

Management of Liability, Money, Logistics, and User Experience by Turo, Inc.

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Abstract

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Keywords: Turo, car sharing, peer-to-peer, liability, insurance, money, user experience, user interface

1. Introduction and Background

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1. Numbered list item one

2. Numbered list item two

1.1. Subsection One

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Treatment 2	0.0015681	0.910
Treatment 3	0.0009271	0.296

Table 1: Table caption

35 *1.2. Subsection Two*

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Figure 1: Figure caption

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54 **2. Liability Exposure and Insurance Coverage**

55 If the machine itself broke down, what actions does Turo take to pick up
56 the car. (Do they pick up the car? Are there any charges?) If the renter
57 violates the traffic rules, who is fined or ticketed and how? (where fines come,
58 how to pay it first and how then compensation takes place)

2.1. Owner's Insurance

Turo offers three protection plans for owners who make their cars available for rent: basic, standard, and premium. The owner's choice of protection plan determines the share of the rental fee that the owner receives. Owners are also permitted to simply carry their own insurance on their vehicle.

Insurance coverage in the United States is provided by a group plan administered by Liberty Mutual.

Turo openly admits that their protection plans come with an inherent level of uncertainty. Turo senior claims manager Chris Aragon states that, "If theres an engine failure, and its something thats caused by a mechanical failure and not something that the renter could have caused by using the vehicle, thats something that is not covered by us. Thats something thats just a mechanical breakdown that youd be expected to pay for." ¹ This is consistent with standard insurance practices in the United States. Insurance carriers do not typically provide coverage for mechanical failures in vehicles as these cases are often covered by warranties. In the event that a component of the vehicle fails due to driver abuse, Turo states that it will determine the cause and act accordingly.

2.1.1. Basic Protection

The basic protection plan offers \$1,000,000 USD in liability insurance, covers physical damage to the vehicle up to a \$125,000 USD, and has a \$3,000 USD deductible. Private auto insurance deductibles in the United States typically range between \$100 and \$1000 USD, though they can be as high as \$2500 in some cases. Under this plan, Turo will pay 20% up to the first \$3,750 of a damage claim and then covers 100% beyond that limit, up to a cap of \$125,000. At this level, owners receive 85% of the trip fee.

2.1.2. Standard Protection

The standard protection plan offers \$1,000,000 USD in liability insurance, covers physical damage to the vehicle up to \$125,000, and has a \$0 deductible. Owners also receive reimbursement for a replacement vehicle during the period of time that their personal vehicle is being repaired. At this level, owners receive 75% of the trip fee.

¹ Kristen Lee. Jalopnik, 22 February 2017. <https://jalopnik.com/how-insurance-works-when-you-rent-out-your-car-on-turo-1792401490>

91 *2.1.3. Premium Protection*

92 The premium protection plan offers \$1,000,000 USD in liability insurance,
93 covers physical damage to the vehicle up to \$125,000, and has a \$0 deductible.
94 Owners also receive reimbursement for a replacement vehicle during the pe-
95 riod of time that their personal vehicle is being repaired, includes coverage
96 for wear and tear on the exterior of the vehicle, and also includes coverage
97 for the loss of rental income.² At this level, owners receive 65% of the trip
98 fee.

99 *2.1.4. Owner-provided Protection*

100 Vehicle owners also have the option of opting-out of any coverage provided
101 that they carry commercial insurance on their own. Such an insurance policy
102 is typically only carried by businesses. At this level, owners receive 90% of
103 the trip fee and have no protection whatsoever provided to them by Turo or
104 Liberty Mutual.

105 *2.2. Renter's Insurance*

106 Renters are presented with a trio of insurance coverage options.

107 Physical damage protection includes both comprehensive (property dam-
108 age or loss to a vehicle, including theft, fire, impacts with wildlife, vandalism,
109 and acts of nature) and collision (protection in the event that two or more
110 vehicles impact each other or in the event that a single vehicle suffers and
111 impact with an object) coverage.

112 Personal injury protection varies widely by state, but typically provides
113 coverage for medical expenses, lost income, funeral expenses, and the like for
114 for the driver and passenger in the vehicle with no regard given to who is at
115 fault.

