MISSISSIPPI

AGENT

VOLUME 35 • NUMBER 2 SPRING 2015

INDEPENDENT INSURANCE AGENTS OF MISSISSIPPI

MISSISSIPPI
AGENT

VOLUME 35 • NUMBER 2 SPRING 2015

DEPARTMENTS

FEATURES

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ADDRESS ALL CORRESPONDENCE TO:
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124 Riverview Drive
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CHAIRMAN'S MESSAGE

by Scott Gray

WOW, my year as chairman is almost gone! I hope everyone is making plans to be at our 117th Annual Convention and Trade Show in Destin this June. Our theme is "Family Traditions in Destin." I have spent twenty years in the association and many years as a convention kid myself. I know for many people, including for me and my family, it is a time of reunion and relaxation with friends that we consider family. The familiar registration day and lobby meetings prior to and during the convention will allow many of us to continue our bonding. For others, they will start new friendships and business relationships. Registration, volleyball and beach activities, the dinner dance, the cookout and crab chase, the race to get your card signed to be eligible for the many prizes at the Wednesday Jazz Brunch… does all of this sound familiar? Is it getting you excited for convention? Please don't miss it - June 14-17. We are going to have a marvelous time!

I have three sets of people to thank. First, our officers and executive committee - Durr Boyles, Brian Berry, Ray Collins, Debbie Shempert, Shaw Johnson, Ray Robertson, Pam Wilson, Cecil Vaughan, Richard Mattiace, Josh Smith, Seldon Van Cleve, Dudley Wooley and Tatum Brown. The have been a huge help getting through this year's obstacles. Second, the staff - Clinton Graham and the ladies - Lauren Hawkins, Kathy Roberts, and Stephanie Spahn - because behind all good men are great women that make things happen. Lastly, our membership and the many that have served before me. Thank you for allowing me to serve not only as your chairman, but in all the positions you have entrusted me with over the years. I pray that I have lived up to the task.

I have one request for convention from each of you. I want our members to give special thanks to all of our associate members and sponsors. They are a very big part of our success, and we certainly could not be doing the things we do without their help. We all work harder when we are appreciated, and they are key to the past and future success of the association and the industry in Mississippi.

One of our recent events was our Agency Management Conference at the Country Club of Jackson. We learned about cyber liability and new tech apps. Thanks to our sponsors and attendees. At the luncheon, we had 31 of our Past Presidents and Chairmen representing 60 years of leadership for the association. It was a very special moment!

TrustedChoice.com is becoming a movement. Other states with better participation are having good results. There is currently a combined personal lines and small commercial offering that will benefit every agency. TrustedChoice.com is a lot like the Jazz Brunch at convention – you must be present to win. If you have not signed up, I urge you to consider getting signed up. The numbers will only work in everyone's favor. Remember, every touch with a customer can be logoed with Trusted Choice - every letter, every business card, every advertisement, and every email.

Insurance regulation is evolving with new entities such as NARAB and the Federal Insurance Office, and the ability for independent agents to have a voice in Washington depends on all of us giving to InsurPac. At the state level, we also need you to give to IIAM-PAC. Our Fall Golf Outing was a success, and we are prepared for the next elections, but there will be others.

It has been an honor to be this year's Chairman. The association is in good shape. Our plan to continue our programs to benefit our membership is ongoing and will continue to develop. We are a blessed association and I look forward to seeing you all on the beach in June!

FROM THE COMMISSIONER

by Mike Chaney
INSURANCE COMMISSIONER

Another session of the Mississippi Legislature has come and gone. As always there were numerous bills and legislation passed that directly and indirectly affect agents.

A 2014 survey commissioned by Allstate Insurance Company focused on a growing problem on Mississippi's roads, texting while driving and distracted driving. Drivers are a much greater danger to themselves and others when distracted by smartphones and other electronic devices while driving. The survey conducted by the Southern Research Group found that nearly half of those polled (43%) felt that distracted driving is the single biggest threat to public safety on Mississippi's interstates, roads, and highways.

House Bill 389, recently signed by the governor, bans texting and posting to social media while driving. The law goes into effect July 1. The bill allows a civil fine of $25 per violation. It increases to $100 per violation in 2016.

A case decided by the MS Supreme Court has been the focus of a great deal of concern recently, and that case is Lyons v. Direct General. The opinion was issued on February 13th of this year.

In that decision, the Court basically held that Mississippi's compulsory auto liability law does not allow for exclusions from coverage for the minimum liability limits required by the law – the 25/50 limits.

At issue in the Lyons case was the named-driver exclusion, and the Court said that even when a driver is specifically excluded from coverage under the policy, the excluded driver is still covered by the mandatory 25/50 limits.

The Court said the statute in question does not authorize exclusion and that this was an issue that could only be fixed by the Legislature. The Legislature passed and the Governor signed HB 346 – the MS Motor Vehicle Safety-Responsibility Law, which addresses the Lyons issue by amending §63-15-4 with the following language – "*Automobile liability insurance in this state, including liability insurance required by the section and section 63-15-3(j), may contain exclusions and limitations on coverage so long as such exclusion or limitation language or form has been filed with and approved by the Commissioner of Insurance.*"

Other bills passed that will have an impact on insurance include the elimination of state inspection stickers, and insurance coverage for Autism spectrum disorders and oral cancer drugs.

The Legislature also passed the creation of two new agent licenses, car rental and travel. For information on these two new licenses agents are encouraged to contact the MID Licensing Department.

In regard to health insurance, many Mississippians are now aware the Affordable Care Act, also known as Obamacare, is full of mandates that require changes to be made to their health insurance policies. If fully implemented, these mandates could cause consumers to experience significant premium increases, with some policyholders receiving as much as a 40 percent increase.

