

An Insurer's Dilemma:

Investigating Rideshare Claims and their effect on Personal Auto Policies

Audrey C. Parr, Esq.
Corinne A. Taylor, Paralegal

PARR LAW, P.C.

781-939-0901
www.parrlawpc.com



What is Rideshare?

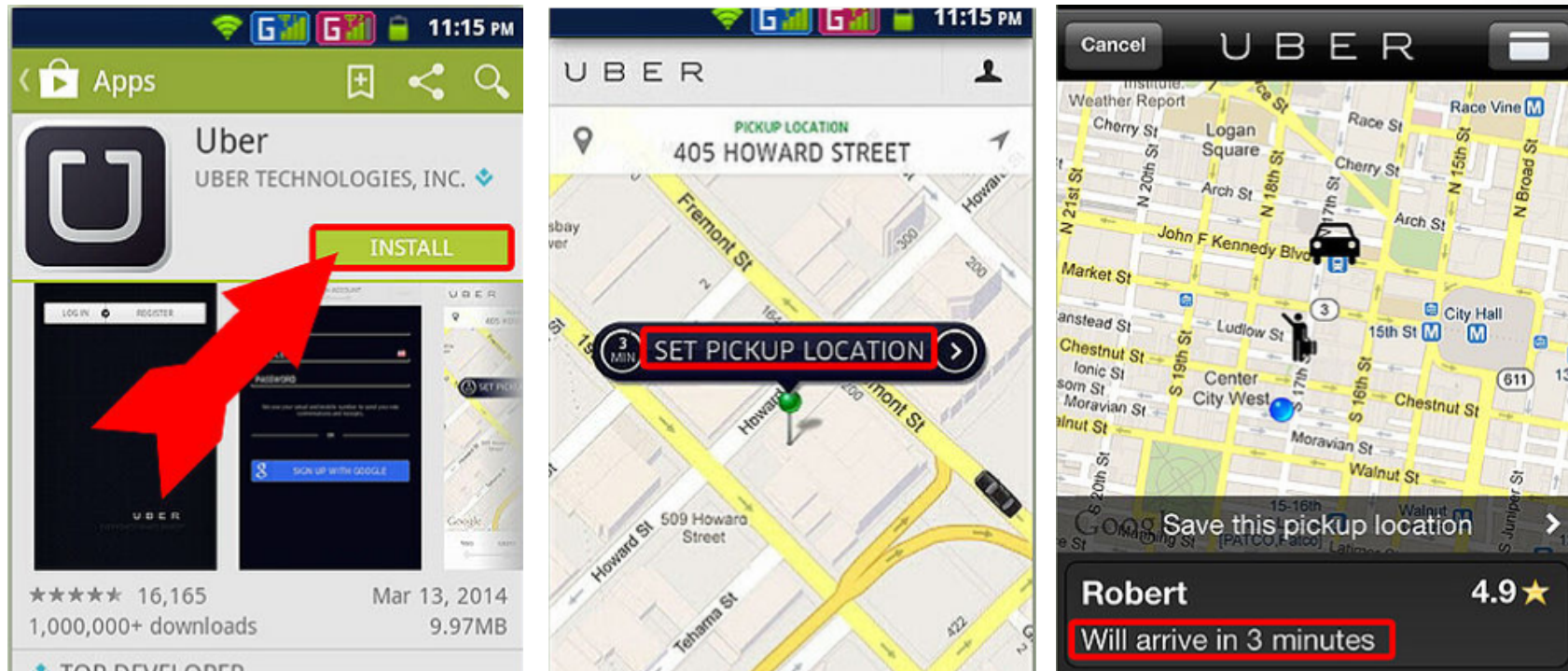
Traditional Rideshare

- **Carpooling**
- **Corporate Rideshare**
- **Shared Costs**
- **Not for Monetary Gain**
- **May be Claimed Under Personal Auto Policy**

Rideshare 2015

- **Rides Arranged via Cellphone App Between Strangers**
- **Business Venture**
- **For Monetary Gain**
- **May Fall Under Livery Exception**
- **May Not be Covered Under Personal Auto Policy**

What is Rideshare?



Pay through phone app. No cash.*

What is Rideshare?

TRANSPORTATION NETWORK COMPANIES (“TNCs”)

Entity that uses a digital network to connect Riders to Drivers who provide Prearranged Rides.

A TNC shall not be deemed to control, direct, or manage the personal vehicles or Drivers that connect to its digital network, except where agreed to by written contract.



**First Legally
Recognized in
CA – 2013**

**Now
operating in
60 countries
&
311 cities!**

How Did Rideshare Start?



“UberBlack”

- Full-sized cars
- Taxi Medallions
- Comm. Ins.

“UberX”, Lyft, & Sidecar

- Any driver
- Any vehicle
- No regulation
- PAP Policies

Up to 50,000 new Drivers sign up each month!

92% Don't tell their PAP Insurer

Who Does Rideshare?

Rideshare Driver

Receives connections to potential passengers and related services from a TNC in exchange for payment of a fee to the TNC.

Uses a personal vehicle to offer or provide a Prearranged Ride through a digital network controlled by a TNC in return for a fee.

