Legal and Institutional Issues of Carpooling

U.S. Department of Transportation
January 1974
This report is one of a series dealing with various necessary ingredients for a successful Carpool/Buspool Program. It was developed by Alan M. Voorhees and Associates, Inc. for the United States Department of Transportation.

The goal of a Carpool/Buspool Program should be to satisfy travel requirements more efficiently by increasing passenger occupancy in autos and buses, thereby reducing the number of vehicles using the streets and highways. Achievement of that goal calls for coordination among many institutions within a metropolitan region, including public agencies and citizen and business groups. Participation by all of these groups and their knowledge of necessary program elements are critical to the success of the program.

The information and techniques presented in this series of reports should be considered as a guide to the development of a sound program in a metropolitan area. The program should be designed to make the existing street and highway system more efficient, to have a significant effect relative to energy conservation, and to foster urban and environmental goals.

The other reports prepared as part of this series, as well as other important documents concerning carpooling and buspooling can be obtained from the U.S. Department of Transportation.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>I. LEGAL ISSUES</td>
<td></td>
</tr>
<tr>
<td>1. Incentives to Encourage Carpooling</td>
<td>2</td>
</tr>
<tr>
<td>2. Regulatory Status of Carpool or Share-The-Expense Arrangements</td>
<td>3</td>
</tr>
<tr>
<td>3. Applicability of Guest Statutes to Members of Carpools</td>
<td>4</td>
</tr>
<tr>
<td>4. Responsibility of Sponsors of Carpooling Programs</td>
<td>5</td>
</tr>
<tr>
<td>5. Competitive Aspects of Carpooling</td>
<td>6</td>
</tr>
<tr>
<td>Conclusion</td>
<td>6</td>
</tr>
<tr>
<td>II. SECURITY PROBLEMS</td>
<td>7</td>
</tr>
<tr>
<td>III. COMPENSATION/INTERNAL REVENUE SERVICE ISSUES</td>
<td>8</td>
</tr>
<tr>
<td>IV. INSURANCE CONSIDERATION FOR CARPOOLERS</td>
<td>9</td>
</tr>
<tr>
<td>Insurance Issues</td>
<td>10</td>
</tr>
<tr>
<td>Carpool Insurance In Pennsylvania</td>
<td>12</td>
</tr>
<tr>
<td>Corporate Carpooling</td>
<td>14</td>
</tr>
</tbody>
</table>
INTRODUCTION

With the existing energy crisis, action has been taken by the Department of Transportation to encourage the implementation of carpooling programs at the State and local levels. To insure that a carpool program operates at its maximum effectiveness, it is important to identify legal and institutional issues prior to implementation. In keeping with this strategy, this report was prepared to help state and local program administrators understand and respond to various legal and institutional issues that arise. This report describes issues related to four aspects of carpool operations; it is directed specifically to carpool operations.

I. Legal Issues - Recognizing that the establishment of carpooling programs may require resolution of legal questions raised by interested parties, a review was made of five relevant federal, state and local issues.

II. Security Issues - Security among persons participating in carpooling is usually not a problem when all pool members know each other. Pooling on a wider scale, however, requires that important security issues be considered. First of all, there are issues related to the use of participant information gathered, processed and distributed because certain information may be considered personal, and by getting into the wrong hands be used for non-carpooling purposes such as marketing. Secondly, there are personal security issues associated with sharing rides with strangers.

III. Compensation/Internal Revenue Issues - Since carpool arrangements may involve financial transactions which could create compensation or Internal Revenue Service problems, it is important to understand various issues to avoid not only tax problems at the federal and state level, but also at the local level.

IV. Insurance Issues - No matter what the carpool situation, it is important to understand various insurance implications associated with carpooling so that liability is fully understood and the most reasonable coverage is assured.
I. LEGAL ISSUES

This section identifies and briefly discusses the possible legal implications of carpooling programs. Some of the issues below affect only sponsors of such programs while others affect only participants. In some cases the interests of potential sponsors and potential carpoolers are adverse and must be balanced or compromised to achieve a carpooling program which satisfies the various parties. The five legal issues described below are presented with a view toward making that compromise an informal one.

1. Incentives to Encourage Carpooling

The problem of establishing incentives to encourage carpooling is essentially a question of who has authority to establish what. The Emergency Highway Energy Conservation Act was signed by President Nixon on January 2, 1974. The Act includes but is not limited to funding incentives such as preferential carpool or carpool/bus highway lanes, and preferential parking. The Act contemplates that these and/or other incentives will be included in proposals for funding originated by local officials and submitted by states. A more basic question is who should provide incentives, and who has the necessary authority?

