



DO YOU UBER?

Exploring insurance coverage for Transportation Network Company (aka TNC or ride-sharing) Services

Lorie Dorsey, Personal Lines Product, June 2015

Source for photo: <http://siliconslopes.com/2014/04/hail-ride-smartphone-ride-sharing-app-lyft-launches-salt-lake/>

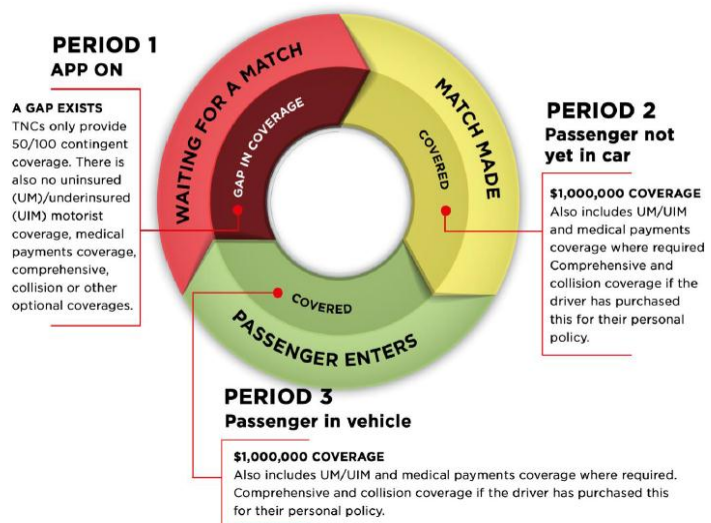
At a time when consumers are giving up their vehicles because of nightmarish traffic, gas prices, or other reasons, Transportation Network Companies, or TNCs, have become a very popular alternative to driving. You may have heard of, or even been a passenger in a Sidecar, Uber, or Lyft car (the cars with the fuzzy pink mustache). Perhaps you have even considered driving for one of these companies to make a few dollars in your spare time. Ride-sharing in terms of TNCs is defined as “the practice of driving for hire using an online-enabled platform to connect drivers—who are using their personal vehicles—with passengers”¹.

From a customer standpoint, TNC services are convenient in areas where hailing a cab is nearly impossible, when cabs are non-existent, or even just when it’s not feasible to drive. Passengers can use a mobile app to request a ride, get price quotes for their trips, track the location of the driver, and even pay the fare by a credit card on file with the company. Customers say TNC rides are cheaper, faster, and friendlier. For example, based on rates in the fall of 2014, fares or “driver donations” as Lyft refers to them, are based on a standard \$1.98 pickup fee, \$1.80 per-mile charge and \$0.20 per-minute fee, with a minimum fare of \$5.00². Compare this against a \$3.75 pickup fee, \$2.25 per-mile charge, and automatic 15% tip for a taxi in Akron, Ohio³. From a driver standpoint, drivers make extra money, meet new people, and work flexible hours without unreasonable investment or equipment demands. Most are not required to have any special licenses or training.

Before you decide to enter the TNC community as a driver, be aware--most personal auto insurance policies exclude coverage for you, a passenger, or a third party if you are involved in an accident while operating your vehicle in the capacity of a “public or livery conveyance”. TNCs provide primary coverage *after* the customer has engaged with the driver on the app up to the point of delivery of the customer to their destination. However, most TNCs only provide “contingent” or excess coverage during the period when the mobile app is in the “on” position and the driver is waiting for a fare to connect with them. This leaves a gap in coverage, which is the concern of the insurance industry and consumer groups at this time.

TNC Insurance Coverage Periods

Source: PCI



In addition to primary auto insurance, TNCs require drivers to maintain their vehicles in good operational condition. Most TNCs also require a squeaky clean driving record and require drivers to go through an extensive screening process which typically includes criminal and civil record searches, driving record searches to identify prior accidents, violations, DUIs, hit and runs, suspended licenses, fatal accidents, or reckless driving; sexual misconduct, gun-related violations or resisting or evading arrest.

Many states are discussing and developing legislation to ensure that privately owned vehicles provide adequate protection for customers and drivers from the time the application is turned on to the time the customer is dropped off at their destination. Some insurance companies are beginning to offer coverage for the “period 1” exposure, while others are reinforcing exclusionary language in their personal auto policies. PCI and other insurance trade groups will continue to monitor states as they establish ways to encourage this blooming business while providing appropriate coverage for the consumers.

If you are a TNC driver and are concerned about whether you or your passengers are covered, be sure to contact your agent. The National Association of Insurance Commissioners (NAIC) also has suggestions on their website to help ensure you are covered.

From a passenger perspective, if you have requested a ride and are waiting for your ride or are en-route to your destination, you are most likely protected. If you no longer own a vehicle and are concerned about the limits of the vehicle owner’s insurance coverage, consider asking your insurance agent about a “Named Non-Owned” policy. This type of policy provides coverage for you over and above the vehicle owner’s insurance coverage.

¹NAIC News Release. (August, 2014). Sharing a ride, but not insurance. *National Association of Insurance Commissioners, Consumer Alert*. PCI. Retrieved from: [http://www.pciaa.net/web/sitehome.nsf/lcpublic/1126/\\$file/TNC_Consumer_Alerts_092214.pdf](http://www.pciaa.net/web/sitehome.nsf/lcpublic/1126/$file/TNC_Consumer_Alerts_092214.pdf)

²Cho, J.H. (March 26, 2014). Pink-mustached Lyft launches its own car service in Cleveland today. *Cleveland.com* [online]. Retrieved from: www.cleveland.com

³Taxi Fare Finder (2014). Retrieved from: <http://www.taxifarefinder.com/main.php?city=Akron-OH>