Rideshare Rider

Uses a TNC's digital network to connect with a Driver who provides Prearranged Rides in the Driver's personal vehicle between points chosen by the Rider.



Aren't TNCs Just Taxis?

Prearranged Ride

Provision of transportation by a Driver to a Rider beginning when a Driver accepts a Ride requested by a Rider through a digital network controlled by a TNC, continuing while the Driver transports a requesting Rider, and ending when the last requesting Rider departs from the personal vehicle.

“...a ride is considered prearranged if the ride is solicited and accepted via a TNC digital platform before the ride commences. TNC drivers are strictly prohibited from accepting street hails.” - California CPUC

What Risks Do Rideshare Drivers Present?

- Additional miles driven
- Geographic hazards (Riders in urban settings)
- Unfamiliar roads
- Driver distractions (by App)
- More people in the vehicle driven
- Rushing/poor driving assoc. with driving for money
- Driver exhaustion
(52% are part-time - 75% work another job as well!)

How Does This Effect Insurance Companies?

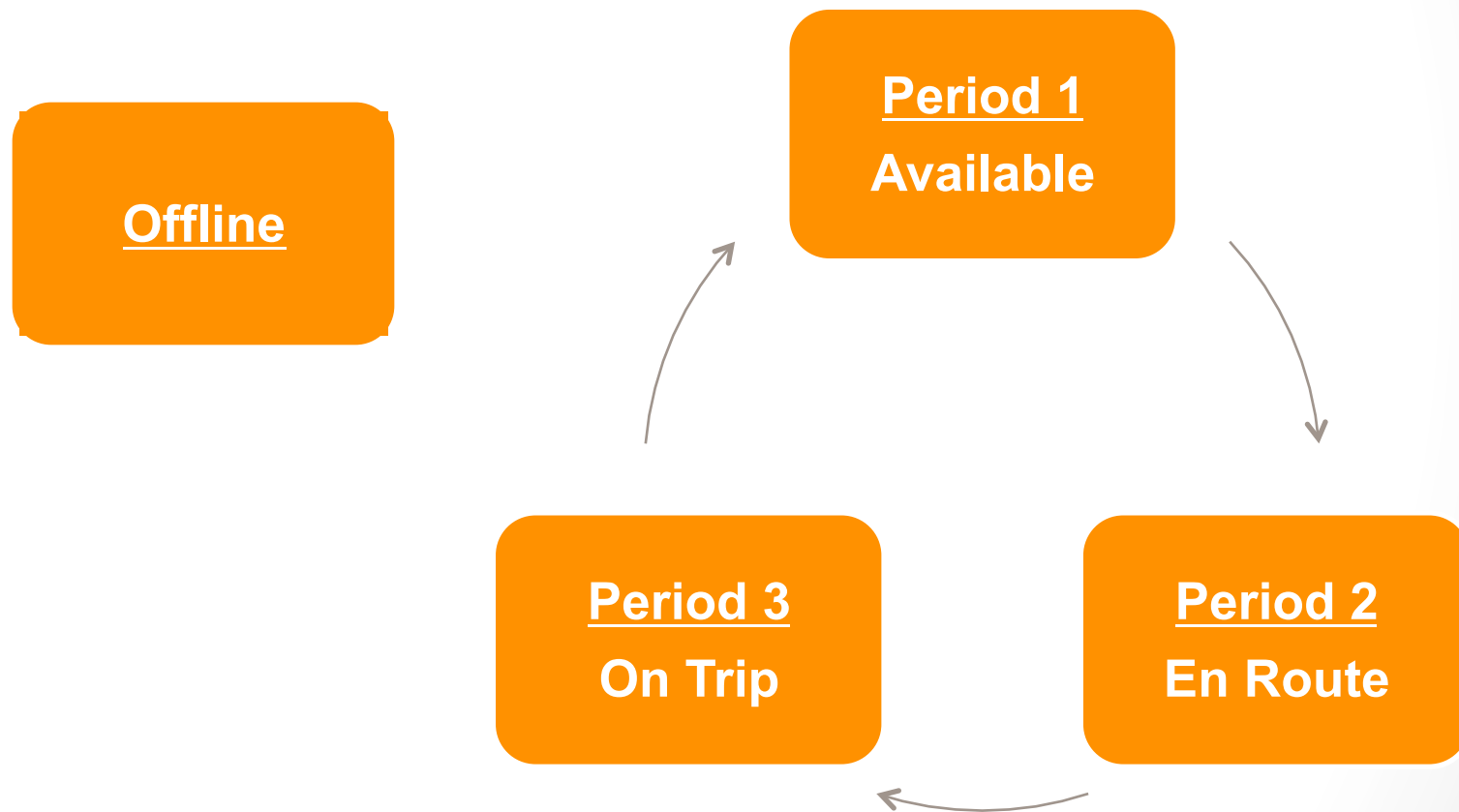
“Drivers get some commercial coverage from both Uber and Lyft.”

“There can still be coverage gaps that could affect the driver, the vehicle and anyone injured in an accident.”

