

- SUBJECT:** Municipal regulation of taxicab insurance
- COMMITTEE:** Urban Affairs — committee substitute recommended
- VOTE:** 7 ayes — Hill, Bailey, Clark, Ehrhardt, Garcia, Hodge, Wohlgemuth
1 nay — Shields
1 present, not voting — Burnam
- WITNESSES:** For — Charles L. Butcher, DFW Taxicab Association; Ed Collinsworth; Bob Osmundsen; Emory L. White, Jr.

Against — Karl Kuhlman, Terminal Taxi Corp., Choice Cabs, Inc., and Big Tex Taxi Corp.; A. R. Schwartz, Greater Houston Transportation DBA Yellow Cab

On — Kevin Brady, Texas Department of Insurance
- BACKGROUND :** The Local Government Code authorizes municipalities to protect the public health, safety and welfare by establishing ordinances to license, control and regulate private passenger vehicles providing passenger taxicab transportation services for compensation within their jurisdictions. The ordinance may set safety and insurance requirements.
- DIGEST:** CSHB 1166 would stipulate that taxicab insurance required by a municipal ordinance be obtained from a reliable insurance company authorized to do business in this state or be provided through self-insurance in accordance with state laws.
- A municipality could not regulate passenger taxicab service with respect to the company insuring the taxicab except in two limited circumstances:
- The municipality could determine the insurance company did not comply with the municipal ordinance establishing taxicab insurance requirements if the commissioner of insurance had issued an order finding the company was in hazardous financial condition or placing the company under the

supervision or conservatorship of the State Board of Insurance. A company domiciled outside of Texas could be found in noncompliance if the appropriate authority in its state of domicile had issued an order placing the company in a state of supervision or conservation.

- A municipality could require a written certification that an insurance company had reinsurance for any portion of taxicab insurance required under a municipal ordinance in excess of 10 percent of the insurance company's capital and surplus.

CSHB 1166 would take effect September 1, 1997.

**SUPPORTERS
SAY:**

CSHB 1166 would help many small and mid-sized taxicab companies that are being forced to pay excessive insurance premiums or go out of business because of municipal taxicab insurance standards that are set too high. In some instances, large cab companies have pushed to get ordinances requiring highly rated insurance in order to drive smaller companies out of business and suppress competition.

Requiring highly rated insurance does not necessarily increase public safety. The insurance standards imposed by the Department of Insurance are sufficient to protect the public from underfunded insurance companies, but the municipal taxicab insurance requirements often go far beyond those standards.

**OPPONENTS
SAY:**

CSHB 1166 would deny adequate protection to taxicab riders and the general public because it would allow any insurance company to provide coverage for taxicabs so long as it was not in "hazardous financial condition" or under the supervision or conservatorship of the State Board of Insurance. The Department of Insurance only performs periodic reviews of insurance companies, and many companies have gone bankrupt before the Department of Insurance finds them to be in trouble. An insurance company could meet the requirements of CSHB 1166 and still be dangerously underfunded. Municipalities should retain local control of the quality of insurance covering the taxicabs that drive on their streets and transport their residents and visitors.

The bill also could have a detrimental effect on the Texas Guaranty Fund. If an insurance company covered by the fund cannot cover a claim, the fund would have to pay. This means that taxpayers would likely end up paying many of the costs associated with underfunded insurance companies.

CSHB 1166 would overreact to a local problem. It is a mistake to reduce the authority of all Texas cities to regulate the insurance covering their taxicab companies because of a problem experienced in Dallas alone.

NOTES:

The committee substitute added provisions addressing self-insurance of taxicabs and insurance companies in states of supervision or conservation, and requiring certificates of reinsurance in certain circumstances.