

# TECH TALK

## Do You Know What Your Clients Are Doing? One More Weird Auto Rental Gimmick to “Get” Your Clients ...

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Well, first it was “Zip Car” ... and then “Relay Rides,” and now there is also “Flightcar”. Hopefully before your client gets involved they will call.

### **What is Flightcar You Ask?**

It is a business that may solicit your clients to “volunteer” their personal autos as rental vehicles for someone else. It is a business already operating at the San Francisco International Airport, Boston Logan International Airport, Caltrain and BART.

This business makes individually-owned vehicles available for rental use by travelers coming into Logan Airport by travelers LEAVING Logan Airport. The original premise/gimmick was to provide free airport parking to the long-suffering frequent traveler who spends a “wicked lot” of money parking at or near Logan Airport.

### **What Benefit Does the Vehicle Owner Receive?**

The vehicle owner receives:

1. “Free parking guaranteed”  
As long as the vehicle is available for use by others, the owner will receive free airport parking.
2. “Free valet”  
No horrid airport bus shuttle for you! You will be driven to the airport by a “black car ride” from the Flight car off-airport parking area.
3. “Free car wash”  
The vehicle will be washed before AND after it’s rented.
4. “Free storage of personal items”  
Any personal items in your vehicle will be stored so that the renter will not have access to your things.
5. \$10.00 daily rental payment  
Plus ... in addition to the daily rental allotment, you will receive at LEAST the same amount of gas that you had when you dropped off the car - lucky you
6. Insurance  
Flightcar advertises that there is \$1 million of liability coverage to protect the vehicle owner when being used by a renter. Flightcar also states that collision, theft and “damage” insurance is available to cover the ENTIRE value of the car! Flightcar states that it will also cover mechanical breakdown that results from improper usage of the vehicle during the rental. (I wonder what the definition of “improper usage” is? Flightcar also states it will “arrange a car for use” if the vehicle is stolen or damaged and not available for the owner’s use.

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It sounds almost ... too good to be true. I personally would like to see the policy ... but I'm sure your clients ... don't care.

### What Will the MAP Do?

If one believes everything they read ... then supposedly the MAP will NOT have to be involved when the vehicle is "rented" to one's fellow traveler. However, how long will the claims process take under the Flightcar insurance, and exactly how does the policy read?

Must the MAP carrier be informed of this new and interesting activity even though, supposedly, it won't have to be involved? I think so. This IS an increase in risk whether or not the MAP ultimately has to pay out. This COULD be considered a business activity depending on the number of rental situations.

We should NOT forget the infamous General Provisions 18 Failure to Furnish Information and 19 Changes Which Affect Premium:

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#### 18. False Information

If you or someone on your behalf gives us false, deceptive, misleading or incomplete information in any application or policy change request and if such false, deceptive, misleading or incomplete information increases our risk of loss, we may refuse to pay claims under any or all of the Optional Insurance Parts of this policy. Such information includes the description and the place of garaging of the vehicles to be insured, the names of all household members and customary operators required to be listed and the answers given for all listed operators. We may also limit our payments to those amounts that we are required to sell under Part 3 and Part 4 of this policy.

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#### 19. Changes Which Affect Premium

If the information contained in your application changes before this policy expires, we have the right to adjust your premium to reflect such changes. You must inform us of any changes which may have a material effect on your insurance coverage or premium charges, including the description, ownership, type of usage and place of garaging of your auto and the household members and individuals who customarily operate your auto.

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The policy obligates an insured to discuss changes in exposure DURING the policy period ... or bad things can happen such as claim denial.

If there is a renewal questionnaire, then the insured is obligated to discuss a change in exposure.

The AIB renewal questionnaire language states:

It will not be necessary to return this form to your agent or company representative unless you wish to make any changes or unless the information contained on the Coverage Selections Page and in this form is inaccurate or obsolete. You must inform us of any changes which may have a material effect on your insurance coverage or premium charges, including the description, ownership, type of usage and place of garaging of the auto(s) and the household members and individuals who customarily operate the auto(s).

There is also a question about "business". A normal client might not think what they are doing IS a business ... but let's face it ... anyone with half a brain has to realize that this IS changing the "type of usage."

Every year the insured receives a Coverage Selections Page (declarations page). If the company still uses the AIB model, then either the back of the Coverage Selections Page or the second page of the Coverage Selections Page states:

**NOTICE:** You must notify us of changes that have occurred prior to the renewal of this policy and during the policy period. It is a crime to knowingly provide false or fraudulent information for the purpose of defrauding an insurance company. If you or someone else on your behalf has knowingly given us false, deceptive, misleading or incomplete information and if such false, deceptive, misleading or incomplete information

increases our risk of loss, we may refuse to pay claims under any or all of the Optional Insurance Parts and we may cancel your policy. Such information includes the description and the place of garaging of the vehicle(s) to be insured, the names of all household members and customary operators required to be listed and the answers given above for all listed operators. We may also limit our payments under Part 3 and Part 4. Check to make certain that you have correctly listed all operators and the completeness of their previous driving records. The Merit Rating Board may verify the accuracy of the previous driving records of all listed operators.

The AIB auto application does not ask if the vehicle is rented to others, yet Rule 27 in the AIB and MAIP manuals state that a vehicle rented to others is NOT ELIGIBLE for a MA personal auto policy.

A motor vehicle of the private passenger or station wagon type that is owned or leased under contract for a continuous period of at least twelve months by one or more individuals, excluding (1) partnerships, (2) corporations, (3) unincorporated business associations, and (4) other legal business entities with a federal employer identification number, and is **not used** as a public or livery conveyance **nor rented to others**. A vehicle which meets the conditions of Rule 31, regarding the transportation of fellow employees, students or others for consideration, is included in this definition, provided such vehicle is not registered for carrying passengers for hire.

### One Last Thing ... ISO Has Created an Endorsement to EXCLUDE this Activity

Interesting, ISO (Insurance Services Office) has created an exclusionary endorsement to attach to the National Personal Auto Form PP 00 01. The proposed effective date is October 2013. It is entitled the "Personal Vehicle Sharing Program Exclusion Endorsement PP 23 16." It pretty much excludes Liability, Medical Payments, Physical Damage Coverage and Uninsured/Underinsured Motorist Coverage when the described auto is

- a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
- b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member."

I don't know if any company uses the approved ISO filing in Massachusetts, but I think this endorsement is a "darn good idea." And, in today's world of competition, our MA auto carriers could file and utilize such an endorsement. Then, we would not have to contemplate as to whether or not there is coverage ... there just plain won't be! I think it is thrilling to live in America, the land of opportunity. I just hate when the opportunity can affect your insureds ... adversely.

Just one more reason to be talking to our clients on EVERY renewal to determine the new and wonderful improperly insured exposures in which they have involved themselves.

Good luck. If I can be of service to you, please call me, Irene Morrill, Vice President of Technical Affairs, at 800.870.7091 or email me at [imorrill@mmailassagent.com](mailto:imorrill@mmailassagent.com).

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