ARCADIA NEWS
Vol. 22 No. 8 AWARD WINNING NEIGHBORHOOD NEWS SINCE 1993 November 2014
ARCADIANEWS.COM / ARCADIAHO.ME

Legal controversies raised by new rideshare trends

By Jennifer A. Cranston

Rideshare companies, like UberX and Lyft, offer a popular alternative to traditional taxi service by using a smartphone app to connect available drivers with passengers. The service is touted for its affordability and convenience, as well as environmentally friendly mission to reduce the number of vehicles on the road.

Recently, however, rideshare companies have become a topic of significant debate in the media and legal community. The controversy stems from the fact that most of the drivers are not commercially licensed and lack some of the legal safeguards imposed upon standard taxi companies.

For instance, taxi drivers and other individuals who offer transportation-for-hire services are subject to state regulations, including the requirement that they have a commercial driver's license. Rideshare drivers who operate without a commercial license may be fined by the state. However, these fines are typically paid by the rideshare companies on behalf of the drivers.

An additional concern associated with the rideshare trend is safety, specifically the lack of pre-employment drug testing and background checks. While some companies voluntarily conduct pre-employment screening, opponents argue that the checks are insufficient and fall below the standards applicable to licensed transportation companies.

Perhaps the greatest concern raised by rideshare critics is the lack of sufficient liability insurance, which can expose victims of rideshare accidents to uncompensated injury and property damage. Most rideshare drivers use their personal vehicles, which are covered by personal use auto policies. These policies only provide coverage for damage caused

Legal Ease

while the vehicle is driven for personal use. They exclude coverage for accidents arising from commercial (for pay) use of the vehicle. In response to this problem, the more popular rideshare companies now purchase separate policies that provide insurance for their drivers while carrying passengers.

But there is still a gap in coverage for accidents that occur between passenger pickups. This gap was highlighted by an accident in California in late 2013, when an UberX driver hit and killed a 6-year-old girl while he was driving around waiting for his next passenger. Because the driver did not have a passenger at the time of the accident, the rideshare company's insurance arguably did not apply.

In the wake of the California fatality, several states considered laws that would require rideshare companies to obtain certain minimum levels of insurance coverage, but still less than required for other commercial drivers. Proponents of rideshare services argued that additional insurance coverage, which would lead to higher insurance premiums and higher passenger fares, was unnecessary.

In Arizona, the legislature approved a bill that would have imposed some regulation on rideshare companies. However, Governor Brewer vetoed the bill, citing concerns that the law did not do enough to protect the public because it did not require pre-employment drug testing or close the gaps in insurance coverage.

Jennifer A. Cranston is a shareholder at Gallagher & Kennedy, where she focuses her practice on three primary areas: real estate disputes, including condemnation and valuation matters; insurance coverage analysis and bad faith litigation; and public utility regulation. For more information about Ms. Cranston, please go to gknet.com.