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Chapter 7: The world of specialty insurance: renters, boats, recreational vehicles, and mobile homes

7.1. Introduction to Specialty Insurance

It's not unusual to buy specialty insurance to protect your valuable possessions. If you rent an apartment, you need renters insurance to cover your furniture, computers, electronics, clothes, and any other personal belongings. If you own a boat, a motorcycle, a recreational vehicle, or a mobile home, you need specialty insurance to protect them. Most standard homeowner insurance policies will not cover these exposures, or will limit coverage so much that you could have a significant loss (Akhtar et al., 2023; Kim et al., 2023; Nguyen et al., 2024).

Yet specialty insurance is very complicated. Often your excess and surplus lines agent has to put a policy together to exactly fit your needs, contacting several specialty companies or brokers, checking their quotes, and combining them. Insurance companies that specialize in these lines will only protect the risks they understand best. There is great expense in claims handling and restoring rented vehicles and vessels. And there is the risk of loss from theft and accident while traveling away from your home base, wherever that might be. Because of these peculiarities, the agents and companies that provide this specialty insurance have a trade association. The following descriptions of renters, boat, motorcycle, recreational vehicle, and mobile home insurance describe why you need to have a specialty line agent and not your general casualty and property agent to get the exact terms and limits you want (Thompson et al., 2024; O’Connell et al., 2025).

7.1.1. Overview of Specialty Insurance Types

Consumers generally know that they can buy homeowners insurance to cover their primary residence against threats such as fire, theft, liability, and some disasters. They are often surprised to learn that other types of household property, and the same kinds of risks, can be insured for all intents and purposes, in specialty insurance policies written especially for them. These specialty lines of insurance are renters insurance covering personal property for renters in apartments or houses; mobile home insurance for mobile and manufactured homes; boat insurance for private pleasure craft; and recreational vehicle insurance for motor homes, trailers, and converted buses designed to provide a temporary occupation of dwelling space.

Renters insurance is similar to homeowners insurance but priced lower because it does not provide coverage for the building structure, since that normally is the responsibility of the property owner, as in an apartment building in which all units are rented. Mobile home policies are also similar to homeowners insurance on a slightly more complex dwelling. From the standpoint of the mobile home or manufactured home owner, the specialty policy provides much the same features as homeowners insurance. Boat insurance is also similar to homeowners insurance, covering recreational watercraft against fire, theft, and liability, and often providing coverage while the boat is on dry land rather than in the water. Recreational vehicle insurance covers the special hazards associated with recreational vehicles, including not just the vehicle but also personal property and loss of use of the vehicle.

7.2. Understanding Renters Insurance

Renters insurance is often an afterthought for tenants when they sign a lease, but it is the most important coverage a resident can have. If the place you live in is in a building that is lost to fire, floods, or another catastrophe, the building itself is typically insured by the landlord. Still, the contents, interior walls, and favoritism of the residents need protection. Additionally, this coverage protects against the liability of being responsible for losses to property of others or injuries to people not in the rented premises. Unforeseen accidents happen. Fires resulting from faulty electrical appliances can extend beyond a unit and damage property in another apartment. Water damage can begin with a broken toilet supply line or a leaking hot water tank, causing damage in the units below. Renters insurance provides a safety net for hard-working individuals to avoid financial devastation from losses they never intended and likely did not see coming.

Policies provide coverage for tenants and subtenants of dwellings used exclusively for residence. Coverage for renters is inexpensive because the rate is a fraction of that for a standard homeowners insurance policy. Unfortunately, many tenants are unaware or just do not act and obtain their own protection. While landlords often purchase blanket coverage for the building, this does not provide coverage for tenants. Usually, coverage for individuals and roommates in the same rented unit is limited to personal liability for other types of insurance, so why neglect personal property protection? Renters insurance provides the same types of coverage that a homeowner's policy does for personal property and liability exposures and is a worthwhile investment for anyone who wants peace of mind regarding their belongings and liability coverage while renting.

7.2.1. Importance of Renters Insurance

All the contents in a rented apartment or home usually belong to the tenants – they are not owned by the landlord. An important reminder: the landlord is only responsible for the structure of the apartment or home, unless he or she is negligent. And whether or not a tenant is responsible for damage is looked at more closely in the event of a natural disaster that damages many of the properties and buildings in a neighborhood. That's what happened to my tenant friend when we lived in the Austin area. Her apartment complex experienced flooding from a nearby creek overflowing during an intense rainstorm. Because of the damage, my friend's renter's contents loss claim was handled pretty quickly by the insurer.

Fig 7 . 1 : Protecting Your Belongings

Renters insurance can help you rebuild your life after a catastrophe – like a fire or severe storm – damages or completely destroys your clothing, appliances, furniture, electronics, and all the other personal property contents and valuable items inside your apartment or home. In fact, a renter's belongings may be worth tens of thousands of dollars, depending on the size of the apartment or home. In addition, a renters policy may give you coverage if you are temporarily forced out of your apartment or home because of a covered peril – like theft, fire, hail, or windstorm – while your landlord is responsible for either repairing your rental unit or replacing it. Without renters insurance that also covers loss of use expenses, you could be forced to pay those housing costs out of your own pocket if your landlord doesn’t have commercial insurance.

7.2.2. Coverage Options

Their space ranks right up there with their vehicle as one of their most valuable possessions. It houses their furniture, clothes, tools and probably lots of treasures. It only makes sense that, when they rent a home, the first thing they want to protect is their possessions. Renters insurance, a relatively inexpensive type of insurance, covers their personal property against a loss from a covered cause, loss of use coverage in case the rented property is uninhabitable due to a covered peril while it is being repaired, and personal liability coverage in case they cause damage to the property or to someone else’s property or cause injury to someone else.

The personal property coverage, which is basically personal property coverage with sub-limits for certain types of property, including cash, art, jewelry and so forth, is ideally suited to offset the financial impact of a covered loss. Loss of use coverage protects them when they incur additional living expenses for accommodation. As is the case with owner-occupied residences, loss of use coverage is not meant to compensate them for depreciation in value but for additional living expenses while the unit is being repaired. Liability for damages is generally covered as is the cost of any defense. Although renters need to select a liability limit high enough to fully protect against their exposure, it is important to bear in mind that policies usually have a per-occurrence or per-person sub-limit. So if, for example, they are hosting a party and someone gets injured and sues for damages, there is only a certain amount available to pay that claim.

