

# SENATE BILL REPORT

## SB 6426

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As Reported by Senate Committee On:  
Financial Institutions, Housing & Insurance, February 1, 2012

**Title:** An act relating to personal vehicle sharing programs.

**Brief Description:** Regulating personal vehicle sharing programs.

**Sponsors:** Senators Prentice, Benton, Hobbs, Haugen, Keiser, Fain and Shin.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 1/25/12, 1/31/12, 2/01/12 [DPS].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 6426 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hobbs, Chair; Prentice, Vice Chair; Benton, Ranking Minority Member; Fain, Haugen and Keiser.

**Staff:** Edward Redmond (786-7471)

**Background:** Every person in this state who operates a private passenger motor vehicle must be insured under an insurance liability policy, a liability bond, or a certificate of deposit or they must be self-insured. The minimum amounts of liability coverage required by the financial responsibility statutes are:

- \$10,000 in coverage for damage to another's property;
- \$25,000 in coverage for injuries to any one other person; and
- \$50,000 in aggregate coverage for injuries to all other persons involved.

There are mandatory offerings of personal injury protection coverage and underinsured automobile coverage. There are a number of other types of coverage that may be offered by an automobile insurer. Insurers may offer any type of coverage in any amount that is filed with and approved by the Insurance Commissioner (Commissioner). Automobile insurance rates and forms are filed with the Commissioner and must be approved by the Commissioner prior to use by an insurer. If the Commissioner determines that filed rates are not excessive, inadequate, or unfairly discriminatory, then the Commissioner must approve them.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Automobile rates may be adjusted for any factor that is not prohibited by law. Rates are often adjusted according to factors including the driver's age; sex; marital status; miles driven; claims history; geographical area; credit history; and the make, model, and year of a vehicle.

An insurer may cancel, non-renew, or refuse to insure an insurance policy for any reason that is not prohibited by law.

**Summary of Bill (Recommended Substitute):** Definitions. An owner's insurance policy is an automobile liability insurance policy that includes all coverage necessary to comply with statutory requirements and any optional coverage selected by the registered owner, including personal injury protection coverage, underinsured coverage, comprehensive property damage coverage, and collision property damage.

Personal vehicle sharing is the use of a private passenger motor vehicle by persons other than the vehicle's registered owner in connection with a personal vehicle sharing program.

Personal vehicle sharing program (program) is a legal entity qualified to do business in this state that facilitates the sharing of private passenger motor vehicles for noncommercial use by individuals within this state.

Insurance Requirements. For each vehicle used in personal vehicle sharing, a program must provide insurance coverage for the vehicle and all persons who, with the consent of the program, use the motor vehicle. The limits for coverage must be not less than three times the minimum statutorily-required limits. A program may not provide collision or comprehensive coverage that is less than the actual cash value of the vehicle. The owner must be given the option to buy underinsured motorist coverage and personal injury protection coverage.

Personal Vehicle Sharing Program Requirements. A program must:

- provide the vehicle's registered owner with a proof of compliance with all insurance requirements that includes the choices the owner made regarding optional coverages;
- not knowingly permit the vehicle to be operated as a commercial vehicle by a personal vehicle sharing user while engaged in personal vehicle sharing;
- ensure that the vehicle is a private passenger motor vehicle;
- facilitate the installation, operation, and maintenance of its own signage and any computer hardware and software requested by the owner that is necessary for the vehicle to be used in the program;
- indemnify and hold harmless the vehicle's registered owner for the cost of damage or theft of equipment installed by the program and any damage caused to the vehicle by the installation, operation, or maintenance of the equipment; and
- provide the vehicle's registered owner and any person operating the vehicle under the program with a full and clear disclosure of information explaining the legal requirements for a program.

Recordkeeping. A program must collect and maintain records:

- when the vehicle is under the control of a person other than the vehicle's registered owner under the program. There are additional requirements if those records are electronic records; and

- when an insurance claim has been filed, any and all information concerning accidents, damages, or injuries arising out of personal vehicle sharing under the program.

These records must be made available to the vehicle's registered owner, the vehicle's registered owner's primary automobile liability insurer, and any government agency as required by law.

Liability. Notwithstanding an owner's insurance policy or the financial responsibility laws, a program assumes all liability of the vehicle owner for any loss or injury that occurs when the vehicle is under a program and is considered the vehicle owner for all purposes.

