

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 7, 2017

1:30 p.m.

MEMBERS PRESENT

Representative Louise Stutes, Co-Chair
Representative Adam Wool, Co-Chair
Representative Matt Claman
Representative Harriet Drummond
Representative Chuck Kopp
Representative Mark Neuman
Representative Colleen Sullivan-Leonard
Representative David Eastman (alternate)

MEMBERS ABSENT

Representative Gabrielle LeDoux (alternate)

OTHER LEGISLATORS PRESENT

Representative Dan Saddler
Representative George Rauscher
Representative Justin Parish

COMMITTEE CALENDAR

HOUSE BILL NO. 132

"An Act relating to transportation network companies and transportation network company drivers."

- MOVED CSHB 132(TRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 132

SHORT TITLE: TRANSPORTATION NETWORK COMPANIES

SPONSOR(S): REPRESENTATIVE(S) WOOL

02/15/17	(H)	READ THE FIRST TIME - REFERRALS
02/15/17	(H)	TRA, L&C
02/23/17	(H)	TRA AT 1:30 PM BARNES 124
02/23/17	(H)	<Bill Hearing Canceled>
02/28/17	(H)	TRA AT 1:30 PM BARNES 124
02/28/17	(H)	Heard & Held
02/28/17	(H)	MINUTE(TRA)

03/02/17 (H) TRA AT 1:30 PM BARNES 124
03/02/17 (H) Heard & Held
03/02/17 (H) MINUTE (TRA)
03/06/17 (H) L&C AT 3:15 PM BARNES 124
03/06/17 (H) Scheduled but Not Heard
03/07/17 (H) TRA AT 1:30 PM BARNES 124

WITNESS REGISTER

RAFEAL BARBOSA

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 132.

ARMAND FELICIANO, Vice President

Property Casualty Insurers Association of America (PCI)

Sacramento, California

POSITION STATEMENT: Testified in support of HB 132.

JARED EBER, Associate Counsel

Insurance

Uber Technologies Inc.

San Francisco, California

POSITION STATEMENT: Answered questions during the hearing on HB 132.

MITCHEL MATTHEWS, Senior Operations Manager

Pacific Northwest Region

Uber Technologies Inc.

Seattle, Washington

POSITION STATEMENT: Answered questions during the hearing on HB 132.

ANNABEL CHANG, Director

Public Policy

Lyft, Inc.

San Francisco, California

POSITION STATEMENT: Answered questions during the hearing on HB 132.

MIKE RICKER, Actuary P/C

Division of Insurance

Department of Commerce, Community & Economic Development (DCCED)

Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 132.

ACTION NARRATIVE

[1:30:47 PM](#)

CO-CHAIR LOUISE STUTES called the House Transportation Standing Committee meeting to order at 1:30 p.m. Representatives Stutes, Wool, Drummond, Claman, and Sullivan-Leonard, were present at the call to order. Representatives Kopp, Eastman (alternate), and Neuman arrived as the meeting was in progress. Also in attendance were Representatives Saddler, Rauscher, and Parish.

HB 132-TRANSPORTATION NETWORK COMPANIES

[1:31:46 PM](#)

CO-CHAIR STUTES announced that the only order of business would be HOUSE BILL NO. 132, "An Act relating to transportation network companies and transportation network company drivers." [Before the committee was the proposed committee substitute (CS) for HB 132, Version 30-LS0522\J, Wallace, 2/27/17, adopted as a work draft during the House Transportation Standing Committee meeting on 3/21/17.]

[1:32:50 PM](#)

RAFEAL BARBOSA, as a long-time taxi driver, opined that transportation network company (TNC) actually stands for "taxi not in compliance." He said that the network system TNCs use could have easily been adopted by the already established business of taxi cab companies. He opined that cities such as San Francisco, Seattle, and New York must have been sleeping or not paying attention when they allowed TNCs and completely abandoned the taxi cab force. He pointed out that TNCs come in and purchase medallions for upwards of \$500,000. He surmised that TNCs are pushing taxis to the brink of extinction, not only in the three aforementioned cities but also in 47 states. He offered his belief that it looks as though Alaska is next. He gave the analogy that what is happening with TNCs and taxi cabs is just like Walmart eliminating mom and pop stores. He surmised that allowing TNCs to operate unregulated is giving them a premium not afforded to taxi cabs. He declared that he paid close to \$120,000 for his taxi cab permit. He concluded that a level playing field is important.