Preliminary research indicates that the Secretary of Transportation has no authority under existing law to decree preferential lanes for carpoolers or otherwise control the use of federally assisted highways. The letter and spirit of the Federal Aid Highway Act leave control of highways to the states.

States, in the exercise of their police power to regulate use of highways do have sufficient authority to set aside lanes for carpools and a few states have already done so. For example, by Act of the General Assembly of the Commonwealth of Virginia, Code of Virginia, 1973 supplement, S33.1-46.2, the State Highway Commission may designate commuter lanes and prescribe hours for their use. This section also provides penalties for citizens violating its provisions. Pursuant to the statute, a commuter lane for buses and cars with multiple occupants has recently been designated on Interstate 95 running north through Virginia to the District of Columbia.

Local governments also have authority to set aside preferential carpool lanes if they are acting under properly delegated legislative authority and the ordinances they enact are reasonable and not in conflict with state law.
Preferential parking for carpools also presents jurisdictional considerations. Whether the power to make provision for such preferential parking lies solely with the states or the municipalities, or inheres in both, depends on the extent to which each state has delegated such power to municipalities. A tax on parking, either as an incentive to carpools or as a disincentive to non-carpools, is also available as a preferential device. There appears to be no constitutional impediment against the levy of such taxes by either the Federal, State or local governments, so that the matter is only one of legislative authorization.

2. Regulatory Status of Carpool or Share-the-Expense Arrangements

Carpooling encompasses two types of arrangements: (1) members of the group may alternate in driving their own vehicle, or (2) one or more members of the group may provide the car and drive while other members may simply contribute to the expenses. The differences in the arrangements do not appear to be significant from the standpoint of regulatory status. It is to be recognized that in each arrangement an element of compensation or consideration is involved, but that element is not determinative of whether either arrangement is within the regulatory ambit. The controlling factor, it would appear, is whether the arrangement is one for business or private gain, as distinguished from one involving the use of highways in the ordinary course of life and business. The use of streets and highways under the former arrangement is considered a privilege subject to governmental control, whereas the latter arrangement is considered a right inherent in members of the public. The grant of a Certificate of Public Convenience and Necessity, a franchise or permit by whatever named called, is required for entry into the regulated sphere and the rates and other aspects of the business are subject to regulation.

It does not appear that the status of carpooling under municipal ordinances regulating local transportation has been judicially considered and no ordinance expressly applicable to carpooling readily has come to attention. There is no basis to assume, however, that the criteria for determining whether carpooling should be made subject to government regulation would be different or more stringent for local than state regulation. As stated above, the critical factor, under state law, is whether the public ways are being used for the conduct of a business. It appears that through definitions, regulation under local ordinances is directed to the same character of transportation activities.
It is variously stated that between 27 and 34 states have statutes which, in effect, impose upon the driver a lower standard of care towards a passenger who is a guest than to a for-hire passenger. In a few jurisdictions, the concept has been judicially imposed. This dual standard of liability towards passengers in more than half of the states will be discussed generally here, but because of its importance in any carpool program, each sponsor should investigate the law in its jurisdiction.

Although there is an absence of uniformity among the statutes in the wording used to define or classify "a guest", in general the definition of a guest is one who is invited, either directly or by implication, to accept transportation in the vehicle of another without making any return to, or conferring any benefit upon the owner or operator of the vehicle. There is also a lack of uniformity among the states in the factors or criteria relied upon to determine the status of the passenger. Three factors are frequently mentioned in the cases: (1) the existence of an enforceable agreement for the transportation, (2) the relationship between the parties, and (3) the existence of consideration. The latter obviously is the most relevant for the carpool program.

It is well-established that the consideration or the benefit need not be in money to satisfy the statutory requirement for "payment" or "compensation". The test appears to be whether there is an actual or potential benefit which is not of a social nature and which was the inducing cause or motivating influence for furnishing the transportation. Under this test it is generally considered that a reciprocal driving arrangement makes the guest statute inapplicable. Thus, carpools, as well as share-the-expense arrangements have been held not to be comprehended with guest statutes.

It is interesting to observe that the trend of the cases appears to hold that the consideration which creates a for-hire relationship for the purposes of the guest statutes, is not considered to create a business relationship within the meaning of statutes regulating motor carriers. Although this situation may appear to present an element of inconsistency, the effect is to establish the same standard of care in states where carpools are not considered as regulated carriers and where members of the carpools are not considered guests.