Initially, mandates were to take effect on January 1, 2014, but the federal government gave

state regulators the discretion to delay enforcement of some of the changes because consumers were finding other coverage options to be more expensive than their current plans. In 2013 Commissioner Mike Chaney allowed and encouraged insurance carriers to extend their plan years and coverage periods. This transitional relief allowed many Mississippians to keep their existing individual or small group coverage with minimum rate increases and with more choices.

On March 25, 2014, the Commissioner extended that delay, and as a result, policyholders in the individual and small group markets will be permitted to keep their existing policies through at least September 30, 2017.

We are also keeping close watch on the impending Supreme Court ruling on subsidies in King v. Burwell. The court's ruling could have a significant impact on state insurance markets and exchanges for individuals set up by the ACA, specifically in states with exchanges run by the Federal Government. Depending on the court's decision in this case, it is estimated that 8 million people could lose health insurance coverage.

Homeowners with federal flood insurance will get some unwelcome news when they receive their next policy renewal notice.

New rates under the National Flood Insurance Program took effect as of April 1, 2015. Increases in individual policy premiums for homeowners in high-risk areas are by as much as 25 percent. Plus, policyholders will see new surcharges, $25 for owner-occupied primary homes and $250 for second homes.

Don't forget this is also the stormy season for Mississippi. A recent report from Swiss Re indicates that losses from severe thunderstorms – which include hail, heavy rains, flash flooding, tornadoes and thunder and lightning – are increasing. Per the report, between 1990 and 2014 insured losses from severe thunderstorms in the U.S. averaged $8 billion annually. Since 2008, those losses have exceeded $10 million yearly.

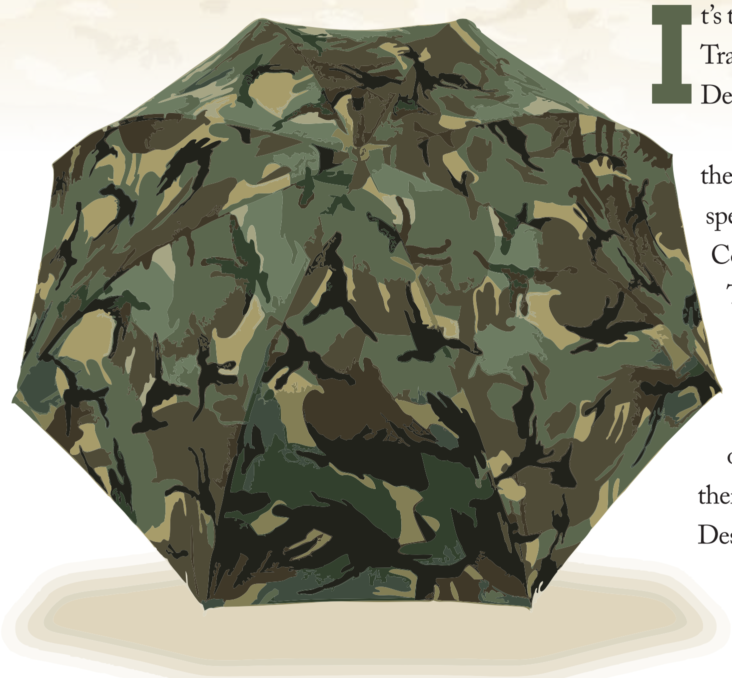
This is the time to remind consumers of the need for stronger mitigation methods, and also the importance of having a family disaster plan and an up to date home-inventory.

Family Traditions in DESTIN

It's time for another year of family fun at IIAM's 117th Annual Convention and Trade Show on June 14-17, 2015! This year's theme is "Family Traditions in Destin," so it's going to be another year of fun in the sun!

IIAM Chairman Scott Gray invites you to attend this convention where there will be exhibits, networking opportunities and a lot of fun! This year's special guests include marketing and sales expert Marcus Sheridan; Insurance Commissioner Mike Chaney; and IIABA President and CEO Bob Rusbuldt. The convention kicks off Sunday, June 14, with registration and the trade show starting at 2:00 p.m. On Monday night, attendees will enjoy a fun-filled evening at the Dinner/Dance, with music by The Jason Miller Band.

This convention offers something for everyone and is very family oriented. From Kids Nite Out to the Dinner/Dance and beach activities, there will be plenty of action for the whole family. Make plans now to head to Destin this June for some fun!



SPEAKERS

Marcus Sheridan
Marketing Expert
"The Sales Lion"

Mike Chaney
Insurance
Commissioner

Bob Rusbuldt
IIABA President & CEO

ENTERTAINMENT BY

The Jason Miller Band

CONVENTION & TRADE SHOW SCHEDULE

Sunday, June 14

8:30 - 9:30 a.m.	Board Meeting
10:00 a.m.	Past Presidents Brunch
2:00 - 5:00 p.m.	Registration
	Trade Show Open
6:00 - 11:00 p.m.	Kids Nite Out
6:30 - 7:30 p.m.	Welcoming Cocktail Party
	Dinner on your own

Monday, June 15

6:30 - 9:00 a.m.	Breakfast Cart
8:00 - 10:00 a.m.	Registration
	Trade Show Open
1:00 p.m.	Beach Activities - Volleyball and Sandcastle Building
1:00 - 3:00 p.m.	Ice Cream by the Pool

Monday, June 15 (cont.)

6:00 - 11:00 p.m.	Kids Nite Out
7:00 p.m.	Cocktail Reception
7:30 p.m.	Dinner/Dance

Tuesday, June 16

6:30 - 9:00 a.m.	Breakfast Cart
9:00 a.m. - noon	General Session
1:00 - 5:00 p.m.	"Quench your Thirst" Beach Refreshment Tent
1:00 - 4:00 p.m.	Frozen Drinks by Pool
6:00 - 11:00 p.m.	Kids Nite Out
7:00 p.m.	Cookout Dinner/Pool Party
8:00 p.m.	Charlie's Crab Chase

Wednesday, June 17

9:00 a.m. - noon	Jazz Brunch

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2015 AGENCY MANAGEMENT CONFERENCE

A SUCCESS

The Independent Insurance Agents of Mississippi recently held its annual Agency Management Conference at The Country Club of Jackson. The speaker for Wednesday afternoon was Steve Anderson who presented three hours of continuing education on "Client Information Security." On Thursday, Steve, Paul Martin of TrustedChoice.com, Bryan Lagg of Blue Cross and Blue Shield of Mississippi, and Clinton Graham of IIAM presented a seminar entitled "What Your Agency Needs to Know for 2015." These seminars provided valuable information for attendees to take back to their agencies.

