COVERAGE INSIGHTS

Coverage Considerations for Uber, Lyft and Other TNCs

There is a smart phone application for almost everything now: adjusting your thermostat when you're not home, recording your daily run and keeping track of your personal finances. Transportation apps such as Uber and Lyft that allow you to request a ride using your smartphone are becoming increasingly popular—and also controversial.

Transportation Network Companies

Considered a type of ridesharing, a company that uses an online-based platform to connect passengers and drivers for transportation services (using the driver's personal vehicle) is now commonly called a transportation network company, or TNC. The California Public Utilities Commission (CPUC) defined a TNC in 2013 in order to describe what these services are and to help write rules and regulations for them. Other cities and states are now following the CPUC's precedent.

Because TNCs are a new type of company and service, it has been difficult to determine what regulations the company and drivers need to follow as well as what insurance coverages apply to them. When TNCs first gained popularity, there were many questions about proper insurance coverage, gaps in coverage and who is liable in an accident.

The CPUC determined that, in the state of California, TNCs provide for-hire transportation for passengers, which would classify them as a livery service. Livery services are not covered under most standard auto policies, and, if you use your car for business purposes, you need commercial car insurance coverage. At first, many drivers did not know this, creating confusion when they caused or were involved in accidents.

Personal Auto vs. Contingent Liability Coverage

Since TNC drivers use their vehicles for both purposes—business and personal—it was a challenge to make the distinction between when a driver was simply driving his or her own car and when he or she was driving as a representative of the TNC. Two of the most well-known TNCs, Uber and Lyft, have clarified when drivers are covered by different types of insurance.

When a driver is driving with the TNC app off, the driver is not working and not accepting rides, so the driver's personal auto insurance is the primary coverage. When the driver turns on the app, is in driver mode but has not yet accepted a ride, TNCs generally offer contingent liability coverage if the driver's personal auto insurance does not offer protection. When a passenger is picked up, the TNC's policy is the primary policy until the end of the ride.

Each insurance company has a different approach to claims from TNC drivers, as this is a relatively new type of risk. Consult with Huckaby & Associates to further discuss in which situations coverage is in effect to be sure you are always protected. The TNC insurance landscape is continuously evolving to meet the safety needs of drivers and passengers. Huckaby & Associates is your resource for information on new and changing regulations and how they could affect you.