

Important Information about Ride-Sharing

What is Ride-sharing?

Transportation Networking Companies (TNC) are becoming more popular throughout the United States. TNCs connect automobile owners/drivers with individuals looking for a ride as a passenger. This is accomplished most often through a website or smartphone application using GPS technology to match people in proximity to one another.

Things You Should Be Aware of Before Engaging in Ride-sharing

The passenger pays a fee for the ride that the driver of the automobile uses their car to provide.

Individuals that would sign up to be drivers for this service and people who would choose to be passengers using this TNC ride-sharing service should think about several important factors before engaging in this activity. Those factors include:

- Some personal automobile insurance policies MAY NOT cover losses when an individual uses their personal automobile for business/commercial use or when a vehicle is driven for livery purposes;
- This means there may not be insurance coverage for liability, medical payments, physical damage, uninsured and underinsured motorists coverage, personal injury; and the driver may have to pay these costs out-of-pocket.

If you are thinking about being a driver or a passenger with this service, be sure to thoroughly and carefully read any agreement with the TNC as well as any insurance policies (the TNC's, the other party's, and your own).

Contact Your Insurance Agent First Before Engaging in a Ride-Sharing Program

Contact your insurance company and discuss the role you are considering with the TNC ride-sharing service. Ask if an accident or injury while engaged with this service would be covered by your existing insurance policy. If you are considering being a passenger, then ask your insurance company if the purchase of a "non-owned" vehicle policy would provide the needed coverage. If you are considering being a driver, then ask your insurance company about purchasing a commercial policy to provide another layer of protection, even though the TNC may have insurance coverage. A potential automobile driver and a potential passenger with a TNC ride-sharing service should review insurance options with a licensed agent before getting involved with a TNC ride-sharing service.

Frequently Asked Questions

What are ride-sharing programs?

There are a variety of ridesharing programs. This Alert covers those programs provided by transportation networking companies (TNC). These entities use a smart phone app to connect drivers with potential passengers. Some of the companies providing these services are Lyft, Uber and Sidecar. The driver uses his own vehicle and the passenger provides a fee for that service. Some drivers may rent their vehicles to the passenger.

What are the insurance implications of these types of programs?

Insurance policies may not provide coverage for all potential claims. There could be some potential coverage gaps. Some of these companies may carry commercial liability insurance coverage. However, this coverage may not cover all types of claims. For example, these policies may not provide medical payments coverage, comprehensive, collision, uninsured (UM)/underinsured(UIM) motorist coverage or other optional coverage. If this coverage does not exist in the TNC's policy, this means that the commercial liability policy may not provide coverage for 1) bodily injury to the driver; 2) damage to the driver's car or 3) bodily injury or physical damage caused by an uninsured or underinsured motorist. Also damage caused by an animal, glass breakage, theft or vandalism may not be covered. Additionally, some policies are excess policies and may not provide coverage unless the driver's personal auto policy has already paid the claim to the limits of the policy.

Shouldn't my personal automobile insurance policy cover me?

Most standard personal auto policies contain exclusions for livery—which generally means “driving for hire.” Some policies exclude coverage for these situations. Consumers need to read their policies carefully especially the Exclusions Section of the policy.

An exclusion may read as follows:

We do not provide Liability Coverage for any Covered Person....

For liability arising out of the ownership or operation of vehicle while it is being used to carry persons for a fee. This exclusion does not apply to:

A share the expense car pool; or

Your covered auto used for volunteer work when reimbursement is limited to mileage expenses.

Consequently, an insurer may deny coverage to a driver who is driving passengers for payment of more than a share-the-expense car pool fee based on such exclusions.

What Should I do?

You should talk to your agent about your coverage and any potential gaps in that coverage before deciding to engage in such a venture. You may also need to consider buying a commercial automobile property and casualty policy that provides coverage for medical payments, comprehensive, collision and UM/UIM insurance coverage to be certain that your car is covered.

What do I do if my college student decides to become a driver for one of these entities?

Share the contents of this Alert with your college student. If the student is listed as a driver on your auto policy, you will want to discuss this possibility with your insurance agent as well.

Should I be concerned about my carpool?

Generally, no. Carpools are not generally considered ridesharing and are not excluded under the typical auto insurance policy because it is not considered “driving for hire.”