Another highlight of the conference was the "Meet the Companies" reception where agents had a chance to visit with company representatives.

IIAM would like to thank all of our sponsors for helping make this year's event a huge success:

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NEWS & NOTEWORTHIES

Main Street America Begins Writing Commercial Surety, Fidelity Bonds in Mississippi

The Main Street America Group has received regulatory approval from the State of Mississippi Insurance Department to write commercial surety and fidelity bonds in the state, which will be underwritten through the company's NGM Insurance Company.

"We are thrilled to have earned approval to issue and service our suite of competitively priced surety products in Mississippi," said Brian Beggs, vice president and head of Main Street America's bonds operations. "This opens up a significant new source of revenue for Main Street America's independent insurance agent-customers, both in Mississippi and countrywide."

Main Street America will offer a wide array of competitively priced commercial surety and fidelity bonds products in Mississippi through its statewide distribution networks of Grain Dealers Mutual Insurance Company commercial lines independent agents and NGM Insurance Company bonds-only independent agents.

Product offerings will include:
License and permit bonds
Court bonds
Public official bonds
Fidelity/employee theft bonds

Main Street America's independent agents are able to issue a wide variety of surety products through the company's proprietary Main Street Station bonds processing platform. This intuitive quoting and issuing system, which automates underwriting for most surety products and enables bonds to be written nearly instantaneously, can issue miscellaneous surety as well as license, permit, probate, court and ERISA bonds.

Lemon Mohler Receives Chamber of Commerce Award

Lemon Mohler Insurance Agency recently received the Ocean Springs Chamber of Commerce "Main Street of the Year" award at the Chamber's annual banquet. Eleanor Lemon and her late husband J.K. Lemon, were also honored for their contributions, including founding the Chamber. Governor Phil Bryant was the guest speaker and spoke on economic success throughout the state.

Two Company Representatives Retire

Congratulations to Joe Horsman of Southern Cross Underwriters and Kip Crawford of Progressive Insurance on their recent retirements!

InsurPac

InsurPac is the political action committee of the Independent Insurance Agents & Brokers of America (IIABA). This non-partisan political action committee raises funds for contributions to candidates for national office on behalf of independent agents. Contributions support federal candidates only.

InsurPac is a vital part of the IIABA's government affairs program - a program that includes professional lobbying, legislative analysis, grassroots contacts, and long-term political relationships.

IIAM extends our appreciation to the following who contributed to InsurPac in 2014:

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HONORING Our Past Presidents & Chairmen

At the Agency Management Conference in February, IIAM was able to gather 31 of the association's past presidents and chairmen for a reunion. These presidents and chairmen represent almost 60 years of leadership – from Warner Wells Jr. who was the association president in 1956 to current IIAM Chairman Scott Gray. We are grateful for their service to our association and were so happy they could join us for this reunion!

PICTURED:
Standing L to R: Tyler Wortham, Shaw Johnson III, Scott Gray, Chris Boone, Glenn Galey, Gene Van Cleve, Jerry Horner, Keith Bills, Van Hedges, Angelyn Treutel Zeringue, Richard Davis, Ray Collins, Danny Moseley, Scott Palmer, Dudley Wooley, Billy Taylor
Seated L to R: Kenneth Gordon, Bobby Portwood, C.D. "Red" Galey, Lamar McDonald, Ned Mitchell, Ronnie Tubertini, Shaw Johnson Jr., Warner Wells Jr., Wirt Yerger, Debbie Shempert, Albert Weems, Lew Gray, Curtis Kyle, Kenneth Stevens, Robbie Bratcher Cross

YOUNG AGENTS CONFERENCE

August 6-8, 2015

This year's Young Agents Conference will be held August 6-8 at the newly renovated, 4-star IP Hotel and Casino in Biloxi, Mississippi. Mark your calendars now because you will not want to miss this year's conference.

E&O

POTENTIAL E&O CLAIM:

Should I report it to my E&O carrier?

*By Brian Snyder, J.D., Assistant Vice President, Claims Specialist, Swiss Re Corporate Solutions**

The decision whether an insurance agency reports a potential claim to its professional liability carrier brings with it a host of issues to consider. What effect does reporting a potential claim have on my agency's loss history? How will it affect my agency's premium? What difference can it make? After all, it is a potential claim. My customer has not hired an attorney or filed a lawsuit against my agency. Am I only creating trouble for my agency by reporting this potential claim?

The best source to answer this question is the agency's professional liability policy. The policy requires that an agency report potential claims to its carrier. But apart from that, there are additional, common sense reasons for doing so. The following example highlights those reasons.

An agency's most important and long-term customer owned an engineering business along with numerous commercial buildings. The agency handled all of the customer's insurance needs obtaining, among other coverages, commercial property coverage.

A pipe burst in one of the commercial buildings resulting in over $200,000 in damage. Unfortunately, the building was vacant for several years, a fact not shared by the customer with the agency. As a result, the commercial property coverage placed by the agency contained limitations on coverage for vacant buildings.

Even though the agency suspected the carrier would invoke the vacancy provisions of the policy, the agency thought it was best, nevertheless, to report the claim to the carrier. The agency's suspicions were well-founded as the carrier denied coverage for the property claim because the building was vacant at the time of the loss and was vacant for several years.

The customer was outraged by the lack of insurance coverage though it did not take issue with the carrier's coverage position. Like many business owners, the customer believed that the significant premiums he paid each ear entitled him to coverage in the event of a loss regardless of policy language.