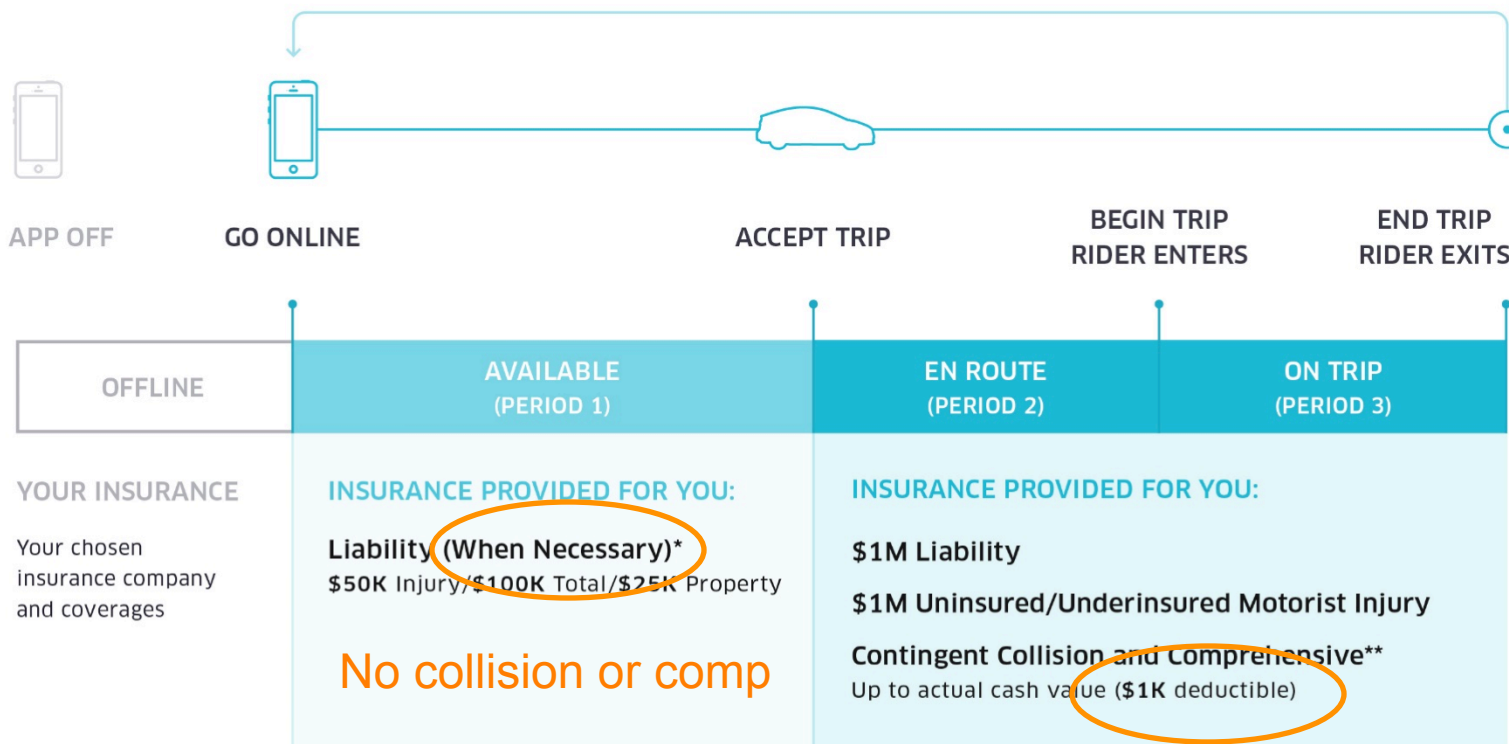
- WSJ, Mar 31, 2015

Rideshare “Periods”

TNC Insurance VARIABLES by “Period” in which MVA occurs



How TNC Insurance Works



* We maintain automobile liability insurance on your behalf if you do not maintain applicable insurance of at least this amount.

** Pays for damage to your vehicle if you maintain auto insurance that includes collision coverage for that vehicle.

Note: Additional coverage will be provided where required by state and local laws. At least this much coverage is provided in all US states for drivers while operating personal vehicles under the transportation network company model.

OFFLINE

Rideshare App is OFF and remains OFF

Driver is not in course of employment

Driver is not distracted by any Rideshare-related activities

PAP coverage will usually afford coverage for 3rd party claims/1st party claims

FRAUD ALERT

What if...

Driver picks up a passenger without the use of the Rideshare App?
(remember...prearranged

rides!)

- Turns off App to pocket cash
- Finds rider without App (hailed)

Period 1 – AVAILABLE

AKA “The Gray/Gap Area”

Rideshare App is ON

Driving and waiting for Rider request

Driver has not been notified of an actual request

PAP? TNC Policy? Both?

FRAUD ALERT

What if...

- Driver’s vehicle is damaged (remember, no coll. coverage!)
- Driver is injured (liability only?)

Period 2 – EN ROUTE

Driver has accepted the request

Driver is on way to pick up Rider

No Rider in vehicle yet

*TNC Policy coverage **should** be afforded – BUT most TNC Policies require PAP's refusal first*

FRAUD ALERT

What if...

- Driver has accepted...and then Rider cancels?
- Driver has been notified of Rider request, but has not yet accepted on the App?

