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CARVANA
2:30PM-3:30 PM
Kathy Cormier
CEUs:1

Massachusetts Association
of Insurance Agents



CARVANA

Buying a car online – Carvana and the MAP

By

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Agent’s question/problem

This week I have had two insureds come into the office to have me stamp an RMV-1 for a vehicle they are purchasing from Carvana.com, a company operating out of Arizona. I have been advised by my underwriters that I cannot stamp these RMV-1’s because there is no “insurable interest” because they do not technically own the vehicle until it’s delivered.

Have you heard of this new company and have you advised anyone else on this situation? So far, I have had two very angry insureds because Carvana.com is telling them that they do this all of the time.

Well ... whether car salespeople are in person or online ... It appears the standard line is ...“we do this all the time” ...or...”every other agent does this”!

Massachusetts v. the rest of the real world

For decades, an organization AIB (Automobile Insurers Bureau) has written a personal auto policy specifically for our state. Prior to the current competitive market all carriers were required to use the MAP (Massachusetts Automobile Policy) as written by AIB. In today’s competitive market a carrier doesn’t have to use this policy, but old habits die hard and most insurance companies writing auto in Massachusetts still use the MAP.

ISO (Insurance Services Offices) writes a personal auto policy that has been approved for use in all the United States including Massachusetts. Some MA auto carriers use the PAP, but most still use the MAP.

Does the MAP cover newly acquired autos?

The definition of “your auto” in the both the 2008 and 2016 MAP discusses additional and replacement vehicles purchased after the policy inception date as follows:

5. Your Auto – means:

A. The vehicle(s) described on the Coverage Selections Page.

....

C. A private passenger auto, trailer, motorcycle, pick-up truck, van or similar vehicle, to which you take title or lease as a permanent replacement for a described auto or as an additional auto. We provide coverage for an additional auto only if you ask us to insure it within seven days after you take title or the effective date of the lease.

If a replacement or additional auto is a pick-up truck, van or similar vehicle, it must not be used for the delivery or transportation of goods or materials unless such use is incidental to your business of installing, maintaining or repairing furnishings or equipment.

So, if a client takes title or takes lease to a private passenger auto, pickup, van, motorcycle or trailer during the policy period then the MAP provides automatic coverage for a replacement or an additional auto. Unlike the ISO PAP there is no discussion of WHAT coverage the additional or replacement vehicle receives. Obviously, if the agent and the insured have talked then the newly acquired auto will receive whatever was discussed. If the insured “takes title or lease” but had not discussed this with the agent/company, then historically a “replacement vehicle gets the coverage of the vehicle it replaces”. For an additional auto that was purchased without any prior discussion with the agent/company, historically the vehicle received the best coverage on the policy and the opportunity to request the Massachusetts mandatory offer of physical damage coverages.

The National PAP doesn't discuss “taking title or lease” it merely states “becoming the owner”:

K. "Newly acquired auto":

1. "Newly acquired auto" means any of the following types of vehicles you become the owner of during the policy period:
 - a. A private passenger auto; or
 - b. A pickup or van, for which no other insurance policy provides coverage, that:
 - (1) Has a Gross Vehicle Weight Rating of 10,000 lbs. or less; and
 - (2) Is not used for the delivery or transportation of goods and materials unless such use is:
 - (a) Incidental to your "business" of installing, maintaining or repairing furnishings or equipment; or
 - (b) For farming or ranching.

The PAP definition then goes on to describe exactly what automatic coverage is provided and how long it lasts which is infinitely more specific than the MAP. Don't you wish the MAP was as precise?

Auto insurance Massachusetts v. the rest of the world

The difference in policy language is not as much of a problem as the difference in our Massachusetts “procedures”. In other states the insured calls up and the agent adds or changes the vehicle on the policy. Whether the vehicle has been registered is immaterial to adding it to the policy in other states, so I don't doubt that Carvana or other online auto purchasing sites says, “they do it all the time”. I live in New Hampshire, when we purchase an additional or replacement vehicle, we call the agent and discuss coverage. Our coverage discussion has nothing to do with whether we registered the vehicle or not. If we ask for the vehicle to be added to the policy, then it is added.

Over the years, the definition of “your auto” in Massachusetts which discusses taking title or lease became the procedure for initiating coverage. Today, most Massachusetts auto carriers will not allow the addition or change of a vehicle on the MAP unless the insured has “taken title” or lease. Some carriers don't even allow the agent to change the replacement vehicle on the policy until the paperwork has actually been processed at the Registry of Motor Vehicles (even though coverage began when the insured legally took title).