The agency was worried about losing its most important customer though it knew it did not breach any duty owed to the customer. After all, the customer never told the agency about the change in the building's status: from occupied to vacant. And the agency also agreed with the carrier's coverage position.

Faced with an angry customer who was litigious by nature, and a significant uncovered loss, the agency decided to report a potential claim to its professional liability carrier, Westport Insurance Corporation.

The Westport claim handler made his initial contact with the agency within 24 hours of the potential claim being received by Westport. After collecting the claim information, the Westport claim handler and the agency worked together as

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a team to develop a strategy focusing on both the customer and the carrier.

The customer was assured that the agency would advocate on the customer's behalf with the carrier in an effort to identify any avenue of recovery for the customer. At the same time, it was explained to the customer that the agency did nothing wrong in placing the property coverage that included vacancy provisions. The customer's indulgence was sought so that the agency could have time to then discuss the situation with the carrier. A commitment was made to provide frequent updates to the customer.

The focus then turned to the carrier. As there was no dispute with the carrier's coverage position, the Westport claim handler and agency agreed on a two-part strategy that would leverage the agency's long-term profitable relationship with the carrier, and the customer's profitable account history.

The agency appealed to the carrier using empirical data to prove that the carrier benefited throughout the years by doing business with the agency and the customer. As a result, the carrier agreed to make a business accommodation by paying the customer $100,000 on the uncovered claim. This decision was relayed to the customer.

The agency believed that the carrier would contribute more. After further discussions with the Westport claim handler, the agency made an additional appeal to the carrier resulting in an agreement to pay an additional $100,000 bringing the total recovery to $200,000. The agency's contact with the carrier said that he had never seen a payment of this kind on a loss that was clearly not covered by the policy.

The Westport claim handler and the agency had many conversations about not only what to say to the customer and carrier, but how to say it. Of utmost importance were creating and keeping goodwill with the customer.

While not every potential claim is resolved on such favorable terms, this example shows what can be achieved when a thought-out, collaborative approach is taken by an agency

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local people finding practical solutions and Westport. Without question, had this potential claim not been reported to Westport, the customer would have sued the agency and the carrier, and the agency would have lost its most important customer.

The agency may also be concerned about whether the mere reporting of a potential E&O claim will have any adverse underwriting effect on their E&O. Each situation is unique and each carrier is different. Westport will review the facts and circumstances of the individual situation, but as a general rule the mere reporting of a claim does not automatically result in any underwriting action or increase in premium. Because your E&O professional liability policy is claims made, it is imperative that you report any potential claims immediately to your E&O carrier. In fact, Westport recommends that you report them as soon as practicable to ensure that the claim is reported during your policy period so coverage can be determined. In the situation described above, there generally would be no underwriting action taken or premium increase as a result of the potential claim.

Not every potential claim will end up with a result like this one, but if you give yourself (and your E&O carrier) the opportunity to resolve things before they develop into something bigger, the probability of a positive utcome increases dramatically. And if you don't, the possibility is completely gone. By taking steps to report potential claims to Westport early, you may avoid actual claims and maybe even litigation.

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HOUSE SHARING & CAR SHARING:

Is It Sharing or Is It Renting – And Is It Covered?

Author: Mike Edwards

QUESTION:

"I have an insured that is planning to sign up as a host with a service called 'Airbnb,' which he says arranges 'house sharing' between owners and people who are traveling and need a place to stay. He stayed as a guest in several homes through Airbnb during a trip to London last Christmas, was very pleased, and found staying in a home much preferable to a hotel room.

"Several of his friends are already signed up as hosts with Airbnb, and they highly recommend the arrangement. They told him that Airbnb provides $1,000,000 insurance for the host. Also, they have told him how much they like having the extra income. Well, 'income' sent up a red flag to my insurance antenna! Do you know how this arrangement works, and is it 'sharing' or 'renting,' and what are the coverage implications?"

ANSWER:

Here's the short answer: Sometimes "sharing" is sharing, and sometimes "sharing" is renting. And your insurance antenna was correct to pick up on the fact that your insured's friends, who "share" their homes with travelers, receive money. In our insurance world, that's called "renting."

"House sharing," "car sharing," and numerous other forms of "sharing" are examples of an arrangement (some would say "movement") called the "sharing economy," or "collaborative consumption." My Internet search of those terms produced over 69,000,000 hits. One source often cited as a seminal work on the subject is the book: What's Mine Is Yours: The Rise of Collaborative Consumption.

According to Airbnb's website (click), they have over 600,000 listings worldwide, including 34,000 cities spread across 192 countries. The company was founded in 2008 in San Francisco, and was originally called Air Bed and Breakfast. The name came about because at a time when they were unemployed and desperate for money, two roommates bought some air mattresses and rented out space in their apartment. They created a website with the full name, but later shortened it to simply "Airbnb."

"HOUSE SHARING"

Assume the following: (1) Jack owns a home, which is insured with an ISO HO 00 03 05 11. (2) He signs up as a "host" through one of the "home sharing" websites that facilitate the arrangement between a "host" and a "guest" – such as Airbnb, etc. (3) Jack posts his available dates, and his rental rate. (4) Jill signs up as a "guest" at the website. (5) Jill searches the available rentals, and then contacts Jack through the website to make a reservation to stay in his home as a "guest."

Jack's Insurance – Property Coverages

HO 00 03 05 11

Section I – Property

C. Coverage C – Personal Property

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b. A guest or a "residence employee", while the property is in any residence occupied by an "insured".

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Comments:

(1) Jack's Coverage C applies to property of "guests" while the property is located at his house [C.1.b.].

(2) However, the ISO Homeowners Policy does not define "guest," which can be confusing, since many of the house-sharing websites use the terms "host" and "guest."

(3) But since these "guests" pay rent, the outside world – including insurance – would consider them "roomers, boarders or tenants" – see following.