Closely related to the guest statute issue and another facet of the liability problem, is the extent to which carpool members may be jointly liable with the driver for negligence causing injury to third parties. Liability in this area is variously predicated upon concepts
of joint enterprises or joint venture on the basis of which each member of the enterprise may be liable to third parties for damages caused by the negligent operation of a motor vehicle (regardless of which member is driver or who owns the vehicle). In its simplest terms, liability rests upon a showing that the vehicle was operated for a common purpose and that each member of the joint venture had an equal right to control the operation of the vehicle, whether or not exercised.

4. Responsibility of Sponsors of Carpooling Programs

Preliminary research has not revealed any judicial precedents bearing directly upon the question of whether sponsors of voluntary carpooling programs may be required, as a matter of law, to provide assurance of any kind with respect to vehicle or driver safety; nor was any discussion of this specific point found in the secondary sources. However, the responsibility of the sponsor will depend upon what kind of pooling arrangement the sponsor organizes -- the less mandatory the plan, the less likelihood of sponsor liability. Thus the sponsoring agency would not be held to a standard of care to investigate questions relating to safety and security of carpool participants in any case where, as sponsor, it organizes and administers a voluntary carpooling program in which drivers and passengers with common transportation interests are identified and matched but are not assigned or in anyway compelled by the sponsor to participate.

Although it would not appear that an agency or an employer which simply sponsors or renders limited assistance in the development of a carpool program would, as a general rule, have responsibility to take any steps to secure passenger safety, a standard of care may be imposed upon the sponsor if the nature of the program is such that there is reason to believe that the participants may rely upon some effort by the agency to determine whether the transportation offered by the program is reasonably safe. For example, if the carpooling plan has been imposed upon employees by an employer as a condition of employment and the employer or sponsoring public agency actually assigned employees to a specific carpool, a standard of care to make some investigation with respect to safety matters may arguably be implied upon a contract or a tort basis. Similarly, a labor organization which, in conjunction with an employer participated in the establishment and management of a planned transportation program of this kind, may also be exposed to liability upon this basis. And, of course, the most likely situation in which liability would be imposed upon the sponsor is one in which the sponsor provides the vehicle; the sponsor would necessarily be responsible, at a minimum, for its condition.
For example, the Group W Radio Television Stations which sponsor commuter computer systems in the Boston area, require participants to sign statements releasing the sponsor from any liability "for any action taken or omitted in good faith by WBZ or ALA (Automotive Legal Association) and their agents and employees in connection with the 'commuter computer' service" provided by the stations. It appears that these releases were required to be signed by the participants out of an abundance of caution. It is suggested here that, although a formal disclaimer of this kind may not be needed and may in fact be void because they are unfair to carpoolers, the program participants should, nonetheless, be given explicit information describing the limits of responsibility as outlined above.

5. Competitive Aspects of Carpooling

The issue here is whether any action by affected transportation interests would lie either against state or local governments, private sponsors of carpool programs, or participants in carpool programs for interference with rights of any bus or mass transit system, including taxi operators, under a Certificate of Public Convenience and Necessity, a franchise or operating permit. The issue would be presented in its strongest light where the operations were conducted under an exclusive grant. The case law context in which the issue may be considered does not provide definitive guidelines. On the one hand, there is the line of cases which hold that carpools and share-the-expenses arrangements are not comprehended within the motor carrier statutes. On the other hand, there is the line of cases which hold that such arrangements are for-hire transportation for the purposes of the automobile guest statutes. In the absence of authority on the issue, any prejudgement is speculative but, it would appear that the cases narrowly construing the motor carrier statutes (example, Kentucky) will prevail as the more analogous precedents. At the State and local level, it would seem unlikely, if carpools and share-the-expense arrangements are considered beyond the regulatory pale (not a regulated motor carrier), that such activities would be held to interfere with transportation interests which are subject to regulation.

Conclusion

In conclusion, the relevant legal issues previously discussed vary according to the applicable state laws. All potential sponsors and participants are urged to check the statutes and ordinances in force in their jurisdictions on each legal issue examined. Nor is the discussion intended to be exhaustive. Other Federal and State statutes may be applicable to various aspects of carpooling projects. For example, the Equal Employment Opportunity Act will apply to the staff of any Federally funded carpool project.
II. SECURITY PROBLEMS

For all intents and purposes, the security of persons participating in carpooling should not be a significant problem when all pool members know each other -- because they either work for the same organization or live in the same neighborhood. For pooling on a wider scale among persons who have no common relationships, security issues should be considered. For example, as far as the control of information is concerned during the matching process (either manual or computer) necessary to unite potential carpoolers, there are security problems related to the use of participant information gathered, processed, and distributed. Presumably, if satisfactory matches are made, there are no further security problems except for casual use; when carpooling is used as a backup or casual system, security problems similar to hitchhiking are introduced.

