

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION

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In the Matter of

RELAYRIDES, INC.

RelayRides.

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**CONSENT ORDER**

Pursuant to Financial Services Law §404 and Insurance Law §2102, the Superintendent of the New York State Department of Financial Services (the “Department”) caused an investigation to be made into the insurance and other business practices of RELAYRIDES, INC. (“RelayRides”) (the “Investigation”). This Consent Order contains the findings of the Investigation, violations found as a result of the Investigation, and the relief agreed upon by the Department and RelayRides.

**FINDINGS**

The findings of the Department’s Investigation are as follows:

**Relevant Entities**

1. RelayRides is a Delaware corporation with its principal offices at 116 Natoma St., San Francisco, California 94105.
2. RelayRides advertises and offers an online service through which owners of automobiles (“Owners”) can make their personal vehicles available for rent and individuals who need a car are able to rent Owners’ personal vehicles (“Renters”).

**Background**

3. RelayRides began advertising and selling its service to New York residents in March 2012. This included setting up a page on the RelayRides website for New York Owners to post available cars and New York Renters to view cars available in New York.

4. Along with selling its service by which Renters could rent cars from Owners, RelayRides also sold Owners and Renters insurance policies such as a liability policy in case of injury to third-parties and damage to their vehicles, and a collision policy for damage to the Owners' cars when rented.

5. Following an inquiry by the Department into RelayRides' practices, RelayRides ceased new rentals in New York on May 15, 2013, while agreeing that any insurance claims made by New York Owners and Renters arising out of rentals prior to the shutdown of RelayRides' New York operations would be honored.

6. From June 2011 through May 14, 2013, RelayRides sold its services to 895 New York Renters and 258 New York Owners.

### **Unlicensed Insurance Producing**

7. RelayRides marketed on its website, [www.relayrides.com](http://www.relayrides.com), that Owners and Renters in New York are protected with a \$1,000,000 liability insurance policy for claims by third parties for bodily injuries and property damage.

8. RelayRides procured a group third-party liability insurance policy ("Liability Policy") in New York from Hudson Insurance Company ("Hudson") and sold this policy to New York Owners and Renters. RelayRides earned a portion of the fees Renters paid Owners for a rented car, and these fees included premiums for the Liability Policy. The liability policy premiums paid by Owners and Renters were charged proportionally to the duration of the reservation billed for the car.

9. A portion of the fees collected by RelayRides from Owners and Renters was used to pay premiums for no-fault insurance coverage included in the Liability Policies.

10. From March 2012 to March 2013, RelayRides charged Renters a standard physical damage policy, and beginning in March 2013, RelayRides offered Renters a choice of three physical damage insurance packages with varying amounts of protection for physical damage to the rented automobile during the rental period (collectively “Collision Policy”). These policies were financed and administered by RelayRides.

11. RelayRides collected premiums for any Collision Policies chosen by a Renter.

12. RelayRides issued insurance cards for the Liability Policy to both its Owner and Renter customers and collected fees from them in part to pay the premiums on the group insurance policies that provided customers with liability coverage for bodily injury and property damage. The RelayRides website represented that in the event of an accident “the [R]enter should look to the RelayRides insurance ID card” for insurance coverage and call the Hudson claims reporting number on the card.

13. Insurance Law § 2102(a)(1)(A) requires “any person, firm association or corporation...act[ing] as an insurance producer” to be licensed by the Department. An insurance producer under Insurance Law §2101(c) includes an insurance broker “who...for any compensation, commission, or thing of value acts or aids in any manner in soliciting, negotiating, or selling any insurance...on behalf of an insured other than himself or herself...”

14. RelayRides is not and never has been licensed as an insurance producer in New York.

15. RelayRides advertised liability and collision insurance policies, negotiated a group policy with Hudson, and sold individual policies to its users. In doing so, RelayRides was

acting as an unlicensed insurance producer, in violation of New York Insurance Law § 2102(a)(1)(A).

### **Unlicensed Insurance Adjusting**

16. When a car rented through RelayRides is damaged, the Owner informs RelayRides of the damage and RelayRides then investigates the claim, including reviewing pictures submitted by the Owner. RelayRides determined the amount to be paid out for repairs, typically accepting the amount based on the estimate provided by the Owner or the estimate of a third party appraiser's review. RelayRides would then seek to recover amounts owed by the Renter to RelayRides, depending on the level of protection purchased by the Renter.

17. RelayRides has represented to the Department that for more significant or complex damage to an automobile, RelayRides employs an outside firm to investigate and make a recommendation to RelayRides regarding the appropriate payment to Owners.

18. Insurance Law § 2102(a)(1)(A) requires "any person, firm, association or corporation...act[ing] as an...insurance adjuster" to be licensed by the Department. Under Insurance Law § 2101(g), an "adjuster" is any person or corporation who "acts in [New York] on behalf of an insurer in the work of investigating and adjusting claims arising under insurance contracts."

19. RelayRides is not and never has been licensed as an insurance adjuster in New York.

20. By reason of the foregoing conduct, RelayRides was acting as an unlicensed insurance adjuster in violation of New York Insurance Law § 2102(a)(1)(A).

