Update: Uber and Lyft Respond to Mounting Pressure by Expanding Insurance Coverage for Ridesharing Drivers

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In March we reported on the glaring insurance issues threatening the ride-sharing industry. Since then, popular ride-sharing firms Uber and Lyft have expanded their insurance coverage for drivers – a move that they hope will ease U.S. regulators' and lawmakers' concerns, and pave the way for the burgeoning startup industry.

Insurance Limbo

The California Public Utilities Commission (CPUC) designates ride-sharing firms as "Transportation Network Companies" (TNCs) and requires them to carry $1 million per-incident coverage that kicks in while drivers are "providing TNC services." This vaguely worded insurance requirement, as well insurance gaps in both the TNC insurance coverage and the drivers' personal insurance policies, has left the drivers stuck in insurance limbo.

The issues with ride-sharing insurance coverage were brought to the public's attention on New Year's Eve 2013, when an Uber driver tragically struck and killed 6-year-old Sofia Liu. Because the driver was not carrying any passengers at the time, Uber claimed the driver was not covered by Uber's insurance policy. The Liu family brought a wrongful death suit against Uber, contending the driver was logged into the Uber network and waiting to be contacted by his next customer when the accident occurred.

Pending Legislative Regulation

Amid fears of the insurance gaps highlighted by the *Liu* case, California regulators have proposed significantly expanding coverage requirements imposed on ride-sharing firms, including $1 million commercial liability coverage for drivers at any time they are connected to their ride-sharing network via smartphone app. Other potential changes which have been proposed by the CPUC include requiring $5,000 in medical payments coverage, $50,000 in comprehensive and collision coverage, and $1 million in uninsured/underinsured motorist coverage.

California lawmakers are not alone in pushing for increased regulation of the ride-sharing industry. The Seattle city council recently approved a limit of 150 vehicles per TNC company operating within the city, a move that Uber and Lyft believe will be devastating to their business.

Ride-Sharing Firms Respond

With regulation lagging, mounting legislative pressure, and accidents such as the *Liu* case all but inevitable, the future of the ride-sharing industry looked uncertain. Uber responded on March 14, 2014, when it announced it was expanding the insurance coverage it offers to its drivers.

Uber's new policy provides up to $50,000 in coverage per individual for bodily injury, per incident, capped at $100,000 total for the incident for bodily injury, plus $25,000 per incident for property damage. The policy aims to resolve the so-called coverage gap created when the driver is in between rides, and comes into effect only if the driver's personal policy does not cover an accident occuring between rides. Similarly, Lyft also announced it will now provide insurance coverage for drivers who are available to give rides, but have not yet picked up a passenger.

These reactionary moves come as no surprise in light of the ride-sharing legislation currently being developed in the wake of the Liu accident. Travis Kalanick, Uber CEO, stated the new insurance coverage "allows [the legislators] to be thoughtful as they work through the legislative options," adding that Uber wants to give policy makers "confidence in knowing public interest is protected while the rules are being figured out."

Sidecar has not announced any changes to its insurance, but CEO Sunil Paul recently stated the company is "aware of the issues and diligent about finding solutions on insurance challenges." Paul further commented that "It's an important conversation, but it should not cloud the bigger story, which is that we've got a significant innovation which has the promise to make life easier for riders and drivers and improve the experience of living in cities."

Takeaway

The recent flurry of activity by the ride-sharing companies underscores the uncertain regulatory climate that ride-sharing firms currently face. It appears Uber and Lyft are taking proactive steps to cover the insurance gaps in order to prevent significant regulation and to ensure the survival of their lucrative industry. However, questions still remain as to the extent that the anticipated legislative regulation will affect the ride-sharing industry.

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