The provisions of the bill do not limit:

- the liability of a program for any acts or omissions by the program that result in injury to any persons as a result of the use or operation of the program; or
- the ability of the program to, by contract, seek indemnification from the vehicle's registered owner for any claims paid by the program for any loss or injury resulting from fraud or material intentional misrepresentation in the maintenance of the vehicle by the vehicle's registered owner except in specific circumstances.

A program continues to be liable until:

- the vehicle is returned to a location designated by the program; and
- the time period established for the vehicle sharing expires; or
- the intent to terminate the use of the vehicle in the program is verifiably communicated to the program; or
- the vehicle's registered owner takes possession and control of the vehicle.

A program must assume liability for a claim in which a dispute exists as to who was in control of a private passenger motor vehicle when the loss giving rise to the claim occurred.

If a vehicle's registered owner was in control of the vehicle at the time of the loss, the insurer of the vehicle must indemnify the program to the extent of the insurer's obligation under the owner's insurance policy.

If a private passenger motor vehicle's registered owner is named as a defendant in a civil action for any loss or injury that occurs at any time when the vehicle is under the operation or control of a person, other than the vehicle's registered owner, pursuant to a program, or is otherwise under the control of a program, the program has the duty to defend and indemnify the vehicle's registered owner.

Notwithstanding any provision in the owner's insurance policy, while the vehicle is under the operation or control of a person, other than the vehicle's registered owner, under a program, or is otherwise under the control of a program:

- the insurer providing coverage to the owner of a private passenger motor vehicle may exclude coverage afforded under the owner's insurance policy; and
- a primary or excess insurer of the owners, operators, or maintainers of the vehicle may notify an insured that the insurer has no duty to defend or indemnify any person or organization for liability for any loss that occurs during use of the vehicle pursuant to a program.

Provisions Impacting the Owner and the Owner's Insurer. An owner's insurance policy may not be canceled, rescinded, or non-renewed solely because an owner's vehicle has been in a program.

A private passenger motor vehicle may not be classified by an insurer as a commercial or a for-hire motor vehicle solely because the vehicle's registered owner allows the vehicle to be used for personal vehicle sharing if:

- the personal vehicle sharing is conducted under a program; and
- the annual revenue received by the vehicle's registered owner generated by the personal vehicle sharing does not exceed the annual cost of owning and operating the vehicle.

The provisions of the bill apply to automobile liability insurance policies issued or renewed on or after January 1, 2013.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute):**

- Modifies minimum amounts of insurance coverage for a program to three times the minimum coverage limit;
- Provides that personal injury protection and underinsured motorist coverage are optional; and
- Requires the program to provide vehicle owner and persons operating the vehicle under the program with a disclosure document explaining the requirements under this act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** PRO: This is a relatively new idea. The stakeholders have met in a series of long meetings and the positions are getting closer. Peer-to-peer used to mean borrowing something from a neighbor. The Internet has changed how we do business. This bill provides certainty in the marketplace for insurance companies, brings businesses into the state, helps the environment, reduces the pressure for more transportation investments, and puts money into people's pockets. There are numerous transportation, land use, environmental, and social benefits that will result from this type of system. Similar legislation has passed in Oregon and California. There is an opportunity to lessen emissions and reduce fuel costs. Most cars are only used an hour a day. These types of systems seem to reduce miles driven. All of society is helped when people have more choices and more efficient use of resources. This may result in an incremental improvement for the environment. The business model is essentially a marketplace that matches screened

drivers with cars. The companies take a commission for the match. There are all types of cars in the system. Car sharing can take place anywhere in the state. There are still a few issues to be worked out in the bill. Vehicle sharing helps show a per-mile cost to obtain and use a vehicle. It provides an incentive to reduce the use of a vehicle. There are a few issues outstanding that will be worked upon.

OTHER: Insurers have had several very productive meetings with the sponsor and other stakeholders to work on this issue. Many concerns have already been resolved. Some concerns remain. Most are based on the relationship between the owner's insurer, the program, and the renter. A lawyer for an injured party must seek the best opportunity to make their client whole. While the purpose of the bill is to move liability from the owner's insurer to the program is appreciated, there are still some details to work out to make sure that there is no dispute about who is liable for a loss. Insurers will continue to work with other stakeholders and are optimistic that all concerns will be resolved.

**Persons Testifying:** PRO: Carrie Dolwick, Transportation Choices Coalition; Drew Bouton, Office of Insurance Commissioner; John Atcheson, Get Around.

OTHER: Mel Sorensen, Property Casualty Insurers Assn. of America.