Period 3 – ON TRIP

Rideshare App is ON

Driver has accepted the Rider request

Driver has picked up Rider and is transporting

- OR -

Driver is in the process of letting off Rider

TNC Policy should be primary

FRAUD ALERT

What if...

- Ride has ended, party has paid, and accident occurs before Rider is out of vehicle? Or party doesn't pay?
- Collision occurs without bodily injury – and driver has \$250 PAP deductible

Real Possibilities...

Misrepresentation in App

- Driver intentionally omits Rideshare activities

Collision Claims

- TNCs have higher deductibles than PAPs

Staged Accidents

- Drivers chosen by GPS proximity

Jump-Ins

- Only one person pays

Misuse/Intentional Interference

- Driver turns off App immediately after accident
- Driver pulls over to pick up hailing fare

And Consider...

- What if the Driver has on multiple Apps?
- Sidecar's "Set your own price" and "Filter your ride request" discrimination possibilities
- Driver has a non-fare friend in the front seat
- Double dipping?

What Issues Have Arisen?

Wrongful Death – Uber driver struck and killed Sophia Liu, 6, and injured her mother and brother in crosswalk during “Period 1.”

Policy Response “this tragedy did not involve a vehicle or provider doing a trip on the Uber system.”

Rape Charges:

- HOUSTON – Approved Driver arrested less than three years after serving a 14 year felony drug conviction.
- NEW DELHI – Driver arrested on rape and assault charges.

Policy response: Uber is “the wrong party...” to sue, and the case is a “dispute involving an alleged wrong committed by one Indian citizen against another Indian citizen...”

Collision – Approved Uber driver claims accident occurred while not working for Uber...one day after adding collision coverage to PAP.

What Issues Have Arisen?

“Do not mention your work as a [TNC] Driver on any social media. Good way to get coverage denied in case of an accident.”

“If I got rear ended I would leave [the TNC] out of it if I had no passengers.”

“People get hit all the time...and the Insurance companies don't ask them...were you working for [a TNC] ???”

Concerns for PAP Insurers

- TNC policies are *secondary* in many jurisdictions
- Drivers assume PAP coverage available for TNC activities
- Driver confusion between 1st party vs. 3rd party claims coverage
- TNCs rely on ignorance/lack of insurance expertise of their Drivers
- PAP Insurer false sense of security – livery exclusions

“Uber rushes to hire a fleet of attorneys as legal problems grow.” – Headline, Charlotte Bus. Journal

Typical Livery Exclusions

COMPULSORY COVERAGES

Part 3 – Bodily Injury by Uninsured Motorist

The most we will pay for damages to or for anyone injured in the following situations is \$35,000 per person and \$80,000 per accident or the limits you purchased, whichever is less:

1. Anyone injured while occupying **your auto** while it is being used as a public or livery conveyance...

Part 4 – Damage to Someone Else’s Property

We will not pay for property damage which occurs:

1. While **your auto** is being used as a public or livery conveyance.

Typical Livery Exclusions

OPTIONAL COVERAGE

We will not pay under *any of the Optional coverages*:

1. If the accident happens while **your auto** while it is being used as a public or *livery conveyance*. This does not apply to the use of **your auto** in a share-the-expense car pool arrangement or in an expense reimbursement program either as a volunteer or at work...

What's Being Done to Deal With These Issues?

The TNC Insurance Compromise Model Bill

Developed March 2015 by Insurance and TNC leaders.

Suggests:

- Exclusion of TNC activity from PAP
- Mandatory primary coverage from TNC, TNC driver, or combo \$50k/\$100k/\$25-30k in Period 1
- TNC Primary coverage Periods 2 & 3 of \$1M

Does the Model Bill Resolve Our Concerns?

The Model Bill is only a *MODEL* – **it is not guaranteed.**

Also, the Model Bill does not address/clarify:

