include vet expenses or cost to cremate or dispose of the pet incurred within one year of the date of loss. The limit is a per loss limit. The physical damage coverage doesn't have to apply to the vehicle the pet is inside, just one vehicle on the policy.
14. Child Restraint System Coverage Endorsement - This is a new optional endorsement, PP3330, that is to help keep up with the market. Since NHTSA recommends that systems be replaced after a crash, coverage extends from Part D and applies only when collision and OTC applies to at least one vehicle, the child restraint system is owned by the you or a "family member," and when the child restraint system is inside a "your covered auto" or a "nonowned auto" at the time of the loss. Maximum limit is shown in the schedule or declarations and provides replacement with like kind and quality. Current policy has a \$200 limit but can be increased with this endorsement.
15. Replacement Cost Coverage Endorsement - This is a new optional endorsement, PP3310, to keep up with the market. In order to qualify for replacement cost, the covered auto must be added within 24 months of purchase, have less than 24,000 miles, and be owned by the original owner of the vehicle. There is no automatic coverage for a newly acquired auto and no coverage for a leased vehicle. There must be a total loss and coverage is subject to a deductible. It states that it will replace with the same make, model and trim level, but it doesn't specify the same year.
16. Additional Resident of Your Household Endorsement - This is a new optional endorsement, PP3337, that was developed to accommodate current living arrangement trends. It is an "additional insured" type endorsement, which allows the naming of an additional resident and amends the definition of "family member" to include the named resident. It also specifies that the carrier is depending on the insured to be truthful and requires the insured to notify the carrier if residency changes. This helps out with Nanny and Domestic Partner situations.
17. Suspension of Insurance Endorsement - This endorsement alters/revises PP0201, adding "Other Than Collision" to the schedule of coverages that can be suspended. Some state laws are not allowing this endorsement.
18. Snowmobile Endorsement - ISO is revising the optional form PP0320 with no coverage impact, replacing the word "lesser" with "least."
19. Personal Property Coverage - This is a new optional endorsement (Millennial-based), PP3342, which will extend homeowner-like personal property coverage to personal property anywhere

in the world, with open peril coverage on an ACV basis and with a replacement cost option. No non-auto liability coverage. This helps for those that live in and out of their vehicle.

20. Named Non-Owner Coverage Endorsement - ISO is revising the PP0322 endorsement to where physical damage coverage will now be an option. This will help when renting a vehicle and needing physical damage. When business owners do not own a vehicle in their name, this is broader coverage than Drive Other Car Coverage.

21. Trust Endorsement - A revision to PP1303 includes multiple changes regarding the naming of the trust, the grantor, and the trustee. It provides more flexibility to accommodate various trust structures. The Insurer must be provided a copy of the trust agreement. The Insurer is to be notified of any death or disability of the trustee or grantor.

Please keep in mind, although ISO does not make such drastic changes very often, that doesn't mean your insurance carrier will adopt these forms right away. ISO has filed these with the different states, but you need to work with your carrier to verify which edition/version they might be using, so that you are aware if these changes affect you now or a month down the road or possibly years. ?