



COLORADO

**Department of
Regulatory Agencies**

Division of Insurance

Marguerite Salazar
Commissioner of Insurance

January 06, 2015

Dear Committee Members:

The Division of Insurance is pleased to present this report to the Business, Labor, Economic and Workforce Development Committee in the House of Representatives, the Business, Labor, and Technology Committee in the Senate, the Transportation and Energy Committee in the House of Representatives and the Transportation Committee in the Senate.

This report is submitted pursuant to Senate Bill 13-125 and Section 40-10.1-604 (3) (c), C.R.S. This report is the result of a Stakeholder meeting and the Division's analysis of actuarial data received from various sources. The report discusses steps taken to arrive at the conclusion and recommendation of the Division of Insurance.

The mission of the Department of Regulatory Agencies and the Division of Insurance is consumer protection. The results of this report take into consideration the safety and protection of the Colorado consumer.

If you have any questions, please contact me at the Division.

Regards,

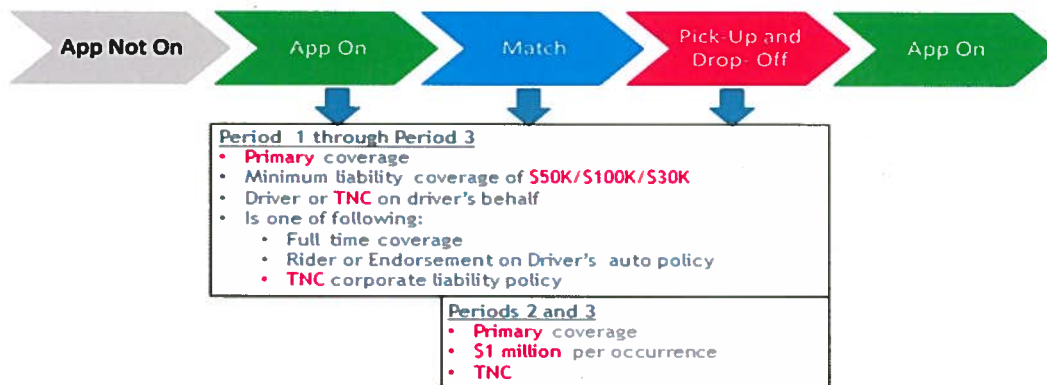
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Introduction:

The Colorado Legislature enacted Senate Bill 14-125 concerning Transportation Networking Companies (TNC) and Governor Hickenlooper signed the Act on June 6, 2014. A provision of the Act required the Commissioner of Insurance to convene at least one stakeholder meeting and conduct a study concerning the appropriate limits of insurance coverage for TNC drivers during a certain period of time. The specific time in question begins when the TNC driver logs onto the TNC digital network and ends when the TNC driver is matched with a rider, which was commonly referred to as the “gap” period during the session. The minimum limits of coverage, for this Period 1, established by the General Assembly in the Act are \$50,000 bodily injury per person, \$100,000 bodily injury per accident and \$30,000 property damage per accident (\$50/\$100/\$30), and will become effective January 15, 2015. The following chart identifies the amount of primary coverage required for all TNC drivers. Period 1 (or App On) requires the \$50/\$100/\$30 limits until a match is made (Period 2). Periods 2 (Match) and 3 (Pick up/Drop off) require \$1 Million of primary coverage. The Division of Insurance was charged with determining whether the Period 1 coverage limits are appropriate.

Consolidated Timeline



Fact Finding:

The Division collected information from several sources for its analysis and preparation of this report. The Division's actuarial staff requested loss data from insurance companies currently writing livery conveyance coverage for taxicabs. The insurance industry definition of “livery conveyance” is the transporting of people and/or goods for hire, such as taxi service, motor carrier or delivery service. We chose taxicab data because it is the most similar to the TNC industry in that drivers of a vehicle transport a rider for a fee. The data provided was not considered to be credible due to the limited quantity and high variability of the data. Therefore, the Division contacted rating and advisory organizations, including the Insurance Service Office, Inc. (ISO), the American Association of Insurance Services (AAIS), the Independent Statistical Service, Inc. (ISS) and the National Independent Statistical Service (NISS) in hopes of increasing the credibility of the data considered in this study.

