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**Commercial Auto** coverage may be written monoline or as a coverage part of the Commercial Package Policy. The policy is designed to cover autos, trucks and trailers used in a business. The entire portfolio of commercial auto coverage forms consists of business auto, business auto physical damage, garage, motor carrier, and truckers' coverage forms.

A commercial policy may be a Business Auto Policy or an Auto Dealer Coverage Form (Garage Form). The coverage definitions are identical to the PAP; *e.g., UIM, PIP, Med, Collision, etc.*, but, as a business owner, I can choose which types of coverage are necessary for which vehicles and pay premium accordingly.

**I. Business Auto Coverage Form** is used to insure commercial automobile exposures of all businesses **OTHER** than garages, truckers, and motor carriers arising out of owned, leased, rented, or borrowed vehicles. The insured may select which types of autos will be covered by the policy. Different types of autos may be given different coverage under the policy. *For example, an insured may obtain liability coverage for all autos and physical damage coverage for only "owned" autos, or as listed below.*

### A. Who is the insured?

- ❖ The named insured
- ❖ Anyone using a covered auto with permission of an insured
- ❖ Anyone liable for the conduct of an insured, and
- ❖ Additional insureds named on the BAP by endorsement

### B. Who is Not insured on the BAP?

- ∅ The owner of a hired or borrowed auto
- ∅ An employee of the named insured while driving their car
- ∅ Anyone working in an auto type business (Garage form / ADC coverage)
- ∅ Anyone moving property to or from a covered auto (Workers' Compensation for injury to an employee, CGL for injury to a client)

## C. What is an auto?

- 🚗 Any land motor vehicle, “trailer” or semi-trailer designed for travel on public roads; or
- 🚗 Any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.
- 🚗 However, “auto” does NOT include “mobile equipment.”

## D. What is mobile equipment? It includes any of the following types of land vehicles, including any attached machinery or equipment:

- Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads
- Vehicles maintained for use solely on or next to premises you own or rent
- Vehicles that travel on crawler treads
- Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted: a. power cranes, shovels, loaders, diggers, or drills; or b. road construction or resurfacing equipment such as graders, scrapers, or rollers: etc.

## E. Vehicles: Which are covered, which are not, what are they covered for?

A numerical description system for the types of autos covered is used in the BAP, which allows a business to tailor the policy to its needs. Business auto policies will use numbers 1-9, Garage or Auto dealers’ plans will use 21-31, truckers and motor carries use other numbers.

Covered auto symbols appear in the declarations page of the auto policy next to each coverage purchased in the policy (e.g., liability, personal injury protection (PIP), auto medical payments, and uninsured and underinsured motorists (UM/UIM)). The symbols reflect the named insured’s selection as to what types of vehicles are insured for that coverage (e.g., owned autos, hired autos, non-owned autos).

*PIP, Med pay, and UIMBI may not be reasonable for any vehicle driven by employees while working because they will be covered by Workers’ Compensation in the event of an injury while driving or riding along.*

The insured may select any of the following:

Symbol	Type of Auto Selected	Description
1	Any auto	<b>Liability Only</b>
2	Owned autos only 'All Owned'	-Any owned auto -Designates other coverages besides Liability coverage
3	Owned private "Passenger autos only"	-Any private passenger auto the insured owns -Designates any coverage provided by the Business Auto coverage form
4	Owned auto 'Commercial only'	-Other types of vehicles the insured owns, such as trucks, trailers, buses, and motorcycles -Designates any coverage
5	No-Fault, owned auto	-Designates owned autos required to have no-fault benefits in a particular state
6	UIM, Owned auto	-Designates owned autos required to have Uninsured Motorists coverage in a particular state
7	Specifically described autos Only	-Applies only to autos specifically listed in the Business Auto coverage form Declarations
8	Hired autos only	-Designates Liability and/or Physical Damage coverage -Only used for autos the insured has leased, hired, rented, or borrowed -Does not include autos rented or borrowed from employees or members of their households
9	Nonowned autos only	-Only used for autos used in the insured's business that are not leased, hired, rented, or borrowed -Includes autos owned by employees but used in the insured's business or personal affairs -Designates <b>Liability coverage only</b>
19	Mobile Equipment	-Designates <b>Liability</b> coverage only, necessary only if you have only comp and collision on any vehicles and purchase a new vehicle that needs liability. <i>E.g., forklifts while being driven on the street would be subject to liability laws regarding any vehicle</i>

