

The Changing Face of Transportation

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The face of transportation has changed drastically in recent years, posing opportunities and risks for insurance companies and agents. Transportation network companies (TNCs) such as Uber and Lyft, and short term rental and car sharing services are putting a dent in traditional taxi, limousine, and public transportation systems. CitiBike in New York City offers 12,000 bikes at 750 stations in 60 neighborhoods. Newer entrants on the scene include e-bikes (equipped with batteries to assist with pedaling) and motorized scooters or mopeds, bringing with them new exposures for users. As insurance professionals, it is essential that we understand the risks of these new exposures, and determine the proper way to structure appropriate coverage.

Transportation Network Companies

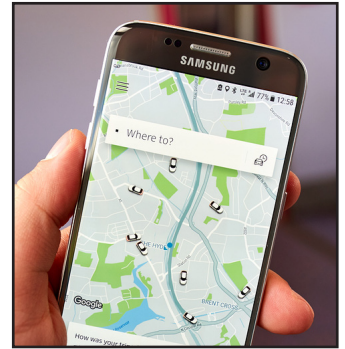


A TNC offers prearranged transportation through use of online or smartphone apps that pair passengers with drivers who use their personal vehicles. Features of the apps include the ability to track where the car is, get a quote, and pay the fare with a credit card.

Transportation network companies saw a meteoric rise and a precipitous decline over a period of three years. Uber is highly unprofitable – the losses are staggering. For example, although Uber had \$7.5 billion in sales in 2017, they posted a net loss of \$4.5 billion. The company has eliminated some unprofitable operations, and its net loss narrowed in second quarter 2018 from \$1.1 billion a year ago to \$891 million.

Crime is a challenge, as over 120 Uber and Lyft drivers have been charged (and 31 drivers convicted) with assault, including rape, sexual assault, and kidnapping. In response, Uber has instituted safety procedures, such as a direct to 911 button and stricter background checks for drivers. Passengers have the ability to add trusted contacts who can track the passenger's trips.

Insurance coverage may be problematic for TNC drivers. Uber drivers, for example, have a low level of liability coverage under the TNC company's policy while the app is on, and a higher level is effected once a ride is accepted and while the passenger is in the vehicle. The driver's personal auto policy will most likely not provide coverage while driving for a TNC, as business use is a standard exclusion under that type of insurance contract. The purchase of supplemental coverage by the driver is advised to cover their liability as well as damage to the vehicle. Personal use (while the app is off) would still be covered under the owner's personal auto policy.



Shared Scooters

Electric scooters offer the opportunity to get around at up to 15 mph – much faster than walking – with no physical exertion (sweat) and no hassle or expense of purchasing, insuring, maintaining, and parking a car. Bird and Lime are two companies that offer electric scooters to the public for short term rentals. Seen mostly in urban areas, as well as college campuses, they offer an inexpensive and convenient mode of getting from place to place. All of these systems have one thing in common – technology. Users access the systems via a smartphone or online app. For a small fee, you use the app to find and unlock a scooter. The actual fee is mileage-based.

Lime launched their service in San Francisco, and claims six million rides used in their first year of operation. Lime states that scooters complement the public transportation system, as their data indicates 40 percent of its users got to or from public transit stations on their scooters. Electric bike and scooters paired with public transportation are significantly cheaper than owning a vehicle. Uber is partnering with Lime to offer their bikes and scooters in the Uber app.



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Traditional mopeds or Vespas have a seat and are often powered by a gasoline engine. In contrast, scooters are basically motorized “Razor” type conveyances, battery-powered, and require the operator to stand. The maximum speed is usually 15 to 20 mph. In some jurisdictions,

such as California, no helmet or driver’s license is required to ride them, although the renting company may impose these restrictions.

Among the advantages of scooters are inexpensive cost of use and reduced emissions. In fact, countries such as Vietnam have introduced initiatives to encourage scooter usage as a means of reducing air pollution. An added benefit is reduced traffic congestion.

Disadvantages could be the requirement that the operator wear a helmet – who carries a helmet around with them? In most areas, regulations prohibit use of scooters on sidewalks, but that does not stop people from doing so. Scooters may not be feasible for elderly riders or those with physical disabilities, such as balance issues.

