

Date of Hearing: April 17, 2024

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

AB 2743 (Pacheco) – As Amended April 10, 2024

**SUBJECT:** Insurance: personal vehicle sharing

**SUMMARY:** Updates the insurance coverage limits for a personal vehicle sharing program (PVSP) when the vehicle is engaged in personal vehicle sharing. Specifically, **this bill**:

- 1) Requires a PVSP for each vehicle that it facilitates the use of to do all of the following:
  - a) Provide insurance coverages for the vehicle and operator at a minimum of \$45,000 for bodily injury or death for one person, \$90,000 for bodily injury or death for all persons, and \$15,000 for property damage; and,
  - b) On and after January 1, 2035, the PVSP shall not provide liability coverage less than three times the minimum insurance requirements for private passenger vehicles.
- 2) Allows the ability for the vehicle owner and operator to obtain or purchase additional insurance in excess of the minimum mandatory coverage and limits, including comprehensive and collision coverages or contractual protections.
- 3) Provides the vehicle owner and any person that operates the vehicle pursuant to a PVSP with a written disclosure of all of the following:
  - a) The terms and conditions, including any applicable insurance requirements, coverages, coverage gaps, protections, limits, and exclusions;
  - b) The minimum mandatory coverage and limits that the PVSP is required to provide to owners and operators;
  - c) The coverages and limits provided by the PVSP; and,
  - d) The requirement that the PVSP provide the vehicle owner and any person that operates the vehicle pursuant to a PVSP with the option to purchase or obtain additional limits, coverages, or protections.
- 4) Requires a PVSP to disclose all of the following in writing to the vehicle owner:
  - a) That the vehicle owner may have chosen higher limits, different coverages, or both, on their personal automobile insurance policy than those being provided by the PVSP, and, if so, that they have the option to purchase or obtain higher limits or optional coverages or protections.;
  - b) That their personal automobile insurance may expressly exclude coverage for a vehicle while it is being operated pursuant to a PVSP; and,

- c) That if their personal automobile insurer does not expressly exclude coverage for vehicle sharing, it may still deny coverage for an accident occurring during vehicle sharing if the annual revenue from the PVSP to the vehicle owner exceeds the vehicle owner's annual expense of owning and operating the vehicle.
- 5) Provides that a person who violates this section may be liable to the state for a civil penalty, to be determined by the Insurance Commissioner, not to exceed \$5,000 for each violation or, if the violation was willful, a civil penalty not to exceed \$10,000 for each violation.
- 6) States the duties and obligations imposed by this act are cumulative with any other duties or obligations imposed under any other law, and shall not be construed to relieve any party from a duty or obligation imposed under any other law.

**EXISTING LAW:**

- 1) Defines "personal vehicle sharing" as the use of private passenger motor vehicles by a person other than the vehicle's owner, in connection with a personal vehicle sharing program. (Insurance Code, Section 11580.24)
- 2) Defines "personal vehicle sharing program" as a legal entity qualified to do business in the state of California engaged in the business of facilitating the sharing of private passenger vehicles for noncommercial use of individuals within the state. (Insurance Code, Section 11580.24)
- 3) Prohibits a vehicle sharing program from providing liability coverage less than three times the minimum insurance requirements for private passenger vehicles. (Insurance Code, Section 11580.24)
- 4) Increases, effective January 1, 2025, the requirements of the Financial Responsibility Law (FRL), which requires most drivers purchase auto insurance with certain minimum limits of coverage, to \$30,000 for liability resulting in bodily injury or death of one person, \$60,000 for liability resulting in bodily injury or death to more than one person, and \$15,000 for liability resulting from property damage (known as \$30,000/\$60,000/\$15,000), up from the current requirements of \$15,000, \$30,000, and \$5,000 respectively. (Vehicle Code, Section 16500)
- 5) Increases, effective January 1, 2035, the requirements of the FRL to \$50,000 for bodily injury or death to one person, \$100,000 for bodily injury or death to more than one person, and \$25,000 for liability resulting from property damage. (Vehicle Code, Section 16500)

**FISCAL EFFECT:** Unknown**COMMENTS:**

- 1) *Purpose:* According to the Author:

Personal vehicle sharing programs (PVSP) provide an affordable mobility option to Californians and have expanded significantly since their inception. The PVSP market in 2021 was \$1.6 billion and is expected to grow to \$7.2 billion by 2030. The major factors

driving the double-digit growth of PVSP include the competitive pricing and convenience of these mobility programs, burgeoning concerns over greenhouse gas emissions, push for vehicle electrification, and worsening traffic congestion. As the cost of vehicle ownership has increased, consumers have migrated towards PVSP. Yet, California's financial responsibility (FR) limits are out of step with 43 other states and the District of Columbia where those limits are set at the same level as personal vehicle FR limits.

AB 2743 provides an appropriate adjustment in FR limits for PVSP to ensure that Californians have access to a vital mode of mobility without leaving consumers financially exposed or underinsured. The adjustment in limits in AB 2743 is designed to protect consumers while fostering the growth of this mobility segment. This bill contains robust consumer notices that are tailored to the modern car sharing market and includes penalty provisions for violations of these new PVSP insurance limits, guaranteeing that all PVSP customers remain protected and well informed when driving in California.

- 2) *Background:* In 2010, AB 1871 (Jones) created PVSPs, which is also known as peer-to-peer car sharing. The bill specified that a PVSP is an entity that facilitates personal vehicle sharing, provides liability insurance for private vehicles, and provides disclosures to the vehicle owner about the law and the terms and conditions of the transaction. The requirement for PVSPs to carry FR limits three times as much as private passenger vehicles was established in this measure. California was the first state to establish PVSPs.