Coverage may be tailored to the needs of the insured by selection of the appropriate symbols. Different symbols may be used for different coverages. The broadest coverage available is reflected by Symbol 1, because "any auto" includes all owned, hired, and non-owned autos. The most restrictive Symbol is Symbol 7, because it applies only to specifically described autos.

With the exception of specifically described autos, autos acquired during the policy period are automatically covered. For specifically described autos, the auto acquired during the policy period is only a covered auto for a particular coverage if the insured already insures all autos for this coverage or if it replaces a covered auto and the insured notifies the insurer within 30 days of acquisition.

**If the insured has Liability coverage under the policy, the following vehicles are also covered autos for Liability coverage: Temporary substitute autos, trailers with a load capacity of 2,000 pounds or less, and mobile equipment while it is being towed or carried by a covered auto.**


**II. The Auto Dealer Coverage Form.** (Replaces the Garage Form.) *Businesses engaged in selling, servicing, storing, or parking autos, such as car dealerships, gas stations and parking garages, have special insurance needs. The auto dealer coverage form is designed to cover these special needs.*

The numerical chart above corresponds to the numerical chart used for the ADCF. The primary difference is instead of 1, the symbol 21 is used. Additionally, symbol 30 designates Garagekeepers coverage and 31 deals with physical damage coverage.

This form **will not cover** other peoples' property in the care, custody, and control of the insured. **Garagekeepers must be added to cover that exposure.**

**III. Garagekeepers Coverage** covers the insured's liability for damage by a covered cause of loss to an auto left in the insured's care while the insured is attending, servicing, repairing, parking, or storing the autos in the garage operation. *Garagekeepers coverage is necessary because liability for such damage is excluded under the garage coverage form.* Like other types of liability insurance, Garagekeepers coverage pays the cost to defend the insured against suits alleging covered losses.

**IV. A Motor Carrier Policy** - includes auto liability, trailer interchange, and auto physical damage; other coverage is available by endorsement. The policy was developed as an alternative to the trucker's policy because of the changes taking place in the industry. The motor carrier policy is appropriate for all types of motor carriers — for-hire, private, or a combination of both types of operations.

 Please keep in mind that we do NOT cover Truckers Form in this text, and it is NOT included in the pre-licensing exam.

## V. **Standard Coverages** (for both the Business Auto and ADC Forms):

**A. Liability** covers the named insured and others that use a covered auto with the permission of the insured party, any party that has vicarious liability for the actions of an insured party involving an auto, or anyone from whom a trailer is borrowed if such trailer is towed by a **covered** auto owned by the insured. It covers those listed above for legal liability, defense costs and supplemental payments (duty to defend, \$250/day for lost wages, bail bonds for \$250, etc.).

### 1. **The liability agreement** has 3 parts:

- 💰 First is the insurers agreement to pay “all sums and insured is legally obligated to pay because of BI/PD to which this insurance applies, cause by a covered accident and resulting from the ownership, maintenance, or use of a COVERED AUTO.” Remember, only symbol 1 will cover any auto.
- 💰 The second part covers the cost of pollutant clean up. This does not cover the cleanup for a truck that rolls over and spills fuel. This will cover leaks and accidents away from the premises owned or rented by the insured. Additionally, the spill cannot come from the covered auto. *E.g., a truck backs into a container while making a delivery and causes a spill, that is covered.*
- 💰 Third is the insurers duty to defend. The insurer must defend any insured against any lawsuit seeking damages for BI or PD including pollution cleanup expense due to a covered loss for which this insurance applies. (Not all losses.)
- 💰 The insurer has the right to investigate and settle any claim without consent of the insured.
- 💰 Duty to defend ends when the policy limits have been reached.

