

# Insights and Updates



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## Are you committing insurance fraud?

When you think about insurance fraud, you probably think of a staged accident/faked injury. However, something as small as listing the wrong address on your insurance application or failing to disclose a new driver can be considered insurance fraud.

Under New Jersey Code of Criminal Justice Section 2C:21-4.6, a person is guilty of insurance fraud when he or she intentionally makes a false or misleading statement of material fact on an insurance application.

This type of fraud is commonly referred to as rate evasion and it comes in many forms, but we will concentrate on three of the more common types of fraud: out-of-state rate evasion, in-state rate evasion and failure to disclose a new driver.

Out-of-state rate evasion occurs when someone registers their vehicle or lists on their insurance the primary residence/garage that a vehicle will be located at in a state that is not the state in which they reside, to take advantage of lower rates that might exist in a neighboring state. In 2015, Section 2C:21-4.6 of the Code of Criminal Justice was amended to add language specifically identifying out-of-state rate evasion as a form of insurance fraud.

Similarly, in-state rate evasion involves listing a vehicle's in-state garage location as a location in-state

other than where it is actually being garaged. Many insurance companies based their premium rates on the county or ZIP code where a car is garaged. Living in a ZIP code with a dense population typically will lead to higher premiums because the chances that a vehicle will be in an accident increase. Conversely, premiums may be lower if the car is listed in a ZIP code where the cows outnumber the cars on the road. So, by listing the in-state garage in a location without a big population base, insureds may receive a lower premium.

Auto insurance follows the vehicle and not the driver. If a vehicle is insured, there will be coverage as long as the driver has permission to use the covered vehicle. For this reason, there may be a temptation to not disclose to the insurance carrier the existence of a new driver in the household. These new drivers are typically newly licensed teenagers with no driving record, whose addition to the policy will almost certainly mean an increase in premium the insured has to pay. While listing a false address on an insurance application or "forgetting" to disclose that there is a new driver in your household

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may seem harmless, doing so is against the law and if caught, violators will be subject to a large fine, jail time or both. Additionally, if there is a claim you may find that an insurance carrier will simply refuse to pay and rescind the policy citing a material misrepresentation of the facts on the insurance application. This means that you will be left without insurance and have to pay any expenses from an accident out of your own pocket. Saving a few hundred bucks in premium could end up costing you thousands in fines and bills.

The consequences associated with rate evasion far outweigh the potential benefits you might receive from a lower premium figure.



## Does the FAA know you have a drone?

The good weather has returned and you're thinking of taking the small unmanned aircraft (aka: UAS or drone) you received as a holiday gift out for a test flight (the Federal Aviation Administration predicted that up to a million people received one during the holiday season). Before you head to your backyard or the local park, did you remember to register your UAS with the FAA?

That's right. Owners of small UAS, who had operated an unmanned aircraft exclusively as a model aircraft prior to Dec. 21, 2015, should have registered it no later than Feb. 19, 2016. People who purchased a UAS after Dec. 21, 2015, must register before the first flight outdoors. To help streamline the process, the FAA developed a web-based registration portal at [faa.gov/uas/registration](http://faa.gov/uas/registration). Owners must be at least 13 years old to register their UAS.

In addition to the FAA, you should let our agency know you now own a drone—or any other valuable item you might have purchased or received since you last contacted our agency. And remember, your insurance needs will be different if you are a hobbyist who enjoys flying UAS or if you are using your drone commercially. We can help you figure out the difference. We can discuss your coverage options and help you determine the proper insurance coverage for all your possessions.

## Homeowners and solar panels

As more and more homes are being contacted by solar energy firms offering ways to cut utilities expenses, one has to wonder: How will this affect my homeowners insurance?

There are two ways by which solar companies contract with homeowners; one is to sell the solar panels outright; and the second is to lease them. There are insurance implications of both.

In the first scenario, if you buy the panels outright and permanently install them on your home, they become part of the dwelling. Since they become part of the dwelling, you would have to increase your insurance coverage to reflect the additional value of your home due to the panels. If the panels are installed permanently on your land—but not on your home—you would have to increase your coverage under “coverage B” (other structure) to reflect the cost of the panels

to ensure they are covered.

