



**Testimony Submitted to the House Insurance Committee**

**Public Hearing on Coverage of Experimental Service for Transportation**

Submitted by:

Michael Consedine, Insurance Commissioner

June 23, 2014

Thank you for the opportunity to provide testimony regarding insurance coverage for consumers when utilizing experimental services for transportation.

One of the key missions of the Pennsylvania Insurance Department is consumer protection – we strive to educate consumers so that they can make informed decisions and choices. With the recent increased use and availability of Transportation Network Companies (TNCs), which connect passengers with drivers through an online or mobile phone application, consumers may be focused on the new innovation and not fully understand their liability or risk exposure. Learning too late of gaps in insurance coverage can have serious financial consequences for participants in these programs. The Department is actively working to protect consumers engaging in TNC services by educating consumers about possible risks associated with TNCs.

Personal auto insurance policies typically exclude coverage while a vehicle is being used in a ride-sharing service, under what is commonly known as a public livery exclusion.<sup>1</sup> While some TNCs may purchase coverage for their network of drivers, this insurance may not cover all costs, including those for which passengers may be liable in the case of an accident. Additionally, there appears to be continuing confusion about when the TNC's commercial coverage may be triggered and whether the policy may be used as the driver's primary protection.

To make consumers aware of the risks associated with TNCs, the Department issued a consumer alert on June 2, 2014, articulating issues drivers and passengers of TNCs should consider prior to participating in the service.

First, TNC drivers should review their personal auto insurance policy to understand the specifics of their coverage. Drivers may want to contact an insurance producer or company to assist in identifying potential gaps in a personal automobile insurance policy. Drivers should also inform their insurance company of the intent to participate in the TNC program.

Drivers should also review a copy of any commercial insurance policy held by the TNC to protect its drivers. Drivers should make sure the commercial automobile insurance policy held by the TNC includes coverage required by law for medical benefits, bodily injury and property damage liability. Drivers also may want to inquire about the optional coverage they elected on their personal auto policies, including, but not limited to coverage for collision damage and injuries caused by an uninsured or underinsured motorist. Drivers should be aware that any coverage to address these gaps should include the periods before, and during, the times when the driver is designated to drive passengers.

---

<sup>1</sup> Note that traditional car-pooling or ride-sharing arrangements in which friends, neighbors or co-workers share driving duties and the cost of gasoline are typically covered by personal auto insurance policies.

Drivers should also understand which insurance policy (a personal auto or TNC commercial) provides coverage and when that coverage is triggered. If a driver fails to disclose to their personal auto insurance carrier of their intent to participate with a TNC, they may have their personal coverage cancelled or non-renewed. Insurance carriers need to understand the risk exposure of their insured and the insured's property in order to price the policy and offer the right coverage. Standard personal auto coverage does not contemplate or include this type of risk.

Finally, riders using TNC services should understand the limitations of the driver's personal auto insurance policy. Riders must be aware that when individuals use their own private passenger automobiles to transport individuals for a fee, the driver's insurance coverage may not adequately protect their passengers.

The Department values innovation and the access and convenience TNCs may potentially offer for consumers. TNCs leverage rapidly growing technology, allowing individuals to earn an income while providing greater access to public transportation. However, such innovation and potential for job growth must not be outweighed by the risk of consumer harm.

Insurance products and insurance regulation are also always evolving; but one element remains constant – an insurance policy is effectively a contract. Consumers must fully understand what their contract will, and will not, cover in the event of an accident or loss.

Thank you for the opportunity to testify. Please contact Executive Deputy Insurance Commissioner Rohrbaugh at [rrohrbaugh@pa.gov](mailto:rrohrbaugh@pa.gov) with any further questions.