

Insurance Information & Enforcement System (IIES)

New Directions in Enforcing Compulsory Insurance Laws

November 13, 2001

New Reporting Guidelines Rented & Leased Vehicles

Introduction

Trucking industry, truck leasing/rental trade association and insurance industry representatives recently met with New York State Insurance Department (NYSID) and NYS Department of Motor Vehicles (DMV) representatives. Industry participants requested that DMV issue a written clarification/modification of reporting requirements under the Insurance Information & Enforcement System (IIES).

The prevalent commercial rental/leasing business model is summarized as follows:

- The commercial vehicle rental and leasing companies, hereinafter referred to as lessors, require that the lessor be the registrant of the motor vehicle.
- The lessors require that their customers, hereinafter referred to as lessees, provide primary insurance coverage as a term and condition of the rental/lease agreement.
- Both the lessors and lessees have insurance coverage for the same vehicle.
- During the period of registration primary coverage may alternate between one of many lessee insurance companies and the lessor's insurance company.

The above business model provides some challenges for successful and compliant IIES reporting as well as the potential for negative impacts on insured NYS registrants due to multiple insurance companies providing insurance coverage for the same vehicle during a registration period. Accordingly, the following new reporting guidelines have been developed to help alleviate problems for all affected parties as the result of the interaction of this business model and IIES reporting requirements. Successful application of these guidelines requires an enhanced level of communication between lessors, lessees, lessor and lessee insurance companies and insurance producers. On the insurance company side there must be a mechanism to determine whether or not transactions must be submitted to DMV based on these guidelines.

Short Term Rental/Lease Agreements for Six Months (180 days) or less

The lessor's insurer must issue the ID card and report all required transactions to DMV. Otherwise, numerous lessee insurers submit multiple new business and cancellation transactions to DMV during the registration period.

- 1) The lessor registers the vehicle in the lessor name with an ID card in the lessor name issued by or on behalf of the lessor's insurance company.
- 2) The lessor's insurance company submits all electronic transactions to DMV as required by Regulation Part 34.
- 3) The lessee's insurance company must not issue ID cards or submit electronic transactions to DMV.
- 4) The lessee's insurance producer or insurance company provides the lessor with some other type of proof of insurance that is agreed upon between the parties. This is not a matter to which DMV is a party.
- 5) The rental/lease agreement between the lessor and the lessee stipulates whether the insurer of the lessor or the lessee is the primary insurer on the vehicle during the period the rental/lease agreement is in force. This is not a matter to which DMV is a party and the mere fact that the lessor's insurer reports the vehicle to DMV does not in itself connote primary insurance. Coverage for a particular event may, in certain circumstances, be provided by a lessee's policy which affords primary coverage.
- 6) The lessor registrant must ensure that insurance coverage is maintained during the registration period.
- 7) When a specific vehicle is removed from service for any reason the lessor registrant must surrender license plates prior to cancellation of insurance coverage on that specific vehicle.

Long Term Rental/Lease Agreements for More than Six Months (181 or more days)

The insurer of either the lessor or of the lessee may issue ID cards. The insurer that issues the ID cards must report all required electronic transactions to DMV.

The lessor registers the vehicle in the lessor name with an ID card provided by either the lessor's or lessee's insurance company as described below:

- 1) **Vehicle registered in lessor name with ID card in the lessor name issued by or on behalf of the lessor's insurance company.**

- a) The lessor's insurance company submits all electronic transactions to DMV as required by Regulation Part 34.
 - b) The lessee's insurance company must not issue ID cards or submit electronic transactions to DMV.
 - c) The lessee's insurance producer or insurance company provides the lessor with some other type of proof of insurance that is agreed upon by the parties. This is not a matter to which DMV is a party.
 - d) The rental/lease agreement between the lessor and the lessee stipulates whether the insurer of the lessor or the lessee is the primary insurer on the vehicle during the period the rental/lease agreement is in force. This is not a matter to which DMV is a party and the mere fact that the lessor's insurer reports the vehicle to DMV does not in itself connote primary insurance. Coverage for a particular event may, in certain circumstances, be provided by a lessee's policy which affords primary coverage.
 - e) The lessor registrant must ensure that insurance coverage is maintained during the registration period.
 - f) When a specific vehicle is removed from service for any reason the lessor registrant must surrender license plates prior to the cancellation of insurance coverage on that specific vehicle
- 2) **Vehicle registered in lessor name with an ID card issued in the lessor name by or on behalf of the lessee's insurance company.** NOTE: The lessee's insurance company may add a notation to the ID card that insurance coverage for the lessor applies only to lessor registered vehicles leased by the lessee and covered by the lessee's policy.
- a) The lessee's insurance company submits all electronic transactions to DMV as required by Regulation Part 34.
 - b) The lessor's insurance company must not issue ID cards or submit electronic transactions to DMV.
 - c) The rental/lease agreement between the lessor and the lessee stipulates whether the insurer of the lessor or the lessee is the primary insurer on the vehicle during the period the rental/lease agreement is in force. This is not a matter to which DMV is a party.

- d) When a specific vehicle is removed from service for any reason the lessor registrant must surrender license plates prior to the cancellation of insurance coverage on that specific vehicle.

Other Rental/Leasing Business Models

The above guidelines were developed to address issues with the prevalent business model for truck rental and leasing companies as described in the introduction. Nothing in these guidelines prohibits the use of other business models for other rental and leasing situations to which the business parties agree including the following:

- 1) The lessor allows the lessee to register the lessor's vehicle with the lessee providing primary insurance coverage and ID cards in the lessee's name for as long as the lessee's registration is in force. The lessee's insurance company submits all electronic transactions to DMV as required by Regulation Part 34. The lessee registrant must ensure that insurance coverage is continuously maintained during the registration period and must surrender license plates prior to cancellation of insurance coverage. Examples of this model are the leases arranged by the financial arms of vehicle manufacturers and financial institutions through motor vehicle dealerships.
- 2) The lessor both registers the vehicle in the lessor name and insures the vehicle but does not require the lessee to provide primary insurance coverage. The insurance cost may be included within the overall cost in the rental/lease agreement. The lessor's insurance company submits all electronic transactions to DMV as required by Regulation Part 34. The lessor registrant must ensure that insurance coverage is maintained during the registration period and must surrender license plates prior to cancellation of insurance coverage. Examples of this model are the large rental fleets commonly known in New York State as "daily rentals".