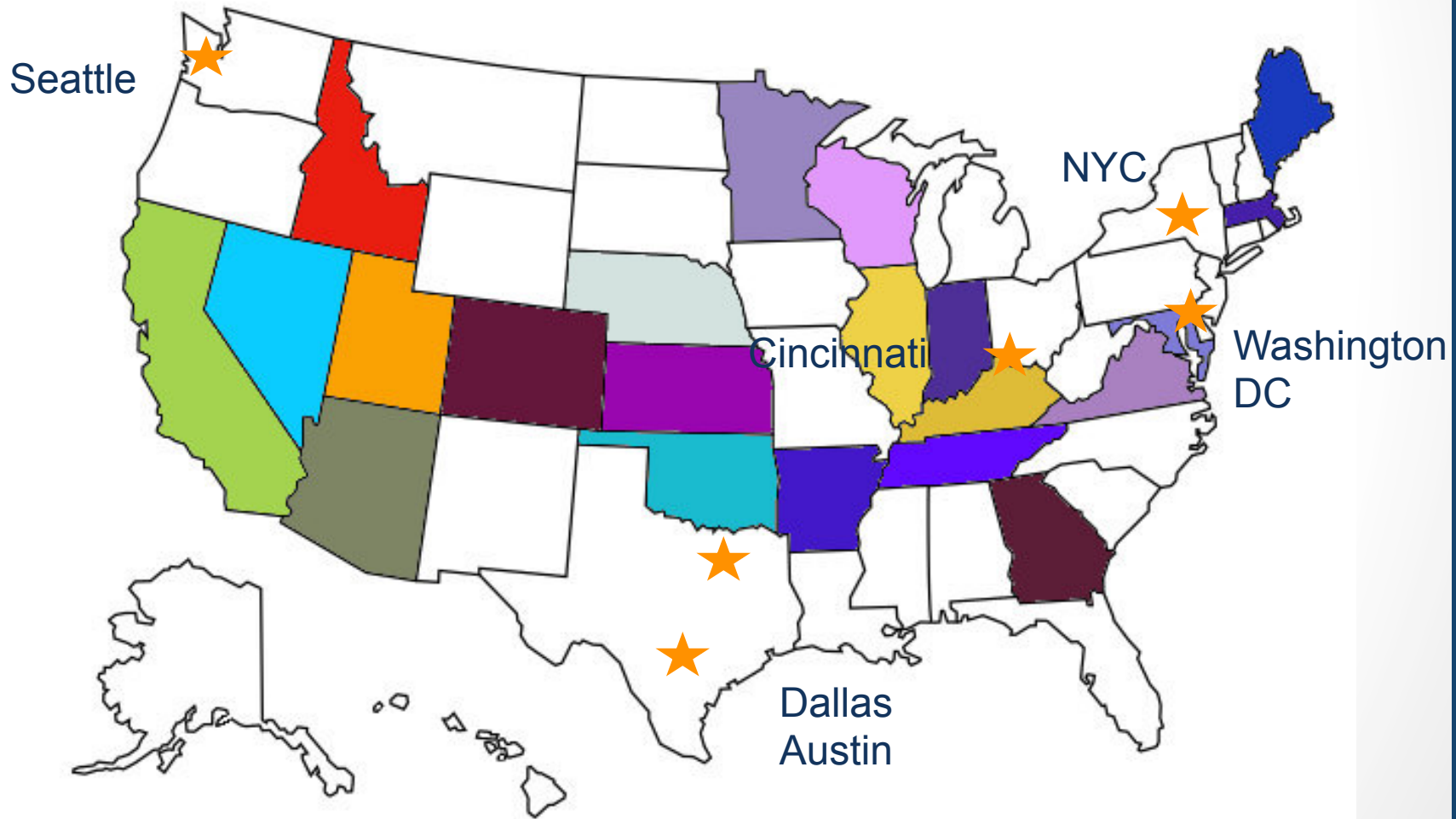
- UM/UIM coverage
- MedPay coverage
- Comprehensive coverage
- Collision coverage
- Secured lender rights
- Period 1 Liability: “Primary coverage from TNC, TNC driver, or combo”??

“It still may take some time for the insurance market to refine state specific ridesharing solutions.”

- Paul Blume, Senior VP, PCI

Are There US Solutions?

Legislation has recently passed in many states. Otherwise, ordinances vary from city to city.



Are There US Solutions?

Florida is an excellent example of the chaos.

Hillsborough Co. –

No more citations; pending regulation.

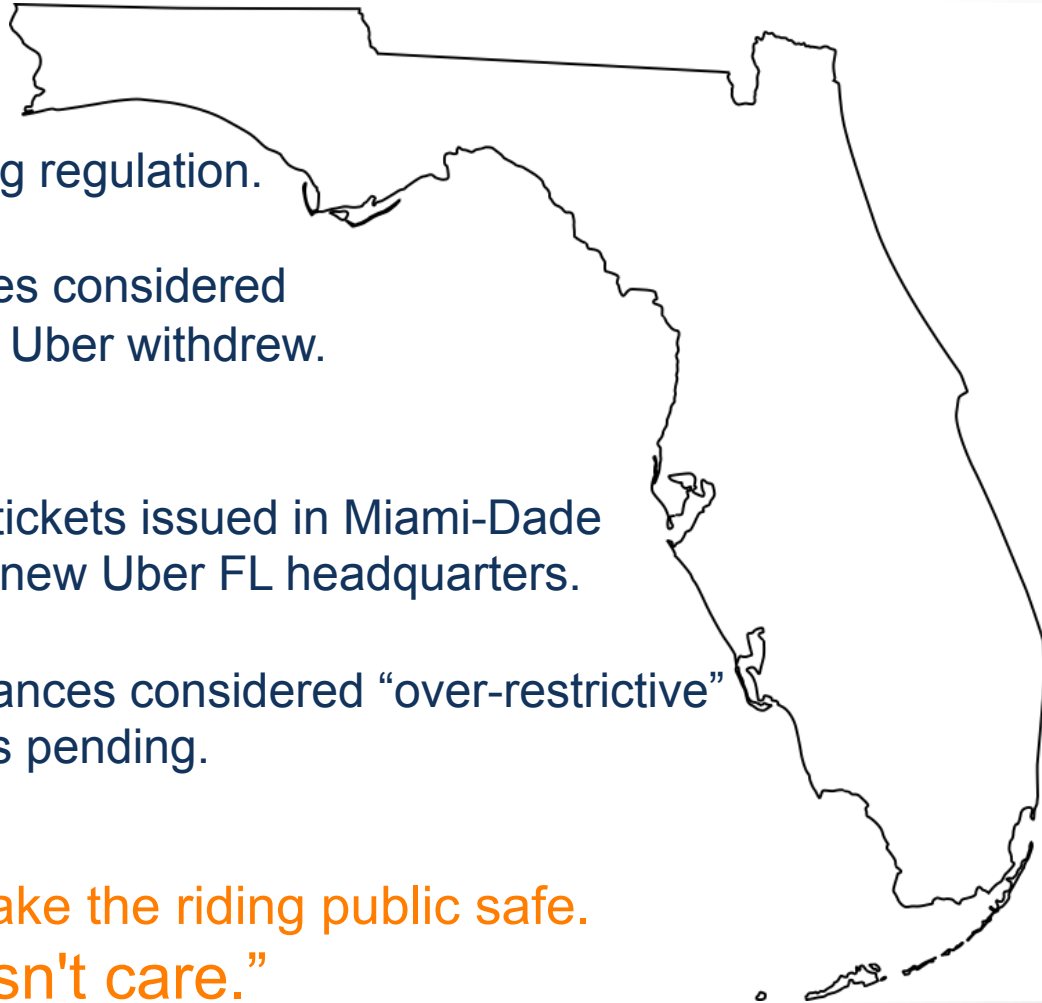
Broward Co. – Ordinances considered “over-restrictive” by Uber; Uber withdrew. New ordinances pending.