[1:36:02 PM](#)

REPRESENTATIVE CLAMAN asked Mr. Barbosa whether he owns his own taxi permit or drives for someone else.

MR. BARBOSA answered that he does both.

REPRESENTATIVE CLAMAN inquired whether the owner of the permit and the taxi or the driver of the taxi is responsible for paying for insurance.

MR. BARBOSA answered the owner. He added that the owner also pays for the maintenance, insurance, and dispatch.

REPRESENTATIVE CLAMAN asked what, if any, is the required level of insurance coverage.

MR. BARBOSA said it is \$300,000 "for personal and private property," \$100,000 for something he said he does not remember, and \$50,000 "for uninsured coverage."

REPRESENTATIVE CLAMAN asked whether those limits are what the city requires or if that is just what he carries on his own accord.

MR. BARBOSA stated that is all that he could afford to carry. He shared his desire to carry higher liability.

[1:38:00 PM](#)

ARMAND FELICIANO, Vice President, Property Causality Insurers Association of America (PCI), explained that PCI is a national trade insurance organization that represents roughly 1,000 insurance companies nationwide. He said that although PCI is in support of HB 132, there is concern about a proposed amendment that looks to increase the coverage in period one to one million dollars. He said the main concern is about affordability. He added that PCI believes that bumping limits up in the first coverage period would be cost prohibitive for drivers. He pointed out that it is important to ensure more drivers are not driving around uninsured because they cannot afford to carry minimum coverages.

MR. FELICIANO said the second point he wanted to discuss is flexibility. He explained that if drivers feel more coverage is needed in the first coverage period ("period one"), then there is nothing in HB 132 that would prevent a driver from purchasing additional insurance beyond the minimum requirements.

[1:39:37 PM](#)

REPRESENTATIVE DRUMMOND asked Mr. Feliciano whether he is opposed to or in favor of HB 132.

MR. FELICIANO replied that PCI supports HB 132 as currently drafted.

REPRESENTATIVE DRUMMOND asked Mr. Feliciano to clarify whether he would be opposed to the amendment that would raise the insurance coverage limit in period one to \$1 million.

MR. FELICIANO expressed PCI's concern that that increase would make carrying coverage unaffordable.

[1:40:50 PM](#)

REPRESENTATIVE CLAMAN asked Mr. Feliciano to share his understanding about who, under HB 132, would be paying for period one insurance.

MR. FELICIANO answered that he thinks HB 132, as drafted, would allow flexibility for either the driver or the TNC to pay for period one coverage.

CO-CHAIR STUTES informed Representative Claman that there were representatives from both Uber Technologies Inc. ("Uber") and Lyft, Inc. ("Lyft") online available for questions.

REPRESENTATIVE CLAMAN asked Mr. Feliciano to assume, for purposes of insurance policy rates, that TNCs are actually paying for period one insurance rather than the individual drivers. He asked what the change in higher or lower coverage in period one would be.

MR. FELICIANO apologized that he did not currently have that information. He shared that PCI's concern is regarding the logic behind period one. He explained that conceivably a driver could just be roaming around with the application ("app") on and no intention of ever engaging in ridesharing, which is different from period two where the driver is engaged in prearranged activity. He said that the rationale behind the higher coverage in period two is that passengers would be involved at that point. He deferred to the Uber and Lyft representatives to further answer Representative Claman's question.

REPRESENTATIVE CLAMAN asked for clarification whether companies or drivers would pay the insurance. He asked Mr. Matthews to

share his understanding of whether HB 132 would require Uber to pay the insurance for drivers.

[1:43:26 PM](#)

MITCHEL MATTHEWS, Senior Operations Manager, Pacific Northwest Region, Uber Technologies Inc. ("Uber"), explained his understanding that HB 132 would not require Uber to pay for coverage; however, Uber has its own insurance and drivers are welcome to purchase additional coverage for period one.

REPRESENTATIVE CLAMAN asked whether Uber purchases all the insurance for periods two and three.

MR. MATTHEWS answered yes.

