

Commissioner's Monthly Column

Welcoming Innovation while Reducing Insurance Ambiguity in Ridesharing Technology

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This month I'd like to address the topic of ridesharing that has piqued considerable interest not only in Louisiana but across the country. Consumers in need of a ride in a number of cities now have the option of hailing a driver from their smartphone. What sets this new service apart is that ridesharing drivers for hire are using an online platform as well as their personal vehicles to transport passengers for a fee.

The online application (app) is provided by businesses known as transportation network companies (TNCs). The companies regard the hired drivers as third party transportation providers or vehicle operators. Rather than hailing a cab, consumers request a ride through the downloaded smart phone app. The app also allows users to get price quotes for their trips, track the driver's location, and to pay their fare using a credit card on file.

Ridesharing services are now available in more than half of our states and dozens of countries. One company recently launched its services in Baton Rouge and the New Orleans City Council has been debating the issue for several months. There are no upfront costs to the driver but the TNC does check the driver's background and driving record.

This new transportation system has generated significant debate from various parties including civic leaders who see the TNCs as providing a boost towards economic development and tourism as well as from taxi and limousine services troubled with the lower barriers of entry to their market for TNCs. From the insurance industry's standpoint, there are concerns about the lack of information on what is and what is not covered in the event of an accident.

On July 24 I issued an advisory to consumers to review their policies and talk with their agents before signing on to drive or ride with a TNC. This message has also been issued by the National Association of Insurance Commissioners and by many other state insurance commissioners due to the growing popularity of the services. The main issue of concern is a possible gap in insurance coverage between the driver's personal automobile insurance policy and the TNC's commercial policy in case of an accident. Virtually all personal auto insurance policies exclude coverage when personal vehicles are used to give rides for fees.

While personal auto insurers have made it clear that drivers should obtain a commercial policy if they are offering ridesharing services for a fee, there is concern that this bifurcated coverage will lead to confusion as claim investigators determine which policy (commercial or personal) is responsible for coverage at the time of an accident. At the National Association of Insurance Commissioners (NAIC) Summer Meeting in August, a panel on ridesharing was standing room only. One issue raised by consumer representatives was the potential for increased costs for all policyholders as insurance carriers investigate more claims to determine if a driver was actually providing rideshare

services during an accident. As it stands now, many carriers are only finding out after a claim is filed that a policyholder was providing rideshare services.

The major TNCs offer policies for their drivers that include commercial liability coverage; some TNCs also offer uninsured/underinsured motorist coverage. However, some of these policies may offer lower coverage limits or even exclude the period when a driver is looking for a passenger but does not yet have a passenger on board. The latter scenario was raised in a high-profile case in California when a TNC driver was involved in a fatal accident on his way to pick up a passenger on New Year's Eve and since no passenger was in the car, the TNC denied responsibility. California is now considering legislation requiring \$750,000 in commercial liability insurance from the moment drivers turn on the app, but that has led to debate about coverage during the time between the driver turning on the app and being matched to a passenger.

Before signing up to drive for a TNC, drivers will want to ask the TNC questions about commercial insurance coverage. Some questions include:

- How much liability insurance does the TNC provide while I'm transporting a passenger?
- Will I be charged a deductible? If so, how much?
- Is the commercial liability insurance coverage my main source of coverage, or is it supplemental to my personal auto policy?

Depending on which TNC a driver is working for, they may consider buying a commercial policy that provides liability insurance as well as comprehensive, collision, medical payments, and uninsured/underinsured motorist coverage. This will ensure that they are properly protected if they get into an accident while driving for hire.

Riders should also be aware of the fact that ridesharing is not the same thing as taking a traditional taxi or limousine. Limos and taxis are licensed to transport passengers for a fee. The vehicles are inspected, and drivers must be properly licensed. Taxi operators are required to have insurance that protects a passenger and third parties, such as pedestrians or other drivers, should the taxi be involved in an accident that causes bodily injury or damage.

Insurance regulators oversee insurance companies and agents, not TNCs. But a primary mission of state insurance regulators is consumer protection and with this in mind, insurance regulators across the country will continue to closely monitor the challenges presented by ridesharing services. I also encourage you to become involved and engaged in the discussion. The NAIC has issued two Consumer Alerts on ridesharing on their website, one targeting passengers [*Sharing a Ride, But Not Insurance: Protect yourself as a ridesharing passenger*](#) and the second addressing drivers [*Sharing a Ride, But Not Insurance: Ridesharing drivers may face insurance coverage gap*](#). This is an issue sure to touch the lives of many sooner or later based on the widespread popularity of the service we have seen across the country.