### 2. **Liability exclusions**

- ❖ Expected or intended injury
- ❖ Employee injury (Workers’ Compensation)
- ❖ Property in the care, custody, or control of the insured (liability is for 3<sup>rd</sup> party)
- ❖ Movement of property
- ❖ Operations of mobile equipment. If a cherry picker is on the road and there is an accident, the BAP will cover it. If the same cherry picker is being operated and causes BI or PD to a pedestrian walking by, the CGL of the company picks up that liability.
- ❖ Completed operations
- ❖ Pollution
- ❖ War exclusion
- ❖ Racing exclusion
- ❖ Limits of insurance - Prevents stacking of benefits.

## B. Physical Damage (a.k.a. damage to your auto) coverage includes:

1. **Comprehensive, a.k.a. Other Than Collision** coverage pays for losses not excluded and not covered under collision. Coverage includes damage from:

- 🚗 Falling objects
- 🚗 Fire
- 🚗 Theft
- 🚗 Contact with animals
- 🚗 Glass breakage
- 🚗 **Earthquake, Flood**

*OR, instead of 'other than collision,' a business may choose...*

2. **Specified Causes of Loss** covers fewer perils than Comprehensive Coverage. It covers the vehicles on a "named perils" basis. It **does not cover** glass breakage, loss caused by hitting an animal, nor loss caused by falling objects, all of which are covered in Comprehensive Coverage. This coverage replaces Comprehensive Coverage and allows an insured to save money due to lower premium costs.

*Additionally, business may choose to have...*

3. **Collision** covers colliding with another object or upset of a covered auto such as the car rolling over. If the insured carries full coverage (Comprehensive and Collision), losses such as glass breakage, hitting an animal, or falling objects may be covered as comprehensive rather than collision.

🚗 **Collision Physical Damage Exclusions** include sound reproducing or receiving equipment, tapes and records, wear and tear, freezing, mechanical or electrical breakdown, road damage to tires, war and nuclear events, or any intentional acts.

4. **Transportation Expenses...** **Physical Damage** include coverage for **transportation expenses** (\$20 a day with a maximum of \$600 for example). This coverage reimburses the insured for transportation expenses if an insured auto is out of service due to theft. There is a **48-hour waiting period** before expenses will be paid, and coverage will continue until the auto is returned to use or the company pays for its loss.

There are several sections of the Commercial Auto Policy that deal with covered vehicles such as liability coverage, physical damage coverage, conditions, and definitions. **There is no mention of medical payments, personal injury protection, or uninsured motorist's coverage in these sections.**

**Why?** Because Worker's Compensation coverage provided by the employer through the Department of Labor and Industries will pay for employees' accidental injuries which are job-related.

5. **Towing and labor** coverages will be in your policy. There are differing limits but generally this pays the towing cost to a repair shop if the car is unable to be driven and may cover some of the labor costs for the repair. This is known by many other names: roadside assistance, emergency service, etc. The labor costs are those costs covered at the location of the breakdown, not at the garage later.

## 6. Exclusions for Damage to your Auto

- Ø Nuclear hazards or war
- Ø Racing
- Ø Wear and tear
- Ø Loss to tapes, records, discs or data equipment for audio visual usage, radar detection equipment, any electronic equipment unless it is installed in an opening designed by the manufacturer for such purposes.

## 7. Deductibles

- The deductible is the portion of the loss the consumer pays first before the insurer pays. A deductible applies to collision, comprehensive and/or specified causes of loss. The deductible is per vehicle per occurrence, meaning if I have a fleet of cars parked overnight and the parking lot flooded, there is a deductible for each vehicle, not one deductible due to the flood.
- Any comprehensive deductible does not apply to losses due to fire or lightning.
- The only deductible charged on specified causes of loss is for vandalism or mischief.

