CIPR EXAMINES USAGE-BASED INSURANCE AND TELEMATICS

The NAIC Center for Insurance Policy and Research (CIPR) recently released a study titled “Usage-Based Insurance and Vehicle Telematics: Insurance Market and Regulatory Implications.” The study examines how the U.S. auto insurance industry is undergoing a fundamental change with the introduction of vehicle telematics technology. Telematics-supported, usage-based insurance (UBI) programs hold the promise of more efficient pricing of risks and widespread benefits accruing to insurers, consumers and society in general. Along with the benefits, both consumers and regulators have a number of serious concerns regarding the use of telematics UBI ranging from privacy and transparency issues to how driving data is used in pricing.

The study takes a closer look at technological advances, explores changes in the insurance market and analyzes the implications of telematics for consumers, state regulators and insurers.

The study is available on the CIPR website at: www.naic.org/cipr_special_reports.htm.

CONSUMER ALERT: NAVIGATING HOME-SHARING RENTALS

With the rise of online community marketplaces, more people are turning to renting out rooms or their entire homes to guests for extra income. However, insurance coverage questions arise when an insurer expects a person to be using the home in one way, but later finds out the conditions have changed. To ensure you are protected, read these tips from the NAIC.

What are home sharing websites?

Technology has changed the way people interact. There are now online solutions available that let people rent a room or their home to a stranger they meet by using an app or a website, called home-sharing solutions. Home-sharing or peer-to-peer rentals (P2P) are sites like Airbnb, Roomorama and HomeAway that connect hosts with guests. Guests find a property and pay for the stay like a hotel. The difference is that the property is not a licensed hotel or bed and breakfast.
TODAY’S AGENDA

NAIC/Industry Liaison Committee
8 – 9AM—Sheraton – Encanto – 2nd Floor
Principle-Based Reserving Implementation (EX) Task Force
8:30 – 10:30AM—Convention Cntr N. – Rm 131 – Street Lvl
Market Regulation and Consumer Affairs (D) Committee
9 – 11AM—Convention Cntr N. – Rm 132 – Street Lvl
Governance Review (EX) Task Force
10:30 – 11:30AM—Sheraton – Valley of the Sun D/E – 2nd Floor
*Chief Financial Regulator Forum
10:30AM – 12PM—Sheraton – Encanto – 2nd Floor
Catastrophe Response (C) Working Group
11AM – 12:30PM—Convention Cntr N. – Rm 131 – Street Lvl
*Financial Analysis (E) Working Group
12 – 1PM—Sheraton – Encanto – 2nd Floor
Workers’ Compensation (C) Task Force
12 – 1PM—Convention Cntr N. – Rm 126 A/B/C – Street Lvl
Financial Condition (E) Committee
1 – 2PM—Sheraton – Valley of the Sun D/E – 2nd Floor
NAIC/American Indian & Alaska Native Liaison Committee
1 – 2PM—Convention Cntr N. – Rm 131 – Street Lvl
*Market Actions (D) Working Group
1–4PM—Convention Cntr N. – Rm 127 A/B/C – Street Lvl
Mortgage Guaranty Insurance (E) Working Group
2 – 4PM—Sheraton – Valley of the Sun D/E – 2nd Floor
Property & Casualty Insurance (C) Committee
2 – 4PM—Sheraton – Encanto – 2nd Floor
* Regulator only – see agenda, or visit meetings.naic.org or policy statement on open meetings.

HAVE THOUGHTS ON EMERGING ISSUES IN INSURANCE REGULATION?

We Want to Hear From You!

The NAIC’s Journal of Insurance Regulation is looking for papers for its special issue on emerging and developing risks and issues. Possible topics include: cyber-risk, international insurance regulation, health care reform implementation, capital markets, insurer credit ratings, identify theft, pension de-risking, builders risk, right of privacy/personal injury, lender placed insurance, claims on foreclosed properties, technology and claims processing and wind turbines.

The editors may consider papers on other topics. Please include links to insurance regulation and/or discuss the regulatory impacts of the topic. All manuscripts will go through a double blind review process. The deadline to submit papers is Aug. 30, 2015.

For questions, contact the editors at jireditor@gmail.com or visit the Journal’s website at: www.naic.org/store_jir.htm.

THREE STATES ACCREDITED

The NAIC Financial Regulation Standards and Accreditation (F) Committee voted to accredit the Idaho, Kentucky and Oklahoma departments. Accredited state insurance departments undergo a comprehensive, independent review every five years to ensure they meet financial solvency oversight standards.

The NAIC accreditation program establishes and maintains sound solvency regulation standards. It provides for the effective regulation of multi-state insurance companies with emphasis on each state’s:

• financial solvency laws and regulations;
• financial analysis and examination capabilities;
• organizational and personnel practices; and
• insurer organizational review, licensing and change of control of domestic insurers.

