

Personal Lines



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Auto

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Insurance for Car Shares and Other Non-Owned Vehicles

Currently, 33 companies in North America offer car-sharing. These companies have more than 300,000 members and 7,500 cars. The car-sharing concept is likely to grow, particularly in urban areas. Still, those who rent cars far outnumber car-share members. Both shared and rented vehicles pose some risk exposures. Read on for suggestions on insuring them.

When you join a car-share program, you gain 24/7 access to shared vehicles, which you can pick up and drop off at specified locations. You can use the car for a few hours or a few days, depending on your need. The car-share company or organization buys, maintains and insures the vehicles and manages reservations.

To join a car-share program, you must have a current driver's license (most require a minimum of two years' driving experience), clean driving record, and a valid credit or debit card. If you're thinking of joining a car-share program, don't just ask whether it maintains insurance on its vehicles—ask what it covers and the limits are.

Auto insurance policies can contain several types of coverage, including:

Collision and comprehensive coverages, which pay to repair or



replace the insured vehicle if it is damaged by collision or another cause, such as fire or flood. Both these coverages are optional, but you will want to ensure the coverage is enough to repair or replace the car if totaled or stolen while in your possession. Zipcar, the largest car-share company in the U.S., carries comprehensive coverage subject to a \$500 deductible.

Medical payments or personal injury protection, which

pays for medical treatment for the driver and passengers of the insured car. This coverage is optional. Your car-share program might not carry them, expecting members to provide their own medical coverage.

Uninsured/underinsured motorist coverage, an optional coverage that reimburses you, a member of your family, or a designated driver if one of you is hit by an uninsured, hit-and-run or underinsured driver. The

This Just In

H.R. 2555, the Homeowners' Defense Act, aims to make natural disaster coverage more available and affordable. Introduced last year, at press time the bill was moving through the House Committee on Financial Services.

The bill would:

1 Establish a National Catastrophe Risk Consortium, a nonprofit entity that would allow state disaster insurance programs to share risk information and to pool risks to buy reinsurance at lower cost than state programs could achieve individually.

2 Guarantee debt issued by eligible state programs against loss of principal or interest to make private capital more available to state catastrophe insurance programs.

3 Establish a Federal Natural Catastrophe Reinsurance Fund that would make reinsurance available for purchase by eligible state programs. The bill provides pricing guidelines and a limit on aggregate potential federal liability.

4 Establish a program of grants to develop, enhance or maintain programs to prevent and mitigate losses from natural catastrophes.

5 Require a study whether programs established by this Act should apply to losses arising from commercial insurance policies that provide coverage for residential rental units.

For more information on insuring your home from disaster, please contact us.



What You Need to Know About Volunteering and Liability

If you are one of the 61.8 million Americans who volunteer for a nonprofit or governmental agency, you could be putting your personal assets at risk, particularly if you serve on a nonprofit board. Here's how you can minimize that exposure and protect your assets.

People sue nonprofit organizations for the same reasons they sue for-profit corporations—for allegations the organization has done them some harm, whether property damage, bodily injury or non-bodily injury.

So why would anyone sue a nonprofit board member or director in addition to the organization itself? The “deep pockets” theory applies—lawyers include board members in a claim in the hope of getting a settlement for their client, particularly if board members have deep pockets and the organization does not. Even if a suit is groundless, it can still cost you time and attorney fees.

The federal Volunteer Protection Act (VPA) provides some protection for volunteers. It says volunteers shall not be liable for simple negligence while acting within the scope of their responsibility on behalf of a



nonprofit. However, it does not protect them against claims of gross negligence, willful or criminal misconduct, reckless misconduct or flagrant indifference to the rights or safety of the individual harmed by the volunteer, and it excludes any claims for acts involving motor vehicles, harassment, discrimination or abuse. All states have laws limiting a volunteer's liability as well.

You can further minimize your exposure to risk when serving on nonprofit boards by considering the organization's governance. Following are some suggestions:

- 1 Check the nonprofit rating organizations. These include Guide Star (www2.guidestar.org), Charity Navigator (www.charitynavigator.org) and Charity Watch (www.charitywatch.org). Although geared primarily for donors, the information provided by these organizations can help you start evaluating whether a listed charity is well-managed. They generally focus

on nationally known and larger nonprofits, so lack of a listing does not mean an organization isn't stable and worthwhile.