116 Uninsured/underinsured motorist coverage pays the renter of the renter's
117 passengers for bodily injury they may suffer in the event that they experience

²Turo determines "lost rental income" by taking the mean daily rental earnings of the owner for the past 60 days and multiplying that dollar amount by the number of days that the owner's vehicle spent being repaired within a "reasonable range." Turo's "reasonable range" is determined like so: Turo assumes that a mechanic should reasonably be able to put in four hours of labor per day to repair the vehicle. Turo takes the number of labor hours on the mechanic's estimate and divides it by four. This "number of days" is then multiplied by the 60-day mean rental earnings. In the event that the owner cannot pick up otherwise obtain the vehicle within the calculated number of days, Turo will not pay for further days of lost rental income.

118 a collision caused by a driver without insurance, a hit-and-run driver, a driver
119 who has exhausted the benefits available to them under their own insurance
120 plan, or a driver whose insurance carrier is found to be insolvent and therefore
121 incapable of paying a claim.

122 *2.2.1. Premium Rental Insurance*

123 The premium rental insurance option provides \$1,000,000 USD in bodily
124 injury and property damage coverage to renters. Personal injury protection
125 coverage (also known as no-fault or first party benefits) are capped at the
126 statutory minimum required in the state where the vehicle is registered. In
127 some cases, this amount may be \$0 USD. Uninsured/underinsured motorist
128 coverage is also capped at the statutory minimum required in the state where
129 the vehicle is registered. In some cases, this may be \$0 USD. The renter's
130 out-of-pocket exposure is limited to a deductible payment of \$500, which is
131 collected when the owner reports damage. In the event that the total costs
132 are less than \$500, then the renter will be refunded the difference.

133 *2.2.2. Basic Rental Insurance*

134 The basic rental insurance option provides \$1,000,000 USD in bodily in-
135 jury and property damage coverage to renters. Personal injury protection
136 coverage (also known as no-fault or first party benefits) are capped at the
137 statutory minimum required in the state where the vehicle is registered. In
138 some cases, this amount may be \$0 USD. Uninsured/underinsured motorist
139 coverage is also capped at the statutory minimum required in the state where
140 the vehicle is registered. In some cases, this may be \$0 USD. The renter's
141 out-of-pocket exposure is limited to a deductible payment of \$3000 USD.
142 In the event that the total costs are less than \$500, then the renter will be
143 refunded the difference.

144 *2.2.3. Declining Rental Insurance Coverage*

145 Renters are also allowed to decline a protection plan. In this case, the
146 renter's exposure is effectively unlimited and is only bounded by the actual
147 cash value of the vehicle plus all related costs, as determined by the process
148 described in §2.3. In the event that a rented vehicle is lost, stolen, or deemed
149 a total loss,³ then the renter is liable for paying the entire actual cash value

³For Turo's purpose, a "total loss" is defined by anticipated repair costs in excess of 75% of the vehicle's actual cash value.

150 of the vehicle, plus all related costs and minus any residual salvage value. ⁴

151 2.2.4. *Other Sources of Renter's Insurance*

152 Some renters may be able to obtain, or already have as a part of their
153 personal auto insurance policy, coverage that extends to vehicles rented by
154 the primary policy holder.

155 Some renters may be also be able to obtain, or already have as a part of
156 their existing credit card account, coverage that extends to vehicles rented
157 by the cardholder using that credit card as the payment method.

158 Such coverage varies widely between insurance carriers and credit providers
159 and may, in some cases, be deficient. Turo states that it is “highly unlikely
160 that [the renter] would be covered by any credit card insurance when [they]
161 book cars through the Turo marketplace.” ⁵

162 2.2.5. *Subrogation*

163 Insurance offered by Turo is secondary to any existing coverage that the
164 renter may have through other sources (*i.e.*, that available through a credit
165 card provider, personal auto policy, or other insurance policy). Practically
166 speaking, the secondary nature of Turo's rental insurance offerings means
167 that the renter is primarily liable, but can satisfy their obligations through
168 other sources. In the event of a claim, Turo will first attempt to collect
169 deductibles directly from the renter and then then seek reimbursement from
170 other sources of coverage that the rent may have. (In US insurance practice,
171 this process is known as subrogation. ⁶)

