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# Getting a Grip on Ridesharing Coverage

***by Amy O'Connor***

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# GETTING A GRIP ON RIDESHARING COVERAGE

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Ridesharing services are becoming increasingly popular among consumers looking for a more convenient alternative to taxis or other forms of public transportation, and start-up ridesharing companies have been cropping up everywhere trying to ride the heels of the success experienced by the three major transportation networking companies: Uber, Lyft and Sidecar.

But insurers have been a little slower to hop in the backseat on this journey. Insuring this class isn't easy because it is difficult to address the different exposures and get adequate rate, says Mark Maucere, senior vice president for AmWins Transportation Underwriters Inc. in the Indianapolis office.

"Our rate [for transportation classes] is based on a point A to point B mechanism, and the problem with these operations is we don't know when the car is out or in the garage, we don't know the experience of the driver, car maintenance or in what other ways it is used," Maucere says.

AmWins Transportation Underwriters insures limousines, taxicabs and public auto transportation like vans and private passenger services, but has enacted a moratorium on new ventures because of the ridesharing trend.

"A lot of drivers think they are covered under their personal auto coverage, which they aren't because it is excluded, so they realize they need

commercial coverage and come to us for insurance," Maucere says. "The problem is it is so new that you really have to ask the questions 'What are you doing?' and 'Are you using a dispatch service?' We aren't saying it's not a good risk, but it's a risk we can't get our hands around yet."

Maucere says the differences between transportation network companies (TNCs) and a taxicab is the taxi has earned a medallion or paid for one from its municipality. Medallions are not easy to acquire. Taxi and other private passenger auto drivers also have experience transporting passengers in their vehicle and dealing with distractions that can come along with that. Taxi companies also make sure drivers maintain their vehicles.

Maucere says until his company gets a better handle on how to best insure startup ridesharing companies, which will require state legislation that will hold all TNCs accountable for vetting their drivers and ensuring passenger safety, AmWins will avoid the business.

"There is an opportunity here, and we would be interested in potentially looking at these classes of business if we could properly underwrite and put the rate around it," Maucere says. "But it's very difficult until you can grab that data and verify some of the things we can't verify now."

**The idea of ridesharing has taken off and propelled transportation network companies into an emerging billion-dollar transportation market.**

Excess and surplus lines insurer James River has insured two big TNC's: Uber and Lyft. According to John Clarke, vice president of marketing for James River, the carrier was approached by a wholesale broker to write very specific coverages for the new industry.

Despite the fact that James River is not an auto market and doesn't write taxi or trucking classes, as it learned about the companies and how they track miles and vet drivers, and the technology behind them, the carrier became accepting of the risk, Clarke says.

He says there were no rules or precedents to follow when James River began to structure the policies, because this type of business had never been done before. But James River was able to accommodate the insurance structure the TNCs requested and has responded with different component features as the industry has evolved.

The three major parts of coverage for TNC's includes:

- Core policy with $1 million limit that drops down and covers the driver when the driver has accepted a rider and is en-route to pickup a passenger; then take the rider to his or her destination and drop him or her off. The core policy also covers Uber and its parent company, Rasier. This "ride" policy is a contingent excess commercial auto policy with Rasier (and specified subsidiaries like Uber) named as insureds. It is contingent in that the driver's primary coverage is the private passenger auto policy, the policy that also satisfies any financial responsibility requirement in the driver's state. In the event that coverage is declined by a driver's PPA insurer, the Rasier (Uber) ride policy will step in to provide coverage to the driver. This policy carries a $1 million CSL limit and applies from when a ride request is accepted until the rider is delivered to the destination.
- Coverage with a lower limit for when the driver is logged on with the TNC and is sitting or driving around waiting to be dispatched to pickup a rider. Structured like a typical auto policy with a per person limit, per event limit and a property damage limit.
- Separate coverage purchased by the TNC for physical damage to the driver's vehicle if damage occurs while the driver is using the vehicle for commercial (ridesharing) and not personal purposes.

Gus Fuldner, head of insurance for San Francisco-based Uber, says his company has developed a partnership with James River in building its insurance program to also address the peculiarities in each state and nationally.

"The overall principle that we target is fairly straightforward: While a driver is on a trip or there is a passenger in the car, we want the passenger, driver and any other party to be protected by insurance that is as good or better than a limo or taxi in that same jurisdiction," Fuldner says.

While the aforementioned policy has been the insurance model Uber has used so far, Clarke says this class is constantly evolving with new technology and legislative requirements, so no one really knows what model will be the most effective down the road.

For the foreseeable future, this business is definitely a surplus lines risk, he says.