- 2 What are board members' responsibilities? Do they have job descriptions? In larger organizations with paid staff, the board provides long-term direction and general oversight. Does the board meet at least four times a year and have clear procedures for providing oversight, including ensuring the organization makes any required tax and other filings?
- 3 Talk to other board members. Do they understand their legal duties? Most states have laws obligating board members to act with care, loyalty and obedience to the organization they serve. They must also act in the best interests of the organization and avoid conflicts of interest. Does the board have a written policy on conflicts of interest?
- 4 Review the organization's by-laws. Do they contain a provision agreeing to in-

Nonprofit directors not only face claims from disgruntled employees or donors; they could incur the wrath of the IRS. According to an article in Accountingweb.com, “...the IRS is stepping up its scrutiny of private charitable corporations and in some cases, holding board members personally accountable when something goes wrong.”

The article said that Steve Verret, chairman of a nonprofit hospital in Beaumont, Texas, had to pay more than \$400,000 in taxes and interest on behalf of the hospital when the CEO failed to do so. Although Verret says the CEO told him several times that he had paid the taxes, the IRS claims Verret should have requested proof. www.accountingweb.com/item/107363. ■



VEHICLES—continued from Page 1

policy limits should be high enough to pay the value of the car if totaled.

The coverages that should most interest the prospective car-share member are the liability coverages:

- 1 **Bodily injury liability**, which pays when you injure another person in an accident.
- 2 **Property damage liability**, which pays when your use of the insured vehicle results in damage to another person's vehicle or property.

Every state except New Hampshire and Wisconsin requires auto owners to carry liability insurance to protect other people from injury or property damage the designated driver causes to a third person. Each state requires a specific minimum amount, which you'll often see expressed as a series of three

figures, such as 25/50/10. These figures are, in thousands of dollars, the maximum amount the policy will pay for third-party bodily injury per person per accident, the maximum the policy will pay for all bodily injury claims per accident, and the maximum the policy will pay for property damage claims per accident.

Because an injury accident can lead to a very expensive lawsuit, most experts recommend having no less than \$100,000 in bodily injury protection per person and \$300,000 per accident. Most people with any assets to protect will need much more than that. Zipcar carries limits of \$300,000 per accident.

If you're considering joining a car-share program, or if you rent cars, you can obtain additional liability coverage through your own auto policy, a non-owner auto policy or an umbrella liability policy.

If you own a car, your personal auto policy will cover you for shared and rental cars

under the "drive other cars" provision, subject to the same limits. If you don't own a car, you can buy a non-owner auto policy, which is also a good idea for those who rent or borrow cars frequently. This policy provides liability coverages only.

A personal liability umbrella might also provide the additional liability coverage you need. Check your policy, though—some umbrellas are written on a "drop down" basis and will only cover you for automobile-related risks if a claim exceeds the limits of an underlying auto policy. If you don't have an auto policy, the non-owners policy might serve as underlying coverage.

For more information on insurance coverages for unusual situations, such as car-sharing, non-owned and rental autos, please contact us. ■

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demnify board members, or pay their legal costs from claims arising from their service? If not, directors might have to bear these expenses (both the cost of legal defense and any settlements or judgments) themselves.

- 5 Does the organization have directors and officers (D&O) liability insurance? An indemnity provision means nothing without some kind of funding mechanism. Defending certain types of claims can be expensive and could use up a nonprofit's resources quickly. D&O insurance covers directors and officers from non bodily injury claims, such as employment practices claims and mismanagement of funds. It will pay both legal defense costs and the cost of settlements or judgments, if necessary.
- 6 Does the organization have other necessary insurance coverages? All organizations need general liability insurance, which will cover it for third-party claims of bodily injury or property damage against the organization or someone acting on its behalf. And as with for-profit organizations, any nonprofit with em-

ployees needs workers' compensation insurance.

Nonprofits have special insurance considerations. Workers' compensation policies do not cover volunteers, so an organization might need volunteer accident insurance, which covers medical treatment costs for volunteers who sustain injuries while acting on the organization's behalf. Sometimes it is packaged with volunteer liability insurance, which provides personal liability coverage for volunteers if a third party files a claim against them for personal injury or property damage occurring in the course of the volunteer's duties on behalf of the nonprofit. If the organization uses the services of licensed or credentialed professionals on a volunteer basis, such as medical professionals, counselors, engineers or others, it should also obtain professional liability or malpractice insurance to cover them.