Control of Information -- Security issues related to the control of information center around the type of data gathered from potential participants. The more complete the file of information, the easier it is to secure a successful match, and the more risk there is for the person surveyed. Obviously the trade-off on data gathered is related to there being more responsibility as more data are collected, processed and distributed.

Processing/Distribution Phase -- Once the information is gathered, the problem becomes controlling access to the data file during processing and physical distribution of the information. Those wishing to use the information for its intended purpose must be separated from those who wish to use it for other purposes. This could range from individuals seeking contact with others for the purpose of theft or assault, as well as representatives of companies or other organizations seeking access to the information for marketing purposes.

How Else Can The Information On Participants Be Utilized? -- Since little research has been done on carpoos and related transportation problems, the data accumulated for forming carpools will provide information attractive to transportation planners. Careful screening should be done as to the purpose and scope of such research before information is released. Under no circumstances should the information be released for marketing purposes or for mass mail campaigns and solicitations. Transportation planners should find the information useful. However, requests for use of the information in this way should be reviewed by local government officials and group responsible for transportation policy.
The supervision and control of the final data/tape should be decided in advance by the sponsors of the project and project directors. Such questions as who obtains complete copies of the data, including print-outs; who obtains copies of the data tape or disc needs to be answered early in the program. Policies on distribution should seek to protect the privacy and security of individuals.

In summary, security issues related to the control of information imply that it will be necessary to limit data gathered, to limit access to the data, and to take steps to insure that the data are disseminated only to personnel authorized by the supplier of the data and only for its intended purpose. Methods of abstracting the data for use while preserving sensitive facts should be adopted. Unfortunately, it is difficult to impart anonymity to location of residence, name, working location, and travel time for a carpooling data base. Thus, separation should be made on the basis that there is no need to hide a name and address that can be found in a standard telephone directory, but there should also not be a need to print-out a public listing of who leaves home at a certain time.

III. COMPENSATION/INTERNAL REVENUE SERVICE ISSUES

The following statement from the Cumulative Bulletin of the Internal Revenue Service (IRS) 1955-2C. B. (also Section 262, Rev. Rul. 55-555) describes the IRS position with respect to carpools:

"It has long been the position of the Internal Revenue Service that a carpool arrangement in which the members share the responsibility for furnishing transportation to and from their places of work and each takes his turn at driving his own automobile is not an arrangement which gives rise to taxable income or deductible expenses. The Service has been asked whether the same rule applies to a carpool arrangement in which only one member uses his own automobile and his fellow members pay him a stated sum of money for transporting them to and from work.

It is the position of the Service that money received by an automobile owner from fellow employees for transporting them to and from work constitutes reimbursement by them for their share of the personal expenses incurred in the operation of the automobile for their mutual convenience. Such money is not includible in computing the gross income.
of the automobile owner for Federal income tax purposes. The automobile expenses incurred by him in commuting between his home and place of employment are personal expenses for which no deduction is allowed for Federal income tax purposes. However, this Revenue Ruling is not intended to apply to the situation where a particular car owner has developed his carpool arrangements to the extent that he can be said to have established a trade or business of transporting workers for hire from which a profit is derived."

This current IRS position implies that there are no significant compensations problems with respect to carpools, however if special incentives such as employee subsidy, insurance subsidy or extra payments for serving the handicapped are introduced, then problems may arise.

Carpool users should also consider the following factors:

- Commuting costs are non-deductible expenses.
- Since a share-cost arrangement is not a trade or business, the use of a private auto in carpool service does not change the auto's status as a non-depreciable cost.
- While state and local tax implications would be investigated on a local level, it is not expected that the rulings would differ significantly from the above IRS position.
- Minimize conflicts with IRS rules by encouraging only those incentives which do not encourage taxable income.
- If carpools are developed on a taxable basis, suggest that a carpool club or other institutional framework be created to handle taxes, insurance, regulatory report and if necessary, customer billing procedures.