PVSPs allows car owners to make their vehicles available to others to rent for periods of time. Car owners list their vehicles on a platform, then prospective renters can search the platform, and then select a vehicle to rent.

Every driver in California must show financial responsibility, which is essentially insurance. Financial responsibility shows that a driver is financially able to provide monetary protection to those injured or vehicle damaged due to an accident, regardless of fault. Current FR limits until January 1, 2025 for private passenger vehicles stands at \$15,000 for injury/death to one person/\$30,000 for injury/death to more than one person /\$5,000 for damage to property.

In 2022, SB 1107 (Dodd), increased FRL for personal driving. The limits increase January 1, 2025 to \$30,000/\$60,000/\$15,000 and additional increase in 2035 to \$50,000/\$100,000/\$25,000. These new FRLs apply to personal use driving and car rental, but SB 1107 did not address new PVSP limits, hence the reason for AB 2743.

Starting January 1, 2025, PVSPs will have to provide a minimum of three times the new minimum FR limits, which would be \$90,000/\$180,000/\$45,000. Moreover, in 2035, these FR minimum limits will increase to \$150,000/\$300,000/\$75,000 for PVSPs.

Based on recent amendments, AB 2743 provides that starting in 2025, PVSPs must provide a minimum of \$45,000/\$90,000/\$15,000. Starting in 2035, PVSPs will revert back to three times the limit. It should be noted that between now and 2035, an overarching goal will be to collect data on frequency/severity of harms and losses (accidents) associated with PVSPs. Currently, the California Department of Insurance (CDI) does not collect this information. When this program was created in 2010, while the three times the amount was a negotiated number, there was also no data to accurately determine what FR limits should apply to

PVSPs. Almost 15 years later, the data still does not exist or is not provided to CDI. This is an issue that should be revisited prior to 2035 to accurately determine appropriate FR limits for PVSPs.

Graph below depicts the FRLs without AB 2743.

FRLs to 12/31/24

2025 FRLs

2035 FRLs

	Individuals	PVSP	Individuals	PVSP	Individuals	PVSP
Bodily injury/death 1 person	15k	45k	30k	90k	50k	150k
Bodily injury/death multiple people	30k	90k	60k	180k	100k	300k
Property damage	5k	15k	15k	45k	25k	75k

Graph below depicts the FRLs should AB 2743 become law.

FRLs to 12/31/24

2025 FRLs

2035 FRLs

	Individuals	PVSP	Individuals	PVSP	Individuals	PVSP
Bodily injury/death 1 person	15k	45k	30k	45k	50k	150k
Bodily injury/death multiple people	30k	90k	60k	90k	100k	300k
Property damage	5k	15k	15k	15k	25k	75k

- 3) *Arguments in support:* According to the sponsor of the measure, Turo, “This bill will help preserve affordable mobility options for Californians and prevent the loss of economic development derived from peer to peer sharing. Specifically, AB 2743 fixes an unintended increase in minimum FR limits for PVSPs starting January 1, 2025 as a result of the passage of SB 1107 (Dodd, 2022) which dealt with FR limits for personal vehicles.”
  
- 4) *Arguments in opposition:* According to the Consumer Attorneys of California, who are opposed unless amended, “the bill will reduce the availability of insurance available to those killed or injured in accidents which we believe is a terrible policy move, and not require a data call or closed claim study by the Department of Insurance so that the Legislature has adequate information to make an informed decision on adequate insurance limits for “peer to peer” car sharing.”

- 5) *Previous legislation:* AB 1095 (Low) 2023 Legislative Session, would have deleted the insurance coverage requirement for a personal vehicle-sharing program and instead requires a personal vehicle-sharing program, when a vehicle is engaged in personal vehicle sharing to provide liability insurance coverage of the same minimum coverage that applies to an owner or operator or a motor vehicle. Died in the Assembly Insurance Committee.

SB 1107 (Dodd) (Chapter 717, Statutes of 2022) This bill (1) increases, effective January 1, 2025, the requirements of the FRL, which requires most drivers purchase auto insurance with certain minimum limits of coverage, to \$30,000 for liability resulting in bodily injury or death of one person, \$60,000 for liability resulting in bodily injury or death to more than one person, and \$15,000 for liability resulting from property damage (known as \$30,000/\$60,000/\$15,000), up from the current requirements of \$15,000, \$30,000, and \$5,000 respectively; (2) adjusts further, on January 1, 2035, the FRL requirements upward by \$20,000, \$40,000, and \$10,000, respectively, so that on January 1, 2035, the minimum limits will become \$50,000 for bodily injury or death to one person, \$100,000 for bodily injury or death to more than one person, and \$25,000 for liability resulting from property damage; (3) requires the Insurance Commissioner to solicit rate applications in advance of each change to the FRL that would go into effect with the change in the FRL; and, (4) adjusts the bonding and deposit requirements for drivers that do not purchase auto insurance to match the FRL requirements as they change

AB 1871 (Jones) (Chapter 454, Statutes of 2010) This bill authorizes private passenger motor vehicle owners to make their vehicle available for use by a personal vehicle sharing program without impacting the owners' private passenger automobile insurance policy.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

2153 Individuals  
California Rising  
Chamber of Progress  
Civil Justice Association of California  
Dream Foundation  
Garden Grove City Council  
Keeper Tax, INC.  
Turo  
Rideshare Mechanic  
Technet-technology Network  
Tenet Energy  
The Florence Firestone Walnut Park Chamber of Commerce

### **Opposition**

Consumer Attorneys of California (oppose unless amended)

**Analysis Prepared by:** Kathleen O'Malley / INS. / (916) 319-2086