7.2.3. Common Exclusions

Just as it is important to understand which types of perils are covered by a renters policy, understanding common exclusions is also critical to understand the limitations and gray areas of coverage. Four common exclusions will be the focus of this discussion. They are general negligence, separate structures, property in the open, and maintenance neglect.

General negligence: All policies will expect that clients take precautions to reduce losses and protect insured property. Neglect of duties to protect insured property will likely result in the denial of any resultant claims. For example, any slip and fall claim likely would be denied if it was due to the lack of shoveling a snow-covered walkway to gain access to the property after a snowstorm.

Separate structures: Renters typically occupy a space that is rented from a landlord or property management group without having any ownership interest in the dwelling. But their shoes and rent payments end at the threshold of the door because they do not have ownership interest in separate structures. As such, no coverage for loss of a shed or garage used for storage outside the limit of the rented dwelling is provided. Property that renters rent or borrow can be covered for certain risks, but only while it is contained within the insured dwelling.

Property in the open: Renters insurance covers “property not attached to the dwelling” on a limited basis. Losses due to windstorm, hail, riot, civil commotion, explosion, vandalism, and malicious mischief are not covered. Careful attention should be paid to these exclusions for property with an exposure to being disturbed – such as a bicycle left against a shrub. Some people will remove the bicycle tire when leaving the bicycle unattended in the front yard for a few hours or, even better, chain the bicycle to a shrub until it is needed again.

Maintenance neglect: Owners are responsible for maintaining the risk to protect against losses. In a renter’s case, the lack of maintenance is the responsibility of the landlord. However, a renter’s own negligence leading to a loss will not be covered.

7.2.4. Claim Process

Once an event occurs that requires help from the insurance company, often the next step can feel very overwhelming. There are many types of claims and every insurance company has its own policy. The following steps are a general guideline to reporting a claim. Review your policy or ask your agent for specifics. Have the following items in place:

1. Policy number

2. Claim amount

3. Description of the event and damages

4. Phone number where you can be reached

a. Call your agent

The fastest way to receive help is by contacting your independent agent who can help you complete the claims process. An independent agent has a better understanding of your policy and is required to provide you personalized assistance. Your independent agent is your advocate and can better represent your needs in the claims process. Many have been educated in claims procedures and potential losses. After reporting the claim to your independent agent, he or she will contact the insurance company to properly prepare your claim. Some insurers provide a 24-hour claims service that connects you directly to a claims representative instead of your agent. Having your insurance company put you directly in touch with a claims representative may delay the process.

b. Review Your Policy

After reporting your claim, ask for a copy of your insurance policy if you don't have one. Not every claim is treated the same way. Every insurance company has its own list of only covered and limited covered perils. Not every renter's policy covers the same items and/or events. For example, money is not covered from loss due to theft. Also, some insurance companies will have limited coverage for electronic devices on renters policies. Be sure to check your renters policy to know what you may be insured for or for excluded items or perils.

7.3. Boat Insurance Overview

Although property tax systems exist for houseboats or floating homes, the Commonwealth of Virginia does not impose property taxes on recreational boats or other watercraft. Consequently, it is imperative that boat owners purchase insurance coverage as a means of protecting their financial investments. Boat insurance is similar to automobile insurance in that it provides coverage for damage or loss resulting from accidents, theft, vandalism, fire, or storms. Since boats are in frequent operation on the water, usually for recreational rather than commercial purposes, the coverage is usually less expensive than automobile insurance. Boat owners can purchase either “little boat” or “big boat” insurance. Little boat insurance covers relatively inexpensive boats, such as inflatable rubber rafts, jet skis, and similar items. A homeowner’s liability is typically limited to damages incurred while operated on land. Big boat insurance would be a much larger craft and would be required to float in busy waterways for commercial or other demands. Such a watercraft may require an underwater survey that inspects passing hulls for siltation and marine growth.

Some marine owners forgo insurance coverage, perhaps wishing to "self-insure" such a decision either by not purchasing the insurance or through an insurer-specified protection agreement with limitations on settlement options. Owners should also keep in mind, when establishing yacht or hull insurance, whether or not their policy requires the purchase of additional coverage for liability protection. Boat owners considering obtaining insurance coverage should begin by discussing the matter with their independent insurance agent. Such agents have the expertise and knowledge to help you compare coverage costs and different policy provisions. They can also help analyze your coverage needs.

7.3.1. Types of Boat Insurance

To some degree, boat owners can obtain the equivalent of liability, comprehensive, and collision coverages that play such a significant role in both homeowners and automobile insurance. However, most recreational boats are afforded different protection since, when a boat is not in use, it is usually in a dock or placed on a trailer. Because they are not driven by an owner at all times, most boats would not be as prone to causing damage to other parties as autos. Consequently, the majority of boat owners only seek the equivalent of the auto liability, sometimes combined with damage coverage, instead of trying to replicate the complete protection of an automobile policy. The primary cause for this discrepancy in preferences is that most personal boat owners typically use their craft primarily for recreation, instead of business or other for-salary reasons—with charters and fishing boats being notable exceptions. Because most boats would not be on the commercial or charter fishing service's list of market attractions, equal preference is not required. Affinity for the latter does not apply to boat owners who use these crafts for commercial interests. Liability protection is still somewhat important in these situations to guard against possible market fluctuations. Reasonably affordable activity limits make it easy for boat owners to justify the cost of the additional coverage. Despite the lack of more extensive protection equivalent to that provided by either the typical homeowner or auto policies, boat owners do also buy comprehensive and collision coverage, even if primarily for peace-of-mind reasons. The most telltale "red flag" to look for is the number of claims a policyholder has made recently, usually denying cover over the past several years.

