

How Many Ride-Share Drivers Are Hiding Status From Insurers?

Jon Brooks | January 21, 2014

Late Backup

Share:     



A Lyft vehicle on the streets of San Francisco. (Deborah Svoboda/KQED)

In November we reported on the widespread confusion over insurance for ride-share drivers who work for companies such as Lyft, Sidecar and UberX. These companies use smartphone apps to connect ordinary car owners with those seeking a ride. The growing industry has given the taxi industry fits, siphoning off both customers and drivers. In San Francisco, where it has long been notoriously hard to find a cab, the transportation network companies, or TNCs for short, have stepped in to fill the gap.

One downside for both passengers and riders, however, is uncertainty over insurance coverage if a TNC driver gets into an accident, as several have in the past few weeks. Here's what we found:

Ride-service companies like Lyft and Sidecar say drivers' personal insurance policies will cover some claims. But the insurance industry says the policies won't provide any coverage.

The insurance industry says ride-service drivers will have to buy commercial insurance to be covered when they're driving for hire and maybe even when they're not.

At least some ride-service drivers are keeping their status secret from their insurance companies because they're afraid of losing coverage.

These issues might take on increasing urgency as more and more drivers sign up and accidents occur. A Lyft driver was involved in an accident in San Francisco on Friday, and an UberX driver struck and killed a 6-year-old girl on New Year's Eve.

One question we posed in the past: Are ride-service drivers at risk of losing their insurance?

Last week on the Lyft Lounge, a Facebook meeting area for drivers, one member posted a cancellation notice she received from Geico. The termination was for "commercial use of your 2012 Toyota Prius." The posting has sparked a long online discussion among Lyft drivers. Wrote one fellow Lyft driver in response:

"No one, I mean no one told me my insurance would have a problem with it. What's Lyft's response to the fact that serving for them may end up with us losing insurance and possibly our livelihood?"

Last year, journalist Josh Wolf, writing for the San Francisco Bay Guardian, reported on a similar cancellation of a Lyft driver's insurance.

Lyft has not gotten back to us with a response.

Keeping TNC Status a Secret

Because of the fear over such cancellations, at least some ride-service drivers have kept their status a secret from their insurance companies. Several Lyft drivers we spoke to previously said they did not want their names used for this reason.

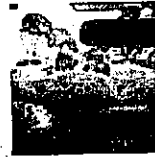
"I have heard about people being denied coverage because it was discovered they were driving for Lyft, and therefore their personal insurance policy would not be renewed, or canceled," Lyft driver Dan told us.

Said another driver: "I don't think I should let my insurance company know because I'll probably get dropped."

And another: "I figure the less they know the better."

I spoke Monday to yet another Lyft driver about the issue, and again he would talk only on the condition of anonymity out of fear of having his insurance canceled. This driver said he noted one bit of advice on the Lyft Lounge recently: If you get into an accident, end your ride immediately and turn off your app, so you cannot be identified as a ride-service driver.

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He also said he displays the famous pink mustache that identifies Lyft vehicles only when picking up a passenger, then throws it in the back seat, against both Lyft rules and state regulations. He does this to lessen the risk of being identified as a TNC driver and also because he does not want to get hassled by taxi drivers.

‘No one, I mean no one told me my insurance would have a problem with it.’

There does seem to be a distinct feeling among some TNC drivers that it is bad practice to go public with your professional driver status. On the Reddit Uber Drivers subgroup, someone recently put up a post titled: “Do not mention your work as an Uber Driver on any social media. Good way to get coverage denied in the case of an accident.”

Can You Get Insurance for TNC Work?

Under rules adopted last September, the California Public Utilities Commission requires ride-service companies to carry at least \$1 million in liability insurance for their drivers. But it remains unclear just when that insurance is in effect.

Graham Archer, the attorney for Syed Muzaffar, the UberX driver involved in the fatal accident on New Year’s Eve, says his client had driven to San Francisco with the express intent of serving UberX users and had already completed one trip.

But although Muzaffar was logged in and awaiting another customer, he wasn’t on a call at the moment of the accident, so UberX does not consider him covered under its policy.