C. Coverage C – Personal Property

4. Property Not Covered

We do not cover:

f. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an "insured";

g. Property in an apartment regularly rented or held for rental to others by an "insured", except as provided in E.10. Landlord's Furnishings under Section I – Property Coverages;

Comments:

(1) Under C.4.f., none of Jill's property could be covered by Jack's policy. Note the discussion above about Jack's Coverage C broadly applying to the property of a "guest." Item C.4.f. addresses the property of a person who is not a "guest," but is a "roomer, boarder or tenant." The ISO Homeowners Policy provides no definition of any of these terms, but in general usage, most experts hold that the distinction which separates a guest from roomers, boarders and tenants is that a guest pays no rent, and the others do. Recall also that much of the "house-sharing" literature and websites apply the terms "host" and "guest," which is not really applicable to the pertinent insurance issues at hand. Specifically, the intent of C.4.f. seems clearly to exclude the personal property of anyone who is paying to stay at Jack's house, whether in a room, or where they rent the entire house.

(2) Under C.4.g., Jack's property which is located in the area where Jill is staying is also excluded, IF that area is "regularly rented or held for rental." If the rental is other than on a "regular" basis (which essentially means "occasional), Jack's policy still covers his property in the rental area. "Regular" is not defined in the policy, but if Jack is signed up as a "host" on a house-sharing service such as Airbnb, it's quite possible Jack's insurer will argue that this implies regularity of rental.

Independent Insurance Agents of Mississippi

EDUCATION

July

July 14 - E&O Risk Management/Ethics* - Tom Quaka - Flowood

August

Aug. 7-8 - Young Agents Conference - Biloxi

Aug. 25 - Your Personal Lines Accounts - Earl Aycock - Flowood

September

Sept. 15 (a.m.) - Property Damage Exclusions - John Eubank - Hattiesburg

Sept. 15 (p.m.) - Ride Sharing and House Sharing - John Eubank - Hattiesburg

Sept. 16 (a.m.) - Property Damage Exclusions - John Eubank - Flowood

Sept. 16 (p.m.) - Ride Sharing and House Sharing - John Eubank - Flowood

Sept. 17 (a.m.) - Property Damage Exclusions - John Eubank - Oxford

Sept. 17 (p.m.) - Ride Sharing and House Sharing - John Eubank - Oxford

October

Oct. 6 - E&O Risk Management/Ethics* - Rick Pitts - Oxford

Oct. 7 - E&O Risk Management/Ethics* - Rick Pitts - Flowood

Oct. 8 - E&O Risk Management/Ethics* - Rick Pitts - Flowood

Oct. 9 - E&O Risk Management/Ethics* - Rick Pitts - Hattiesburg

November

Nov. 10 - ACSR 1: Homeowners Insurance - Jan Dean Wortham - Flowood

**Includes 3 hours of ethics credit. This is the current continuing education calendar. Classes may change and new classes may be added. All CE credit is pending insurance department approval.*

View up-to-date calendar and course descriptions and register online at www.msagent.org. Please circulate this information around your office.

(3) However, if rental does occur on a "regular" basis, there is some limited coverage for certain "landlord furnishings" of Jack, as provided by the Additional Coverage E.10., which is referenced in C.4.g.

Section I – Property

E. Additional Coverages

10. Landlord's Furnishings

We will pay up to $2,500 for your appliances, carpeting and other household furnishings, in each apartment on the "residence premises" regularly rented or held for rental to others by an "insured", for loss caused by a Peril Insured Against in Coverage C, other than Theft. This limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishings involved in the loss. This coverage does not increase the limit of liability applying to the damaged property.

(4) This Additional Coverage provides:

(a) limited coverage ($2,500) for Jack's appliances, carpeting and other household furnishings in an area that is regularly rented or held for rental; and

(b) for damage caused by Coverage C perils, excluding theft to such property.

(5) Theft coverage for occasional rentals can be provided by endorsement HO 05 41 – see discussion under Theft in the next section below.

Section I – Perils Insured Against

B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage C caused by any of thefollowing perils unless the loss is excluded in Section I – Exclusions.

9. Theft

a. This peril includes attempted theft and loss of property from a known place when it is likely that the property has been stolen.

b. This peril does not include loss caused by theft:

(3) From that part of a "residence premises" rented by an "insured" to someone other than another "insured";

<u>Comments:</u>

(1) Jack's policy does not cover theft by Jill from the part of his house which is rented - whether on an occasional or regular basis. This theft exclusion applies to the rental of a room, or the entire house.

(2) A partial buyback for theft coverage is available by attachment of endorsement HO 05 41 10 00 Extended Theft Coverage for Residence Premises Occasionally Rented To Others. Theft coverage is provided "while the residence premises is rented in whole or in part on an occasional basis," and applies to the part occupied by the occasional tenant, roomer, or boarder. However, three broad classes of property are not included in the coverage, including: (a) money, goldware, silverware, etc.; (b) securities, accounts, personal records, etc., and (c) jewelry, watches, furs, etc. The endorsement amends part 9.b.(3) of the theft peril (see above) as follows:

HO 05 41 10 00

Under Peril Insured Against 9. Theft, Paragraph b. (3) is deleted and replaced by the following:

b. (3) From that part of a "residence premises" regularly rented by an "insured" to someone other than another "insured", roomer or boarder.

(3) Note that under ISO Rule 517, endorsement HO 05 41 can only be used with coverage forms which provide named perils coverage for Coverage C. The endorsement cannot be used with those Homeowners forms which provide special coverage (all-risk) coverage for Coverage C, including HO 00 05, or HO 00 04 with HO 05 24, or HO 00 06 with HO 17 31. The reason for this is that the forms which provide all-risk coverage

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for Coverage C property do not exclude theft from a part of the residence premises which is occasionally rented. In other words, with those forms, the coverage provided under HO 05 41 is already included in all-risk forms.

Jack's Insurance – Liability Coverages

The primary issue to address is whether or not "house sharing" a "business."