7.3.2. Factors Influencing Premiums

Fishing boats, speedboats, cruisers, houseboats, and sailing vessels are some of the many types of boats for which a specialty boat insurance policy may be purchased. Depending on the value of the boat, the risk of loss, and how the owner intends to use the boat, it may make sense to insure a boat under a specialty boat policy. The costs associated with a standard homeowners policy may be prohibitively expensive if the entire value of the boat and the cost to retrofit the loss are used to determine how much coverage is needed in the event of a fire, flood, or sinking. A specialty policy can address valuation needs while providing a lower premium. Boat insurance coverage varies significantly based on the type of boat being insured. Fishing boats, speedboats, and cruisers typically require less coverage than sailboats and live-aboards. The construction of boats covered by a specialty boat insurance policy is heavily regulated by a number of government entities. Homeowners, however, are often resistant to paying for coverage when they have no control over how penalizing and expensive a loss could be for an insurance company. Specialty insurance companies, on the other hand, do charge higher premiums on these specialized policies, though often at a much lower rate than the equivalent coverage under a homeowners policy. Insurance companies generally seek to offset potential losses due to flooding or hurricanes through the use of location, layout, and severity of the wind and flood zone the boat is located in. If the boat policy is written on an actual cash value basis, insurers often will only cover the boat for the depreciated value close to the time of loss. While this is usually much cheaper than replacement coverage, you often will not be able to pay down the depreciation cost out-of-pocket. The first step is to work with the underwriter to determine whether the costs for retrofitting the boat are deductible when determining how much replacement coverage is needed. In most instances, the insured should be aware of the estimated time between loss and repair before a claim is filed.

7.3.3. Legal Requirements

While not all states require boat insurance, many people still choose to insure their vessels. At its most basic, insurance protects boaters from the financial burden of accidental damage to their vessel or another's. But insurance can also cover the cost of injury to passengers on board and other boaters on the water. These liabilities include the damage done to an injured person or their watercraft and the cost of legal defense if the other person pursues a lawsuit. These liabilities are serious matters because damages can easily rise into the millions of dollars.

Most states do not have legal requirements applying to boaters, but those with higher populations, more available waterways, and more boating-related accidents are more closely regulated. In some states, any boat using a waterway owned by a state or municipality must be registered and may therefore be required to be insured by the boat owner. States also regulate size by requiring boat insurance only for larger boats. As for boats used on lakes versus those used on the ocean, those used in coastal waters have a greater risk of loss and thus may require that the owner purchase insurance. Finally, many states require proof of financial responsibility after an accident. Although this requirement is not strictly enforced in every state, it may lead to greater demand for insurance.

In addition to boater requirements, some marinas and yacht clubs have buyer requirements that may lead to the purchase of boat insurance. Because vessel accidents can cause large amounts of damage, these private businesses will often insist on proof of insurance before allowing a boat to dock. All lenders have insurance requirements, expecting policyholders to carry minimum limits for the life of their loan.

7.3.4. Coverage for Personal Property

Coverage for personal property is an important part of boat insurance. Most boat owners rely on their boat's storage compartments to protect personal property from theft, loss, or damage. Boat manufacturers know that storage is a concern. That's why most boats are equipped with plenty of storage compartments. But manufacturers provide only a limited amount of theft protection. Most include a locking mechanism that can be secured, but on a busy dock, this is not a foolproof deterrent to a thief. In fact, many insuring companies relate that the greatest number of claims regarding theft, loss, or damage to personal property revolve around equipment or property left in storage hatches or compartments.

Coverage for personal property can provide boat owners with peace of mind about their possessions while on the water. Standard coverage provides for theft or damage to personal and boating property on board the boat, including fishing equipment like rods, reels, bait, tackle boxes, lures, nets, and creels; safety equipment like life jackets, flares, and fire extinguishers; and navigational equipment like charts, maps, and compasses. Some policies provide theft coverage for a fixed amount for in-storage property on the dock or in the marina. Some insurers provide added protection from theft for bicycles that are attached to the boat.

Most insuring companies allow boat owners to select a higher limit to cover additional property stored on the boat or at the marina. However, most policies do have limits on certain theft-prone items like jewelry, cameras or other photo equipment, coins, and rare books or stamps. Whether or not the coverage is broader during storage depends on the terms and conditions of the specific policy. Some policies' theft coverage applies only if the property is stored in a specific type of compartment or on the boat as a whole. If not, the policyholder's property may be covered only during the period when the boat is being operated on the water.

7.4. Recreational Vehicle (RV) Insurance

Recreational vehicle (RV) insurance typically covers motorhomes, travel trailers, camper trailers, and truck campers. RVs are usually designed to be used for recreation purposes, such as camping, travel, or holidaying, but some people live full-time in RVs or use them for work purposes. Because of the large variety of RVs and their uses, RV insurance can be relatively complicated. For example, RVs are both motor vehicles and homes, so coverage needs vary based on whether the RV is being driven on the road, being parked at home or some other location, or being moved from place to place. Coverage is often tailored on a seasonal basis, with more coverage during the rental season and limited coverage during the idle period. Some policies provide full coverage while the RV is in use and offer less expensive liability-only coverage while it is in storage.

RV insurance policies can be classified into the following general categories:

1. Motorized RVs

This group includes motorhomes and truck campers mounted on a pickup truck chassis. Coverage for motorized RVs is similar to auto insurance and typically provides coverage for the unit itself, as well as liability coverage for bodily injury and property damage caused by the insured RV. Optional coverage is available for personal belongings, awnings, damaged cooking equipment, and various types of rental coverage.

2. Towable RVs

This group includes travel trailers and camping trailers. Coverage is similar to homeowners insurance and usually provides either a named peril or an all-risk policy on the unit itself, but bodily injury and property damage liability are not included in this policy. Liability coverage can be obtained through the pickup truck towing the trailer, or through a rider on the homeowners policy at another location. Optional coverage is available for personal belongings, awnings, and various types of rental coverage.

7.4.1. Types of RV Insurance Policies

Unlike other types of property, RVs can be used as a vehicle or a residence, so insurance for a motorhome or camper can offer both forms of coverage. The homeowner's policy insures the RV only while it is parked and fixed to a location. RV insurance offers coverage for the vehicle in transit and the fitted equipment when parked. There are three forms of RV insurance.

1. Specific RV Insurance. This form is purchased in addition to auto and homeowner's insurance. For the RV vehicles themselves, the specific insurance provides only the

coverage that a standard auto policy would provide. For the fitted equipment, it provides coverage only while the RV is parked at a fixed location. This form is the least expensive. 2. Full-Timer RV Insurance. This form is for RV owners who use their vehicle as a primary residence. RVs used as apartments are required by some companies to be parked at a fixed location for a certain number of days to qualify for an insurance discount. It offers the same comprehensive coverage as a standard homeowner's policy plus the coverage that an auto policy would apply. 3. Comprehensive RV Insurance. This is a specialty form of policy that unifies the major elements of both forms. This type of policy is for RV owners who use the vehicle mainly for travel and recreational purposes. When the RV is not in use, it is either parked at a fixed location or is being transported to a new location via towbar on a pickup truck.

