



February 26, 2015

Representative Kurt Olson
State Capitol Room 24
Juneau AK, 99801

Re: House Bill 120 Transportation Network Companies—Oppose Unless Amended

Dear Representative Olson:

The American Insurance Association (AIA), National Association of Mutual Insurance Companies (NAMIC) and the Property Casualty Insurers of America (PCI) have reviewed House Bill 120 and have serious concerns regarding its provisions. House Bill 120 does two things: it provides two definitions of Transportation Network Companies (TNCs) companies like Uber and similar businesses, and exempts their drivers from any requirements to obtain worker's compensation insurance.

For those unfamiliar with TNCs, they operate online wireless platforms in which non-professional drivers using private vehicles are connected with paying passengers for rides. The online platform handles the system to accept payment from the passengers, subtracts a commission, and pays the drivers a fee for their services. None of these activities are covered by the driver's personal auto insurance, and thus there are inherent insurance gaps with TNC services.

First, the two definitions of a TNC service in HB 120 is too narrow, as both only covers the period of time a driver is picking up a passenger or passengers and delivering them to their destination. It omits the period of time when the driver has turned on the wireless platform and is looking for passengers.

A more appropriate definition should cover the "roaming time" during which a driver may be distracted by looking at the application on a smart phone or lingering in congested areas in which there are likely passengers.

While a narrow or broader definition is not as critical an issue as it relates to worker's compensation insurance coverage, it is a critical issue as legislators and the administration deal with vehicle and liability insurance of TNCs.

To date, 22 state regulators, including Alaska's Division of Insurance, have issued warnings about TNC risks and insurance gaps. TNCs often do not provide first dollar coverage for drivers and their vehicles and most drivers' automobile insurance policies do not cover commercial use of the vehicle. That leaves both the driver and commercial passengers at risk of no coverage in the event of an accident as well as any ensuing property damage.

Second, there are many unanswered questions about the applicability of worker's compensation in the event of an injury to the driver while the vehicle is in commercial use. Are the drivers'



independent contractors, part time employees, or full time employees? Who provides coverage if the driver is injured while assisting passengers with baggage or assisting with entrance or egress from a vehicle? Who provides coverage if a driver has an accident while actively seeking a passenger, but prior to being summoned by the wireless platform?

AIA, NAMIC, and PCI do not have a position on competition with taxi companies by TNCs or whether TNC drivers should be required to obtain worker's compensation insurance. We are concerned about making sure that the insurance laws are clear to both the public, TNCs and state regulators.

If the legislature wishes to enact a version of HB 120 to deal with worker's compensation, it is our recommendation that both proposed definitions of TNC services either be left out or made broader: TNC services begins from the moment the application is turned on and ends when the application is turned off. Or, if the legislature wishes to tackle the issue of the current insurance risks, we stand ready to cooperate in crafting a comprehensive solution.

If you have questions or comments, feel free to contact anyone of us: Armand Feliciano, ACIC Vice President (PCI / 916-205-2519/ armand.feliciano@pciaa.net), Christian Rataj, Senior Director (NAMIC/ 303-907-0587/ crataj@namic.org), or Steve Suchil, Vice President (AIA/ 916-718-9568/ ssuchil@aiadc.org). We appreciate your consideration of these issues and look forward to working with you.