172 2.2.6. *Exception to Elected Renter's Protection Plans*

173 In the event that the renter is found to have violated Turo's terms of
174 service, engaged in prohibited uses of the rented vehicle, or is otherwise found
175 to have recklessly used the rented vehicle, the deductible limits mentioned
176 in §2.2.1 and §2.2.2 do not apply and the renter will be liable for physical

⁴Salvage value is the expected sale value of an asset at the end of its useful life. Insurance companies may employ a number of methods to determine the salvage value of a vehicle, but it is often classified as the sum value of the remaining usable parts in a vehicle.

⁵<https://support.turo.com/hc/en-us/articles/203990610-I-d-like-a-detailed-explanation-of-insurance-and-protection-provisions>

⁶Subrogation is the legal doctrine through which one party is entitled to enforce the legal rights or protections of another party for its own benefit.

177 damage up the full actual cash value of the vehicle including Turo’s related
178 costs.

179 2.3. Claims Process

180 A renter is supposed to report any incidents involving a rented vehicle
181 to the relevant authorities. Urgent matters should be referred to the local
182 police and either to Turo or to the owner of the vehicle within 24 hours of
183 the incident.

184 In the event that a host does not learn about an incident that occurred
185 with their vehicle during a trip until after the vehicle has been returned, the
186 owner has 24 hours to report the incident to Turo in order to remain eligible
187 for Turo’s coverage.

188 If a vehicle’s owner has elected to decline Turo’s coverage, then they are
189 responsible for making a claim directly to their own insurance company.

190 If the owner of a vehicle has elected either the premium or the standard
191 Turo protection plans, then they are eligible to receive \$30 USD per day for
192 up to 10 days (\$300 USD cap) to rent a replacement vehicle. They may also
193 elect to receive a travel credit from Turo that may be used to rent a vehicle on
194 the Turo marketplace. Additionally, users may submit receipts from public
195 transport, taxis, and ride services like Uber or Lyft for reimbursement.

196 Owners and renters have the option to resolve claims directly with each
197 other. However, if an owner elects to file a claim through Turo, they have un-
198 til 24 hours after the end of a trip to visit <https://turo.com/resolutions>
199 to file an eligible claim. Turo states that one of their claims specialists will
200 make contact with the owner of the vehicle within 24 of a claim being submit-
201 ted. Turo will then provide instructions to the parties about how to obtain
202 an appraisal.

203 Turo uses a third-party administrator called the Littleton Group to de-
204 termine a vehicle’s actual cash value. Littleton, in turn, uses AutoClaims
205 Direct, a nation-wide network of independent auto appraisers. In the event
206 of a claim, AutoClaims Direct will dispatch an appraiser to perform a visual
207 inspection of the vehicle and to obtain photographic documentation of the ve-
208 hicle’s condition. The appraiser will also collect information on the general
209 condition of the vehicle, the odometer reading, and any other information
210 that may help accurately determine the value of the vehicle.

211 Software is employed to sweep across the market to obtain information
212 on comparable vehicles to the one subject to a claim. The software will then
213 determine the value of the vehicle based on how it compares in condition

214 and mileage to comparable vehicles on the market at that time. It may also
215 include a factor that accounts for depreciation.

216 If a claim made to Turo is determined to be eligible, Turo notifies the
217 renter and charges their payment method(s) for an initial claim processing
218 cost of up to \$575.

219 The owner is then presented with their options for resolution. They may
220 elect to not pursue, the owner and the renter can elect to resolve the issue
221 directly with each other, the owner may resolve the claim directly with the
222 insurance carrier of the renter (or a third party in the event that the driver
223 is found no to be at fault), or the claim may be processed through Turo's
224 claims administrator.

225 Depending on the resolution option elected by the parties, the owner's car
226 may be repaired and the renter may be responsible for settling their financial
227 obligations, including payment of their deductible.

228 [1] J. M. Smith, A. B. Jones, Book Title, Publisher, 7th edition, 2012.

229 [2] A. B. Jones, J. M. Smith, Article Title, Journal Title 13 (2013) 123–456.