### **Misrepresentations in RelayRides' Advertising**

21. RelayRides marketed its services through online advertisements which ran from March 2012 through May 2013. Via its website, [www.relayrides.com](http://www.relayrides.com), RelayRides marketed

directly to New York consumers, listing over 100 cities in New York where RelayRides vehicles were available.

22. Relay Rides also advertised through a direct mail program in New York in September 2012, having sent 11,094 mailers targeting car owners and 7,856 mailers targeting renters.

23. In these mailers, car owners were told that RelayRides provides “Peace of mind. Every RelayRides reservation is protected by \$1 million of liability insurance.”

24. RelayRides further advertised via television commercials in New York in November and December 2012.

25. In one television commercial aired in New York, the “Owner” renting out his car through RelayRides informs his neighbor that “I’m also covered in a million bucks worth of insurance.” The commercial, however, provided no other warning or information about a car owner’s potential liability or potential impact on a car owner’s liability insurance, nor disclosed to viewers that they could be responsible for claims exceeding the insurance provided.

26. RelayRides made advertising claims on its website similar to those described in the advertisements above, including representing to potential Owners that “one of the ways [RelayRides] protects you is by obtaining a \$1 million liability insurance policy that protects you against lawsuits and property damage while your car is being rented through the RelayRides service.” RelayRides also claimed on the website that potential Owners were adequately protected for collision damage, stating on the website that “if something unfortunate does happen while your car is being rented, your insurance policy should not be touched.”

27. New York Financial Services Law § 408(a)(1)(A) prohibits “any intentional fraud or intentional misrepresentation of a material fact with respect to a financial product or service.”

28. RelayRides represented to consumers in its advertisements that it provided adequate liability insurance, when in fact RelayRides' group Liability Policy could not supersede the customers' liability insurance policies in New York and left Owners' personal automobile policies responsible for damages incurred during rental. RelayRides misrepresented the coverage it provided and risk to Owners in violation of New York Financial Services Law ("FSL") § 408(a)(1)(A).

29. RelayRides also claimed on its website that in most cases participation in RelayRides would not violate an Owner's liability policy. However, standard New York liability policies do not permit the use of vehicles in commercial enterprises. Accordingly, RelayRides likely led many of its New York Owners to violate their liability insurance policies.

30. RelayRides misrepresented the consequences to Owners of participating in RelayRides' program in violation of FSL § 408(a)(1)(A).

31. RelayRides also failed to disclose to Owners that renting out a personal vehicle could constitute a commercial use of that vehicle, potentially causing Owners to violate standard provisions of New York vehicle leasing and finance agreements. RelayRides' failure to disclose this was a misrepresentation of its program to consumers in violation of FSL § 408(a)(1)(A).

### **Violations**

32. The foregoing acts and practices of RelayRides violate Insurance Law § 2102 and Financial Services Law § 408.

### **AGREEMENT**

**WHEREAS**, RelayRides admits the Department's Findings, and is willing to settle and resolve this Investigation and the Superintendent is willing to accept this Consent Order in lieu of commencing an administrative or other proceeding arising out of the subject matter of this Consent Order.

**IT IS HEREBY UNDERSTOOD AND AGREED** by RelayRides, its successors, assigns, agents, representatives and employees, and by any parent company, holding company, corporation, subsidiary or division through which RelayRides operates, that:

**Prohibited Practices**

33. RelayRides will not solicit business in New York or permit customers to offer to rent or rent vehicles in New York through RelayRides unless:

- a. RelayRides submits a business plan to the Department for its operations in New York demonstrating that its business plan and advertising is consistent with New York Insurance law; and
- b. The Superintendent provides RelayRides with a written determination that the proposed business plan is not inconsistent with the requirements of the New York Insurance Law, provided, however, that such determination shall not be deemed an approval by the Superintendent of RelayRides' practices in effectuating its business plan or a finding that RelayRides is in compliance with the Insurance Law, the Vehicle and Traffic Law or any other law, and RelayRides shall make no representation to the contrary;

**Advertising**

34. RelayRides will produce to the Department copies of all advertisements (including, but not limited to, magazine and newspaper advertisements and advertisements available on or distributed over the Internet, videotapes, radio and television broadcast scripts, handbooks, guidebooks, and website materials, including all click-through materials) employed each month within one week of the end of each month for one year following any issuance of a determination by the Superintendent pursuant to Paragraph 33(b) above. RelayRides will make available all advertising and consumer disclosures at the Department's request for an additional

two years. RelayRides will also produce copies of all consumer disclosures and social media policies and templates within two weeks of any issuance of a determination by the Superintendent pursuant to Paragraph 33(b) above.

### **Penalty and Remedial Procedures**

35. No later than March 7, 2014, RelayRides shall pay a civil penalty of TWO HUNDRED THOUSAND DOLLARS (\$200,000) to the New York State Department of Financial Services to address all underlying conduct relating to insurance activity in New York up to the Effective Date of this Consent Order. The payment shall be in the form of a wire transfer in accordance with the Department's instructions or a certified or bank check made out to "State of New York Department of Financial Services" and mailed to: New York State Department of Financial Services, One State Street, New York, New York, 10004-1511, Att: Max Dubin, Assistant Counsel, Financial Frauds & Consumer Protection Division.

