

carpooling?

DON'T OVERLOOK THE RISKS

Understand how to limit your
insurance liability



Washington

Insurance Agency



Carpooling is an ideal option in many situations: colleagues commuting to work, college students traveling back to school, or a parent bringing the neighborhood kids to a sports practice. Not only does carpooling lower the carpool participants' transportation costs, but it also allows them to use the super-speedy carpool lane. There are even benefits for the community as a whole: reduced traffic congestion, less demand for parking, and cleaner air.

Yet, there are risks and questions associated with carpooling, specifically from an insurance perspective. If there is an accident, who is responsible for paying for damages? Could an injured passenger sue the driver? Do you need to have additional car insurance if you're carpooling? Before you load up for your next carpooling journey, carefully consider the risks. If you don't, your financial future could be put in jeopardy.

WHO'S RESPONSIBLE?

Although it may seem obvious that the driver who causes a crash should be responsible for paying related damages, in many circumstances, the owner of the vehicle can be liable — if not more so. Dangerous financial risks may come into play whether your carpool involves you driving a friend's car, a company car, or your own car. You also are responsible if someone else drives your car — whether you are present or not. You only can avoid liability if you are a passenger and you don't own the vehicle used for carpooling.





WHAT'S VALUABLE?

Imagine that you're asked to transport in your car four antique vases worth one million dollars each — and you're on the hook for any damages that occur. Sounds incredibly nerve-wracking, right? Carpooling is actually a similar situation: your passengers are extremely valuable assets, especially if they are young coworkers with high-paying jobs. Each of them is likely to earn hundreds of thousands — if not millions — of dollars over their lifetime. And, if they are “damaged” while in your vehicle or while you are driving, and you're at fault, you may become financially responsible for replacing any earnings they may not be able to realize. And that's just one aspect of the risk; you also could be liable for medical and rehabilitation costs, pain and suffering, and much more.



HOW ABOUT LIABILITY INSURANCE?

Every standard car insurance policy includes liability insurance — in fact, it's legally required by the state of Washington. This type of coverage pays for damages you cause to others or their property, including injuries or deaths among your passengers. Unfortunately, this coverage does not adequately protect you in most carpooling situations. The amount of liability insurance required by the state is very low — only \$25,000 per person and \$50,000 per accident. In all likelihood, this will barely cover the medical expenses of one person in a serious accident, not to mention the significant non-medical costs. Even if you bumped your liability coverage up to the maximum offered by most carriers — usually \$300,000 to \$500,000 — this is still a small amount compared to the costs of replacing the lifetime earnings of three or four coworkers.



CAN UMBRELLA INSURANCE HELP?

But don't cancel that carpool just yet; there is another kind of insurance that can further strengthen your liability coverage: umbrella. This "super liability" insurance acts, well, like an umbrella, creating an overarching layer of added protection that should cover you well enough to carpool without worry. In the event of an at-fault crash, after your car insurance liability limits are maxed out, an umbrella policy will step in and give you access to even larger sums of money when you need it most — usually from \$1 to \$5 million. If there's one type of insurance you need to add to ensure you're covered for carpooling, it's umbrella. Your insurance agent can help you answer the question of which specific umbrella policy and coverage level is best for you.



WHAT ABOUT PERSONAL INJURY PROTECTION?

Another type of insurance that offers protection, and is relevant to carpooling, is Personal Injury Protection, or PIP. This coverage pays for the medical expenses of passengers in your vehicle or pedestrians that are injured in a crash, regardless of who is at fault. PIP is great because it quickly provides injured parties with the additional money they need to keep up with hospital bills, lost wages, loss of services (household chores a person is no longer able to perform) and funeral expenses. PIP is in no way an adequate replacement for an umbrella policy; PIP coverage limits are relatively low and more suited to minor crashes than those involving serious injuries. You still need the liability coverage of an umbrella policy to adequately protect your finances in a carpooling situation.



ANYTHING ELSE TO LIMIT MY RISKS?

As mentioned, one method of limiting your financial risks is to avoid driving or using your car for carpooling. Some people have asked passengers to sign a waiver that absolves them of financial responsibility for carpool-related damages. AAA Washington Insurance Agency doesn't recommend this option for a variety of reasons. If you go this route, however, be sure to have the waiver drafted, or at least reviewed, by a lawyer; if you do not, the document likely won't hold up in a court of law. Even with an airtight waiver, however, a crash still could lead to a drawn-out lawsuit; a strong umbrella policy would make for a much less stressful situation because the insurance company would handle everything.



Despite these risks, don't be discouraged from starting a carpool; it's an excellent commuting option and has great community and environmental benefits. You simply need to become familiarized with the potential pitfalls and protect yourself accordingly. Your insurance agent can easily find the umbrella options that best fit your needs and set up your coverage in no time. 🚗