

Is Your Client a Taxi?

This is a repeat of an article that I wrote last year. I have had so many questions about this subject that it needs to be repeated.

The latest new exposure to hit the auto market is the entrance of companies like Uber, Lyft, Sidecar and others in the business of offering people a ride for less money than a taxi or limo company. The big difference in the exposure is that they do not provide the automobiles for the transportation – they “hire” anyone willing to use their own automobile to provide someone a needed ride.

It works like this. The new company (XYZ) enters into a contract with, say, a retired person who is looking to make a few bucks and who also happens to be a client of yours. Your client will be connected to the new company (XYZ) with a smart phone application, and will be called to provide rides. Your client collects the passenger, takes them to their destination, collects the fare and goes home. Your client sends the fare to XYZ, minus the agreed upon portion of the fare that your client will keep.

Some questions here: how does XYZ hire its drivers? What risk management approach does it take to determine who is worthy of being a driver? Is there any specific equipment necessary? Does the driver need a special license to provide rides for a fare? And most of all, will your client be smart enough to give you a call to see if they have any auto coverage when they do this?

I want to comment on the coverage angles. As everyone who has ever studied a Personal Auto Policy knows, there is an exclusion for “public or livery conveyance” (with an exception for a share-the-expense car pool, which this situation is definitely not). There is no endorsement that I am aware of that will bring the coverage back. And some carriers still use the old ISO language that used to be in the Personal Auto Policy. It will read something like this: no coverage for “carrying people or property for a fee”. By the way, this language not only excludes the exposure we are discussing but also those clients who deliver pizza, sandwiches, etc.

So what do we tell our clients who (hopefully) will call us before they start doing this? First of all, there is no way to get coverage under the Personal Auto Policy. It simply does not cover this exposure. So we can tell them not to do it. If they still persist, then you should ask them to ascertain from XYZ what sort of coverage XYZ will be providing for them.

Here is what I discovered from a set of documents and insurance coverages that would be provided by XYZ. It is a Business Auto policy with \$1,000,000 limits. The \$1,000,000 is for Liability as well as Uninsured and Underinsured Motorist Coverage.

The coverage is triggered with a Symbol #10 endorsement (sometimes called the negotiation symbol or get-what-you-need symbol, CA 99 54)), which reads:

“Any auto of the private passenger type while:

a. The auto is being operated by a Named Operator in the Limitation of Coverage to Designated Named Operators Endorsement, and



b. The auto is being used following the Named Operator as defined by that endorsement, logged and recorded acceptance in the XYZ application to transport passengers, and the Named Operator is:

- 1) En route to pick up that passenger, or**
- 2) Is transporting that passenger to their destination."**

Who are these Named Operators? They are shown on a separate endorsement and are covered under a type of blanket agreement. The endorsement is entitled "**Limitation of Coverage to Designated Named Operators**". It reads under the Schedule: "**Drivers who have entered into a contract with the Named Insured prior to the time of the accident**". The endorsement then says that coverage is limited to those drivers named in the Schedule. There is a separate endorsement called **Additional Insured – Scheduled**, which says that additional insured persons are covered "**as required by Written Contract**".

So, while your client's Personal Auto Policy will not provide any coverage, it looks like your client would have \$1,000,000 of coverage from XYZ.

Two little negative thoughts – 1) if you look again at the Symbol #10 coverage, it seems to end when the passenger gets delivered to their destination, and not when your client makes it safely home. As long as everyone agrees that "Public or Livery Conveyance" ends when the passenger is delivered, and that the Personal Auto Policy exclusion no longer applies while your client is driving back to their home, all is well. And 2), there is no coverage for property damage to the property of the person being transported.

Those are the coverage angles as I see them. You might want to point out to your client that they would be covered by a policy of someone else, whose technical expertise and service you cannot guarantee. You should also make sure that XYZ is providing what the state of Minnesota requires – such as no-fault coverage. Finally, I have heard that some carriers are going to offer some personal auto endorsements that will wrap around the coverage mentioned above. This would be a good safety coverage just in case.

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