If the organization handles large sums of money, whether in the form of donations, grants, memberships or fees for service, any employee who handles that money should be covered by a fidel-

ity bond or employee dishonesty coverage, which will cover the organization for embezzlement and fraud.

- 7 Do you have insurance coverage? Some homeowners' and renters' policies include coverage for your volunteer activities in the liability portion. If your policy does not include volunteer liability, your insurer may include it by endorsement, or policy addition. Some of these policies limit coverage to claims for bodily injury or property damage, excluding claims for "wrongful acts." In this case, if you are named in an employment practices lawsuit (such as sexual harassment or discrimination) or financial mismanagement or fraud, your policy would not cover you. Your homeowners policy also would not cover you for auto-related claims, so you will want to make sure your auto policy has adequate liability limits.

You can obtain additional liability coverage through a personal umbrella liability policy, which provides coverage above and beyond your homeowners' and auto policies. For more information, please contact us. ■



Insurance for Disasters

As we enter the fire season, you're likely to read many tips on fire prevention. We hope fire won't affect you—but if it does, we want you to be prepared with adequate insurance.



After a fire, your most important responsibility is to protect the property from further damage. This could mean boarding windows, patching roofs and walls, and securing the building to prevent damage from rain, weather and intruders. Aside from these preventive measures, avoid making any structural changes, and don't throw away any damaged or destroyed personal property—the insurance adjuster will want to see them to evaluate their original worth and extent of damage.

After you've secured your property, what do you do next? You'll want to report the loss as soon as possible to your insurer. Your agent can help you in this process.

Next, the insurer will schedule an adjuster to view the property and evaluate the

loss. If you have "replacement cost" coverage, the policy will pay to repair or replace your damaged or destroyed structure with materials and construction of like kind and quality, up to the policy limits. If you have your home properly insured to value, you should have enough to rebuild your home even if it is completely destroyed.

After a wide-scale disaster, many buildings need repairs or replacement at the same time, pushing the cost of construction—both materials and labor—way up. That's why you need an "extended replacement cost" endorsement to your policy. This will increase your policy limits so your policy will pay a specified percentage over the insured amount, such as 25 or 50 percent, if necessary.

Sometimes, however, even "replacement cost" coverage won't be enough to cover the

cost of rebuilding your house. If your home is older, building codes and local ordinances might have changed enough to make it impossible to rebuild a portion of the structure and meet updated codes. Optional demolition coverage and increased cost of construction coverage (also called "ordinance or law coverage") can provide the protection you need in these situations. These policy endorsements will cover the additional costs of demolition and removal of a portion of a building when required by local authorities, and the additional costs of reconstructing to meet current building codes.

Does your homeowners' or condominium policy provide enough protection to ensure you can rebuild after a disaster? Please call us if you would like a policy review. ■

Fire Prevention

Fire season is coming. The U.S. Fire Administration logged 403,000 residential structure fires during 2008, which caused 2,780 deaths, 13,560 reported injuries, and \$8.5 billion in direct damages, such as the value of lost/damaged property and medical costs.

People who live in the wildland/urban interface face special dangers during the summer and fall dry seasons. In 2009, the National Interagency Fire Center reported a total of 9,142 lightning-caused wildland fires across the U.S. During the same period, human-caused fires totaled 69,650. People who live in or own property in wildland interfaces need to take special precautions to prevent the occurrence and spread of fire.

Preventive measures include:

- 1 Use fire-safe landscaping. Create a fire break of 100' to 200' around buildings by trimming grass, weeds and shrubs down to no more than a couple of inches tall. Remove highly flammable trees and shrubs, including junipers and eucalyptus. Remove any branches or plants that touch or overhang the roof, eaves, porches and other portions of the structure. Keep landscaping near the house well-watered. "Limb" trees by removing branches up to 10 feet. All these steps will reduce fuel loads near the house and prevent fire's spread.
- 2 Remove limbs overhanging driveways up to 13.5 feet to ensure access for fire

trucks and other emergency vehicles.

- 3 Store firewood at least 30 feet from your home or any other building you want to protect.
- 4 Keep flammable materials, including brush and firewood, away from propane or fuel tanks.
- 5 Use fire-resistant materials when building or remodeling. These include stucco, tile, lightweight concrete tile, metal or fiberglass asphalt roofing.
- 6 Install sprinklers when building or remodeling. Sprinklers can prevent the spread of fire, limiting damage. Most insurers will also discount your homeowners' insurance premiums if you have sprinklers—for more information, please contact us. ■