Through these contacts, the Division received additional loss information related to both private passenger automobiles and taxi/limousines.

The analysis of the additional data provided by these rating and advisory organizations continues to be inconclusive. The data provided was also determined not to be credible due to the limited quantity and high variability. It can be very difficult to make conclusions based on data sets that are not considered fully credible. That being said, of the 128 claims reported between 2010 and 2012, only two exceeded \$100,000 in claim payments. Both of these claims were paid under a combined single limit that includes both bodily injury and property damage coverage; therefore, the Division is unable to differentiate between a bodily injury payment and a property damage payment.

The Division also reached out to Lyft and Uber with a request to review their loss information. Both of these companies have been operating in Colorado since approximately August 2013. Both companies requested confidentiality of their data; therefore, whether individual or in aggregate, the Division is unable to disclose its findings. However, the Division's recommendation takes into consideration the information reviewed from both TNC companies.

Stakeholder Meeting:

On September 23, 2014, the Division held its first Stakeholder meeting. Members of the Stakeholder group included representatives from Uber and Lyft (together the "TNCs"), the Property & Casualty Insurance Association of America (PCIAA), Public Utilities Commission (PUC), Transdev (formerly known as Veolia Transportation, a taxicab company), James River Insurance Company (a surplus lines insurer currently underwriting the TNCs' commercial policies) and Division of Insurance staff. The meeting was an information-gathering meeting. The PUC, PCIAA, Lyft and Division of Insurance presented facts, issues and concerns related to this new industry. The Division discussed the purpose of the Stakeholder meeting. The Division also discussed other states' activities concerning TNCs, including California's recent legislation. The PUC representative discussed the rule making process and explained how the limits for livery vehicles were established. PCIAA addressed key insurance industry concerns related to safety and the integrity of the private passenger automobile policy. Lyft discussed various aspects of the company including the driver profile and safety and background checks.

At the time of the Stakeholder meeting the Division had not yet received the data discussed above. After gathering information at this meeting and collecting and analyzing the data the Division made the determination that a second stakeholder meeting was unnecessary.

Current marketplace trends:

The Division is aware of at least five private passenger automobile insurers that are in the development stages, or have already developed, a "Ride-Sharing" endorsement. While personal automobile policies have never insured nor rated for the livery risk, each of the companies is submitting clarifying language to ensure the policyholders understand the personal automobile policy contract excludes livery, or driving passengers for hire. Concurrent to submitting the clarifying language, the companies are also submitting a new "Ride-Share" endorsement. This endorsement insures the time between the driver signing in to the TNC digital network and the match with a rider (Period 1 - App On to Match). One of the three companies is providing coverage for all periods, including sign-in, match, pick up and drop off. If purchased, the TNC drivers would have coverage from their personal automobile policy, up to the purchased policy limits, as well as the one million dollars provided under the TNC policy. The purchased policy limits under the driver's policy would be no less than the minimum required for a TNC driver, \$50,000 bodily injury per person, \$100,000 bodily injury per accident and \$30,000 property damage per accident. As of the writing of this report five companies, four in the USAA group of companies and MetLife Property and Casualty Insurance Company, have filed a specific TNC driver coverage; however, we are aware of at least one other group of companies in development stages.

Summary and Recommendation:

At this time, there is not enough credible data to determine whether the minimum insurance requirements of \$50,000 bodily injury per person, \$100,000 bodily injury per accident and \$30,000 per accident property damage are appropriate for this new transportation system. However, based on the limited amount of data we were able to collect, the Division would not recommend it be changed.

After reviewing the information and discussing with staff, the Division recommends the existing limits of \$50,000/\$100,000/\$30,000 be maintained for now. Given the fact that three private passenger automobile insurers have already developed or are in the process of developing products for this new "ride-sharing" industry, the Division would anticipate additional companies entering the market in the future. The Division believes a minimum of three years of claim experience specific to this type of business would provide better support for any future changes. If the General Assembly determines additional information is necessary, the Division would propose another study be conducted no earlier than 2019 with a report to the General Assembly due January 2020. If you have any questions please feel free to contact me at marguerite.salazar@state.co.us or 303-894-7425 or Bobbie Baca at bobbie.baca@state.co.us or 303-894-7783.

Sincerely,



Marguerite Salazar, Commissioner
Division of Insurance