

Transportation Network Companies: Insurance Coverage Challenges and Implications

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Have you seen or used any of these sites?

- www.uber.com
- get.lyft.com
- www.side.cr

Transportation Network Companies

- A vehicle owner provides transportation services to others in exchange for what the TNC refers to as a “*donation*” (known as “**ridesharing**”)
- Concept originally developed in CA – 1990s
- The heart of the TNC service is an online-enabled smart phone app
- Hundreds of “peer-to-peer” ridesharing networks have appeared across the U.S.
- The list of competitors to Uber, Lyft and Sidecar continues to expand – exponentially!

U B E R

EARN CASH WITH YOUR CAR

YOUR VEHICLE AND DRIVER TYPE

UberBLACK



You Are...

A professional chauffeur with a commercial license and commercial auto insurance.

Your Vehicle Is...

A black sedan, town car, crossover SUV that comfortably seats 4 passengers, or a full-size SUV that comfortably seats at least 6 passengers.

[SIGN UP FOR UBERBLACK](#)

uberX



You Are...

At least 23 years old, with a personal license and personal auto insurance.

Your Vehicle Is.

Any mid-size or full-size 4-door vehicle, in excellent condition.

[SIGN UP FOR UBERX](#)

[Uber.com](https://www.uber.com)

HAVE A QUESTION? PLEASE [CONTACT US](#)

From Lyft's Website

- **Drivers must:**
 - Be at least 21
 - Have their own car, 2000 model year or newer
 - Own an iPhone or Android
 - Pass a telephone screening and in-person meeting
 - Pass background and DMV record checks
 - Have a valid personal auto policy which meets or exceeds state requirements
- **Driver's vehicle must pass Lyft's inspection**

Drivers' obligations under Lyft's contract:

- Driver is solely responsible for “any and all liability” resulting from – *or is alleged to be resulting from* – the operation of his vehicle to transport riders
- Driver agrees to *indemnify and hold Lyft.....harmless* for any losses, costs, liabilities and expenses arising out of the use of the Lyft service, including:
 - Breach of the agreement
 - Violation of any law
 - Any allegation that the driver....violated trade secrets, trademarks, copyrights, etc.
 - Ownership, use or operation of a motor vehicle
 - *Any other activity* in connection with the service

What does all this mean to the insurance industry?

TNC Implications

- Most **TNC** drivers/operators will likely insure their vehicle under an ISO or ISO-based Personal Auto Policy (**PAP**)
- *Some TNC* drivers *might*:
 - Be relatively naïve when it comes to insurance and legal matters
 - Not seek professional advice
 - Receive questionable insurance advice
- Since the ISO PAP is the likely insurance coverage vehicle for many TNC operators, let's take a quick look at it

- The ISO PP 00 01 Personal Auto Policy excludes “livery conveyance” under all its coverage Parts:
 - **Liability**
 - **Medical Payments**
 - **Uninsured Motorists**
 - **Physical Damage**
- IRMI definition of “public or livery conveyance use”:
 - “The transporting of people and/or goods for hire, such as by a taxi service, motor carrier or delivery service.”
- The ISO PP 00 01 includes no contractual liability coverage

In addition:

ISO has introduced a new endorsement intended to reinforce the PP 00 01 “livery conveyance” exclusions:

- **PP 23 40 10 15 Public or Livery Conveyance Exclusion Endorsement**
- **PP 23 40 10 15** adds a new definition:
 - “Transportation network platform” means an online-enabled application or digital network used to connect passengers with drivers using vehicles for the purpose of providing prearranged transportation services for compensation”
- **Approved in Indiana**

ISO has **also** introduced two new coverage “buy-back” endorsements for ‘transportation network platforms”

- **PP 23 41 10 15** Transportation Network Driver Coverage (No Passenger)
 - Covers the period from the time the driver logs onto the TNC app up until the moment *before* the passenger steps into the vehicle
- **PP 23 45 10 15** Limited Transportation Network Driver Coverage (No Passenger)
 - Covers the period from the time the driver logs onto the app until they accept a ride. It does **not** cover the time immediately following their acceptance of the fare while they are driving to pick up the passenger, or the time when the passenger is in the vehicle
- Indiana has introduced its own slightly different versions:
PP 23 72 10 15 and **PP 23 73 10 15**

Given PAP coverage limitations for TNC/Ridesharing operators –

**Lyft's website includes information for
prospective drivers:**

<https://www.lyft.com/drive/faq?article=1229170>

- **Contingent Liability**
 - Covers while in driver mode but before a ride request is received
 - \$50,000/\$100,000/\$25,000 limits – no deductible
- **Excess Liability**
 - Once a ride has been accepted and vehicle is occupied by passenger(s)
 - \$1 million limit
 - Excess of driver's insurance
- **Excess Uninsured/Underinsured Motorists**
 - \$1 million limit
 - Excess of driver's insurance
 - No deductible

- **Contingent Collision**

- Driver's own auto policy must include Collision on auto for Contingent Collision to respond
- Responds if driver's insurer declines collision claim because driver is driving for Lyft
- \$50,000 limit, \$2,500 deductible

- **Contingent Comprehensive**

- Driver's own auto policy must include Comprehensive on auto for Contingent Comprehensive to respond
- Responds if driver's insurer declines Comprehensive claim because driver is driving for Lyft
- \$50,000 limit, \$2,500 deductible

The Business Auto Policy (BAP) is Different from the PAP!

TNCs and the BAP

- **No** “livery conveyance” exclusion for any coverage in the Business Auto Policy (BAP) or its standard endorsements
 - The ISO BAP was designed to potentially insure a “livery conveyance” operation (subject to insurer appetite)
- Liability assumed in an “insured contract” **is** *automatically* covered by the unendorsed BAP

But, most standard-line insurers don’t offer BAP coverage to “livery conveyance” operations!

Where can the TNC driver get proper insurance?

- A properly-conditioned Personal Auto Policy ***plus*** the coverage offered by the Transportation Network Company
- A properly-conditioned Business Auto Policy – possibly from the Specialty/E&S market – in which case the coverage offered to its drivers by the TNC may not be necessary

A separate type of transportation service: “Carsharing”

The vehicle owner rents his or her entire vehicle to others when the owner isn't using it (known as “**carsharing**”) – examples:

- RelayRides (www.relayrides.com)
- Sprideshare (www.spride.com)
- *Ad infinitum* – dozens of these out there!

Carsharing Implications

- The unendorsed ISO PAP does **not** exclude coverage while insured autos are rented to others!!
 - *“Whoever thought of renting your car to someone you don’t know anyway?”*
- Insurers are concerned about the growing carsharing model
- **October 2013** – ISO introduced new exclusion:
 - **PP 23 16 10 13 Personal Vehicle Sharing Program Exclusion Endorsement**
 - Excludes all PAP coverage while the covered auto is enrolled in a personal vehicle sharing program and being used by anyone other than “you” or a “family member”

- Ridesharing, TNCs and other “shared economy” transportation alternatives are proliferating rapidly
- The standard unendorsed Personal Auto Policy excludes all coverage when being used by a TNC driver
- TNCs recognize the insurance challenges of their concepts
- ISO has just introduced a new exclusion reinforcing the traditional PAP “livery conveyance” exclusion
- ISO has also just introduced new TNC coverage “buy-back” endorsements for PAP
- A Business Auto Policy – if available – may be a superior approach *from a **coverage** perspective*