7.4.2. Understanding Liability Coverage

Recreational vehicles invite some of the great joys of life—the outdoors, escape from the city, family bonding, etc. But RVs also promote their share of problems, from blocked traffic on narrow roads to noise and odor complaints from neighbors. It's no wonder every state has adopted laws that impose some minimum level of liability insurance on RV owners who might infringe on the rights of others. Unfortunately, these minimums are often woefully inadequate. For example, Michigan requires nothing more than a certain amount for property damage. In a notable case, a jury awarded a significant sum to a family whose son suffered a permanent brain injury due to an RV mishap. Boating and RV accidents can involve astronomical personal injury and property damage claims, even more so than for cars and trucks.

The reason is simple: RVs are just about the largest vehicle on the road. Their added height also creates unique risks since RVs are more likely to roll over when cornering—especially when they are fully loaded and the load is unevenly distributed. Many RV owners neglect to remove the gear from their RVs prior to long trips, exposing themselves and others to more risk than necessary, and therefore requiring higher liability limits than ordinary truck drivers. Liability limits for RVs should be at least as high as those recommended for luxury cars and trucks, since property and personal injuries resulting from unsafe RV operation can be artfully argued as recklessness or negligence. Luckily, premium costs for such high limits are not prohibitive. In some states, minimum liability limits are so low that injury claims are handled by special arbitration programs. This helps avoid the problems for RV owners associated with judgment lien violations.

7.4.3. Comprehensive vs. Collision Coverage

Comprehensive and collision coverages perform different functions. If your converted van has a value of $50,000 and is completely destroyed in a fire, the amount paid to you under the comprehensive coverage will be $50,000, assuming you have no deductible. If the van is damaged by flying rocks while you're on a trip, or if there is damage to the chassis while the vehicle is in storage, the cost of repairs would be paid under the collision coverage, less your deductible. This is how these two types of coverages perform their different functions.

The comprehensive coverage has its limits; it does not cover the cost of repairs while you're on a trip, nor for damage that occurs while the van is in storage. For example, assume your van is parked in a storage area, and a foot of snow accumulates on the roof. The van is damaged when it is removed from storage, and the cost of repairs is $5,000. That damage results from the weight of snow on the roof, which is not caused by snow falling on the van. Therefore, the damage is not covered by the comprehensive, which only applies to perils that fall upon the vehicle. But, it is covered by the collision coverage. In short, the comprehensive coverage does not cover all kinds of damage; it only covers damage from selected perils. Collision coverage covers all kinds of damage to the van, subject to the deductible. So, if you want extensive coverage to recover the cost of repairs no matter what happens, you will need collision coverage.

7.4.4. Special Considerations for RV Owners

Having an RV is different from owning a car, simply because people usually buy a car for a specific purpose, while RVs are typically used for leisure, travel, or recreation. For this reason, most RV owners do not spend most of their time in their vehicles like they would their cars, and policies for rec vehicles will typically reflect this. Not only this, but RVs can have extra add-ons like satellite navigation systems, kitchen appliances, TVs, and even security systems that will need separate consideration for coverage too. RVs also come in various shapes, sizes, and designs like travel trailers, campervans, pop-up trailers, fifth wheelers, bus-like motorhomes, truck campers, van campers, and folding campers. Because of this, insurance companies may offer policies specifically designed for particular rec vehicles. Other companies will adopt a one-size fits all principle to cover various types of rec vehicles. RVs can be expensive; therefore, they must be covered just like homes, boats, motorbikes, and cars. Coverage options, pricing, and discounts vary, thus RV owners should conduct thorough research before deciding on a policy, especially since policies for specific RVs might offer significant savings. Most insurance companies also offer insurance for both new and used RVs. New RVs are generally more complex and might carry a higher risk than older models, which is why some companies offer a discount for classic models. Relevant factors are location, valuation of contents, distance traveled, and RV specification. Some RV models are used only for a certain time every year. Such seasonal vehicles will typically enjoy discounted coverage compared to those RV owners who use their vehicles daily.

7.5. Mobile Home Insurance Insights

Mobile homes are also known as manufactured homes or trailers, terms that vary regarding where in the United States the mobile home is located. They are built in factories and transported to living sites. Depending on the definition, the terms may also be applied to double or triple-wide trailers placed on foundations and modified for long-term habitation. A mobile home generally means a home that is not a permanent structure and can be relocated. Mobile homes have been involved in insurance loss and claims management for insurers since they became a fixture in society in the mid-twentieth century.

Mobile home insurance differs from other forms of homeowner's insurance for a number of reasons, including the fact that insured mobile homes are not classified as permanent structures. Most insurers view mobile homes more as vehicles or recreational vehicles than as permanent, immovable structures. Despite their construction and permanence, mobile homes expose insurers to risks that differ from traditional homes and present particular issues when involved in coverable property loss events and homeowners insurance-related liability claims. Insurers provide coverage in mobile home policies on terms that are sometimes less flexible than those for other insured homes. Mobile homes are usually insured for a maximum amount, and additional endorsements may be needed to extend coverage to higher values. Coverage source determinations can be more complicated when mobile homes experience loss events due to tornados, hurricanes, windstorms, high water flooding, and fires precipitated by a vented gas explosion involving LP gas cylinders located outside the mobile home.

Mobile home coverage for the structure is pertinent when the insured is renting out the trailer. Landlord policies generally apply only to the trailer itself, not any personal property contained therein. The coverage is for loss during the term of the rental only. Coverage for loss of use or contents insurance is typically not purchase options and is infrequently included in mobile home policies unless explicitly requested. Towing, if included in coverage, may be severely limited.

7.5.1. Distinctions from Traditional Home Insurance

Mobile homes occupy a unique spot in the continuum of homes. A mobile home is the same as a traditional home in that it serves the same purpose of masking its occupants from the elements and providing them shelter. It is the same in its internal finishings, such as kitchen, bathrooms, and bedrooms. It is the same when it is placed in a residential park. It is the same in providing or at least developing the same feelings of comfort and security over time. And it is the same in having access to all of the necessary services.

Insurance policy coverage for mobile homes is very different than the insurance coverage provided for a traditional home. Mobile home coverage is much more similar to the coverage provided for recreational vehicles. To some extent, coverage for mobile homes could also be likened to the coverage that would be obtained for a rented apartment unit in a larger residential building. The language used in mobile home insurance policies is replete with numerous distinctions and qualifications compared to the coverage provided for traditional homes. These distinctions and qualifications are often the result of features intrinsic to mobile homes themselves and/or of their residential park setting if they are present in one.

