

# Ridesharing Creates Coverage Gaps

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NEED A RIDE? There's an app for that! Technology is changing the face of on demand transportation. While ridesharing offers a money making opportunity for automobile owners, there are some important issues to be aware of. These include coverage gaps and personal safety. Helping clients understand and address the exposures is another value-added service of the professional insurance agent.

Ridesharing uses a smartphone application and geopositioning technology to locate available rides in the area. Payment can often be made via a stored credit card. Uber and Lyft are two of the biggest ridesharing services.

Ridesharing is a growing industry. For example, 75,000 New Yorkers downloaded Lyft's application in 2014 in anticipation of its launch in the city. Uber, founded in 2009, is now operating in 70 cities worldwide. There are a number of reasons for this rapid growth. Ridesharing can be a convenient and low cost way to get around.

Statistics also show that the number of young adults who are not licensed drivers is increasing. According to a University of Michigan survey, in 1983, 8 in 10 Americans ages 17-19 were licensed, versus only 6 in 10 today. (ns.umich.edu) According to U.S. Department of Transportation statistics, the average cost to own and maintain a car in 2012 was \$9122. (www.rita.dot.gov) The high cost of

owning and operating a vehicle, or the availability of friends or family to provide transportation, are contributing factors to the decreasing percentage of licensed young adults.

Lack of close and affordable parking for city dwellers is another factor.

Personal auto coverage does not apply to use of the vehicle when passengers are being carried for a fee (ridesharing), other than a share the expense carpool. Vehicle owners that are considering participating in



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ridesharing may need to look to the ridesharing service to provide coverage for damage to their vehicle as well as liability for damage to any third parties while the vehicle is being operated as part of the ridesharing agreement. To avoid any confusion or gap in coverage, coverage should apply from the time the driver accepts the ride request until the ride is ended in the app. Some ride sharing companies also require regular inspection and maintenance of the vehicles that are used in the service.

Insurance coverage is only part of the issue. Safety of the driver and pas-



sengers is also a concern. Some ridesharing companies screen their drivers, including background checks. However, they may not screen the riders. Social media tools such as Facebook can be a way to check out potential riders prior to accepting their ride request. However, there is always a risk when allowing a stranger in your car, or accepting a ride with a stranger.

Ridesharing may seem to be an attractive way to earn extra money, but it is not without its downside. Helping clients understand and mitigate possible problems is another sign of the true insurance professional.

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