For more information visit: naic.org/committees_f.htm

Sharon P. Clark (far right), NAIC Vice President & Kentucky Insurance Commissioner and Financial Solvency Regulatory Staff

Oklahoma Insurance Financial Solvency Regulatory Staff

Thomas Donovan (rear-right), Acting Idaho Insurance Director and Financial Solvency Regulatory Staff
and is often a privately-owned apartment, condo or house. Anyone can register as a host or guest.

**What’s the risk?**

Both guests and hosts could incur costs if things go astray. As a host, your homeowners or renter’s insurance policies are not designed to cover accidents arising from property rental and your insurance company may deny coverage for any resulting claims.

While operating as an online platform, these types of rentals may fall outside of local zoning or housing laws and regulations, which could result in violating local law or code. Even if you have not violated any law, you might have to hire legal counsel to protect and defend yourself.

**How can you protect yourself as a host?**

Accidents can happen, anytime, anywhere. Even if you take preventative measures, someone could trip over a rug or fall over their feet, causing injury.

Most homeowners policies provide coverage if a home visitor falls and is injured. However, that is likely not the case if a paying guest falls in your home, because coverage may not be intended for commercial use. And without liability insurance protection from the company facilitating the host agreement, your homeowners or renter’s insurance policy might leave you with no coverage.

Homeowners policies vary, but usually exclude or provide very limited coverage for homeowners who are running a business in their home. Once you begin earning income from renting out your home or a room, you are probably considered a home-based business. If you lease out a room or your entire home for profit, your insurer could claim you’re essentially running a hotel or bed and breakfast and deny coverage. However, if you seldom rent out your home, your insurer might provide coverage. A renter’s insurance policy is subject to the same limitations as a homeowners insurance policy.

To make sure you are protected, talk to your agent about your situation and participation in this activity. If you only occasionally rent a room or your house, your current homeowners insurer might be willing to provide an endorsement to protect you. However, if you plan to rent your house for a long term or if you plan to frequently rent out a room or the whole house, then purchasing a landlord policy (also known as landlord property insurance or rental coverage for landlords) might be your best option. A landlord insurance policy will cover your home, structures on the property, property contents that you own (such as appliances and furniture), lost rental income due to building damage, legal fees and liability protection.

Some experts recommend only renting to guests who have homeowners, renter’s or personal liability insurance and are able to show proof they are insured. Then if your property is damaged, you could file a claim under the guest’s policy.

**How can you protect yourself as a guest?**

Your own homeowners, renter’s or personal liability insurance policy will generally protect you even as a guest if you happen to cause damage to a host’s property. But understand that per Airbnb’s user agreement, the company reserves the right to make a claim under your homeowners or renter’s policy for any damage or loss you cause to an accommodation. Other P2P companies may have similar agreements so make sure to check their terms of use.

**What else do I need to know?**

Currently, Airbnb provides host protection agreements so make sure to check their terms of use.

Continued on Page 4
The Interstate Insurance Product Regulation Commission (IIPRC) met in Phoenix, AZ on March 27 and selected a slate of new officers. The Commission elected Texas Insurance Commissioner David Mattax (center) as Chair, Virginia Insurance Commissioner Jacqueline K. Cunningham (right) as Vice Chair and Puerto Rico Insurance Commissioner Angela Weyne (left) as Treasurer.

The Commission also released its 2014 Annual Report, highlighting its sustained growth and advances. Highlights include welcoming Arizona as the newest Compacting State, completing the first five-year review of the individual life and annuity uniform standards and increasing the number of efficiency-minded companies utilizing the speed-to-market benefits of the Commission’s product filing process.

“Texas has been an early and strong supporter of the Compact” said Mattax. “As Chair of the IIPRC, I am looking forward to working with my fellow member states to continue this important effort to develop uniform standards and encourage all states and companies to participate in this transformative state-based organization.”

“As part of the leadership of the Commission over these past few months, I have a deep appreciation for the many dedicated regulators, interested parties, consumer representatives and state legislators that work to fulfill the Compact’s critical mission of uniformity and speed-to-market” said Cunningham. “As Vice Chair, I will continue to promote the Compact’s value-added benefits for the state-based regulatory system.”

“I am very pleased to serve as Treasurer of the Commission working with my fellow members to continue the stewardship of the organization’s positive financial and operational growth” said Weyne. “We will work closely with the IIPRC office to continue strong oversight of its operations for the benefit of states, filers and consumers.”

insurance with coverage up to $1 million if a third-party claims bodily injury or property damage against you as a host. This liability insurance program is automatically applied to every listing in the U.S. and the coverage is secondary. It only applies after your primary insurance policy either settles or denies a claim. Laws regarding P2P companies vary from state to state, even city to city so it’s important to speak with someone who is knowledgeable about your location. Since home-sharing companies are still a fairly new phenomenon, talk with your agent or insurance provider about your risks as a host to make sure you are properly covered before you list your property for rent.

More Information

Knowledge is power and the more you can educate yourself about insurance issues related to rentals in the share economy, the better. Contact your state insurance department to find out how it is handling matters involving companies that facilitate property rentals to guests.

For more information and insurance tips in the share economy, visit Insure U online including the Sharing Economy page.