IV. INSURANCE CONSIDERATION FOR CARPOOLERS

The increasing use of carpools as a response to the energy crisis raises questions regarding the liabilities of drivers and riders, and the impact of possible changed liabilities on automobile insurance. In most situations the position of an insured driver will not change with the formation of a carpool. There are exceptions, however, and there is a need for review of the amount of coverage in all cases.
Insurance Issues

Typical carpools are formed either with a group of individuals taking turns as drivers or with one driver regularly providing rides for a number of passengers. There can also be combinations of these two typical patterns, as well as situations in which a company provides transportation by making company vehicles available to groups of employees or by arranging for special use of a mass transit vehicle.

Setting aside for the moment the situation with company-provided transportation, in any kind of carpool where there is no payment of money for expenses or otherwise, each driver's insurance offers protection on the day he or she operates the vehicle. The only factor a driver need consider is the adequacy of coverage for bodily injury. (A group of three or four wage earners riding as passengers represents a substantially greater potential for damages in the event of a serious accident than would normal riders in a typical family car situation.) This is a matter for each individual to weigh, balancing the cost of insurance with the risk of loss of personal estate. This factor applies only to bodily injury. Medical payments coverage need not be increased since the dollar limit applies to each passenger separately, and carpoolers are not likely to have higher medical costs than anyone else. Similarly, with property damage insurance, the addition of one or more riders would not normally contribute to the amount of property damage in the event of an accident.

Some companies provide lower rates for carpoolers when all drivers have insurance with the same company. The reason is obvious: there is less exposure and thus less risk with four drivers in one car each day than with the same drivers in four separate cars. Normally, these reduced rates apply only during the commute to and from work, and generally when the one-way distance is more than ten miles.

In all events, the controlling factor for insurance companies is the degree of risk (the likely dollar loss in case of an accident. Insurance rates are based on experience. At present there is scant history relating to carpoolers compared with other identifiable segments of the population. Drivers of vehicles for hire (such as taxicabs) pay considerably higher rates than do average drivers, because taxi companies and bus companies get sued more frequently and tend to have higher damages awarded against them. Taxis also have greater exposure inasmuch as they operate with an annual mileage of 5 to 10 times the average for a private auto. On a per mile or per hour basis, the difference in insurance cost is not as significant as one might otherwise suspect.
At some future date, if experience shows that carpoolers also tend to become the targets of large judgments, the rates can be expected to increase accordingly. On the other hand, if future experience tends to demonstrate that carpoolers as a group have lower than normal claims against them, then one can anticipate reduced insurance rates for this group.

If the riders pay the driver some amount of money for the journey to work, there may be a significant change in the insurance picture; much depends on the amount of payment. If the money is clearly only a contribution to cover actual expenses of vehicle operation, there should be no problem. If the amount of money is in excess of the cost of operation of the vehicle (and the exact amount may not be easily ascertained), a legal issue arises. When a passenger does not make payment for the service of providing transportation, in some jurisdictions the passenger is considered, in the eyes of the law, as a guest of the driver. Legally, a driver has a responsibility for a guest's injury only if the injury resulted from gross negligence. On the other hand, if there is compensation for the transportation, then the driver is responsible for the passenger's injury if it results from ordinary negligence. For more details on legal aspects of carpooling, see the Legal Section of this report. The importance from an insurance viewpoint is that judgments are rendered more readily against "for hire" drivers than they are against the average driver. Thus, most insurance companies have no exclusion for bodily injury coverage except when the vehicle is used "for hire," in which case the owner is expected to pay rates comparable to those for taxicabs. Variations in state laws affecting whether or not a carpool rider is a guest and thus whether the insurance carrier is exposed to gross or ordinary negligence, should be reflected in rate increments in the various states. An individual considering entering a carpool arrangement should discuss with the insurance agent the matter of payment for the commute. There is variation among insurance companies and variations in state laws regarding this matter. In Massachusetts, for example, an extra premium of $2.00 per year for carpool drivers is permitted.

One other consideration for the incipient carpooler is the situation where the family car was not previously used for the journey to work but is under a new group arrangement. The change in use could make the car owner subject to a new rate. However, there should be no cancellation or invalidation of an insurance policy if the company is not notified, provided the new operation is properly reported at insurance renewal time. The reverse condition might also occur. If a car has been used on a daily basis for the journey to work and then a carpool is formed so that the car is only used once or twice a week, a lower insurance rate may result.
Sometimes businesses get involved in carpooling, using various ways to encourage their employees to share rides. If incentives such as cash, stamps, or merchandise, are offered by the employer, these are considered by the Internal Revenue Service to be deductible business expenses for the company and income to the recipient employee. If an arrangement is made with a transit company or authority to provide special shuttle bus service to and from the job site, the liability of the transit company or authority would normally cover such an operation. If the company provides vehicles for employees to use to and from work, the company has the liability, which is normally covered with the insurance for the ordinary use of these vehicles on company business. It would be wise, in any event, to check with the insurance agent to make sure no additional coverage is required.