There often are several mobile homes perched around a duck pond or behind a manicured or heavily forested area. Mobile homes, like RVs parked in designated lots and not moved for long time periods, can also pose slight risks to property and casualty insurers. The feet of mobile homes sunk into the earth are a permanent reinforcement to their construction. Ground-zero protection is as limited and spacing issues remain with respect to other mobile homes. However, the risks of damage to mobile homes are essentially the same as for RVs. Residential parks contain the very same enticing features used to sell RVs that also appeal to those homeowners who are in for a single season.

7.5.2. Coverage for Mobile Home Structures

While mobile homes are often more affordable and economical than traditional homes, the financial investment can still be significant and such homes generally require a level of protection just as a traditional structure does. Insurance for the structure of a mobile home mimics traditional home insurance in that it covers damage to the home due to specified perils, such as fire, lightning, windstorm, hail, explosion, smoke, vandalism, and theft. However, because of the concerns about fire and wind damage, mobile home insurers often restrict the types of losses that are covered. Most homeowners policies cover dwelling and related structures for the repair or replacement value of the mobile home. In many states, this home and related structure coverage may be purchased at amounts equal to 80 percent of the home’s replacement cost. A mobile home policy may or may not cover the value of things left in the mobile home, such as the built-in stoves, refrigerators, or dishwashers. In general, mobile home insurance does not cover land. Some policies provide mobile home insurance for accessorial buildings. Mobile home insurance is provided for detached buildings, not exceeding 10 percent of the dwelling limit.

When it comes to location, mobile home insurers differ on whether to require that the insured mobile home be moved onto or within a mobile home park. An important coverage feature of mobile home insurance is the amount of time to replace a mobile home damaged beyond repair is usually limited to 30 days. On the downside, mobile home insurance generally provides much smaller sums insured than traditional homeowners insurance. Mobile home insurance may include coverage for direct losses, but it typically does not provide for time element losses from additional living expenses or extra expense due to the inability to occupy the insured mobile home while it is being repaired or replaced.

7.5.3. Personal Property Protection

While mobile homes are often thought of as having similar features to other houses, the nature of these dwellings can provide personal property insurance considerations that are somewhat unique. In essence, when a consumer decides that he or she wants to live in a mobile home, what's being said is that they are seeking for themselves the features of a "house" that can be built quickly, is more easily transported than a fixed structure, and is lower in price. With that decision, however, comes the quality and service concerns that pervade the manufactured housing marketplace. Such concerns also extend to the insurance industry. What personal property are we concerned about? Well, like your grandparents, we think when we say the phrase "personal property" of the stuff in our houses. In the mobile home world, that list includes television sets, personal computers, office equipment, furniture, jewelry, rugs, linens, clothes, and all of the other minutiae that make our living spaces home.

Fig 7 . 2 : Mobile Home, Valuable Contents

The fact that this property is located in a more mobile construction type presents some unique coverage considerations. Usually, the most concerning idea with regard to a mobile home and its contents is the price that the mobile home is written in association with. While the mobile home itself may be less expensive than a typical centrally built structure, many of the contents that owners have within them are of very similar cost. Because of the inherent problems related to quality and service in the manufactured housing industry, it is no surprise that insured values can be quite high. Coverage issues may be linked to whether the amount of coverage purchased is in line with physical risk as evaluated by the insurance carrier.

7.5.4. Liability Coverage in Mobile Homes

Regardless of the permanent or non-permanent nature of the mobile home, law suits from third parties who are injured by something that happens while they are on mobile home property are likely to happen from time to time. These liability claims are normally settled before they get to court. They may also be serious enough to cause a financial problem long after the current investments that are insured have been used up and a householder is starting to build a new investment base. If someone is seriously injured because of a defective mobile home or mobile home equipment, or the mobile home gets damaged in a serious but illegal act, a mobile home owner is exposed to quite terrible financial problems. Liability coverage in mobile home policies should be the same as in traditional home policies. Coverage applies to the claims described in most policies – bodily injury to others, theft or damage to others' property, and injury to others' reputations caused by words or pictures that are published or broadcast. Most policies stop at the limits, or amounts of money, stated in the liability section. Here the limits must be set at a realistic amount that takes into account the insured's current assets, likely future income, and likely future savings. Also under the liability section, most liability policies state that intentional acts are not covered. Another question about liability coverage is whether it has to be ordered as additional coverage explicitly or whether it is included in the overall policy automatically.

7.6. Comparative Analysis of Specialty Insurance Types

A good overview of the specialty insurance space is a look at the humble renters policy. Whereas traditional lines such as personal property, homeowners, and commercial property lines are generally underwritten on an asset protection only basis, the renters form combines elements of personal property coverage with many of the liability concepts found in the general liability lines. This hybrid approach has made for a very unusual situation in specialty lines: the commission on the personal property coverage is equal to that on the liability coverage, and the premium collected on the asset portion is significantly lower than on an equivalent homeowners or business property policy. In other specialty lines, hand-in-glove combinations of backdoor assets and liability exposures exist. However, none is as well defined as present in the renters policy. Traditionally, the niche specialty companies had modified backdoor liability personal property policies (but much more expensive than both the renters and the business property versions). It has been only in the recent past that a dynamic voluntary apartment market has made market condition changes to where an appetite for Dwelling Fire 3 business exists at the large companies, as well as 2-4 family home sales, which previously had earmarked for specialty markets only.

The other specialty lines have created their own unique series of market products to fill the liability void contained in other resources. The predominant function of the mobile home specialty outside the catastrophe areas appears to be one of real catastrophe property transfer, acting as an alternate minor flood source during a severe winter loss stretch for homeowners. Other specialty lines are positioned among the primary markets as commercial package components: business auto, garage, and physical damage, workers' compensation. Each of these lines has one or two specialty niche sources, but each company's competitive positioning is totally unique to that company.

7.6.1. Similarities and Differences

It has been said that there are three types of specialty property insurance: tenants/renters, mobile home, and recreational vehicle. Boat insurance is sometimes included in the nonstandard personal lines of coverage, while other times, it is left to a distinct section. The majority of insureds are lessers or lessees of properties when discussing the renters, mobile home, and recreational vehicle coverage types, and have allowed themselves to take on a liability for damages to the property and liability to other injured parties outside their own family. Specialty personal property insurance greatly differs from standard homeowners insurance in that owning a home is usually a sign that a family has grown up. The storage and protection of more property is necessary, if not required. The members, particularly children, of a family, are less likely to destroy their own atmospheres, and may be considered by most other people to be harmless.