"This is a classic example of the nonadmitted market doing exactly what it is supposed to do – write a new business that cannot get insurance in the standard market," he says. "Private passenger auto companies won't do it, so where do they go to get insured? They come to us because that's what we do. Then when it becomes mainstream, the admitted market will come in and take the business. That's the natural lifespan, but right now it has to be in the surplus lines market."

Fuldner says working with a surplus lines insurer has benefited Uber. "We have a very collaborative relationship with the insurer, and that is one of the big advantages of working with a surplus lines market. They have the flexibility on both the changing markets and the feedback we get from constituents," he says. "The surplus lines industry is going to play an important role in the development of this market."

The major TNCs that have been successful so far are growing larger every day, says Clarke, making it difficult for startups and smaller competitors to keep up — especially those that don't follow the same strict business practices. The leading TNCs take safety and the vetting of their drivers very seriously, he says, which includes making sure drivers have a valid driver's license and insurance, performing background checks, and monitoring feedback and ratings of drivers.

**'We aren't saying it's not a good risk, but it's a risk we can't get our hands around yet.'**

Drivers can also only pickup riders through the app and are prohibited from picking up people hailing a cab. Clarke says if drivers violates this condition, their insurance coverage does not apply and they are in violation of their agreement with the TNC. They also have to identify themselves as TNC drivers when they pickup a passenger, and Uber and Lyft have identifying features on their vehicles so riders know they are getting into an approved vehicle.

"These transportation network companies are very concerned about doing this properly, and it is in their self-interest to make sure their drivers do it right," Clarke says. "These guys are extremely well-capitalized and financed, and they are building a business for the long haul."

With that in mind, Clarke doesn't see a lot of opportunity for startups in this space because of the barrier to entry set by these big TNCs. That leaves scant opportunity for agents and brokers, Clarke says, because the successful TNCs have already partnered with large brokers. There is also the uncertainty of what will happen with legislation and how that will affect the development of the industry.

He expects taxi and limo companies will have to adapt to this new "social" way of doing business if they want to compete with TNCs, and that will create challenges and opportunities for the insurance industry as well.

"Nobody wants to stand in the way of innovation, but we have to figure out how it's all going to work together," Clarke says. "It's a really interesting industry that we have watched be completely created in the last two years. Someday I think our children will laugh at us for waving our arms on the corner for a taxi."

Uber has worked closely with personal lines carriers that sell commercial insurance to educate them on how the ridesharing business works with the hope that insurers will embrace this emerging market.

"Oftentimes carriers are selling a very similar commercial lines product and deal with covering the exposure of people using their personal auto in the course of their business, whether it be food delivery or real estate agents," Fuldner says. "Once [insurers] understand that, the conversation really changes to talking about business opportunities for those carriers to build products that embrace ridesharing as a concept."

The biggest change that is necessary for the insurance industry to price this risk accordingly, which seems to be the toughest hurdle, Fuldner says, is to look at usage-based pricing as opposed to unit-based. The demand and need for part-time drivers is there, he says, and the sooner insurers change their mindset on pricing, the more opportunity will be available to them.

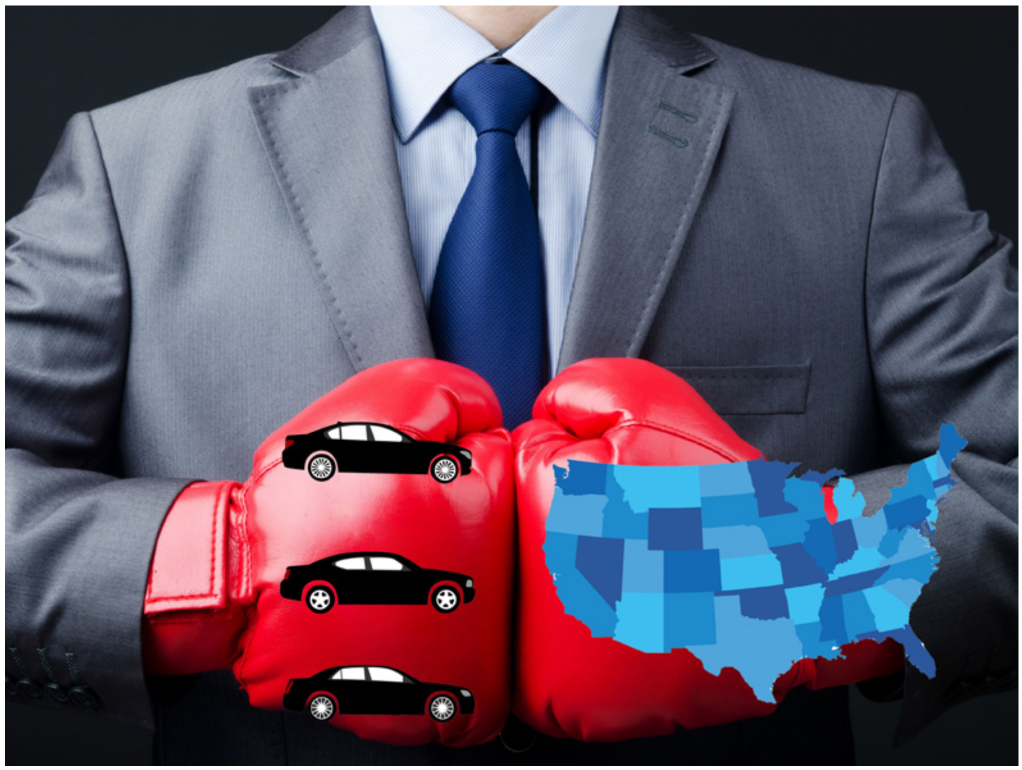
"[Ridesharing] is a really outstanding example of how usage-based insurance has created a large economic opportunity for the industry," he says. "And the insurers who say, 'How can we price it?' instead of 'We don't know how to price it' will create a new product for this market."

