

Preserve the Family Exclusion

House Commerce Omnibus Bill, HF 2680

Status: H.F. 2249 has been included in the House Omnibus Commerce bill (HF2680) which is awaiting action in the House Ways and Means Committee. The Senate has not heard the bill and it was not included in their omnibus bill. It is expected that the Senate will take the House language which includes this terrible provision. Without your action, this bad bill could become law.

The Bill: The bill seeks to void **family liability exclusions** in boat and umbrella insurance policies, contrary to established case law, the statutes in 49 states, and sound public policy.

Background: The “boat bill” was initially introduced by the MN Association for Justice after Twin Cities TV News reporter Courtney Godfrey suffered a horrific lower leg amputation when her husband ran her over after she fell off their family’s boat. Godfrey’s husband was initially arrested after the accident but eventually released and was never charged in the case.

Godfrey’s insurer denied her claims under their family’s boat and umbrella liability policies because she was a resident relative and thus excluded from coverage under the policies’ family exclusion. The family eventually sued their insurer seeking to have the exclusion nullified, but lost in federal district court.

Points to Consider:

- Insurers should be free to contract as they wish, especially in non-mandated lines of insurance. **Insurers can decide what risks they want to insure**, and the price they want to charge for that risk. The state should not interfere in that decision.
- The **liability portion** of an insurance policy provides coverage to the insured for injury or damage caused to third parties or their property. **The family liability exclusion in most boat and umbrella policies does not allow liability coverage for injuries to a member of the insured’s own family.**
- Minnesota’s courts have long upheld the use of family exclusions because of the high risk of collusive and potentially fraudulent claims. Imagine that a policyholder could sue their spouse for injuries sustained after claiming they tripped over an object left out or a child could sue their parents if the child claimed to have slipped on water on the deck of the family boat. This bill actually **incentivizes collusion and allows a negligent policyholder to benefit financially from his or her own wrongdoing!** Higher claims costs due to collusive and potentially fraudulent claims will get reflected in premiums.
- The proposed change to Minnesota’s insurance laws is misguided and would cause alarming consequences. When one member of a household, who shares in the economic security of the household, can sue another member of that household a moral hazard exists to improve the financial situation of the entire household.
- **An injured family member should seek to recover under first party coverage** that doesn’t require relatives to sue each other (such as medical payments coverage, health insurance, disability insurance, etc.). Liability coverage protecting against claims brought by 3rd parties is not the proper source of recovery.
- **Unlike auto policies, there are no state mandates requiring a person to maintain a boat or umbrella policy.**

Action: Tell your lawmakers to **VOTE NO on the Omnibus Commerce bill** if it includes language that eliminates family exclusion clauses.