There are two further areas that carpoolers might explore which would not normally be practical but, in certain circumstances, may be. One is commercial insurance. The drivers who make a profit by transporting fellow workers may find it prudent to have coverage comparable to a taxi driver's. It would not be necessary to get full-time commercial insurance; this coverage can be obtained from some companies on a part-time basis, either by the hour or by the mile, to cover the commuting trip only. Almost any coverage can be obtained by a special "rider" being added to a standard policy, although usually the necessary amount of detailed negotiation is large.

Another possibility is for a large number of carpoolers to incorporate as a club and take out special insurance on behalf of the club. There are few insurance companies that have such policies available, and the legal aspects may be complex. Where such a group exists, however, as in a new town or a large residential development, the potential savings to the individual carpoolers may be worth investigating.

Carpool Insurance in Pennsylvania

Representatives of the Pennsylvania Insurance Department indicate that their carpool insurance efforts have only involved the private automobile. To date, four insurance companies have announced special carpool rates in Pennsylvania (State Farm Mutual, State Farm Fire and Casualty, Nationwide, and Erie Insurance Exchange). In announcing their carpool rates, State Farm explained that it was a change in risk classification rather than a discount to encourage the use of carpoolers. A differentiation is made between long-trip commuters and short-trip commuters on the basis of whether they drove more or less than ten miles each way to work. A man who commuted
15 miles each way would be listed as a long-trip commuter; but if he joined a carpool and drove the distance only two days a week, he would drive only 60 miles a week. Under the new, more liberal rules, he would be considered a short-trip commuter because his daily average driving to and from work would be only six miles each way.

In Pennsylvania, this change in risk classification would mean a premium savings of about 15 percent in the commuter's bodily injury/property damage liability insurance program. Motorists who decide to leave their cars at home and take a train or bus to work could realize savings up to 35 percent on property damage and liability insurance.

The Utica Mutual Insurance carpool classification, approved by the Pennsylvania Insurance Department, Bureau of Regulation of Rates and Policies, is more typical of the insurance industry:

A. Pleasure Use -- means that there is no business use of the automobile, and it is not customarily used in the course of driving to or from work a distance of 30 or more road miles per week.

B. Work less than 10 miles -- means there is no business use of the automobile, but it is customarily used in the course of driving to or from work a distance of 30 or more but not less than 100 road miles per week.

C. Work 10 or more miles -- means there is no business use of the automobile, but it is customarily used in the course of driving to or from work a distance of 100 or more road miles per week.

The Pennsylvania Insurance Department considers programs that would force other members of a carpool to be insured with the same company to be out of order, and they would strenuously object. They have also indicated that there should be actuarially based reductions in insurance for legitimate carpools because after approximately six months of operation their actuaries will have a firm definition on the guidelines that they see insurance companies being able to follow. The need to disseminate information between the insurance commissioners is clearly an issue which requires assurance that either it will happen in its informal way, or that a mechanism can be developed to make certain that rate reduction policies for carpools are implemented to the maximum extent possible as a significant incentive for carpooling.
A position paper is being organized by a consortium of insurance carriers now being queried by HUFSAM and should shed some more light on this subject when the results become available. 1/

Corporate Carpooling

If corporations become involved in organized carpooling, and particularly in providing financial incentives such as paying the driver an extra fee and collecting or withholding from passengers a fare, the IRS rules on taxable income would be satisfied since the employer would be withholding appropriate IRS contributions. The primary issue of importance in this situation would be the vicarious liability the corporation might incur by providing financial incentives.

A group insurance rate could be promulgated to cover the extra exposure which either the corporation or the drivers would face under these situations. A procedure in insurance cases such as this is to submit prepared insurance rules for bidding through Lloyds of London or major U.S. underwriters. Since insurance is regulated on a state level, assistance should be secured from the State insurance commissioners.

Finally, no matter what the situation of the carpooler, whether a beginner or a veteran in this commuting mode, it is strongly recommended that the insurance agent be contacted and the policy and coverage be thoroughly reviewed. The insurance business is quite complicated, and one is cautioned against assuming there is no problem. Learning about local laws and policy restrictions after an accident can be a costly lesson.

1/ Highway Users Federation for Safety and Mobility.