However, renters, mobile home, and recreational vehicle insurance applies to parties with fast-changing lifestyles. Whether the changes are due to age, financial condition, or personal belief, the insured do not own a permanent home. These policies do not cover enough property, and lack of coverage for policy liability may seem unnecessary and be affordable. The insured consider multiple types of family-affecting services and products. Most of the services and products offered by the lodgers of property such as motels, resorts, mobile home parks, and recreational vehicle sites do not include reasonable liability. While the holiday focus is socializing, rather than work, the actions of travelers may leave parties with unforeseen damages. It is surprising that a claim must be paid for an incident that most people could consider normal.

7.6.2. Cost Comparisons

In making a decision on an insurance product, the relationship between the premium and the protection provided is extremely important. We begin with costs, as they play a major role in the attractiveness of specialty insurance relative to regular lines. An insurance product can be priced below or above the cost of the regular market.

In the latter situation, the specialty company serves a relatively small market segment that has special needs and is willing to pay for that service. These niche customers have problems covered by specialty lines, but can find no domestic standard market product that meets their needs.

In our case, the example of watercraft insurance is prepared to illustrate this statement. Specialty companies enter a line of business without accessing the reinsurance market simply as a mechanism to assure profitable premiums relative to losses. Some writers enhance the insufficient premium by obtaining reinsurance from a company with a similar mindset in offering this product specifically for the niche market.

On the other hand, a company can supply a domestic product at a premium that is attractive because it is low relative to the standard domestic or commercial company charges. Such companies tend to have lower operating costs than standard companies because of their relatively less expensive distribution and adjusted loss adjustment expenses. These companies frequently experience little or no reinsurance expense.

They also obtain underwriting pool or membership costs. Such companies are usually farm mutual or reciprocals. The niche company usually does not outsource the functions that are done in-house but have a much smaller structure than standard companies.

7.6.3. Consumer Preferences and Trends

Consumers are renting properties more often than ever before. Out of the approximate 131 million households in the U.S., there are more than 45 million renter households currently occupying the rental units. Census data projects that the renter household figure will grow to about 47 million by 2030. Traditionally, renters have relied on their landlord’s insurance for protection for their personal contents and liability exposures.

Awareness of the need for renters insurance protection has been increasing, coinciding with a recent surge in the numbers of insured renters. The reason most given for getting such coverage was that it was required by their landlord.

The survey found that renters are much younger than homeowners: 47 percent are young and only 26 percent are older. Almost half of those with renters insurance are under 40. Renters, of course, make less money than homeowners: the median income for renters is less than two-thirds of the median income for homeowners. Renters are very mobile – since 2012, about 26 percent have moved to a new apartment or house each year. With rental units typically requiring a minimum yearly lease, rents are increasing quickly as landlords raise rents to cover their increased operating costs. Most tenants are way more exposed to losses than other property and liability insurance consumers for their contents: including renters at the lower end of the economic ladder, more than 23 percent of renters are below the poverty line.

7.7. Risk Management in Specialty Insurance

Managing risk successfully is crucial in all of insurance. Specialty insurance products represent some of the most risky parts of the insurance world. In specialty markets, policyholders and insurers must invest more effort in managing risk effectively than is needed for other insurance products. Unlike the typical commercial property and casualty policyholder, whose exposures are carefully monitored by actuaries, specialty risks are not part of ever-expanding, standardized portfolios. Further, large-value specialty policies are one-of-a-kind contracts tailored to the specific desires of individual or institutional policyholders. Because there can be a one-hundred percent difference between one specialty policy and another, risk assessment can never be done with the same degree of sophistication available in other sectors of the insurance marketplace.

This difficulty does not mean that specialty insurers and their customers lack guidance in the risk management process. Specialty insurance companies possess considerable experience and knowledge that help them to assess risk for different items—like renters being assessed for appropriate covering of their personal property. Here, the success of the risk management process flows both ways. The company gains a one-off understanding of the preferences and past experiences of a particular insured so that appropriate risk mitigation strategies can be jointly constructed. At the same time, the insured needs to understand the requirements of the insurance company, including any coverage limitations related to a particular class of merchandise or market segment, so that an agreeable partnership can be formed.

7.7.1. Assessing Risks for Insured Items

In many ways, specialty insurers are akin to the eponymous character that operated at the interface of borrowers and lenders, making a profit in the process. While lenders can be broadly classified into banks and private persons, specialty insurers are the predilect underwriters of insurance risks that few other insurers bother with. Specialty insurers usually write insurance for items that are either unique or for experiences that are generally not embraced with full-throated confidence, or for actions taken that are perhaps not perceived as being the hallmark of good thinking. As a result, they have to assess the possibility of a loss happening, and whether the insured item is subject to risks that make the occurrence of such a loss a distinct possibility.

Because many specialty insurance products cover unique risks, or insurable occurrences that other insurers can be somewhat tendentiously accused of profiling as foolishly daring, specialty insurers are often obliged, as part of their underwriting process, to put themselves in the shoes – and heads! – of those they will be insuring. Unless they have previously judged similar risks, or unless such risks are, in the manner of food and travel, insured on a massive scale, they are likely to proceed to consider such insured items on an item-by-item basis, divulging all the nitty-gritty details that are relevant to assessing the probability of a loss occurring. For instance: Is the item of considerable value? How much actual use has it had or is it likely to have? Is the person who wants to insure it a consummate expert, or does it appear that he or she will not have the requisite skills to minimize the risk of a loss occurring in the future? Is it one of several such items owned by the same person?

7.7.2. Mitigation Strategies

Risk management is such a complex topic in the context of specialty insurance that we will devote this chapter to discussing it. Specialty insurance is an attempt to cover rare losses with an infrequently applied collection of tools. When experts discuss risk management in specialized areas, each market usually has a separate set of losses that are addressed by focusing on certain strategies. For these types of insurance, little else than loss control can help mitigate results over the long haul. Loss control is the process of controlling the means of production, your inputs, and how your insureds utilize those inputs to create their final products, or use the intangible assets, and are designed to reduce the likelihood of loss occurring.