AmWins' Maucere says that in the meantime, agents and brokers need to make sure they ask their taxi and limo clients the important questions to make sure clients are not participating in these ventures without proper insurance coverage or expecting to be covered for an excluded service.

"Ask all the questions and don't just assume when they say they have a limo it's just a limo service. Or when they say they are starting up a new business, ask what the car is going to be used for," he says. "Any good retail producer does these things. If they understand what they are looking at and can understand the underwriting process, that will help us." IJ

## Uber, Lyft, Sidecar Toe-to-Toe With Insurers State-by-State

**By Don Jergler**



The share-and-share-alike attitude considered a virtue by some has become fighting words between ridesharing companies and the insurance industry.

"We try not to make it a battle," says Robert Passmore, senior director of personal lines for the Property Casualty Insurers Association of America (PCI).

Steering away from giving a winner-loser perspective, he adds: "We're not against anybody's business model."

But it is a battle, and it's unfolding state-by-state cross the country as PCI, along with a handful of other powerful insurance groups, spends considerable time and resources to make sure personal automobile insurance isn't footing the bill for ridesharing activities.

The idea of ridesharing has taken off and propelled transportation network companies like Uber, Lyft and Sidecar into an emerging billion-dollar transportation market.

And local and state governments must now figure out how to deal with all of this. Regulation, insurance and safety concerns are among the issues they are grappling with, while angry taxi operators who feel put upon or about to be put out are also coming into play through protests and rancorous political action.

A perceived gap in insurance coverage — between when a TNC's commercial insurance policy is in effect and when a driver's personal auto policy will be expected to cover any unplanned incidents — has the insurance industry standing its ground.

The industry's stance is that TNC drivers are providing a commercial service any time they are logged into a ridesharing smartphone app and looking for a ride. The battle has escalated to the legislative level, with PCI and other large insurers' groups putting in regular appearances at rulemaking and legislative hearings on ridesharing throughout the nation for more than a year.

TNC operators have agreed in several states to provide $1 million in commercial coverage for whenever a ridesharing driver has a ride. And while TNCs have offered various solutions to deal with the insurance gap, they haven't agreed to provide the level of commercial coverage insurers have pushed for.

TNCs have argued that requiring $1 million coverage for the period when drivers have their app on but no match will kill their business model, as well as scare off insurance companies currently developing TNC products. They have also accused the taxi and limo industry of stirring things up across the nation to thwart their emerging competition, as is apparent in a statement from Sidecar given in response to a request for comment for this article.

"Established and powerful interests like the taxi industry are threatened and using their political muscle to try and stop or slow services like Sidecar, Lyft and UberX. But people want transportation choice. We hope to continue to work with leaders nationwide to create policies that strike the right balance between protecting public safety and allowing for more consumer choice in the marketplace."

In a statement from Lyft, the company noted that despite broad publicity over the battles, there has been cooperation between TNCs and some governments and regulators.

"In April, we entered into an operating agreement with the city of Detroit for two years (or until new regulations are introduced), which is a great example of a city seeing the value in community-powered transportation and adapting to allow that model to thrive. While we have faced challenges in certain municipalities, we are hopeful that we can work together with local leaders to come to a permanent solution that puts the people first."

Uber spokeswoman Eva Behrend said the company is optimistic about finding middle ground.

"We believe there is a solution to be found," she said. "We think there is a solution, and we do support insurance regulation." IJ