In the beginning paragraphs, the agent stated that the underwriter advised the insured had no “insurable interest”. I'm not sure I agree with that statement. I reviewed the Carvana website and it does appear to make the car acquisition process as easy as possible. You pick out a car, create an account, submit a down payment (or finance through them) and they even give you \$200 towards an airfare to the Carvana vending machine holding your car! How easy no “high powered” salespeople, wow! If I have completed paperwork and arranged financing or at the very least made a down payment and intend to bring cash to the pickup location, don't I have an “insurable interest”? Sure, I do, just not the kind that Massachusetts auto carriers seem to allow.

Carvana procedures v. Massachusetts procedures

Kathy Cormier, CPPL, Member Relations Advocate has had various discussions with agents regarding the Carvana procedures. It seems Carvana wants Massachusetts agents to stamp an RMV-1 without the assignment of title. Well, Kathy advises that is a bad idea and contrary to RMV procedures.

Another Agent asked/stated

- 1) They want a binder and stamped RMV-1. However, if we stamp the RMV1 we need to endorse the policy to add the vehicle to the policy or replace an existing vehicle. But they may not deliver then car for over a week. And then what happens if they return the car? We have to reverse the endorsement? Do we need the stamped RMV1 back showing they didn't use it? How does the 7-day transfer law come into play?? Is this illegally attaching plates if they have retained the original vehicle until after the test drive? Does that even matter to us? Would there be coverage if the title had not yet been signed over to them due to the "test drive" option? (we always type "insurance effective upon transfer of title" on all binders we send out)
- 2) Carvana provided a completed RMV1 in which they (Carvana) was listed as the lienholder but they wanted a binder for a local credit union. This "Carvana dealer" was from MA and we advised they needed to correct and would not stamp until then. If it is a FL "dealer" are we responsible for completing the RMV1?

Asking for a bit much, don't you think? Unless it's a lease the agent cannot add a non-owned vehicle to the insured's MAP. The insured must first lose possession of the vehicle currently on the MAP and simultaneously take title to the new Carvana vehicle before the he/she can legally transfer the registration and have access to the 7-day transfer law.

Kathy has provided the following advice and observation to questioning agents:

Here are the problems that the customer faces in the Carvana situation.

1. You cannot stamp anything until the title has been assigned to your customer. The MAP will not insure a vehicle unless the client has taken title and that means that Carvana has signed the title over to the customer. Here is the language from the policy regarding assignment of title:

5. Your Auto – means:

C. A private passenger auto, trailer, motorcycle, pick-up truck, van or similar vehicle, to which you take title or lease as a permanent re-placement for a described auto or as an additional auto. We provide coverage for an additional auto only if you ask us to insure it within seven days after you take title or the effective date of the lease.

2. You cannot attach plates from the currently registered vehicle to the Carvana vehicle for two reasons...
 - a. You have not lost possession of the old vehicle and
 - b. You have not taken title to the new vehicle.

This is actually a violation of the 7-day transfer law and I have [attached an FAQ on the 7 day law.](#)

3. I'm also attaching a [title update](#) which states that the "dealer" must deliver the title at the time of delivery. If Carvana is allowing the customer to "Test Drive" this vehicle for a week, they need to provide a proper dealer plate registration on the vehicle for that test drive. This could negatively affect the client if they use their own plate and may result in a 93A claim with Carvana.
4. If the client is pulled over, they could be cited and fined for unregistered/uninsured (criminal), attaching plates, have the vehicle impounded and be subject to court costs, fines and surcharges for the next six years...how lucky does he feel today.

A Massachusetts auto insured cannot just "attach his/her plate to a vehicle that he/she does not own and the MA RMV defines ownership as having a title or CO signed over to them. If Carvana wants to provide a 7-day test drive, then they need to provide the Massachusetts buyer with commercial coverage and a valid registration so that the potential client is both legal and insured. As Kathy cautions to "just attach one's plate" to a vehicle that one does NOT own can result in a "blue-light special" and a potential motor vehicle violation which will increase one's auto premium. How's THAT working for your client.

Insurance v. registration

Could the automobile insurance company allow the client to add a vehicle to his/her policy that is being purchased through the Carvana or other online procedure? Sure, they could. Can the agent or insured MAKE them add the vehicle? No.

And even if the auto insurance company DOES allow the addition of the vehicle to the policy, one still can't register it without the title or CO. The perspective client needs to obtain the proper paperwork and register the vehicle before traveling to the Carvana automobile vending machine.

Please remember that part of MAIA service is answering questions and providing information. Please feel free to email me when you have a coverage question, problem or issue. Perhaps I can help – at imorrill@massagent.com

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Thanks for attending!!

Remember, I'm just a phone call or email away:

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