Other risk considerations include:

- Theft/vandalism of scooter (even though customer use the app to lock the device when ride is completed).
- Blocking public access to sidewalks, streets, shops, etc.
- Injury to rider.
- Rider causing injury to others.
- Impaired use.

The shared scooter market is experiencing growing pains. Regulation remains a gray area, as registration, licensing, and insurance requirements that apply to gasoline-powered motorcycles, mopeds, and scooters do not apply to electric scooters. Some cities, including San Francisco and Denver, have banned their use, citing lack of adequate regulation. San Francisco recently awarded permits to several scooter rental companies to reintroduce the service in the city under a one year pilot program. It is notable that none



of the “established” companies – Lime, Bird, and Spin, as well as TNC giants Uber and Lyft, received permits. These companies will be unable to operate in the city for at least a year.

Typically, scooters are “dockless,” meaning they do not have a home base. They may be picked up and dropped off from random locations, as long as the user complies with local ordinances. This has



caused a revolt in some areas – residents are tripping over scooters left on sidewalks, and being run into and sometimes run over by them. Riders weave in and out of traffic, often without helmets. Residents have reacted by vandalizing or trashing the scooters – even throwing them in San Francisco Bay. #ScootersBehavingBadly is an Instagram site that documents questionable behavior of riders, and responses from residents.

How are the scooters charged? Bird contracts with numerous “bird hunters” who travel around and pick up the scooters from wherever they have been left. The app shows real time locations of all scooters in the area in need of charging. The hunter takes them to a charging station, and once they are “fed,” returns them to designated “Bird Nests.” Bird hunters can earn hundreds of dollars per night. The finder’s fee increases for scooters that are more difficult to locate. This has led to a hoarding problem, since the company pays a \$20 bounty for “missing” scooters. Bird hunters hold onto the scooters until they are reported missing. What is especially troubling is that criminals are reported to be using the scooters as bait, and mugging “hunters” when they show up to retrieve the units.

Where is the coverage? Most personal auto policies will not provide any coverage for electric scooters, which are less than four wheels and not licensed for road use. To be covered under a standard personal lines program such as a homeowners or tenants policy, the vehicle must typically be used solely to service the insured premises or de-



signed to assist the handicapped. Scooters racing along downtown sidewalks do not fit these criteria. General liability policies are probably not the answer either. Coverage for mobile equipment is limited to vehicles that are not licensed for public roads.

Damage and injuries to riders, pedestrians, and others can come from a variety of incidents:

- Defective scooters result in crashes and single rider injuries.
- Injuries due to road hazards such as potholes.
- Collisions with pedestrians, cars, bicycles, or other scooters.
- Scooter riders “doored” by vehicles.
- Riders swerving to avoid scooters and hitting other cars or pedestrians.

Riders usually sign away liability for accidents they cause when they agree to the conditions of the sharing app.

Injuries to riders may be covered under the individual’s health insurance. Ultimately, the responsible party – be it the driver, scooter company, or third party – may bear the financial burden for damage and injury resulting from scooter accidents. Several recent fatalities bring to light the potential danger. A woman was killed in Cleveland in August 201 after being hit by a car. Lime saw two scooter fatalities in September 2018. In Dallas Texas, a 24 year old man died after apparently falling from his scooter, and in Washington DC a rider was killed after being pulled under an SUV.



Autonomous Vehicles

Much has been written about the coming of autonomous vehicle. Current estimates show 46 companies are testing these vehicles in cities around the world. Half of American cities are making plans to integrate self-driving cars into their future transportation systems. A recent study posited that the nascence of readily available autonomous vehicles could have a significant effect on the urban tourism industry.

The impact of autonomous vehicles will extend far beyond their passengers. It is predicted that personal auto ownership will decrease significantly. In turn, service businesses such mechanics and body shops, will be in smaller demand. The need for on street parking may be greatly reduced or eliminated. New businesses to address the autonomous phenomenon, will come into existence.

The face of transportation is changing dramatically. Financial service professionals, in particular insurers, are well-advised to invest in development of insurance products to address the needs of a changing world.

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