

Greetings and Happy New Year! I hope you had a wonderful holiday season.

I continue to get inquiries from clients who want to drive (or their young adult children who want to drive) for Uber. What are the risks and is insurance available?

WHY IS DRIVING FOR HIRE EXCLUDED BY PERSONAL AUTO POLICIES?

It's because of the increased standard of care you, as the driver, owe to a paying passenger. There is an implied contract that, when you accept a fare, you will get them safely from point A to point B. This makes you potentially much more liable for their injuries that you cause. You're more likely to be sued and for higher amounts. If your personal auto insurance company doesn't exclude coverage for these situations involving greater risks, they will have to pay the injured rider on your behalf, thereby raising rates for everyone.

THREE SCENARIOS NOT COVERED BY UBER DRIVER'S PERSONAL AUTO POLICY

Phase 1: When the driver turns on the app letting it be known that he is open for business – accepting rides. No coverage.

Phase 2: When the driver accepts a ride offer and is traveling to pick them up. No coverage.

Phase 3: When the rider(s) is in the car and being transported to their destination. Again – no coverage.

NO COVERAGE MEANS ALL COVERAGES ARE SUSPENDED!

Not just liability coverage. No uninsured motorist and underinsured motorist coverage. No personal injury/med-pay coverage. And no collision and comp coverage for damage to the driver's vehicle.

THE COVERAGE PROVIDED BY UBER (LYFT COVERAGE IS SIMILAR)

In Phase 2 and Phase 3 only, Uber provides its drivers with:

- \$1 million of liability coverage for injuries and property damage to others, which includes coverage for injured passengers. (\$1.5 million in Minnesota as required by law.)
- \$1 million of uninsured and underinsured motorist coverage.
- Collision and comp coverage on the driver's vehicle subject to a \$1,000 deductible.

WHAT'S MISSING?

Transportation Network Companies like Uber and Lyft provide very little coverage in Phase 1 (prior to accepting a ride). Liability coverage of \$50,000 per person, \$100,000 per accident for injuries and \$30,000 for property damage. The state minimum requirements for uninsured and underinsured motorists. And no collision and comp coverage at all.

THE FLOATING PROBLEM

On any given shift, the driver will "float" from one phase to another. He starts in Phase 1, when he turns on the application, with \$50,000 per person liability coverage and no collision and comp. Then he arranges a ride (Phase 2) and picks up the rider (Phase 3). He delivers the rider to his destination and then is back in Phase 1 with \$50,000 coverage. Etc., etc.

THE NEW "RIDESHARE ENDORSEMENT" FROM SAFECO

Some insurance companies are starting to offer coverage for the Phase 1 gaps. Safeco's new auto endorsement removes the driving for hire exclusion for all coverages. The annual cost is less than 15%.

**PERSONAL UMBRELLA
POLICIES ALSO EXCLUDE
RIDES FOR HIRE**

Until that changes, I don't recommend being an Uber or Lyft driver. And then only if the umbrella covers all three phases. Driving others for hire is probably the single greatest risk for large lawsuits that you will face.

**FOR THOSE WHO STILL
WANT TO DRIVE**

On your car insurance, buy a rideshare endorsement while simultaneously increasing your liability and your uninsured/underinsured motorist limit to \$1 million. Then at least you will have consistent coverage regardless of what phase you are in as a driver.

**TRANSFER THE TITLE TO
YOUR YOUNG DRIVER**

If the driver in the household is a college student or young adult wanting to earn some spending money, you can reduce the exposure to your personal assets by transferring the title of the car he is planning on driving to him. That way, you can eliminate claims against you for negligent ownership (brakes, steering, tires, etc.)

**AUTO-OWNERS OFFERS
UNDERGROUND SERVICE
LINE COVERAGE**

\$10,000 limit. \$500 deductible. \$15 annual premium. Covers claims not normally covered by insurance. Claims to service lines like wear and tear, rust, corrosion, and freezing. Excavation cost to get at the broken or damaged service lines is also covered. To add the coverage to your Auto-Owners homeowners policy, call Corporate 4 customer service at 952-893-9218. I especially recommend it if your home is a little older.

**RISK MANAGING THE
HOME REMODELING OR
RECONSTRUCTION RISKS**

John and Mary were lucky. They did not have a claim. They did a complete tear down of their home. They were already in the process of building a new home on the same site when we found out about it. They stored all their furniture in a storage facility. They mistakenly assumed their existing homeowners policy would fully cover the new home under construction. In many cases, it wouldn't. Here are some examples where coverage wouldn't be automatic.

- Theft of building materials from the home-site.
- Workers' comp risks if you do some of the work yourself, hire friends to help and one of the friends gets seriously injured. You owe all their medical bills and lost wages, required by law, unless you have a workers' comp policy set up in advance.
- No vandalism coverage if the home is vacant (i.e., no furniture) for more than 60 days.
- The possibility of no property or liability coverage due to failing to notify your insurance company of this significant increase in exposure.
- Your contractual obligation to add the builder as an additional interest on your homeowners policy. No automatic coverage.

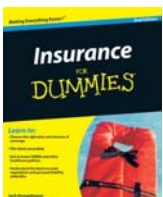
**REMEMBER TO NOTIFY US
WHEN YOUR LIFE IS ABOUT
TO CHANGE**

Marriage. Divorce or legal separation. Children off to college. Newborns. Loss of a job and benefits. Major home remodels (ideally before you sign the contract with the builder). Retirement. You tell me what you're about to do and I'll help you make appropriate changes to coverage. Keeping your program sound and well-balanced.

As is tradition, I've enclosed an index of all the newsletters I've written, since 1985, that are still pertinent today. I invite you to skim it and contact us if you see anything you'd like more information on.

Wishing you a happy and healthy 2017!

Jack Hungelmann, CPCU



Insurance for Dummies second edition, authored by Jack Hungelmann. Buy it online at www.dummies.com or www.amazon.com.