Risk management comprises several key strategies that, when properly instituted in specialty areas, lead to better loss results. These strategies take the form of the following loss control strategies:

1. Safety Devices – utilize technology, and physical structures to its fullest nature and ability.

2. Security – utilize technology, and physical personnel to further secure the area from harm.

3. Reduce Human Error – closely monitor, and retrain, replace those employees who directly cause increased frequency of adverse claims.

4. Increase Employee Control – monitor employees with specially trained supervisors that are utilized to oversee the employees. Be prepared to institute a zero-tolerance policy for violations.

5. Surroundings – attempt to watch the surrounding areas for possible risks, and dangers that may develop outside your premises.

6. Reduce Moral Hazard – through monitoring, and sensitivity training, remove those potential employees that create the atmosphere for violations. Such employees or groups may require unique treatment methods.

These suggested methods are not intended to be a complete list but are just some possible areas that specialty underwriters can share with their departments and specialty clients in order to improve loss experience.

7.7.3. Role of Underwriters

Before an individual applies for a specialty insurance product, the insurance company typically defines criteria that outline what will be considered acceptable risk. For specialty products, the questions on the application form are likely to be more detailed about the item being insured than more common types of coverage. In addition, specialty products often require more extensive documentation with the application. After the application has been received, the underwriter serves as the quality control inspector. The underwriter determines whether the risk being applied for is acceptable, and whether to recommend pricing that is in line with the underwriting guidelines for that coverage. Underwriters have guidelines that outline acceptable risk. For example, if the application is for a mobile home, there are guidelines that help the underwriter determine the price of the policy that is being requested. These guidelines can address characteristics of the mobile home as well as locations where a single-wide may normally be insured.

The underwriter's job is to determine whether the applicant is qualified to receive the insurance. Just because the applicant completed the form does not mean they fit the definition of acceptable risk. To position himself or herself at the finest level of decision-making, the underwriter needs sufficient industry experience to understand not just what the guidelines are but how they apply to this risk. While underwriting guidelines ensure that the insurance company does not take on excessive risk, specialty insurance products are unique and require ingenuity on the part of the insurance underwriter to prepare the company for whatever challenges may present themselves in the future. The wisdom of the individual underwriter plays a huge role in the decision.

7.8. Claims and Disputes in Specialty Insurance

As with any other type of insurance, specialty insurance comes with its own complexities in terms of filing a claim and possible disputes. As a policyholder, you may be hesitant to file a claim with your specialty insurance carrier for fear that it may be denied completely. While the concerns about claim denial are quite common, if your claim is in good standing, your insurance provider should respond quickly and favorably, as claims are their bread and butter. Specialty insurance providers tend to focus their efforts on a specific type of coverage, allowing them to fine-tune their policies to meet a unique market. While the risks covered under specialty insurance policies may be niche, if you are a policyholder relying on their contract for coverage, you expect it to be upheld. That said, there are instances when specialty insurance companies use loopholes in their policies to avoid paying out on claims. Frustrated policyholders may discover that their insurance company refuses to fulfill its contractual obligations. When disputes arise, questions about the validity of a policy, how coverage limits are decided, or the amount of the payout may be in uncover. If you think you've done everything possible to file a claim correctly, and your insurance provider won't pay, you may wonder if you could have avoided such a predicament. Here are some common reasons why specialty insurers deny claims, the methods used to resolve disputes, and if you have any legal recourse as a policyholder. Knowing common reasons why claims are denied also helps steer you in the right direction to get the coverage you need. The first step in securing a claim is to make sure you understand your policy, your insurance needs, and which policies cover those needs. Supported by proper research and guidance, your next step is to file the claim correctly, all the while knowing that should the worst happen, there are many options available to ensure that your specialty insurance company lives up to the terms of your contract.

7.8.1. Common Reasons for Claims Denial

It's not uncommon for your policy to have parts of coverage limited or excluded from your specialty insurance. Within the coverage, you may face additional limitations on your claim. Terms such as "named perils," "actual cash value," or "replacement cost" coverage could impact how much is paid out.

Just because the insurance company denies your claim, doesn't always mean they're right. If you believe you meet all of the policy's requirements and the claim is valid, there may still be recourse. But consider the following when determining what to do next.

An insurance company can deny a claim if the policyholder fails to comply with a protection provision. If you live in an area prone to flooding, it would be reasonable to have flood damage covered. But if you do not maintain safety measures, such as elevated support pilings, your claim may be denied.

Insurance companies aren't required to explain their reasoning when denying a claim. Several things can cause turmoil during a claim and could potentially lead to you being wrongfully denied coverage. Insurance policies usually have many sections dedicated to the limitations of coverage, other exclusions, and policyholder obligations. In most cases, policyholders are required to prove their loss by meeting various document requests from the claims adjuster.

If your claim is large enough, a forensic accountant may become involved. After reviewing your documentation, the adjuster and forensic accountant may be looking for signs of several other issues with your claim. Payment disputes, pre-existing damage, unreported previous claims, fraud, your state's laws, and your attitudes may all play a part in the claim's outcome and your future ability to file claims for damages.

7.8.2. Dispute Resolution Processes

Most demand for alternative dispute resolution mechanisms is among insureds in the commercial insurance segment. Given the widespread use of alternative dispute resolutions, there are two major questions: Why is there demand for alternative dispute resolutions? What reasons might a policyholder or an insurance company have for entering into alternative dispute resolutions?

The first reason might be the increasing number of lawsuits in certain areas. The demand for alternatives arises to relieve clogged court systems, especially in light of the increasing costs and extended time periods associated with litigation. Insureds see arbitration often as a way of expediting settlement of claims and thereby minimizing their physical and economic stress. Insured policyholders are usually dependent on their insurance company for financial resources, although not all disputes between an insured and an insurer concern substantial claims. A second reason is the cost associated with litigation. This goes especially for disputes in the same state, where discovery is often lengthy. In addition to legal expenses, which often eat away a huge percentage of the amount in dispute, there is also a significant amount of indirect costs, such as damaging media attention, that the parties incur from a public court trial.

Along with cost considerations, insureds often perceive arbitration to be less demanding, intrusive, and exhausting than litigation. A third reason is the possibility to use judges who specialize in the issues when choosing arbitration instead of litigation. To the party initiating arbitration, the legitimacy of the arbitration agreement has the advantage that the other party is unlikely to refuse his or her consent because he or she has drafted the clause. Not only do compromises have to be entered into with regard to the selection of the neutral arbitrators, but there is also a significant risk that only one of the two parties is experienced with the selection mechanism. Often, the degree of upset about being involved in what is perceived as a faulty arbitration process is considerably less than if a traditional far less flexible process had ended in conflict.