Excerpts from Jack's policy:

HO 00 03 05 11

Definitions

3. "Business" means:

a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or

b. Any other activity engaged in for money or other compensation, except the following:

(1) One or more activities, not described in (2) through (4) below, for which no "insured" receives more than $2,000 in total compensation for the 12 months before the beginning of the policy period

Section II – Exclusions

E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages E and F do not apply to the following:

2. "Business"

a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

b. This Exclusion E.2. does not apply to:

(1) The rental or holding for rental of an "insured location";

(a) On an occasional basis if used only as a residence;

(b) In part for use only as a residence, unless a single-family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(c) In part, as an office, school, studio or private garage;

<u>Comments:</u>

(1) In general, the business exclusion would only come into play if Jack receives more than $2,000 in the year prior to the inception of his current policy (see 3.b.(1) in the definition of "business"). Many experts have questioned the rationale for this timeframe guideline. The deciding factor in whether or not renting ("sharing") his house (in whole or in part) is a "business" is based on how much money he made in the 12 months prior to his current policy term. Nonetheless, the amount of revenue Jack receives is one of the key factors which play a role in determining whether or not the business exclusion applies.

(2) Assuming Jack has exceeded the income threshold, the next issue in the business exclusion is the extent and frequency of rental. There are three exceptions to the business exclusion on this point. First, if a rental is "occasional," the exclusion does not apply (see Exclusion E.2.b.(1)(a)). Note that "occasional" is not defined, and this has resulted in confusion, uncertainty, and litigation. Second, under E.2.b.(1)(b), if Jack rents only a part of his residence, the exclusion does not apply, even if the rental is on a regular basis, which is probably common for many who participate as hosts in "house sharing" arrangements such as Airbnb. However, if Jill brings more than two people with her (as "roomers or boarders"), this would probably trigger the exclusion. Third, under E.2.b.(1)(c), Jack could rent a part of his house as an office, school, studio or private garage on an occasional or regular basis without triggering the exclusion.

Interestingly, on May 21, 2014, the Wall Street Journal reported that Airbnb had reached a settlement with New York Attorney General Eric Schneiderman, to turn over information about its approximately 15,000 hosts in New York City. The dispute between the two parties has been ongoing for months, with AG Schneiderman alleging that the city and state have lost millions of dollars in uncollected hotel-related taxes. Schneiderman has said that "We are going to pursue anyone who's running illegal hotels."

Insurance provided to hosts by the facilitator.

Using Airbnb as just one example of a "house sharing" facilitator, their website indicates that "Effective January 2015, the Host Protection Insurance Program provides insurance coverage of up to $1,000,000 per incident for Airbnb hosts in the U.S. and, if applicable, their landlords, if a guest is accidentally injured anywhere in a host's building or property during a stay. The Host Protection Insurance program also covers hosts for certain third-party claims of property damage.

"If the host is covered under other insurance, Airbnb's Host Protection Insurance program will be secondary to that insurance. If the host doesn't have other insurance, Airbnb's Host Insurance Protection program would act as your primary insurance for qualifying incidents.

"The Host Protection Insurance program doesn't cover: Intentional acts where liability isn't the result of an accident, accusations of slander or defamation of character, bed bugs, asbestos, or pollution.

"This coverage is subject to a $2,000,000 cap per listing location.

"Airbnb's Host Guarantee is not insurance and doesn't replace your homeowner's or renter's insurance. It's designed to protect hosts for damages to their own possessions, unit, or home in the rare instance of property damage by guests in listings."

Other types of "house sharing."

As noted earlier, the participants in the "sharing economy" use the word "sharing" in much broader terms than much of the business world would, including insurance. An Internet search will produce many other types of living arrangements that are consider as "house sharing." Here are just a few examples.

Example #1. National Shared Housing Resource Center. http://nationalsharedhousing.org/

Description from their website:

> *Home Sharing is a simple idea: a homeowner offers accommodation to a homesharer in exchange for an agreed level of support in the form of financial exchange, assistance with household tasks, or both. The community is also a beneficiary of Home Sharing. Shared living makes efficient use of existing housing stock, helps preserve the fabric of the neighborhood and, in certain cases, helps to lessen the need for costly chore/care services and long term institutional care. A home sharer might be a senior citizen, a person with disabilities, a working professional, someone at-risk of homelessness, a single parent, or simply a person wishing to share his or her life and home with others. For these people, shared housing offers companionship, affordable housing, security, mutual support and much more.*
>
> *Home Sharing programs can offer a more secure alternative to other roommate options. Many programs have staff who are trained to carefully screen each program applicant through interviewing, background checking, and personal references.*

<u>Comments:</u>

(1) Assume that Jack was a senior citizen homeowner, for example, and Jill agreed to live in his house as a "homesharer,"

in exchange for "an agreed level of support in the form of financial exchange, assistance with household tasks, or both," as outlined in the NSHRC description. Note that the definition of "business" in Jack's Homeowners Policy includes "Any other activity engaged in for money or other compensation." Therefore, if Jack's total compensation exceeds $2,000 annually, the threshold might be met. However, since Jill most likely has a designated room to live in, this would be within the exception to the business exclusion, since Jack rents his house "in part." And, of course, Jill needs an HO-4 Tenant's Policy, since she is not an "insured" in Jack's HO.

Example #2. CoAbode – Single Mothers House Sharing. http://www.co-abode.com/

Description from their website:

> *CoAbode's mission is to provide support and services that connect women raising children alone. Thru this connection, single parent women families pool their finances and resources to improve their living conditions for themselves and their children by sharing a home. CoAbode was founded on the principle that two single moms raising children together can achieve more than one struggling alone. Through a variety of community based programs CoAbode provides single mothers with affordable housing opportunities, specialized support groups, educational scholarships, community outreach and involvement as well as referrals to vital resources designed to make parenting a child alone easier, healthier and more secure.*

Comments:

(1) CoAbode's website describes their service as "mom-matching," which facilitates connecting single moms who own a home with single moms who are looking for a place to rent. In cases where neither owns a home, CoAbode seeks to connect single moms who wish to pool their financial resources in order to afford a home or apartment to rent.