## C. Endorsements

1. **DOC or Drive Other Car endorsement** extends coverage to those autos regularly used but not owned by the insured including hired or borrowed autos.
2. **Individual Named Insured** extends personal auto coverage to immediate family members of the named insured.
3. **Employees as insureds** coverage extends coverage for the business use of a personal auto. It does not protect other family members who may own a vehicle being used by the insured.
4. **Lessor - Additional Insured** will cover leased vehicles as though they are owned vehicles.
5. **Mobile equipment** added to a policy will cover mobile equipment as an owned auto. Mobile equipment includes bulldozers, farm machinery, forklifts, etc.
6. **Covered Pollution cost or expense** covers the cost of testing and clean up due to ordinances. This does not apply to fuels or to pollutants from normal use of the vehicles.
7. **Broad form coverage** covers a driver in any vehicle for liability only.

## D. General Conditions

- Appraisal: if the named insured and the insurer disagree on the amount of a loss either party may demand an appraisal. Each party hires an appraiser, if the two do not agree an impartial third appraiser is hired by both the client and the company. This appraiser may be called an umpire and they in turn choose one of the amounts. Best 2 out of 3 is the final amount. This is the amount to be paid IF the insurer does not deny the claim.



- Give prompt notification of claim, include all details.
- Notify the police if a law has been broken.
- Assume no obligation for liability.
- Cooperate with any investigation.
- Permit inspection of the covered auto.
- Concealment, misrepresentation, or fraud will void coverage.
- Bankruptcy of the insured will not relieve the insurance company of any obligations due.
- Liberalization - the policy will be effective immediately if better coverage is offered at no additional premium.
- No Benefit to the Bailee - no items being transported are covered under this policy.
- We will pay our share only if the loss is covered under another policy.
- Coverage territory is the United States, its possessions and territories, Puerto Rico, and Canada. There is a coverage extension available for vehicles being transported between any of the places listed as covered territory. *If, for example, an auto was being shipped from New York to Puerto Rico and there was a fire on board, the vehicle is in covered territory and will be covered if the auto has comprehensive coverage.*
- Coverage territory is anywhere in the world if it is a private passenger auto leased, hired, rented, or borrowed for 30 days or less.
- Legal action against the insurer cannot be taken unless there has been full compliance with the company with all the terms under the contract.
- Loss payment: the insurer may repair, replace, or make a cash settlement.
- Transfer of the right of recovery against others or subrogation allows the insurer to be reimbursed by an at fault party after paying for a loss.
- Premium audits at the end of the policy period to verify the exposures may result in a refund or a bill to the insured.

## **E. Common Conditions**

- ❖ Changes may only be made with the consent of the insurer. (An agent may **not** waive any provision.)
- ❖ Inspections and Surveys - The carrier has the right to inspect the premises.
- ❖ Premiums are the responsibility of the First Named Insured.
- ❖ Transfer of rights and duties - The named insured duties may not be transferred without the consent of the insurer.

## F. Definitions

**Accident** - An event that occurs unintentionally or by chance including continuous or repeated exposure to the same harmful conditions resulting in bodily injury or property damage.

**Auto** - A land motor vehicle, trailer or semitrailer designed for use on public roads.

**Bodily Injury** - Injury, sickness, or disease including death resulting from these to a 3<sup>rd</sup> party. This is a liability coverage (BI/PD). Settlements for this include lost wages, lost services, etc. to those injured by an insured when the insured is legally liable for the injury.

**Covered pollutant expense** - Minimal coverage of any cost arising out of suits initiated by a government authority including testing for pollutants.

**Diminution in Value** - Actual or perceived loss in market or resale value which results from a direct covered loss value.

**Employee** - A person working in the employment of a business, including a leased worker. This does not include a temporary worker.

**Insured** - The person who is covered by the insurance.

**Insured Contract** - Leases, sidetrack agreements, easements.

**Leased worker** - A person leased to you by a leased worker firm.

**Loss** - Sudden and accidental loss.

**Mobile Equipment** - Land vehicles including bulldozers, forklifts, and other vehicles used not on public roads.

**Property Damage (BI/PD Liability)**; Damage to the tangible property of others or loss of use of that property. Damage to your own auto is covered under 'Damage to your auto'

**Suit** - A civil proceeding due to bodily injury or property damage.

**Temporary Worker** - A worker who is not a regular employee who is there for seasonal work or to cover a regular employees work while they are on leave.

**Trailer** - Includes semi-trailer.