In the second scenario, you contract with the solar company to lease the solar panels, and therefore you do not own them. Since the solar company owns the panels, it is its obligation to insure them, and you do not have to increase your insurance to accommodate the value of the panels.

It's important to contact our office whenever you plan to add to or improve your property. Many insurance companies are leery of solar panels because of their vulnerability to damage by storms and the potential for electrocution when firemen get them wet putting out a fire. You will want to know the insurance implications of adding solar panels before the work contract is signed. We are here to help make sure you are covered adequately.





## Social media and personal coverage

In the past, victims of bullying could go home after school and find solace in the safety of their home. But, the endless bombardment of social media in our society now allows bullies to invade that safe zone by engaging in what has been dubbed “cyberbullying” or “electronic aggression.” In some cases, the victim of cyberbullying is emotionally or physically harmed. In legal terms, this means that parents and victims will take action against their bullies for these harmful effects. The defendants often turn to their homeowners liability policy in the hopes that coverage exists for the defense and/or settlement of these claims. While this seems like a simple solution, the coverage they seek may not be available.

In general terms, bullying is any intentional, aggressive behavior meant to intimidate another person and victims are often school-aged students. Cyberbullying occurs online or through communications such as text messages or email. This also can include posting embarrassing

rumors, pictures or other content on social networking sites. There isn’t an accidental bully. It is an intentional behavior. Therefore, this action has the potential to leave a policyholder without coverage in the event of litigation.

**“The best way to protect yourself from liability exposures like this is to monitor your children’s online activity and take preventative measures against cyberbullying.”**

A standard homeowners policy states that the policy will pay the limit of liability for damages for which the insured is legally liable, and provide a

defense by an attorney, even if the suit is “groundless, false or fraudulent.” However, the standard policy also excludes any bodily injury or property damage that is “expected or intended by the insured.” So, the standard policy could deny coverage for cyberbullying because the behavior is intentional, and the insured who engages in the activity intends to bring about the physical or emotional injury to the victim. Some policies may provide coverage if the law suit alleges that the parents negligently supervised their child.

The best way to protect yourself from liability exposures like this is to monitor your children’s online activity and take preventative measures against cyberbullying. If you are concerned about whether your homeowners policy will cover you in the event of a lawsuit, give our office a call, we can discuss coverage options.



## Hoverboards



Along with drones, hoverboards were a wildly popular holiday gift you may be excited to use now that the nice weather has arrived. With the excitement of your hoverboard comes the question of whether or not your homeowners insurance will cover it.

First, your homeowners policy classifies hoverboards as motor vehicles, since they are self-propelled vehicles. As such, coverage for motor vehicles are excluded under the homeowners policy unless they are used to service the residence premises or designed to assist the handicap. So, unless one of these two criteria applies to your hoverboard, there would be no coverage.

Coverage will vary in the liability portion of the homeowners policy, depending on the edition date of your policy. Your agent can help you determine that date. For policies with an edition

date of 2011, no coverage exists, but a couple of caveats do. First, the vehicle must be powered by one or more batteries (which it is) and it also must not be modified or built to exceed a speed of five miles per hour on level ground. The specifications of many of the hoverboard models indicate they are designed to go between five and 10 miles per hour. If this is the case, they will be excluded from liability coverage under your homeowners policy.

If your homeowners policy form precedes the 2011 edition, coverage does exist (with no constraints as to speed), but only at the insured location as listed on your declarations page.

Obviously, this can get a little more complicated than learning to ride the hoverboard itself, so we recommend giving our office a call in order to properly insure it.

## News from our agency

### We love referrals

Most everyone has heard a horrible story about an 800-number insurance company they thought would save them money for 15 minutes of their time ... only to find they were never told what their policy did and didn't cover until after they had a claim. As a professional, independent insurance agency, we pride ourselves on our customer service. We take a proactive approach to make sure each person receives, and understands, his or her insurance policy. And if a problem ever does occur, we will be there to help you fix it.

The next time you hear a friend complain about their insurance, refer them to our agency. We will let them know we value customer satisfaction and attentive personal service. Visit our website at [www.hdyoung.com](http://www.hdyoung.com). or find us on Facebook. There's no greater compliment we can receive than your referral.

