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Consumer Article:

“Insuring Property in Storage”

Here's a question our "Ask an Expert" service recently received: "Our insured has to place items in a self storage facility for approximately 6-7 months while his new home is being built. One of those items will be an ATV. Does the homeowners policy cover these items or do we need to obtain more specific coverage?"

First, let's examine this specific question, then take a look at this important issue in more depth.

As long as there is a homeowners policy in place on the current residence, or a tenant's policy if an apartment, the insured should be OK. Although you'll certainly want to review the form, most homeowners policies cover personal property anywhere in the world. There is typically a limitation on property usually located at another residence, but that doesn't apply to a storage facility. This is what the "ISO standard" policy says:

COVERAGE C - Personal Property

We cover personal property owned or used by an "insured" while it is anywhere in the world. At your request, we will cover personal property owned by:

1. Others while the property is on the part of the "residence premises" occupied by an "insured";
2. A guest or a "residence employee," while the property is in any residence occupied by an "insured."

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises," is 10% of the limit of liability for Coverage C, or \$1000, whichever is greater.

Personal property in a newly acquired principal residence is not subject to this limitation for the 30 days from the time you begin to move the property there.

With regard to the ATV, even the existing HO policy would probably not cover that due to the motor vehicle exclusion elsewhere in the policy. Here's what the "ISO standard" homeowners policy says:

Property Not Covered. We do not cover:

3. Motor vehicles or all other motorized land conveyances. This includes:

- a. Their equipment and accessories; or
- b. Electronic apparatus that is designed to be operated solely by use of the power from the electrical system of motor vehicles or all other motorized land conveyances. Electronic apparatus includes:

- (1) Accessories or antennas; or
- (2) Tapes, wires, records, discs or other media; for use with any electronic apparatus.

The exclusion of property described in 3.a. and 3.b. above applies only while the property is in or upon the vehicle or conveyance.

We do cover vehicles or conveyances not subject to motor vehicle

registration which are:

- a. Used to service an "insured's" residence; or
- b. Designed for assisting the handicapped;

So, unless the ATV is used to service the residence or assist the handicapped (unlikely), there is no coverage. There are recreational vehicle policies designed to cover the property and liability exposures of such vehicles.

Now that we've answered this specific issue, let's take a broader look at property in storage in the event that related questions arise in the future.

The Homeowners Policy provides extremely broad coverage for personal property. It covers personal property owned or USED by an insured ANYWHERE in the world. The amount of coverage, however, is limited to 10% of the contents limit for personal property "usually located" at an insured's "residence."

While often misinterpreted as limiting all off-premises personal property coverage to 10% of the contents limit, the actual wording only applies the 10% limit to personal property that is "usually located at an insured's residence, other than the residence premises." That is, for the restriction to apply, the insured must have more than one residence. In addition, the personal property must be "usually located" there. For example, if the insured has a second home, the contents coverage on the Homeowner's Policy covering his or her main residence only extends 10% of the contents limit to personal property usually kept at the second home. For personal property the insured takes back and forth, the 10% limit would not apply.

The 10% limit would also not apply to personal property that is usually kept at a residence that is not an insured's residence. Personal property in storage at a friend's or family member's house would not be subject to the 10% limit.

Personal property of college students is subject to the 10% limit, according to most insurance experts. In most cases, the 10% limit under the parents' Homeowners Policy is usually sufficient, but coverage can be increased, as described below (or, the student can purchase a renters policy).

To increase coverage for personal property usually located at an insured's other residence, either those with second homes, or those with college kids, an endorsement commonly called the Increased Limit on Personal Property in Other Residences endorsement is available.

Personal property stored in a mini-warehouse is NOT subject to the 10% limit under the insured's contents coverage. The 10% limit only applies to "property usually located at an insured's residence, other than the residence premises." A mini-warehouse is clearly not a residence, thus the 10% limit does not apply to property stored there.

While Coverage C basically applies to personal property worldwide, there are certain restrictions of coverage, in addition to the 10% limit discussed above. For example, under "Special Limits of Liability," contents coverage is limited to \$2,500 on business property on the residence premises and \$250 on business property off the premises. There are several "business property" endorsements available, including the Increased Limits on Business Property endorsement which can provide higher limits. An insured with any substantial amounts of business property, whether on premises or off, should be written in a policy more specifically designed to the business exposures.

The contents theft coverage contains several limitations relevant to personal property in storage (or otherwise off-premises). For example, there is no off-premises theft coverage for watercraft, related equipment, campers, and trailers. Insureds who use a mini-warehouse to store watercraft and equipment, or trailers and campers, have no theft coverage for such property. In addition, there is no theft coverage for property a child has at college if the child has not been at their college residence within 45 days prior to the theft.

Aside from property issues, insureds who store personal property off premises, especially in a mini-warehouse, could have certain liability exposures. For example, if the insured stored a propane gas grill, or containers of gasoline, paints, cleaning solvents, etc., or imprudently stacked heavy objects, and injury or damage to third parties resulted, a lawsuit would likely ensue.

The basic insuring agreement under the liability section of the homeowners policy provides coverage for bodily injury or property damage for which an insured is legally liable, unless excluded. Many storage-related liability claims would likely be framed as arising out of a premises the insured either owned or exercised some measure of control over, such as a rented mini-warehouse unit. The policy excludes claims "arising out of a premises that is not an insured location." However, included within the definition of "insured location" is "any part of a premises occasionally rented to an insured for other than business use." Therefore, an insured's legal liability for bodily injury or property damage arising out of the non-business rental of a mini-warehouse is probably covered. However, it is always a good idea to check with your agent or insurance representative...in the event of long-term rentals, it is probably safer to declare the facility as an insured location on your policy.

One additional factor usually present in the renting of a mini-warehouse unit is the signing of a rental contract by the insured. Such contracts are usually written in favor of the lessor, and lessees can unwittingly incur substantial contractual liability exposures. Here is a sample from an actual mini-warehouse lease:

"Lessee agrees to indemnify and hold Lessor harmless from any and all expenses, damages, claims, or causes of action arising directly or indirectly from any activities under this lease, even though caused in whole or in part by the negligence of the Lessor."

Fortunately, the homeowners policy provides extremely broad contractual coverage so that most routine, non-business rentals of a mini-warehouse unit by an insured would be covered. However, again, check with your insurance agent in advance to confirm this.

While the Homeowners Policy provides broad coverage for insureds in most storage-related situations, there are certain specific exposures that are not covered. This article addresses some of them. Be sure to consult your independent insurance agent if you have questions about your unique exposures.

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