

# Commissioner Offers Comments to Potential Ride-Share App Service Providers

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## Thinking of Entering into a Ride-Sharing or Car-Sharing Arrangement?

*Insurance Commissioner offers some points to consider*

**July 29, 2014, DES MOINES** - Recent newspaper and broadcast coverage in Des Moines have featured stories about a relatively new combined use of mobile connectivity and willing drivers of their private autos to create a new transportation option. The company mentioned in that coverage is called Uber. That company has created an app for smartphones from which a person can book and pay for a ride, while contracting individuals to provide the transportation the app arranges. A similar transportation plan also exists under the business name Lyft.

The Iowa Insurance Division (IID) cautions drivers who enter into services that connect drivers, riders, and vehicle owners for car-sharing and ride-sharing that they may not be covered if their vehicle is damaged or someone is hurt.

These fee-based services may pose hidden risks if the rider, driver, or vehicle does not have specific insurance coverage for that activity. If an accident occurs while someone else is riding with you or driving your car, the typical private passenger automobile policies may not provide coverage for any liability incurred. Those who ride-share with passengers or own a car-share vehicle may need commercial coverage. Drivers who car-share may want to get their own "non-owned vehicle" policy if they drive other people's vehicles to be sure they are protected. Typically, a commercial automobile insurance policy is necessary to provide a vehicle for rent or to transport property or passengers for compensation.

There is also a risk to the consumer of the services, just as is the case for the provider. There are already court cases in which the person who ordered a ride is being named in lawsuits against a driver arranged through one of these services, so the Insurance Division is doubly concerned to see a satisfactory approach to drivers being properly covered.

To be clear, this alert is not about a traditional car-pooling arrangement by friends or neighbors who share the cost of gasoline or take turns driving is not the situation being addressed. Those types of arrangements typically are not a problem.

If you are considering becoming a driver / ride provider, the Iowa Insurance Division suggests that you visit with your insurance company or insurance agent before you sign up for car-sharing or ride-sharing.

IID offers five helpful tips for Iowans who may plan to sign up for car-sharing or ride-sharing arrangements:

- Review carefully any type of agreement involving car-sharing or ride-sharing.
- Before you decide to rely on insurance that is provided by others, be sure to get a copy of the policy and ask an insurance professional to make certain it covers all of your exposures.
- If using such a service, evaluate who may be responsible if you are injured and whether coverage will be available.
- Talk to your insurance company or agent to see what is and isn't covered. The exclusions in your personal automobile policy for this type of use will likely apply to all types of coverage including liability to third persons, uninsured and underinsured motorist coverage, medical payments for people using or occupying your vehicle, comprehensive physical damage coverage, collision physical damage coverage, and limits on the insurance company's duty to defend you in a lawsuit.
- If the car-sharing or ride-sharing service provides some type of "umbrella" insurance, find out if that coverage includes the duty to defend you in a lawsuit.

Exercising caution and reviewing your insurance program may go a long way to protecting your financial well-being.

In a similar vein, new uses of one's home for rental under internet-based short term arrangements are occurring everywhere, including in Iowa. Well-known service arrangements are the ones under Vacation Rental By Owner (VRBO) and Airbnb. Just as is the case for automobiles, residences that are rented out under these arrangements are probably being used in ways not anticipated by their insurer when they priced and wrote the policy. Insurers will typically have exclusion language in their insurance policies that preclude payment for homes used other than just as the policyholder's residence. This can result in a justified non-payment of claims for such important risks as fire, theft, and liability, along with a host of other potential losses.

"Innovative new uses for technology to make our lives easier is leading to some terrific ideas," said Iowa's Insurance Commissioner Nick Gerhart. Programs such as Uber, Lyft, VRBO and Airbnb may offer consumers great service and

convenience, but as a regulator, I want potential providers and users to be aware of the very real problems they could face without knowing about these restrictions.”

The Iowa Insurance Division recommends that property or vehicle owners considering earning income through any of these services should always check with their insurance agent and/or company in order to avoid devastating financial losses due to non-covered claims.