



March 20, 2015

To: House Committee on Insurance

From: Doug Wareham, Kansas Bankers Association

Re: HB 2286: Transportation Network Companies

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you today to present testimony regarding **HB 2286**, which establishes the Kansas Transportation Network Company Service Act. The Kansas Bankers Association has as its members, 98% of the banks chartered in Kansas, and many of the out-of-state chartered institutions who operate in Kansas.

While we, too, share the enthusiasm of enterprise that Transportation Network Companies (TNCs) represent. We are here today because we have identified two concerns with the bill.

First, Section 9 of the bill speaks to the requirement of insurance coverage for the TNC driver. Many of these drivers likely have used their vehicles as collateral for a loan. It is imperative to our industry that there is insurance to cover any damage or loss to the vehicle during all phases of the TNC transaction. Loan agreements do require the owner of the vehicle to maintain private insurance on the vehicle, but it is our understanding that there is some question as to whether private insurance would cover the period of time that a TNC driver is logged into the digital network, but has not yet accepted a passenger.

We are also concerned that the provisions for insurance in Section 9, do not adequately address the type of insurance needed. As we read the bill, there are some provisions for minimal liability insurance, but there is nothing that speaks to comprehensive and collision insurance. Without this type of coverage, a vehicle would not need to be insured for damage that could result from an accident, thereby leaving a vehicle uncovered for needed repairs. Requiring comprehensive and collision insurance will better protect not only the lender who has a loan on the vehicle, but also the driver who needs the vehicle to be operable in order to continue working as a TNC driver.

Our other concern also revolves around the possibility of an accident, and making sure the vehicle is made whole again. We would respectfully request that a new Section be added to the bill that would allow a TNC to direct its insurer to either send a claim check directly to the entity making the repairs on an insured vehicle, or alternatively, jointly to the TNC driver/owner of the vehicle and the primary lienholder.

A lender will typically be listed on a private insurance policy, as a "loss payee" to ensure that the vehicle is repaired should damage occur. This designation allows the claim checks to be made out jointly to the owner and lender. Under the scenario where a TNC has a general policy covering all of its drivers, there is no opportunity for each lender to be named on the general policy. This new section would help ensure that the vehicle is actually repaired when damaged, so that the driver can maintain employment with the TNC and the value of the collateral can also be maintained.

The proposed New Section is as follows:

New Section. If a transportation network company's insurer makes a payment for a claim covered under comprehensive coverage or collision coverage, the transportation network company shall cause its insurer to issue the payment directly to the business repairing the vehicle or jointly to the owner of the vehicle and the primary lienholder on the covered vehicle.

It is our understanding that this language has appeared in other states' proposals as well.

In conclusion, we do not support the provisions of **HB 2286** as drafted. We are willing to work with other interested parties regarding our suggested additions to the bill. Thank you for your time and attention to our concerns.