

CAPITAL INSURANCE AGENCY OF WISCONSIN

Does Car Pooling Affect My Personal Auto Coverage?

Why Do We Still Car Pool?

Environmental concerns, traffic congestion, convenience, desire to relieve driver stress, poor public transportation, lack or expense of parking are factors that contribute to commuters forming driver groups or car pools. Parents use such arrangements to transport children to school, sports events and extracurricular activities. It is also common for a student owning a car to carry classmates back and forth between home and school.

Regardless of the name, driver groups, share-the-ride arrangements or car pools are a permanent part of the American scene. Typically, several drivers take turns assuming the responsibility for driving their companions. It's common for the turns to last a week and may be done on a rotating basis. These people frequently live in the same area and work in the same office or plant, taking turns driving or regularly riding in one car and paying the owner a reasonable fee to help pay for gasoline, maintenance and wear and tear.

The practice of a parent taking a group of children on an outing, to a Little League baseball game, and the like is commonplace. Other examples of group driving exposures are plentiful:

Church group activities

Book club members driving to their regular meeting or outing

Coaches taking players to practices or games

Employees traveling together to league games or practices, etc.

Liability Insurance Exclusion

Drivers involved in car pools and other group arrangements may wonder if the situation is covered under their auto policy. This concern is valid as many auto policies have restrictions. Typically, liability coverage under personal automobile policies does not apply to ". . . liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance." (A public conveyance is a vehicle used indiscriminately in transporting the public without being limited to certain persons or occasions. A livery vehicle is one that is offered for rental). There is slight variation in language among policies issued by various insurers, but the intent is the same, to exclude the use of a personal auto for transporting people or property for income. However, this exclusion does not affect coverage for car pool, driver group, and share-the-ride arrangements.

Why Isn't Coverage Excluded?

Coverage is unaffected because the driving exposure is essentially the same. The common exclusion concerning "public or livery conveyances" is to prevent coverage for situations that involve a commercial or business exposure. Using an auto that is covered by a personal auto policy to transport people or goods for hire is unfair to insurers because, while the insurance company charged a premium based on

personal use, "public or livery conveyances" are typically:

Driven more miles

Exposed to worse (i.e. high density) traffic situations

Driven under more pressure to meet delivery schedules

Exposed to poorer driving conditions

In other words, such use calls for more careful underwriting, different or special coverages and, more important, a higher commercial premium.

However, group-driving arrangements are not significantly different than the routine personal use of a car since personal auto premiums contemplate using the car for commuting, vacations, personal errands, etc. Most car pool arrangements are a form of personal use, so the "personal" premium compensates an insurer for the exposure.

Are There Other Coverage Considerations?

Yes. Car owners may worry if their insurance is affected if another member of a car pool is driving their car. The answer is that any person using the vehicle with the car owner's permission is covered along with the car owner. Obviously, a car pool relief driver has the named insured's permission, so coverage would still apply.

Persons who drive in carpools may want to discuss the details with their insurance agent. It's important to discuss the details to make sure that coverage isn't adversely affected or to be certain that their insurance limits are adequate. An insurance agent may recommend that you carry higher bodily injury liability insurance limits, especially if your policy contains sub-limits that apply separately to injured persons and to the total amount of losses. Higher medical payments coverage limits may also be in order. Providing full details can help an agent make sure that any fees involved in the arrangement represent coverage for the driver's operating expenses and not additional income.

Conclusion

In most instances, the use of a covered car in a typical share-the-ride arrangement or car pool will not compromise or void either the liability or medical payments protection under the personal auto policy. The fact that passengers pay a small amount of money to help cover the expense of automobile operation is unlikely to eliminate their driver's insurance coverage since the car is not being used as a "public or livery conveyance."

Insurance consumers should be encouraged by the flexibility of coverage under their personal auto policies. Participation in a car pool does not void automobile liability insurance provided the pool is not operated for a profit. There is no problem when the members of the pool use their respective cars approximately the same amount of time. If one of the members does not share the driving and pays a regular fee, the insurance protection of the owner of a car involved in an accident remains intact. However, any fees received by a driver from car pool passengers should only reflect a reasonable share of the gas and oil expense and depreciation on the car. Do you still have questions about your situation? If so, contact your insurance agent, a professional who's in an excellent position to provide you with answers.