Miami-Dade Co. - 2,340 tickets issued in Miami-Dade County in past year – yet new Uber FL headquarters.

Palm Beach Co. – Ordinances considered “over-restrictive” by Uber – new ordinances pending.

"What we tried to do is make the riding public safe.
The riding public doesn't care."

- Broward County Commissioner Stacy Ritter

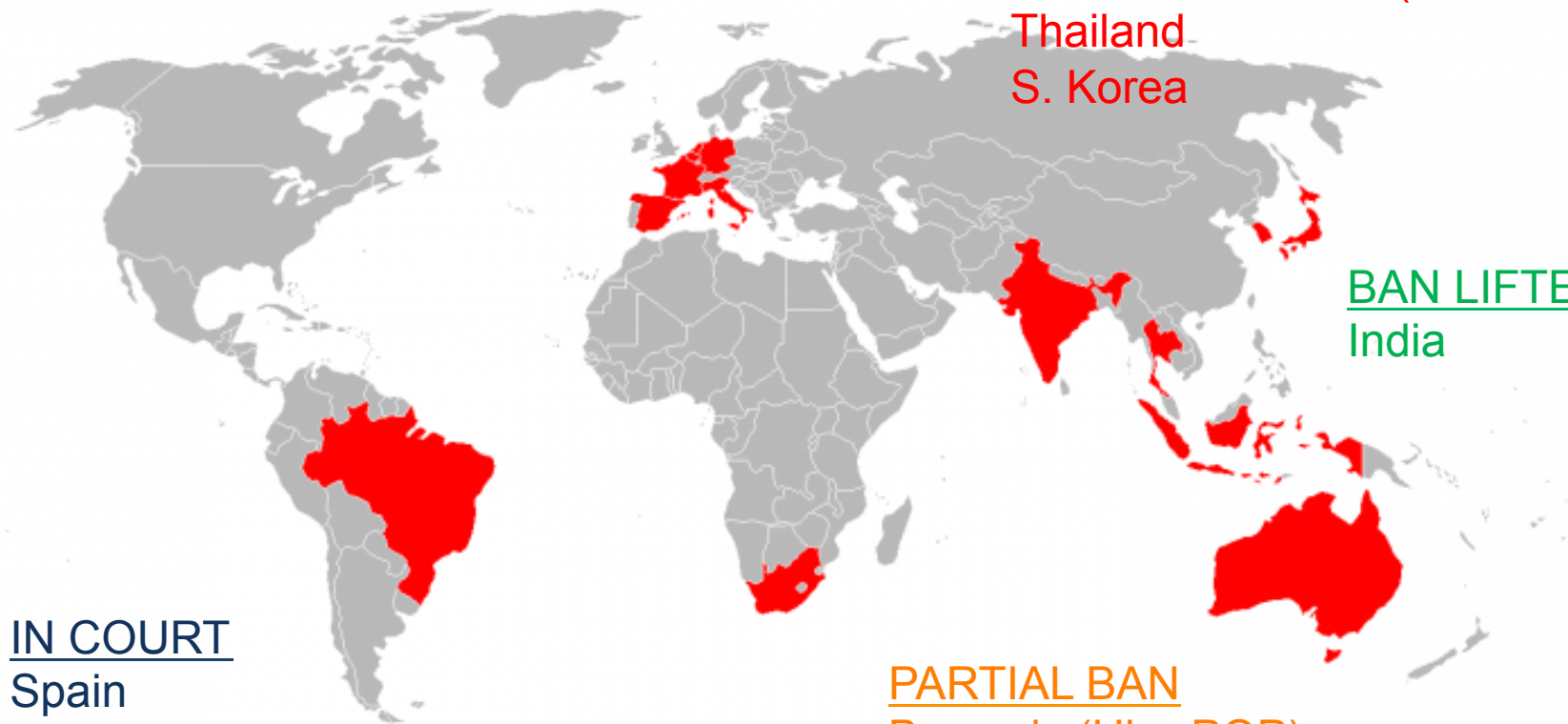


What Is Going on Internationally?

