

vehicle. This endorsement also states that if a repair or replacement of the vehicle results in better than like kind or quality, the insurer will not include the amount of betterment in any loss payment.

Optional Limits Transportation Expenses Coverage

The temporary transportation expenses associated with the loss of use of an auto can be significant when the owner has to rent a substitute auto until his or her owned auto is repaired or replaced. The PAP provides coverage up to a limit of \$20 per day for such temporary transportation expenses. Depending on the prices charged by local rental car providers and the type of transportation needed, the cost could exceed this limit.

Increased limits for loss of use are available under the Optional Limits Transportation Expenses Coverage Endorsement (PP 03 02). The endorsement allows the insured to increase coverage to one of three limits, which can be applied to the costs of a substitute vehicle for the period reasonably required to repair or replace the auto:

- \$30 per day, subject to a maximum of \$900
- \$40 per day, subject to a maximum of \$1,200
- \$50 per day, subject to a maximum of \$1,500

Towing and Labor Costs Coverage

Available in limits of \$25, \$50, or \$75, the Towing and Labor Costs Coverage Endorsement (PP 03 03) provides coverage for the costs of towing the covered auto when it is disabled. The cost of labor performed to repair the auto at the place of disablement is also covered up to the limit. A single limit per disablement applies whether it is used for towing or labor costs. However, a separate limit applies to each disablement. Thus, if a vehicle is disabled five times during the policy period, the limit is reinstated for each incident. See the exhibit “Variation on the ISO PAP.”

Variation on the ISO PAP

Many insurers choose to use only ISO PAP forms when providing personal auto insurance coverage to their insureds. However, some insurers may choose to offer a non-ISO policy that responds to an insured's unique needs. For example, such a policy can provide enhanced vehicle disablement coverage.

This coverage applies in the event the covered auto is disabled because of a covered loss that occurs beyond a certain distance (such as fifty miles) from the insured's residence. In such a circumstance, the coverage applies to commercial transportation fees for the occupants of the auto to return home or the costs to reach their destination and the cost of extra meals and lodging needed when the loss results in delays.

[DA05771]



PERSONAL AUTO COVERAGE CASE

Knowing how to apply the Personal Auto Policy (PAP) to the facts of a case is a critical skill. This case study can help the student begin to make the transition from knowing policy language to knowing how to apply policy language to losses.

This case helps the student to apply the coverage parts of the PAP to a given set of facts.

Case Facts

Given the facts presented in this case, will the auto claim be covered? If so, what amount would the insurer pay?

Wanda was driving the family minivan home from a shopping trip to the local mall with her two young children and one of the children's friends. As the van entered an intersection, it was struck by an oncoming vehicle operated by David. It was subsequently determined that David, a part-time circulation manager for a local newspaper, disregarded a red traffic signal when he entered the intersection. David had been returning from visiting a prospective customer to discuss placement of advertising in the newspaper. Wanda and the three children were injured, and her van sustained major damage. Wanda and her children were transported to local hospitals by ambulance, and all four were admitted for further treatment. The youngest child required several months of physical rehabilitation following his release from the hospital. The ten-year-old friend who was a passenger in Wanda's van was treated in the emergency room and released. David was not injured in the accident. Wanda and David both live in a state that does not have a no-fault law.

To confirm that facts about an accident are accurate, insurers frequently rely on police reports, recorded statements from witnesses, medical records, and inspections of the accident scene and any vehicles involved. Both David and Wanda have PAPs. The student should assume that neither PAP contains any endorsements that would modify coverage.

Wanda and her family initiate a lawsuit against David for the total cost of their injuries, \$408,500 (\$100,000 for Wanda; \$53,900 for her older child; and \$254,600 for her younger child). The court rules in Wanda's favor and awards the full amount as damages. David was required to take three days off from work to testify at the trial. The medical costs for the passenger in Wanda's vehicle were \$2,750. The repair costs for Wanda's minivan were \$16,943. The cost to repair front-end damage on David's sedan was \$5,450.

David's PAP has Coverage A limits of \$500,000 per person and \$1 million per accident, with Coverage D deductibles of \$500 for Other than Collision and \$1,000 for Collision. Wanda's family PAP has Coverage A limits of \$250,000 per person and \$ 500,000 per accident, with Coverage D deductibles of



\$500 for Other than Collision and \$500 for Collision. See the exhibit “Case Facts.”

Case Facts	
Insureds	David M. Jones (David’s PAP) Raymond George (Wanda’s family PAP)
Types of policies and coverage limits	David’s PAP: Coverage A—\$ 500,000 per person \$ 1 million per accident Coverage D deductibles—\$ 500 Other Than Collision \$ 1,000 Collision Wanda’s PAP: Coverage A—\$ 250,000 per person \$ 500,000 per accident Coverage D deductibles—\$ 500 Other than Collision \$ 500 Collision
Endorsements that affect the case	None
Other policy information	No other relevant information
Background	The insureds have complied with the policy conditions.

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Case Analysis Tools

To determine whether David’s PAP, Wanda’s PAP, or both provide coverage for the injuries to Wanda, her children, and the ten-year-old passenger in her car, as well as the damage to the two vehicles, the insurance or risk management professional should have copies of the policy forms and any applicable endorsements indicated on the Declarations pages of the policies. See the exhibit “Personal Auto Policy Declarations.”