(2) Where one of the moms owns the home and the other will live there as a tenant, the insurance exposures are the same as the arrangement discussed for the National Shared Housing Resource Center.

Example #3. "House Sharing for Boomer Women Who Would Rather Not Live Alone." This is the title of an article on the AARP website, and includes examples of various forms of "house sharing." In some of the examples, the "home sharers" actually jointly purchase a home. Bottom line for the insurance professional: Be aware that the term "house sharing" can mean many different things.

"CAR SHARING"

"Car sharing" operates in several forms. And much like "house sharing," few of the "car sharing" arrangements are actually "sharing," in the everyday use of the term. Other terms associated with "car sharing" are "personal vehicle sharing" and "ride sharing."

"Car sharing" and "personal vehicle sharing" often indicates forms of micro-rentals, and the terms are frequently used interchangeably. However, one important difference is that a "personal vehicle sharing program" involves renting one's own auto to others for a short period of time, under a specific program. The insurance industry, as well as some state legislatures and regulators, have begun to focus on "Personal Vehicle Sharing Programs." See further discussion in the "Actions by Regulators, Legislatures, & Insurers" section below.

The other common form of "car sharing" (not involving a Personal Vehicle Sharing Program) typically means renting an auto from a micro-rental company for a short time. "Ride sharing" is using one's own auto to transport people or property for a fee.

In the discussion below, assume the following: (1) Jill owns an auto; (2) her auto is insured under an ISO PAP PP 00 01 01 05; (3) she is the named insured. Here are three of the most common types of "car sharing."

- Example #1: Jill uses her auto to transport people (or run errands for people), for a fee.
- Example #2: Jill rents her car to Jack for a few hours.
- Example #3: Jill rents a car for 3 hours for her own personal use, from a car sharing company.

Following is a comparison of these three forms of car sharing.

Example #1: Jill uses her auto to transport people (or run errands for people), for a fee.

This is an example of "ride sharing." Two of the best-known programs are Uber (uber.com) and Lyft (lyft.com). These and similar businesses provide what is essentially a taxi service. They serve as the facilitator between vehicle owners and passengers who need a ride. Both have sophisticated websites and mobile apps. However, their growing popularity has caught the attention (and ire) of the taxi industry and regulators.

Another form of this type of arrangement is for vehicle owners to connect with people who need errands run, such as picking up groceries, dry cleaning, and so forth. One of the most successful of this type of business is probably TaskRabbit (taskrabbit.com). According to their website, the firm was started in 2008 when a woman realized late one night that she was out of dog food. She had the idea that if there was a way to connect with friends who might already be at, or near, the store, it would save her a trip, and also provide a little extra income for people who were willing to run errands for others.

Assuming Jill decides to use her car by signing up with Uber, Lyft, or TaskRabbit, here are some coverage issues she should consider.

Jill's PAP

PP 00 01 01 05

Part A – Liability Coverage

Exclusions

A. We do not provide Liability Coverage for any "insured":

5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance. This Exclusion (A.5.) does not apply to a share-the-expense car pool.

Comments:

(1) In the opinion of most experts, using one's auto as a public taxi or delivery service is clearly within exclusion A.5. At the same time, picking up and delivering someone's groceries, dry cleaning, etc. for a fee is generally considered different from delivering items for one's employer, such as pizza, or taking the money bag to the bank for deposit, etc.

Example #2: Jill rents her car to Jack for a few hours.

A very different form of "car sharing" is when individuals rent their autos to others for a short time, and has become known as a "personal vehicle sharing program." There are numerous platforms for this activity, and two of the most widely known are RelayRides (relayrides.com) and GetAround (getaround.com). This type of arrangement is also referred to as "Peer-to-Peer sharing" or "P2P sharing." Despite the moniker, this is clearly an auto rental endeavor, and the websites and blogs emphasize both the lucrative income opportunities for vehicle owners, and the convenience for renters.

As to coverage in Jill's PAP, many experts hold the view that the exclusion for a vehicle "while being used as a public or livery conveyance" (see A.5. above), would apply to Jill's auto while Jack is driving it. Since she advertises the auto for rent on a public forum, this seems a reasonable view of the exclusion. However, while there is not unanimity on the issue, and sparse case law, the safe assumption for Jill is that her PAP in all likelihood would not apply during the time Jack was driving her car. At the same time, most facilitators such as RelayRides and Get Around do provide insurance during the rental period, although the coverage details have not been reviewed for this article.

Within the last few years, a number of states have enacted laws regarding these "Personal Vehicle Sharing Programs." In addition, the Insurance Services Office (ISO) introduced an endorsement in 2013 relating to these programs. See further discussion below.

Many experienced insurance practitioners have considerable reservations about the wisdom of renting one's auto to virtual strangers. And as one example validating this reluctance to embrace such new ideas, "Exhibit One" would be the "car sharing" firm HiGear. They were a facilitator between owners and short-term renters of luxury, high-end cars such as Lamborghini, Aston Martin, Mercedes, BMW and others. HiGear began in 2011, but after only a few months, they ceased operation. A criminal ring stole 4 autos totaling over $400,000 by using fake identifications and stolen credit cards. In a letter to HiGear members, the company acknowledged the difficulty of eliminating fraud in this type of endeavor, and felt it best not to risk any future losses to members' high-value autos.

Example #3: Jill rents a car for 3 hours for her own personal use.

Micro-rentals have proven to be enormously popular, primarily in urban areas, and near college campuses. Easily the best-known among the many micro-rental firms is Zipcar (http://www.zipcar.com). And owing to the success of firms like Zipcar, the big national car-rental firms have also added micro-rental operations to their brand. Two of the biggest players are Enterprise Car Share (http://www.enterprisecarshare.com) and Hertz24/7 (http://www.hertz247.com/Lowes/en-US/Home). In addition, local brands proliferate in many regions across the country, one example being CityCarShare (https://www.citycarshare.org), a non-profit organization in the San Francisco Bay area.

