

To: House Committee on Insurance

From: Doug Mays on behalf of Allstate Insurance

Re: HB 2286

Date: March 20, 2015

Thank you Chairman Schwab and members of the committee for allowing me the opportunity to testify in opposition to HB 2286. As you probably know, Transportation Network Companies (TNCs) partner with individual drivers who use their personal vehicles in a paid arrangement with passengers, contracted through an online application or platform of the TNCs. Most, if not all personal automobile policies exclude risks associated with commercial use of a person's car.

TNCs, like any other commercial enterprise, should carry appropriate insurance, which in this case means insurance that is sufficient to protect TNC drivers and their customers as well as other drivers or pedestrians on the roads.

Just as a taxi is engaged in business when its lamp is on, regardless of whether it has a passenger or is even en route to pick up a particular passenger, so too a TNC driver is engaged in business when he or she is available to accept a ride request from the TNC digital platform.

In addition, our personal lines policies are not priced to accommodate the additional exposure to loss that could result from commercial activity. TNC drivers travel to places they otherwise wouldn't, with passengers they otherwise would not carry, at times they otherwise would not be driving, all of which amount to additional risk of loss not contemplated under a personal use policy.

Allstate, like other companies, value innovation and economic growth, but TNC passengers may unknowingly place themselves at risk if TNC drivers are not properly insured through their own commercial coverage or that of a TNC company. We believe there should be appropriate insurance coverage for both the drivers and passengers of TNCs. At a minimum, TNCs should be required to provide or require their drivers to obtain sufficient levels of coverage for any damages for which the driver or owner of the vehicle might become liable. This coverage by the TNC should become available whenever the driver is logged into the TNC's digital network and available to accept rides via the program. Special consideration should also be given to coverage for passengers who are injured by another vehicle that is not insured (or under-insured) for liability.

While the insurance industry supports innovative companies like TNCs operating in Kansas, we believe they should do so following under similar commercial insurance coverage guidelines already in place for comparable businesses.

The business model these TNC's seek to introduce would allow these companies to potentially shift their financial responsibility to our customers and other consumers thereby introducing a subsidy paid for by all automobile policyholders to financially support those who use their personal automobile for commercial purposes. The commercial exclusion in private passenger automobile policies should remain intact so that this cost shift and subsidy does not occur.

Further, since private passenger auto policies do not provide this coverage, it is important that both the drivers and passengers receive disclosure that coverage may not be available from the driver's or passenger's private passenger auto policy.

Additionally, the insurance industry should have the flexibility in the personal lines insurance market to both offer or not offer coverage for TNC drivers and passengers for this commercial transaction beyond the coverage consumers enjoy when operating the automobiles for personal use or allow the coverage to continue to be sold as a commercial product.

Some private passenger insurance companies are piloting this type of TNC coverage in some states but it is an additional endorsement to the private passenger automobile policy for an additional charge.

We are aware of several compromises recently reached in other states including: Arizona, Utah, Georgia, and Missouri. Allstate would welcome an amendment that reflects similar language to any of these states. Because of the makeup of the Kansas City Metro area, it is important to have insurance coverage in Kansas that will be comparable to what is required in Missouri. We feel that the amendment proposed to you today would accomplish that, but the underlying bill would not.

We do think there common ground can be found on this issue. The insurance industry has collectively made a very strong effort to work with other parties involved. Unfortunately, the proponents of this bill have been unwilling to do the same. They claim that their compromises in other states are not applicable in Kansas. I would whole-heartedly disagree with that claim. I urge you to adopt the language that has been agreed upon in several other states so that we can ensure that the Kansans who use TNCs have the same levels of protection as those in other states.

Thank you for your time today. I would be happy to answer any questions at the appropriate time.