

RLI Policy Analysis – PUP 320 (09/14)

RLI has revised their personal umbrella policy. The new policy will be used for new and renewal policies starting July 1, 2015. The new policy is PUP 320 (09/14). Below is a summary of the changes. This is a summary only and specific coverage interpretations should be made by carefully reading the actual policy. References to the homeowners policy and PAP refer to the most current versions of ISO forms. Not every policy change is discussed since many are simply re-wording some policy provisions and have no coverage impact. For the sake of brevity, forms will be referred to as “old form” and “new form.”

Relative

New form:

Adds someone related to you by civil union as “relative.”

Adds this wording: *A **Relative** includes a student under the age of 26 who is enrolled in school full time, as defined by the school, and residing temporarily away from home.*

Comment: The addition of the age 26 limitation could be a significant loss of coverage for some policyholders. The PAP has no such age limitation, while the homeowners policy has a similar limitation for students under the age of 24. If the student were 26 or older and lived at home or returned home after graduation, coverage would apply. RLI has indicated, however, that in their view this change could actually result in their policy being broader than some stand-alone umbrella forms.

Spouse

New form:

***Spouse** is an individual married to the Named Insured, including an individual who is a party to a civil union or is in a domestic partnership pursuant to applicable law in the state where the policy is issued.*

Comment: The defined term is an addition to the form. The inclusion of civil unions and domestic partnerships is a coverage enhancement.

Who is an insured

New form:

*A trust or any other person or legal entity, in addition to those described above, who is covered as an insured for liability under your **Basic Policies** is covered for such **Occurrence**.*

Comment: The addition of “...or any other person or legal entity...” is a coverage enhancement.

Examples:

1. The PAP provides “insured” status for a person/entity legally liable for the actions of the named insured. For example, David uses his own auto to drive to an agency to teach a class for

FAIA. On the way to class he negligently injures a pedestrian; David and FAIA are sued. David's PAP protects him and FAIA on a primary basis. Since FAIA is "an insured" under the PAP, the RLI policy responds. Such was not the case in the old form.

2. David's daughter, Leslie, lives in South Carolina. She owns a dog and has a RLI umbrella. David goes to visit Leslie and goes out for a run, taking the dog with him on a leash. He loses his grip on the leash and the dog gets away from him, biting someone walking down the street. Leslie and David are sued. Leslie's homeowners policy protects her and David since David has custody of her animal. The RLI policy also protects Leslie and, under the new form, David also.

Hauling/towing

New form:

***Injury** arising out of, or in any way connected with, the **Business** use of any motorized vehicle while engaged in hauling or towing.*

Comment: This is a new exclusion and is a coverage reduction. No such exclusion is found in the PAP.

Criminal charge

New form:

***Injury** caused by, resulting from, arising out of or connected with any activity for which any criminal charge is brought against anyone covered by this policy, unless the criminal charge arises out of the use of an **Automobile** by you or your **Relative**. This Exclusion (K.) does not apply to statutory liability for ownership of an **Automobile** that may be imposed on you or your **Relative**.*

Comment: This is a new exclusion and represents a reduction in coverage. A literal reading of the form says that if the charge is later dropped or if the charge resulted in a criminal trial and the insured were found not guilty, there still is no coverage under the RLI form.

Property damage

Old form:

***Property Damage** to:*

- a. property owned, rented or occupied by you or a **Relative**, or*
- b. property in the care, custody or control of you or a **Relative**.*

New form:

***Property Damage** to:*

- 1. property owned by you or a **Relative**; or*
- 2. property rented to, occupied or used by, or in the care, custody or control of, you or a **Relative** to the extent that you or a **Relative** is obligated by contract to provide insurance for such property. However, this Exclusion (O.2.) does not apply to **Property Damage** caused by fire, smoke or explosion*

Comment: Whether intended or not, this represents a significant coverage enhancement due to this: “...*to the extent that you or a **Relative** is obligated by contract to provide insurance for such property.*” The new exclusion applies only if the insured is contractually required to insure the property, something that is rather uncommon.

Example: The insured is playing golf and rents a golf cart from the country club. He parks the cart near a water hazard but fails to set the brake. The \$6,000 cart rolls into the water hazard and is ruined. Since the country club did not require him to insure the cart via contract, the RLI policy responds, even though the homeowners policy does not.

Commercial vehicles

New form:

***Injury** arising out of the use of any vehicle that is subject to state or federal regulation as a commercial motor vehicle and requires the operator to have a Commercial Drivers License (CDL).*

Comment: This is a new exclusion. Note that the exclusion applies only if the vehicle is regulated as a commercial vehicle **and** the operator is required to have a CDL. For example, David rents a 16-foot box truck to move his household items. The vehicle is regulated as a commercial vehicle, but David is not required to have a CDL to operate the vehicle. Coverage applies under the RLI policy. The PAP also responds. It has never been the intent of RLI to cover the use of a commercial vehicle that requires the operator to have a CDL and this wording makes it clear that there is no coverage.

Personal vehicle sharing program

New form:

***Injury** caused by, resulting from, arising out of or in any way connected with the use of an **Automobile** used for public livery or enrolled in a personal vehicle sharing program under the terms of a written agreement while being used in connection with such personal vehicle sharing program. This Exclusion (FF.) does not apply to a share-the-expense car pool.*

Comment: This is a new exclusion and represents a reduction in coverage. With the onslaught of firms like Uber, Lyft, and personal vehicle sharing programs the whole issue fills the insurance trade press. The PAP clearly excludes these vehicle uses, and the RLI umbrella now follows suit. As a “side note” here, agencies should be diligent in determining if their customers are engaged in such vehicle usage. Many people are “jumping on the band wagon” and using their vehicles in such manner.

Firearms

New form:

Injury arising directly or indirectly out of or otherwise related to the use of a firearm, regardless of who owns, controls, or uses the firearm, unless also covered by a valid and collectible **Basic Policy** or **Basic Policies** for the full Minimum Limit of Coverage shown in the Declarations.

Comment: This is a new exclusion and represents a reduction in coverage. Note that if the underlying homeowners policy responds for the loss the RLI exclusion does not apply.

Corporal punishment

New form:

Injury arising out of corporal punishment administered by or at the direction of a person covered under this policy.

Comment: This is a new exclusion and represents a reduction in coverage.