ZURICH®

RiskTopics

Share the ride, not the risk – ridesharing services
October 2017

Over a short period of time, ridesharing services have become more popular than taxis in some places[1]. Risk managers should consider how this shift affects exposures and consider new controls.

Introduction

The sharing economy is changing the landscape of business in many areas. One area is ridesharing, where driver and rider are connected and controlled in many ways via a smartphone application (or "app"). Ridesharing and the firms that have emerged to support this activity gives drivers an opportunity to be their own boss and develop a passenger transport service as their own business or a second job to make additional income. For the rider, the smartphone app simplifies the transport process by connecting the rider with the driver who will take them to their destination and facilitating/simplifying secure payment. Ridesharing competes with traditional taxis and limousines in some locations and opens up new opportunities for efficient transport in others.

This RiskTopic explores three distinct risk areas that companies should consider related to ridesharing and offers some proactive strategies to help reduce the exposures. The areas addressed are:

When a company employee…

- is the driver of a company-provided vehicle
- uses their own vehicle for company business
- chooses a ridesharing service for travel instead of a traditional cab/limo service

Discussion and Guidance

Driver of company-provided vehicle

Many companies recognize that entrusting an employee with a vehicle will often make the employer liable for whatever happens with that vehicle – and not just during business activities. This typically includes any

personal use by the employee or anyone else that may drive the vehicle. Most company fleet policies outline acceptable and unacceptable use scenarios.

While company policies permitting personal use vary, it's safe to say that few companies would want to have the employee use the vehicle to provide services such as passenger transport or food/package delivery. However, since the concept of ridesharing has grown so quickly, fairly few company fleet policies currently address using a company-provided vehicle for additional compensation. Companies should review their policies and clearly indicate that this practice is not permitted. Additionally, they should consider that a company-owned vehicle involved in a vehicle crash while providing livery service may be specifically excluded from insurance coverage in some cases.

Driver of personal vehicle used for company business

As some companies have shifted from providing company-owned vehicles for employees and instead compensate employees to use their own vehicles (mileage reimbursement or other compensation) a number of liabilities related to this 'non-owned' usage have surfaced. Risk Engineering at Zurich developed a separate RiskTopic addressing this particular area of exposure.

In general the employer can have some liability for vehicle crashes that occur when an employee is driving their personal vehicle when that vehicle is used for the benefit of the business. Often the employee's own insurance may respond first, but the employer's auto liability insurance can be contingent if the costs exceed the employee's personal coverage limits. In practice, a serious vehicle crash that occurs when an employee drives their personal vehicle to the airport (not their regular work-reporting location) to go on a business trip could result in a claim against their employer as well.

Now consider how much more severe that incident could be if the employee decides to provide a rideshare service and transport a passenger to the airport since they are headed there anyway. Many personal lines auto policies specifically exclude transporting passengers for compensation from coverage and an argument could be made that the primary purpose of the employee's trip was business-related and thus part of the company's overall responsibility.

To help reduce this type of risk and other non-owned vehicle exposures, companies may consider limiting which employees are permitted to use their personal vehicles for business purposes and clearly defining the times when this is permitted and expected. For any employee who is permitted to use their personal vehicles on company business, a policy could be put in place that states that ridesharing services may not be provided in conjunction with any company-use of the vehicle.

Company employee rides with a rideshare service

Every day, many employees travel for business purposes using traditional transportation services such as taxis and limousines – increasingly employees are using ridesharing services as well. A study conducted by Certify on expense reimbursement patterns among their clients showed that rideshare moved from 8% of ground transport transactions in Q1-2014 to 34% in Q3-2015 while taxi transactions dropped 15 points and vehicle rentals dropped 11 points over the same time period.[2]

Risks for employees who use taxis and limos are fairly well-established. Such services are often highly licensed, regulated and required to provide commercial insurance coverage at levels intended to protect the vehicle occupants and other road users. Additionally, it's unlikely that a company would be held liable for a crash that occurs while their employee is the passenger of that vehicle.

In comparison, ridesharing providers may be less regulated in many parts of the United States and their insurance arrangements can vary significantly. Some rideshare services may provide primary insurance protection for the vehicle and its passenger during each ride and may even meet coverage levels that are required for other livery services. Others may dictate that the rideshare driver's own personal insurance should respond with coverage – which is particularly problematic if livery services are excluded from coverage on that driver's policy. This could leave an injured employee in the middle of an argument between the driver, rideshare service and multiple insurance companies.

Since rideshare service's insurance coverage and other protections can vary significantly, one control strategy companies might consider to help reduce these risks is to determine which rideshare services provide acceptable insurance coverage (and other considerations) and limit employee business-related use of ridesharing to those services. Many companies adopt similar strategies in determining which hotels, airlines or car rental companies may be used by employees and control this through the expense reimbursement process.

Additionally, employees play an important part in helping to control the risk and should be trained on several key factors:

• Use the smartphone app to book rides rather than arranging directly with a driver. When a ride is not booked through the app, the rider may lose insurance protections that may otherwise exist.

• Many of the rideshare apps will provide a photo of the driver and a photo/description of the vehicle. If a driver or vehicle shows up that does not match the photo, refuse the ride. It is not unusual for one driver to allow another to use their account. When that happens insurance coverage may be lessened and additionally the secondary driver may not have been reviewed by the rideshare company (motor vehicle record evaluation, criminal background check, etc.). In at least one case, a non-authorized driver using someone else's account to book a ride assaulted a rider. There is also a concern that accepting a ride from an unauthorized driver could create an opportunity for a negligent entrustment claim since the company employee is contracting with the driver outside of the normal 'service contract.'

• Finally, any business rider/traveler, whether using rideshare or traditional taxis or limousines should practice a few simple safety steps: Always use the seatbelts provided. Assure that luggage and other packages are positioned or secured so as to not cause injury in the event of a collision. Since distracted driving is noted as at least a contributing factor in many automobile crashes, it is also within the passenger's purview to politely request that drivers discontinue any activities that may distract them. This could include speaking on the cell phone, completing paperwork or reading maps or other documents while driving.

Conclusion

The sharing economy presents businesses and individuals with a wide range of opportunities. For business, understanding the issues as outlined in this RiskTopic and implementing some straightforward strategies may minimize disruptions and unnecessary business liability. Please contact your Risk Engineer with questions or for additional information.

References

1. Bender, Andrew. "Uber's Astounding Rise: Overtaking Taxis In Key Markets." Forbes. Forbes Magazine, 10 Apr. 2015. Web. 02 Nov. 2015. <http://www.forbes.com/sites/andrewbender/2015/04/10/ubers-astounding-rise-overtaking-taxis-in-key-markets/>.

2. "CERTIFY SPENDSMART™ REPORT: THIRD QUARTER, 2015." Certify. Certify, Inc., n.d. Web. 02 Nov. 2015. <https://www.certify.com/CertifySpendSmartReport.aspx>.

The Zurich Services Corporation
Risk Engineering
1299 Zurich Way, Schaumburg, Illinois 60196-1056
800 982 5964 www.zurichna.com

ridesharing_exposures_rt

ZURICH®