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Private Car Sharing

Car sharing exists in the form of non-profit organizations that allow short-term rentals of a vehicle, which the company owns, for an hourly rate or monthly fee. However, these companies primarily serve urban areas. There is currently no option for neighbors to share a singular vehicle in rural parts of the state.[1] To remedy this issue, individuals should be able to share a vehicle between friends and/or neighbors and not have to individually cover the entire costs of maintaining the vehicle and insurance premiums.[2]

In order to implement private car sharing, there is a need for an insurance policy that will cover all of those who use the car, and avoid issues such as the owner incurring rate increases due to a borrower's accident, for instance. Automobile insurance companies offer multiple types of insurance policies. Peter Bullock, the summer camps coordinator for Shelburne Farms, has been attempting to find a solution in Vermont for this gap in policy. For private car sharing, Bullock's research has found that Pay-As-You-Drive (PAYD) insurance appears to be the most viable, or at least a modified version of the PAYD insurance. [2]

PAYD insurance is offered for those who drive less then 15,000 miles a year. Progressive Insurance offers this policy in 32 states, including Vermont, in a program called Snapshot. This type of policy provides discounts to drivers of up to 30% per year off regular insurance rates. To implement Pay-As-You-Drive insurance a monitor is installed in a car that tracks mileage, time of day when the car is driven, as well as driving style of the driver. All of these aspects factor into how much of a discount the driver receives.[3] A 2008 study found that two-thirds of all households in the country would save money from using a PAYD policy.[4]

PAYD insurance would work for a small network of individuals who seek to split usage of a single car or truck. All individuals would be under the policy but would pay different amounts

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[1] Eartheasy, "Car Sharing," accessed March 17, 2011, http://eartheasy.com/move_car_sharing.html#b.
[2] Peter Bullock In a phone interview with report coauthor Aaron Haight, Burlington, VT, February 16, 2011.
[3] Susan Ladika, "Cheap 'pay as you drive' Insurance," accessed on March 23, 2011, http://articles.moneycentral.msn.com/Insurance/InsureYourCar/cheaper-insurance-if-you-drive-less.aspx.
[4] Jason E. Bordoff, "Pay-As-You-Drive Car Insurance," *Democracy Journal* 8 (2008) accessed March 23, 2011, http://www.brookings.edu/articles/2008/spring_car_insurance_bordoff.aspx.

depending on how much they use the vehicle.[5] Another seemingly useful policy that companies offer is Non-Owner Car Insurance but the essential problem of that policy with private car sharers are increased rates every time you want to add another driver.[2]

A model for private car sharing would be a household with adolescents as named drivers. Bringing this same ability from the family level to a neighbor or friend having the freedom to borrow a vehicle from another is the essence of private car sharing. Ideally a bill for private car sharing would consist of two necessary components: 1) PAYD insurance for all cars being shared and 2) the inability to charge more money than the car costs.[5]

According to environmental advocacy groups, personal car sharing allows all car-sharing members to cut costs, decrease vehicle use as non-ownership of a vehicle could lead car-sharing members to combine more trips, and diminish gasoline consumption. This in turn, it is argued, reduces greenhouse gas emissions and airborne pollutants and some state governments are looking for ways to promote this practice.[6]

State Action

A 2010 California law attempts to mitigate previous barriers to car sharing. The California car-sharing law permits the use of a personal vehicle for use in car sharing, without the owners insurance being utilized, or a commercial insurance policy being imposed. Under the California law's provisions, vehicle owners are reimbursed for the usage of their vehicle by the car sharing company. The measures aid the coverage of fixed costs but caps reimbursement rates to prevent commercial enterprise use of the vehicle by owners. The California statute demarcates liability that allows the program to assume all liabilities for the borrower and preserve the individual car owner personal insurance. When the owner is in possession of the vehicle it is covered by their personal insurance. Car sharing programs face high capital costs and are difficult to implement in rural areas. The availability of personal car sharing permits the programs to extend to rural parts of the country.[7]

Oregon has introduced similar legislation with HB 3149, modeled on California's car sharing bill, and is thus far the only state besides California to do so. Oregon's bill will allow car sharing services and allow personal vehicles to be used with those services. Under the provisions of the bill, the borrowers will have to register under a separate short-term insurance that the car share service administers as a third-party. It also prohibits insurance providers from cancelling or reclassifying a policy from a passenger vehicle to commercial policy if a vehicle is used with a car sharing service.[8]

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[5] Bullock, Peter. Interview by Aaron Haight. Phone call. Burlington, VT, February 16, 2011

[6] Environmental Defense Fund, "Drive Less, Pay Less for Insurance," accessed on March 24, 2011, http://www.edf.org/page.cfm?tagID=31651.

[7] Environmental Defense Fund, "Personal Car Sharing: Now Less Risky in California without Moving a Muscle with AB 1871," accessed March 17, 2011, http://blog.sustainablog.org/personal-car-sharing-ab-1871/.

[8] Tim Gordon, "Car sharing close to a reality in Oregon," KATU News, accessed March 22, 2011, http://www.katu.com/news/local/118482969.html.

Conclusion

Private car sharing between neighbors and friends without an intermediary (namely, a car share business) is difficult without proper insurance coverage for both parties. New legislation similar to California's private car share law and Oregon's HB 3149 would be the most effective method of circumventing the insurance issues of personal car sharing. A bill that could allow someone to share a vehicle with their neighbors with some modified form of PAYD insurance that wouldn't negatively affect the owner's insurance rates in the case of a borrower's accident.

Prepared in response to a request from Representative Kate Webb of Shelburne by Patrick Doyle, Camille Fordy, and Aaron Haight, under the supervision of graduate student Kate Fournier and Professor Anthony Gierzynski on May 9, 2011.

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