Buyer Beware: Paying the Price for Cheaper Rideshare Fares

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You may have encountered this scenario: you get into your Uber or Lyft and you and the driver get to talking. You tell him or her that you're going to be in town all day and will be using Uber to get around. The driver offers to take you around for a flat fee or offers to be your personal driver for the day outside of the Uber or Lyft app. They offer a price cheaper than what the ride would normally cost—but what seems like a money saving tactic could cost you big in the long run.

Uber and other ride-sharing apps offer insurance through the ride-share company. In the event that your driver gets into an accident, you are covered by the big company's insurance. Drivers are typically insured up to $1 million for accidents depending on the phase or period of the ride. If drivers get into an accident, the big company pays the price. The problem starts when the app is turned off. If the driver offers to drive without using the app, the insurance offered by Uber is automatically void. What that means is that the ride is no longer insured by the million dollar policy, but instead by the policy of the driver. In South Carolina, drivers only need to carry a $25,000 liability policy. In the case of an accident, $25,000 is next to nothing compared to Uber's one million dollar policy. Further, many car insurance companies have "livery provisions" which void insurance if the car is being used for profit at the time of the accident. The existence of these provisions may mean that the driver's insurance drops to $0, even if your injuries are catastrophic.

Next time you're asked if you want to get into a rideshare outside of the company's platform, ask yourself: is the few dollars saved worth it in the long run? The answer is no. While some Uber drivers like UberBlack do carry commercial licenses, the coverage associated with those commercial licenses may vary greatly. A couple dollars extra per ride could save you big in the long run.

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