Ask an Expert: What Consumer Risks Come with Ridesharing?

Ask An Expert - Richard Alderman

By Rachel Drake October 1, 2014

As rideshare companies such as Uber and Lyft gain popularity, many questions have been raised about insurance coverage for consumers who use these services. As part of our ongoing “Ask an Expert” series, we took a few of those questions to Professor Richard Alderman, the Director of the Center for Consumer Law at the University of Houston Law Center.

Before you become a passenger — or even a driver — for one of these companies, make sure you understand any risks you may be exposing yourself to.

“The issue is pretty complex because passengers need to be concerned about injuries caused by the negligence of the rideshare driver as well as injuries caused by another driver. Drivers need to be concerned about insurance for their liability while driving to pick up a passenger, driving the passenger, and then returning home, as well as damage caused by another driver, or even an act of God such as a flood.”

Are there any apparent holes in the insurance coverage or any red flags that jump out to you about this insurance arrangement?

“The red flag is that most personal auto insurance policies generally do not cover accidents while the driver is engaged in commercial use. An injured passenger must look to his or her own insurance or that of the rideshare company, or consider a lawsuit against the persona at fault. The driver may find his policy doesn’t cover the accident.”

What, if anything, do you believe passengers should be concerned about when they are using one of these services?

“Passengers should always be concerned about whether they are dealing with a reputable company and whether that company insures its drivers. All of us also should always carry full insurance coverage and not assume there will be someone else’s insurance in the event of an injury.”

What steps would you advise an individual to take before signing up to be a driver for a rideshare company?

“Do your research! Get a copy of the rideshare company’s policy and carefully review it for coverage and exclusions. (Some are easy to find on the internet). Also, review your own policy, which probably excludes coverage. Make sure you have adequate coverage in the event you cause an accident, or someone else causes it. You also need to check your state law to see if you need a commercial license. You may even want to look into the cost of your own commercial policy. If you are at fault and don’t have proper coverage, you can be sued individually.”

Do you believe that these companies and these insurance policies are likely to have any effect on consumers shopping for personal auto insurance policies?

“People should always shop for full medical, auto and homeowner’s insurance. This is just another reason why.
I also need to emphasize that insurance coverage is not the same in every state and these are just general remarks. Also, some states, e.g., California, have enacted rules to require coverage in certain amounts be provided to all ride-share drivers.”