



## Current Articles 1998 – March

### Trailer for sale or rent? -- -- Who pays when it is "bent"?

When Direct Compensation Property Damage was introduced to Ontario Automobile Insurance, confusion became a regular event with regard to trailers. Bill 164 established the rules and they did not change with the amendments of Bill 59.

We will divide the coverages into THREE categories:

The first category addresses Third Party Liability, Accident Benefits 4k Uninsured Motorist Benefit. These are covered for Any trailer and whether it is an owned or non-owned and used in connection with the automobile. In addition these coverages will apply whether the trailer is described or NOT described in the policy. To summarize, if you own borrow or rent a trailer the auto policy for the towing vehicle will automatically supply the coverage for Liability, Accident Benefits and where applicable Uninsured Motorist benefit.

Direct Compensation, the second category, is a different story! Direct Comp. applies to OWNED trailer that are NOT DESCRIBED in the policy but there are some exceptions. The automatic Direct Comp. will NOT apply to trailers designed or used for living in, to carry passengers or for commercial purposes. A tent trailer or cabin trailer must be described in the OWNER'S policy in order for Direct Comp. to apply. Let us suppose that your client borrows a friend's cabin trailer and the friend does not have it described in his policy. While your client is towing the trailer it is rear-ended by a third party and who is clearly at fault. Your client's direct comp. will not apply since he does not OWN the trailer. His friend has not described the trailer so the friend's policy will not respond. And neither your client or his friend have the ability to proceed against the third party!!!!

Lastly is Physical Damage - Collision and Comprehensive. All trailers must be described to obtain any type of physical damage.

If a Vacation Trailer floater is in place, instead of relying on the coverages of an auto policy, coverage can be written on either on All Risk or Named Perils basis. And in some cases coverage for contents, loss of use, etc. may also be included. When a Trailer Floater is used the coverage will apply whether you are at fault or not so in effect it will replace the automobile coverages for Direct Compensation, Collision k Comp. The trailer floater will also apply whether the trailer is attached or not to the towing vehicle.

This brings up another situation with regard to liability when a trailer is parked at a camp; in other words Not attached to an automobile. Many Homeowners Personal Liability Section will address such claims provided that such trailer is not being towed by, attached to or carried on a motorized vehicle. Check your Homeowners wordings carefully!!!!

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