In all these micro-rental firms, the autos are owned by the business, and differ from traditional car rentals mostly in that the term of rental can be hourly, vs. the standard daily basis. So their inclusion in the "car sharing" spectrum is perhaps in no small part an effort to capture some of the cache' of the "sharing economy" movement. It is also important to note that while these businesses are associated with "car sharing," they are different from "personal vehicle sharing programs," in which the autos are owned by individuals.

As to the insurance issues, the exposure for renting a car from a micro-rental company such as Zipcar should not be any different than the traditional car rental. While the micro-rental firms include insurance for the renter, there is one potential gap that renters need to be aware of. Due to the concentration of micro-rental firms in areas where some people do not own autos, there is a need for these drivers to have some form of auto insurance in situations where they are involved in auto accidents as pedestrians, or while driving a friend's car, etc. One common source of coverage, especially for college students, is to be covered as family members under the parents' PAP. Otherwise, a Named Non-Owner PAP would be needed.

ACTIONS BY REGULATORS, LEGISLATURES, & INSURERS

Some state departments of insurance, as well as legislatures, have initiated measures on "car sharing," "ride sharing," and "personal vehicle sharing programs." As illustrated in the three examples above, the exposures between these programs are quite different. One is essentially a taxi exposure, and another is a micro-rental exposure – one of which involves a personally-owned auto.

Some of the focus is on "ride sharing," and whether or not the regulatory and mandatory insurance requirements which govern the taxi industry would apply to individuals who use their personally-owned autos to transport people in the same manner that a standard taxi does. (See discussion in "Example #1" above.)

As to "personal vehicle sharing programs" (see discussion in "Example #2" above), one main focus has been to examine where the legal liability might lie between the "personal vehicle sharing program," the vehicle owner, and the driver. In some cases, states have passed detailed laws outlining the legal liability, regulatory, and insurance issues.

The insurance industry has been reviewing the growth of the various forms of "car sharing." In 2013, ISO introduced a PAP endorsement PP 23 16 10 13.

Here are pertinent excerpts related to the changes to Part A – Liability, and Part D – Damage to Your Covered Auto, with a brief commentary.

PP 23 16 10 13

Personal Vehicle Sharing Program Exclusion Endorsement

I. Part A - Liability Coverage

Part A is amended as follows:

The following exclusion is added:

We do not provide Liability Coverage for the ownership, maintenance or use of: "Your covered auto" while:

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".

Comments:

(1) If this endorsement is attached to Jill's PAP, her Part A – Liability Coverage does not apply while Jack has rented and is using her auto.

(2) However, if this endorsement is attached to Jack's PAP, it would have no applicability while he is driving Jill's auto, since her auto is not his "your covered auto."

(3) The endorsement makes similar changes to Medical Payments and UM.

IV. Part D - Coverage For Damage To Your Auto

Part D is amended as follows:

The following exclusions are added:

We will not pay for:

Loss to "your covered auto" which occurs while:

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".

Loss to, or loss of use of, a "non-owned auto" used by:

a. You; or

b. Any "family member" in connection with a personal vehicle sharing program if the provisions of such a personal vehicle sharing program preclude the recovery of such loss or loss of use, from you or that "family member", or if otherwise precluded by any state law.

Comments:

(1) The PP 23 16 contains a two-part exclusion for physical damage. The first part excludes any physical damage coverage to Jill's "your covered auto" being used by anyone other than Jill, if the auto is enrolled in a "personal vehicle sharing program."

(2) The second part of the exclusion would apply to Jack's PAP, where he has caused damage to Jill's auto during the term of his rental. Some vehicle sharing programs, and/or state laws, can affect the insurance recovery.

IIAM Awards Chairmen's Scholarships to Nine Students

The Independent Insurance Agents of Mississippi awarded Chairmen's Scholarships to nine students for the Spring 2015 semester. IIAM recognized this year's scholarship recipients at the luncheon of the Agency Management Conference, on February 19, at The Country Club of Jackson.

IIAM Chairmen's Scholarship recipients:

- Sam Andrews, son of Ronnie Andrews of Vicksburg Insurance Agency in Vicksburg. Sam is a freshman at Mississippi State University.
- Jordan Barr, daughter of Angie Barr of SouthGroup Insurance Services in Ridgeland. Jordan is a sophomore at the University of Mississippi.
- Preston Bell, son of Ross Bell of BancorpSouth Insurance Services in Hattiesburg. Preston is a junior at the University of Southern Mississippi.
- Katie Berry, daughter of Brian Berry of Bi-County Insurance Agency in Centreville. Katie is a junior at Mississippi State University.
- Anna Herrington, daughter of Mark Herrington of Wellington Associates in Flowood. Anna is a sophomore at the University of Mississippi.
- Kyle Moore, son of Kendall Moore of Peakstone Financial Services in Ridgeland. Kyle is a junior at the University of Southern Mississippi.
- Alexis Rivers, daughter of Vonda Rivers of Meyer and Rosenbaum in Meridian. Alexis is a freshman at Meridian Community College.
- Terah Winborne, daughter of Sandy Winborne of Insurance and Risk Managers in Brookhaven. Terah is a junior at Mississippi State University.
- Clay Wooley, son of IIAM Past Chairman Dudley Wooley of Ross and Yerger Insurance in Jackson. Clay is a sophomore at the University of Mississippi.

Established in 2003, IIAM awards $1,000 Presidential Scholarship annually. These scholarships are open to any full-time student at any accredited Mississippi community college or public or private college or university and who is a dependent of a full-time employee of any IIAM member agency. IIAM will begin accepting applications for the Spring 2016 semester scholarships in the fall of 2015.

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