STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
Nashville, Tennessee

MEMORANDUM

TO: Tennessee Drivers Participating in Transportation Networking Company Programs

FROM: Julie Mix McPeak, Commissioner

RE: Insurance Gaps for Transportation Networking Company Drivers

DATE: February 24, 2014

The Department has observed increased attention surrounding Transportation Network Company (TNC) operations. This Memorandum is intended to highlight potential insurance implications for Tennessee drivers participating in TNC programs. (A TNC is an organization that provides pre-arranged transportation services for compensation using an online-enabled platform to connect passengers with drivers using the driver's personal vehicle. TNC's include companies such as Lyft, UberX, and Sidecar.)

Potential Coverage Gaps Under the TNC Policy

- While TNCs approved by municipal licensing authorities may be required to maintain liability insurance, TNCs might not have medical payments coverage, comprehensive, collision, uninsured/underinsured motorist (UM/UIM) coverage or other optional coverages for enrolled vehicles. This means that the TNC's liability policy might not provide coverage for: 1) bodily injury to the TNC driver; 2) damages to the TNC driver's car, or 3) bodily injury or physical damage caused by an uninsured or underinsured motorist.1

Potential Coverage Gaps in your own Personal Auto Policy

- Most standard personal auto policies contain exclusions for livery - which essentially means driving for hire. A typical exclusion is set forth below (but your exclusion may be different - read your policy):

  We do not provide Liability Coverage for any Covered Person.....

  For liability arising out of the ownership or operation of a vehicle while it is being used to carry persons for a fee. This exclusion does not apply to:

  a. A share-the-expense car pool; or
  b. Your covered auto used for volunteer work when reimbursement is limited to mileage expenses.

- Insurance companies might deny coverage to TNC drivers that are driving passengers for payment of more than a share-the-expense car pool fee based on the above exclusion or similar exclusions.

- You should contact your agent, broker or insurance company about potential gaps in your personal automobile coverage that can arise if you are driving for a TNC. You may need to consider buying a commercial policy with medical payments, comprehensive, collision and UM/UIM to be certain that coverage exists for damage to you, your car and/or for damage caused by an uninsured or underinsured motorist while you are driving passengers for payment of more than a share-the-expense car pool fee.

Any questions about the intent of this Memorandum should be directed to the Insurance Division's Policy Analysis Section, 6th Floor, Davy Crockett Tower, 500 James Robertson Parkway, Nashville, Tennessee, 37243, and/or telephone number (615) 741-2825.

1Medical Payments provides coverage for necessary medical services caused by an accident.

UM/UIM provide bodily injury coverage when the party at fault does not have liability coverage, or the minimum liability coverage is insufficient to cover the injuries. UM/UIM provide coverage for damage to your vehicle caused by an uninsured or underinsured motorist.

Comprehensive and collision cover physical damage to your vehicle not caused by an uninsured or underinsured motorist. Collision covers damage to your vehicle caused by collision with another vehicle or with any other object and also covers vehicle upset (overturn). Comprehensive covers damage to your vehicle caused by reason other than collision, such as fire, theft, windstorm, flood, vandalism, etc.