

SUBJECT: Insurance requirements for transportation network company drivers

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Frullo, Muñoz, G. Bonnen, Guerra, Meyer, Paul, Sheets, Vo, Workman

0 nays

WITNESSES: For — April Mims, Lyft; Joe Woods, Property Casualty Insurers Association of America; Brad Nail, Uber; (*Registered, but did not testify:* Thomas Ratliff, American Insurance Association; Tom Tagliabue, City of Corpus Christi; Frank Galitski, Farmers Insurance; Lee Loftis, Independent Insurance Agents of Texas; Anne O’Ryan, Interinsurance Exchange, Autoclub County Mutual, AAA Texas; Paul Martin, National Association of Mutual Insurance Companies; Theresa Elliott, Sentry Insurance; Bruce Scott, State Farm; Caroline Joiner, TechNet; Stephen Minick, Texas Association of Business; Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; Jeffrey Brooks, Texas Conservative Coalition; Kari King, USAA)

Against — None

On — Martyn Hill, Texas Taxi DBA Yellow Cab Austin, Houston, San Antonio, Galveston, Pasadena; Judy Kostura, Texas Trial Lawyers Association; (*Registered, but did not testify:* Debra Knight and Mark Worman, Texas Department of Insurance)

BACKGROUND: Insurance Code, Title 10, Subtitle C specifies requirements for automobile insurance. These include minimum liability coverage for all motorists. Transportation Code, ch. 601 describes the requirements of the Texas Motor Vehicle Safety Responsibility Act.

The emergence of transportation network companies (TNCs) such as Uber and Lyft has exposed gaps in the automobile insurance policies available in Texas. Because personal insurance does not provide coverage for

accidents that occur while a driver is transporting a passenger for money, TNC drivers may find themselves without coverage in the event of an accident. Because TNC drivers typically transport passengers as a side job, commercial auto policies may be too expensive or inappropriate for these drivers.

DIGEST:

CSHB 1733 would amend the Insurance Code to include provisions related to insurance for transportation network company (TNC) drivers. It would specify requirements for drivers while they were available to or driving for TNCs, provisions in the event coverage lapsed, the relationship between a TNC and a driver, and provisions for insurance companies that do business with TNC drivers.

Insurance requirements. The bill would require TNC drivers to carry primary automobile insurance that covered use of a vehicle while transporting TNC passengers for compensation. The insurance would have to be active while the driver was logged on to the TNC's digital network and while the driver was transporting a passenger. The driver, the TNC, or a combination of the two could subscribe to the insurance policy as long as the driver was covered.

When the driver was logged on to the TNC network, the driver would be required to carry coverage of \$50,000 for injury or death coverage for each person in an incident, \$100,000 for injury or death coverage per incident, and \$25,000 for property-damage coverage per incident.

When a driver was carrying a TNC passenger, the insurance coverage would be required to provide at minimum a total aggregate limit of liability of \$1 million for death, bodily injury, and property damage for each incident.

If a driver's insurance policy lapsed or was insufficient, the TNC would be required to provide the coverage, beginning with the first dollar of a claim against the driver. Coverage of a TNC's insurance would not be contingent on the driver's insurer initially denying a claim. The coverage required for TNC operation would be required to satisfy the requirements

of the Texas Motor Vehicle Safety Responsibility Act. Drivers would have to carry proof of insurance and disclose at the time of an accident whether they were logged on to a TNC network or transporting a passenger.

Relationship between TNC and driver. Before a driver could accept a ride, a TNC would be required to disclose to drivers in writing the provisions of the insurance policy provided by the TNC and that personal insurance might not cover incidents while the driver was accepting TNC passengers. The bill would establish that a TNC did not control, direct, or manage a vehicle or driver, except as agreed in a written contract.

Provisions for insurance carriers. Insurers would be able to exclude from coverage under a personal auto insurance policy any incidents that occurred while a driver was logged in to a TNC network or carrying a TNC passenger. This would apply to any coverage including liability, personal-injury coverage, uninsured motorist coverage, medical coverage, comprehensive damage coverage, or collision coverage. Insurers could provide coverage for drivers engaged in TNC activities, either by including it in the policy or in a rider. Insurers that excluded TNC activities would not have a duty to defend or indemnify a claim that arose from an excluded event. Insurers that defended or indemnified claims against a TNC would have a right of contribution against an insurer that provides personal coverage to the driver.

TNCs would be required to assist insurers in claim investigations. They would be required to provide the precise times that a driver logged in and out of the TNC network in the 12 hours before and after an accident and a clear description of the terms of the insurance carried by a driver.

The bill would take effect September 1, 2015.