36. Neither RelayRides nor any of its subsidiaries or affiliates shall, collectively or individually, seek or accept, directly or indirectly, reimbursement or indemnification with regard to any or all of the amounts payable pursuant to this Consent Order, including, but not limited to, payment made pursuant to any insurance policy.

### **Other Relief**

37. RelayRides admits to the authority of the Department to effectuate this Consent Order. RelayRides will cease and desist from engaging in any acts in violation of the Insurance Law and FSL and will comply with the Insurance Law and FSL.

### **Breach of the Consent Order**

38. In the event that the Department believes RelayRides to be materially in breach of the Consent Order ("Breach"), the Department will provide written notice to RelayRides of the Breach and RelayRides must, within ten (10) business days from the date of receipt of said

notice, or on a later date if so determined in the sole discretion of the Department, appear before the Department and shall have an opportunity to rebut the evidence, if any, of the Department that a Breach has occurred and, to the extent pertinent, demonstrate that any such Breach is not material or has been cured.

39. The Parties understand and agree that RelayRides' failure to appear before the Department to make the required demonstration within the specified period as set forth in Paragraph 38 of this Consent Order is presumptive evidence of RelayRides' Breach. Upon a finding of Breach, the Department has all the remedies available to it under the New York Insurance Law and FSL and may use any and all evidence available to it in connection with all ensuing hearings, notices, orders and other remedies that are available under the New York Insurance Law and FSL.

#### **Other Provisions**

40. Nothing in this Consent Order shall be construed to prevent any consumer from pursuing any right or remedy at law.

41. If RelayRides defaults on its monetary obligations under this Consent Order, the Department may terminate this Consent Order, at its sole discretion, upon 10 days' written notice to RelayRides. In the event of such termination, RelayRides expressly agrees and acknowledges that this Consent Order shall in no way bar or otherwise preclude the Department from commencing, conducting or prosecuting any investigation, action or proceeding, however denominated, related to the Consent Order, against RelayRides, or from using in any way statements, documents or other materials produced or provided by RelayRides prior to or after the date of this Consent Order including, without limitation, such statements, documents or other materials, if any, provided for purposes of settlement negotiations.

42. The Department has agreed to the terms of this Consent Order based on, among other things, the representations made to the Department by RelayRides or its counsel and the Department's own factual Investigation. To the extent that representations made by RelayRides or its counsel are later found to be materially incomplete or inaccurate, this Consent Order is voidable by the Department in its sole discretion.

43. Upon the request of the Department, RelayRides shall provide all documentation and information reasonably necessary for the Department to verify compliance with this Consent Order.

44. All notices, reports, requests, and other communications to any party pursuant to this Consent Order shall be in writing and shall be directed as follows:

If to the Department:

New York Department of Financial Services  
One State Street  
New York, New York 10004-1511  
Attention: Max Dubin, Assistant Counsel

If to RelayRides:

RelayRides, Inc.  
116 Natoma St.  
San Francisco, CA 94105  
Attention: Alex Benn, Chief Operating Officer

45. This Consent Order and any dispute thereunder shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

46. RelayRides waives its right to further notice and hearing in this matter as to any allegations of past violations up to and including the Effective Date of this Consent Order and agrees that no provision of the Consent Order is subject to review in any court or tribunal outside the Department.

47. This Consent Order may not be amended except by an instrument in writing signed on behalf of all the parties to this Consent Order.

48. This Consent Order constitutes the entire agreement between the Department and RelayRides and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Consent Order. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Consent Order has been relied upon by any party to this Consent Order.

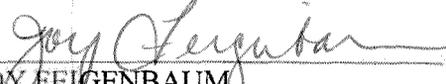
49. In the event that one or more provisions contained in this Consent Order shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Consent Order.

50. This Consent Order may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto and So Ordered by the Superintendent of Financial Services or his designee (the "Effective Date").

51. Upon execution by the parties to this Consent Order, the Department will discontinue the Investigation as and against RelayRides solely with respect to insurance and advertising practices and the misrepresentations set forth herein related to RelayRides' car sharing program in New York State through the date of this Consent Order. No further action will be taken by the Department against RelayRides for the conduct set forth in this Consent Order provided that RelayRides complies with the terms of the Consent Order.

**WHEREFORE**, the signatures evidencing assent to this Consent Order have been affixed hereto on the dates set forth below.

DEPARTMENT OF FINANCIAL SERVICES

By:   
JOY FEIGENBAUM  
Executive Deputy Superintendent  
Financial Frauds and Consumer Protection

*March*  
February, 2014

RELAYRIDES, INC.,

By:   
Andre Haddad, CEO

February 2, 2014

THE FOREGOING IS HEREBY APPROVED.  
IT IS SO ORDERED.

Dated: New York, NY

February, 2014  
*March 5*

  
BENJAMIN M. LAWSKY  
Superintendent of Financial Services