



Massachusetts Division of Insurance

Consumer Alert

Car-Sharing and Ride-Sharing Services

Using your own automobile for “car-sharing” or “ride-sharing” has become a popular practice in Massachusetts. It seems like a great example of the innovation economy. Letting someone else drive your otherwise-idle car, or using your own vehicle to transport another rider for an agreed-upon price — what could go wrong? Actually, a lot!

Understand the Risks

Car-sharing services facilitate the rental of your personal vehicle in exchange for a payment. Ride-sharing services create a marketplace where persons in search of transportation are provided rides in privately-owned vehicles for an agreed upon fee. There are many car- and ride-sharing programs now being offered in Massachusetts. Before you sign up with a program like one of these, however, be sure you know the potential risk that you are accepting, and understand whether your existing insurance coverage will protect you in the case of an accident or injury involving your personal vehicle.

Whether you are sharing your car with someone you do not know, or providing strangers a ride in your car for a fee or other incentive (for example, gift cards, gift certificates, etc.), there is a risk that accidents by those drivers or injury to those passengers may not be covered by your insurance. Your insurance policy provides coverage for your vehicle when it is used by you, another household member, or another person who has your direct permission to drive your car. Most Massachusetts insurers will not consider using your vehicle for a car-sharing service “permissible use,” and are unlikely to cover claims arising from such use.

An insurance policy is a contractual agreement, and all insurers in Massachusetts will deny coverage should an incident occur if you use your vehicle to provide rides to strangers for a fee or other economic inducement. Most insurers in Massachusetts will also exclude coverage when you “rent” your car to another driver through a car-sharing service. Even if your insurer does not explicitly exclude coverage if you participate in a car-sharing service, your insurance policy may be non-renewed if your vehicle is involved in an accident while being used in this manner. You should always familiarize yourself with your own insurance contract to understand what your policy covers and what it excludes.

Car-sharing companies may offer some insurance coverage, but probably with limitations and exclusions. Also, claims are likely capped at the car-sharing company’s coverage limit. If the costs associated with an accident exceed the cap, you could be liable for the remaining cost of the damages or the medical care required by the injured party or parties.

If you are renting a “car-sharing” vehicle, you may not be insured for that vehicle unless the car-sharing service adequately covers drivers’ activity, not just vehicle damage, while driving a rented vehicle. That means if you, as the renter, get into an accident, you may have to pay out-of-pocket for injuries or damage to the rented car which result. And if the car-sharing service’s insurance coverage limit is lower than the cost of all damages—a situation which could occur if there are multiple passengers who are all badly hurt in an accident—you may be personally liable for those costs as well.

Review Your Policy Carefully

It is always wise to consult your agent and/or insurer when considering something that may affect your insurance policy. This is especially true for a “car-sharing service.” Most Massachusetts insurers explicitly prohibit making your car available for rental for a fee or other economic inducement (see the “public or livery conveyance” exclusion in the standard Massachusetts auto policy). Violating this prohibition could invalidate your policy. Read your policy carefully—and review the policy of the car-sharing service. Check if there are exclusionary clauses in either policy which will leave you open to liability. Ask your agent and insurer about the potential risk, to make sure you understand how your insurance will be impacted. You should also review the agreement offered by the ride- or car-sharing company carefully, as there may be important information about insurance coverage in this agreement. Make an informed and educated decision before you choose to share your car or another person’s.

Contact the Division of Insurance

The Division of Insurance is always available as a resource for your insurance-related questions. If you have experienced insurance-related problems with a car-sharing service, or want to know more about the insurance risks of car-sharing or ride-sharing, call the Division’s Consumer Services Unit toll free at (877) 563-4467 or visit us at mass.gov/doi.