The Uber Auto Insurance Nightmare - New Jersey Edition

What if I promise you a job that can pay up to $35 an hour and you can determine what hours you want to work? Would you do it? Many New Jersey car owners have heard this message from companies like Uber and Lyft and have started to use their own cars to transport people. To some the extra cash they earn is another way to help make ends meet.

Have you ever given consideration to how this impacts your personal auto insurance policy? If you think you have coverage, you are wrong.

Imbedded in every New Jersey auto insurance policy is language that excludes coverage for transporting people for a fee. If you don’t believe me, grab your auto insurance policy and look under any section of the policy where you see the title “Exclusions” and you will find the following language:

“For that “insured’s” liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance.” – found in the liability section.

“While “occupying” “your covered auto” when it is being used as a public or livery conveyance.” – found in the medical payments section

“Sustained while “occupying” “your covered auto” when it is being used as a public or livery conveyance.” – found in the uninsured motorist section

“Loss to “your covered auto” or any “non-owned auto” which occurs while it is being used as a public or livery conveyance.” – found in the damage to your car section

Long before Uber or Lyft even existed, every personal auto insurance policy excluded coverage for people using their cars as a taxi or limo. This type of operation should be addressed by a Commercial Auto Policy. However, the premiums could be three to four times more expensive than what a personal auto policy charges.

You may be thinking that Uber and Lyft provide you coverage while you are logged into the app so everything is fine. The answer is No.

Period 1 of the Uber/Lyft App is when you are available for someone to hail you through the app. During this phase Uber and Lyft provide you with “contingent” auto liability coverage. What they mean by “contingent” is they will only cover you once your insurance carrier denies the claim. So how much coverage are they giving you?

- Up to $50,000 per person for bodily injury
- Up to $100,000 per accident for bodily injury
- Up to $25,000 per accident for property damage.
- Uber provides contingent Uninsured / Underinsured Motorists Coverage of $25,000 per person and $50,000 per accident but does not say how much Property Damage they give. Lyft does not say how much coverage they give.

How much liability coverage do you currently carry? During Phase 1 neither Uber nor Lyft is covering you for the following:
1. Medical Bills you incur if in an auto accident
2. Damage to your car also known as Comprehensive or Collision coverage

So now let’s get into Period 2 and Period 3 of the Uber/Lyft App. These are the phases where you are in route to pick up a passenger (Period 2) and when the person is in your car and on his way to the final destination (Period 3). Here is what Uber and Lyft are covering you for:

- Primary Liability coverage of $1,000,000 (That’s $1,500,000 in New Jersey)
- Uninsured and Underinsured Motorists Liability coverage of $1,000,000 (That’s $1,500,000 in New Jersey)
- Contingent Comprehensive & Collision coverage – Subject to a $1,000 deductible (Uber) or $2,500 deductible (Lyft)

Sounds great right? Not really. They still are not covering you for your medical bills if you are in an accident. We will talk more about medical bills in Part II of this blog series.

When it comes to the contingent Comprehensive & Collision coverage, there is a maximum value that Uber and Lyft will pay and that is $50,000. For those of you who own a luxury vehicle like a BMW, Mercedes, or Tesla you may want to think hard about using that car as a taxi.

Now there is some good news out there. A handful of insurance carriers are now providing some coverage to people who drive under Uber or Lyft. But I have to point out they are only giving “some” coverage.

One carrier that has stepped into the fray our agency does not represent, so out of fairness and respect to them I can’t say their name. I was able to read their form when they filed it with the State of New Jersey for approval. The coverage that they will give will cover a driver during Phase 1 of the Uber/Lyft App for the following:

1. Liability coverage up to the policy limits
2. Medical Payments coverage
3. Uninsured / Underinsured Motorists Liability coverage up to your policy limits
4. Comprehensive and Collision coverage

However, they are not expressly providing coverage under Personal Injury Protection. More about that in my next blog post in this series. Finally, they are not providing any coverage during Phase 2 or Phase 3 of the app.

As a word of caution to anyone reading this article. If you have an insurance company or insurance professional saying to you that they will provide coverage for you while you are driving/transporting for Uber or Lyft, ask them during what phase of the app they are covering you for. Hopefully, that person understands the three phases of the Uber/Lyft app and can explain the coverage to you.