Consumer products require a different view. A separate clause is not appropriate for an insurance contract because the consumer cannot negotiate. Consequently, one possibility to remove this clause is the use of state pharmacy laws that provide for broader qualifications than system type and periodic exposure like the structure and the conditions for testing. In addition, when examining the question of whether a third party must first seek a remedy through arbitration before going to the courts for a trial on the merits, usually the terms of the contracts in the traditional market require a consumer to process any disputes through the arbitration clause in the contract before the policyholders are allowed to sue.

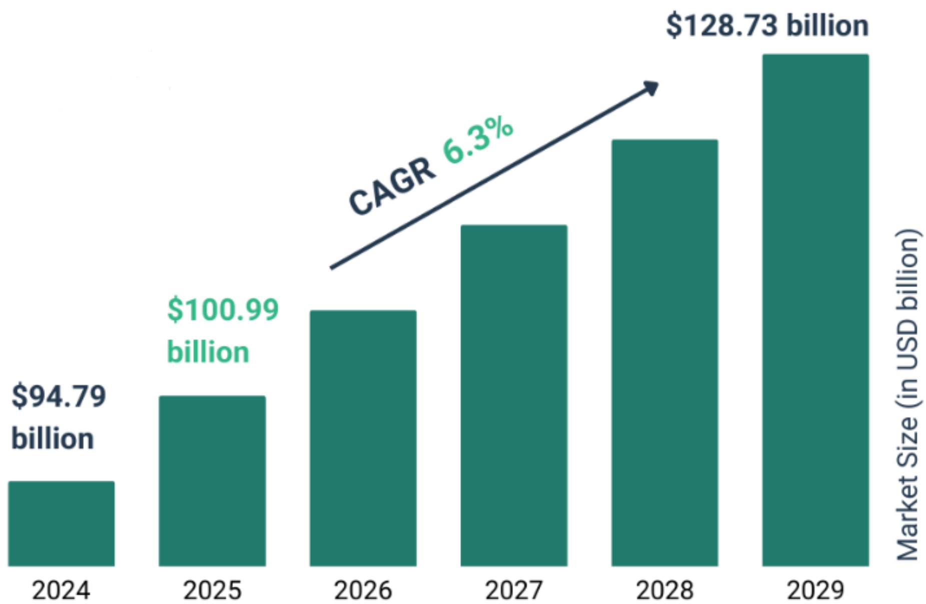

Fig 7 . 3 : Renters Insurance Market Report

7.8.3. Legal Recourse for Policyholders

Legal recourse for policyholders is somewhat limited. In the first place, rules for enforcement during the policy's lifespan are designed to be 'self-enforcing'. The policyholder does not have to resort to litigation to have the policy enforced if the insurer fails to pay a claim. Insurance contracts cannot allow the insurer to be 'the final arbiter' of whether or not it has paid a valid claim. On the other hand, there can be relatively little or no meaningful external oversight during policy formation, so error and abuse at that formative stage is likely to go unchecked. On termination of the policy, the rules for enforcing the contract's limits are relatively strict. Any ambiguity that might remain should have been resolved before the occurrence of the loss. Since the courts want to know what policies cover what risks, as ultimately they will have to in order to decide the question of insurance against some tort claims by third parties, overlaps between policies or gaps in coverage need to be resolved using the limits established initially in the documents. Any omissions involve practical difficulty and moral hazard concerns. Also, policyholders or their insurers will otherwise lack any incentive to resolve overlaps ex ante. Insurers and policyholders may resolve issues of formal wording expectation failure ex ante by the greater use of wrap-around excess indemnity or contributory excess insurance. Even when there is no ambiguity, both can and do occur, as extensive foregoing discussion indicates. But such disputes are ultimately economic, rather than legal, questions. Because liability policies have been expressly designed to minimize the occurrence of disputes between primary and excess markets about 'who pays what' in breaches of contract suits, policyholders can legitimately turn to either the primary or excess insurer for payment.

7.9. Conclusion

In closing, specialty insurance is truly a unique part of the insurance market. While you won't find very much need for this kind of protection on your standard, everyday list of most important insurance policies, it's likely that at some point in your life you'll need at least one of these kinds of policies. And hopefully, your agent will point you in the right direction. Renters insurance is an important consideration for those who do not own their own homes, as it helps to protect your possessions from being stolen, lost or damaged. Every person should seriously consider the tiny investment in the cost of a renters policy in comparison to the potential loss. Boat insurance is another essential piece of your insurance portfolio if you are a boat owner and engage in a lot of time on the water. Both watercraft and trailer damage are part of the equation, as well as the potential for injuries, both physical damage and liability, if somebody's in the wrong place at the wrong time and in the path of your boat. Likewise, RV insurance is a must if you own a recreational vehicle. While it's fun to take long trips in these oversized cookie-cutters, there are several different types of potential problems that could occur which would lead to huge financial loss if proper care wasn't taken. The most affordable path of damage prevention is to take the time to look into the different specialty insurance products available to you and make sure that everything is covered. These products may be a little tougher to locate than traditional auto policies, just because they don't carry the same volume level. But they're out there waiting for you. If you take the time to ask the right questions, you can find the right product to best suit your needs.

7.9.1. Final Thoughts on the Importance of Specialty Insurance

Specialty insurance is a vital component of our insurance industry; it helps protect many risks that many insurance programs would be unable to cover. Specialty insurance provides coverage for exposures that are not adequately addressed by other forms of financial protective services. Given the special nature of these risks and the need for unique services for them, specialty insurers develop programs tailored to the needs of specific customers or specific segments of a marketplace. Within these marketplace segments, they compete on the basis of price as well as the other criteria of service, but all of that competition is aimed at customers whose needs are not fully served by the commercial insurance industry.

Many of us may remember a company that advertised a memorable slogan. This company specialized only in writing coverage for the high-hazard business. That company was special to the insured; there were many things the company could do for the insured that domestic insurance companies could not or would not do. The same is true for specialty insurers. They have a depth of resources, skills, and experience that is a tremendous asset for meeting unique needs. They have unique products and services available to help business and personal risk managers protect against unique exposures. Therefore, specialty insurers have an important role to play in the insurance marketplace.

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