The companies’ commercial insurance won’t cover the personal use of a TNC vehicle — for instance, when a driver is running personal errands or going on a road trip. There is a real question as to whether ride-service drivers can obtain personal insurance if they tell insurance companies the true nature of their intended use of the vehicle. During my reporting last year, I contacted the American Automobile Association and Allstate to see if they’d insure me for the personal use of my car if I also wanted to use it for transporting paying passengers as a TNC. Both said they wouldn’t.

“If they discover that your car’s being used that way, then that’s going to raise the red flag for any claim,” an Allstate broker told me. “Tracking if accidents have occurred involving such vehicles is difficult, as the insurer will not always have the knowledge that the passenger paid for transport.”

The recent experiences of two taxi drivers who wanted to switch to UberX also shows how hard it is for TNC drivers to get insurance coverage. Each uses Uber Taxi, a service that connects passengers with regular cabs. Each said they considered driving for UberX after learning Uber offers financing for that service’s drivers to buy new vehicles. But each said their plans hit a roadblock when they found they couldn’t get insurance for the new cars.

One of those drivers was John Han, who drives for Yellow Cab in San Francisco.

"I couldn't find anybody who would insure an UberX vehicle," he says. "When I talked to my personal insurance company, I was trying to be very honest. I said I had just been approved for a car loan but wanted to work for UberX. They said they can't insure that."

Han says he was referred to a company that provides limousine insurance, but the broker said she couldn't find anyone to cover an UberX vehicle.

"You can't really insure a car as both a personal vehicle and commercial at the same time," says Han, who has written about taxi issues for his own blog. "Someone might create that kind of package. But it doesn't exist now. The insurance industry is under no obligation to insure something just because the CPUC says it's OK."

"The only way I can do UberX would be to lie to my insurance company. I didn't want to do it that way."

Bill Clark drives for Luxor Cab and was also ready to try driving for UberX. He says he was part of a group of about 25 cab drivers that Uber was encouraging to convert to its ride-service platform. He says he was turned down for insurance when he tried to buy a new car for his planned UberX work.

"I went to Geico, filled out an application and told them I was going to transport people," he says. "The application was declined as 'undesirable.'"

Like Han, he then tried to get commercial insurance, going through a broker, and couldn't find anyone to insure a TNC vehicle. "They had never heard of TNCs," he said.

'You can see my dilemma. It seems to me the only way to comply with Uber by getting personal insurance would be to misrepresent my use of the vehicle.'

No Answer to Request for Advice

Clark then emailed the following to a contact at Uber complaining that he couldn't obtain insurance:

I would like to discuss some concerns that have come up in researching the insurance for TNCs. According to the law the requirements to operate a TNC vehicle are: The California PUC requires personal insurance from the driver and excess liability insurance from the TNC (UBER). However when I applied for personal insurance from Geico and I truthfully represented the use of the vehicle, they declined, stating that my use was commercial. It also seems they do not offer the type of commercial insurance I would need.

You can see my dilemma. It seems to me the only way to comply with Uber by getting personal insurance would be to misrepresent my use of the vehicle, which I do not feel comfortable with. My conclusion from this indicates that if there were claims against a TNC driver and the insurance company found out that the true use of the vehicle was falsified, they would deny coverage.

The Uber rep told Clark he would see what he could do. Clark then wrote a followup email saying he was still excited about working for Uber, but that the insurance matter needed to be resolved.

He says he never got any answers and he now assumes the other cab drivers in his group who obtained insurance for TNC work told insurance companies their new cars were for personal use.

Musing about his quest to leave the taxi business, Clark says, "I could get a brand-new Prius, drive any time I wanted to, and just make money. That's like a dream; too good to be true. In fact, it was too good to be true. You can't get insurance on them."

Obviously, many people are obtaining insurance on vehicles for TNC use. But it's unclear how many insurers, if any, know about the insured's ride-service work and would balk at coverage if they found out. Almost all personal insurance policies contain an exclusion for commercial use of vehicles.

"Many insurers don't know their customers are involved in these kinds of program," says Pete Moraga of the Insurance Information Network of California. "If these drivers aren't telling their insurers, there's no way for them to know."

Meanwhile, the California Department of Insurance has issued a warning to TNC drivers about possible gaps in insurance coverage.

I sent Uber a number of questions about insurance, including one asking the company if it could name any personal insurers who were willing to insure a TNC vehicle. The company would not answer any of those questions on the record.