BAN IN EFFECT

Bandung, Indonesia
France (RIOTS)
Netherlands
San Paulo & Rio de Janeiro
Italy
Cape Town
Queensland & WA (STRIKES)
Thailand
S. Korea

BAN LIFTED
India



IN COURT

Spain

Germany

** EU Ruling may affect all Europe

PARTIAL BAN

Brussels (UberPOP)

Japan (UberPOP)

What Happens When There Is NO Regulation/Policy?

“In unregulated environments, TNCs have been successful in explicitly or implicitly transferring some or all of the responsibility for buying insurance onto the driver.

Thus, the personal auto insurer is engaged in sorting out which claims are to be covered and in creating a coverage response of its own.”

- NAIC

Consider:

- Effect Upon Duty to Defend
- Complicated and/or Delayed Claim Investigation
- Increased Legal and Administrative Costs
- Increased Fraudulent Claims

How Can Insurance Companies Protect Themselves?

Customer outreach including:

- Definitions of terminology (ridesharing; TNC; and coverage periods)
- Expanded conversation on livery exclusions
- Information on policy cancelation due to ridesharing
- Disclosure of state-specific coverage
- Obtaining warranties regarding participation in ridesharing
- Standard policy – change it!
- Offer hybrid policies

And PROACTIVE QUESTIONING!

Questions Currently Asked During Application

GENERAL INFORMATION - Explain all "YES" responses in the Remarks Section; on Questions 3 - 8 include the auto number.					
1. DO YOU PRESENTLY OWE ANY MOTOR VEHICLE PREMIUM, PAYABLE IN THE LAST TWELVE MONTHS?	YES	NO	6. IS ANY VAN OR PICK-UP EQUIPPED WITH CUSTOM FURNISHINGS OR CUSTOM EQUIPMENT? (If Yes, You May Wish to Purchase Additional Coverage.)	YES	NO
2. HAS ANY AUTOMOBILE INSURANCE POLICY BEEN CANCELED OR NON-RENEWED FOR ANY REASON IN THE LAST THREE (3) YEARS?			7. IS ANY AUTO EQUIPPED WITH ELECTRONIC EQUIPMENT PERMANENTLY INSTALLED BUT NOT IN LOCATIONS USED BY THE AUTO MANUFACTURER FOR SUCH EQUIPMENT? (If You Wish to Purchase Coverage for these Items, list Make, Model, Serial #, Amount of Insurance for Items)		
3. ARE ANY LISTED OPERATORS INCLUDED ON ANOTHER POLICY OR DO THEY HAVE THEIR OWN MASSACHUSETTS PERSONAL AUTOMOBILE POLICY? (List Operator #, Insurance Company, and Policy #)			8. IS ANY AUTO USED IN BUSINESS? (Type of Business)		
4. IF A VEHICLE IS A MOTORCYCLE, HAS THE PRINCIPAL OPERATOR COMPLETED AN APPROVED MOTORCYCLE RIDER TRAINING PROGRAM? (Attach Copy of Certificate or Other Evidence of Completion)			A. IF VAN/PICK-UP IS IT USED TO DELIVER/TRANSPORT GOODS?		
5. IS ANY AUTO USED TO TRANSPORT (To or From Work or School): A. FELLOW EMPLOYEES, PASSENGERS OR STUDENTS, FOR A FEE? B. PERSONS EMPLOYED BY YOU?			B. IS GROSS VEHICLE WEIGHT 10,000 POUNDS OR MORE?		
9. IF ANY AUTO(S) TO BE INSURED IS TITLED WITH A SALVAGE TITLE ISSUED BY THE MASS REGISTRY OF MOTOR VEHICLES, PLEASE INDICATE. (Salvage Title Vehicles Are Not Eligible for Coverage Parts 7, 8, or 9)			ATTACHMENTS		
AUTO 1			ANTI-THEFT DEVICE CERTIFICATE		
10. IF ANY A WISH TO			IFICATE NING CERT		
11. IF THIS POLICY			IFICATE		
REMARKS:	<p>Sidecar is building the largest transportation marketplace powered by everyday people. The company offers three services: Sidecar, a ride app which connects riders with everyday drivers in their personal vehicle; Sidecar Shared Rides, a discounted instant carpooling app; and Sidecar Deliveries, a breakthrough innovation that combines people and packages for the fastest and lowest cost same-day delivery solution.</p>				

Q's for Applications

Do you participate in any Rideshare program (ex: Uber, Lyft, Sidecar, etc.)?

Have any vehicle(s) listed on this policy been used in a Rideshare program by you and/or any other listed operator?

- Yes: Currently using (Start Date _____)
- Yes: In the past, not currently using (Dates _____)
- No

Do you and/or any other listed operator intend to use any vehicle(s) listed on this policy in a Rideshare program in the future?

- Yes (Intended Start Date _____)
- No

If Yes to current or past use, please identify:

- The vehicle: _____
- The Rideshare program(s): _____
- The driver: _____
- The percentage of hours per week that the vehicle will be used in conjunction with a Rideshare program?

Do you agree to comply with your policy obligation to allow your insurer direct access to your Rideshare records to confirm your work status at any time?

Q's- Insurer's Investigation

- Do you drive for any Rideshare programs? Which one(s)?
- How long have you been doing so?
- What vehicle do you use for Rideshare fares?
- Has the motor vehicle involved in this MVA been used as a Rideshare vehicle?
- Did you have your Rideshare App on at the time of the MVA? Which ones?
- Had you already been notified of a Rideshare request when the MVA happened?
 - Were you in the process of acceptance?
 - What did that entail?
 - Where was your phone located?
- Had you already accepted the Rideshare request when the MVA happened?

Q's- Insurer's Investigation

- Were you on your way to pick up a Rideshare request when this MVA happened?
- Did you have a Rideshare Rider in the vehicle at the time of the MVA?
 - Where was the Rideshare Rider located?
 - Was the fare in the process of entering/exiting the vehicle?
 - Details!
- When was the last time before the MVA you had any Rideshare App on?
- When was the next time after the MVA you had any Rideshare App on?
- When was the last time you had a Rideshare Rider in your vehicle before the MVA?
- Were there any other private parties in the vehicle?
 - Identify all parties – Rideshare Riders? Friends?

Types of Docs Available During Investigation

 Payment Statement

TRIP EARNINGS	MISCELLANEOUS	TOTAL PAYOUT
\$670.25	- \$10.00	= \$660.25

Period Ending: September 8, 2014 4AM EDT

TRIP EARNINGS	\$670.25
Fare	557.58
Base + Time + Distance. Fare details at https://www.uber.com/cities/boston	
Surge	277.10
Increased rates during times of high demand	
Toll	2.50
Total tolls charged to riders related to their trips. Uber Fee Exempt	
Rider Fee (payment)	61.00
Does not affect driver payout. Includes:	
• Safe Rides Fee	
Rider Fee (deduction)	(61.00)
Does not affect driver payout. Includes:	
• Safe Rides Fee	

Types of Docs Available During Investigation

SEPTEMBER 4, 2014							\$123.54
09:41AM	61205357-211... BADB-24F1FF...	4.37		1.00	(1.00)	(0.87)	3.50
09:53AM	035F7F93-47B... 891A-612143D...	9.51		1.00	(1.00)	(1.90)	7.61
06:59PM	412EB0C7- E2C6-44D8-9...	10.60		1.00	(1.00)	(2.12)	8.48
07:26PM	704E79FB- 7D7C-4D79- B029-B922643...	14.53	1.25	1.00	(1.00)	(2.91)	12.87
07:55PM	5A04769F- E1BA-4727- A464-82C8E90...	4.21	2.11	1.00	(1.00)	(1.26)	5.06
Surge Pricing: 1.5x							
08:11PM	E8C70FAB- DC6D-455B- 8223-0063637...	5.23		1.00	(1.00)	(1.05)	4.18
08:19PM	4A6B3EB1-06... 4FD6-A06F- 9393CA8970C0	4.96		1.00	(1.00)	(0.99)	3.97

Types of Docs Available During Investigation

TRIPS

May 4, 2015 Pay Statement

TIME	DURATION	MILEAGE	FARE	STATUS
February 28, 2015 1:32AM EST	-	-	\$0.00	Canceled
February 28, 2015 1:11AM EST	7:55	1.43	\$11.20	Completed
February 28, 2015 12:06AM EST	20:03	4.43	\$14.84	Completed
February 27, 2015 11:43PM EST	5:14	1.34	\$9.01	Completed
February 27, 2015 11PM EST	29:00	11.89	\$23.36	Completed

Types of Docs Available During Investigation

Filer's Name:
 Rasier, LLC
 182 Howard St
 San Francisco, CA 94105

2014 Form 1099-K Payment Card and Third Party Network Transactions

OMB No. 1545-2205

Copy B For Payee

FILER's federal identification no.		PAYEE's taxpayer identification no.			
Type of Filer PSE		Type of Payment Payment card			
Box 1a: Gross amount of payment card/third party network transactions \$35,571.67		Box 2: Merchant category code 4121		Box 3: Number of payment transactions 2598	
Box 5a: Jan. \$0.00	Box 5b: Feb. \$4,182.45	Box 5c: Mar. \$3,963.18	Box 5d: Apr. \$4,132.08	Box 5e: May. \$4,149.88	Box 5f: Jun. \$2,508.79
Box 5g: Jul. \$4,045.53	Box 5h: Aug. \$2,540.67	Box 5i: Sep. \$3,305.17	Box 5j: Oct. \$2,557.54	Box 5k: Nov. \$1,535.54	Box 5l: Dec. \$2,650.84

Closing Thoughts

Ways some companies are handling:

- “Per mile” insurance
- Endorsements
- Business classification
- Commercial insurance
- Hybrid policies