REPRESENTATIVE CLAMAN asked Mr. Matthews if he could share his best projection of how many drivers Uber would have in Alaska.

MR. MATTHEWS explained that the number would be subject to the amount of people who would download the app, tourism rates, and how many people would be interested in driving on the platform. He noted that when Uber was operational in Anchorage, it employed over 80 drivers.

REPRESENTATIVE CLAMAN, assuming 100 drivers in Alaska, asked Mr. Matthews what the difference in insurance would be for scenario one, a \$50,000-\$100,000 policy in period one and a \$1 million policy for periods two and three, verses scenario two where Uber would have a \$1 million policy in all three periods.

MR. MATTHEWS said that he could not answer that question at this time, but he would be happy to take the question back and provide a follow-up answer. He explained that period one coverage is similar to Alaska's private passenger automobile insurance coverage. He noted that Alaska has the highest [indisc.] in the country. He shared his understanding that the insurance is engaged simply by turning on the app, so keeping the limit at the state limit would remove any moral hazard or risk that someone would turn on the app just to receive better coverage without any intention of ever engaging in ridesharing.

REPRESENTATIVE CLAMAN asked Mr. Matthews whether it was Uber's view that it should never be "on the hook" if one of its drivers gets in an accident in period one, beyond the minimum limits in the state of Alaska.

MR. MATTHEWS clarified it is Uber's view that the insurance in period one represents the private passenger auto coverage minimum in Alaska. He stated that Uber would prefer to keep it at the state limit to remove the moral hazard or risk that someone would scam the rideshare system for higher insurance coverage.

[1:47:28 PM](#)

REPRESENTATIVE CLAMAN asked Mr. Matthews whether he has statistics about claims made against Uber in Portland, Oregon.

MR. MATTHEWS said that he does not currently have that information but would be happy to provide it at a later time.

REPRESENTATIVE CLAMAN clarified that he was asking Mr. Matthews to provide both the total number of rides called in Portland and the total number of accidents from periods one, two, and three.

MR. MATTHEWS said that he would have to confirm with Uber's insurance team whether or not those figures are public information.

REPRESENTATIVE CLAMAN shared that some of the more suburban Alaskan communities, like Eagle River, that are 10-15 miles from downtown Anchorage feel there is not adequate cab and taxi service there. He described a hypothetical scenario in Anchorage where a driver is parked two blocks away from the busy downtown convention center waiting or could even be sitting in a coffee shop. He asked for clarification whether the driver in that scenario would be in period one coverage.

MR. MATTHEWS indicated that location does not matter in period one; the driver could be in his/her house folding laundry or in the vehicle when waiting for a rider in period one.

REPRESENTATIVE CLAMAN asked, "If the driver's sitting two blocks from the convention center in his house, he's in period one, correct?"

MR. MATTHEWS replied that if the driver had the app on at the time, then the answer to the question is yes. In response to a follow-up question, he indicated that upon acceptance of a request received via the app and while driving to connect with the rider, the driver would be covered under period two. He explained that period three commences upon picking up the passenger and starting the trip.

REPRESENTATIVE CLAMAN offered a scenario in which the driver returns without a passenger to the starting location but gets involved in an accident on route wherein another individual sustains severe bodily injury. He asked Mr. Matthews whether the driver in that situation would be under period one coverage.

MR. MATTHEWS answered that if the driver was driving with the app turned on, then he/she "would be in period one, which is reflective of Alaska's passenger/automobile limit." In response to a follow-up question, he noted that the driver could opt for self-paid additional insurance for period one, but without that he/she would have the following: \$50,000 for bodily injuries, \$100,000 for bodily injury per accident, and \$25,000 for property damage per accident. He added that that coverage mirrors Alaska's private passenger auto insurance, which is the highest in the United States. In response to a follow-up question, he said he did not know the minimum coverage requirements set by the State of Washington, but he offered to find out and report back to the committee.

[1:53:36 PM](#)

CO-CHAIR WOOL asked whether the three insurance coverage periods are the same in every state where Uber operates.

MR. MATTHEWS answered yes. He added that the language is the same in 41 states.

CO-CHAIR WOOL asked whether Uber has encountered a state that wants to have \$1 million coverage no matter what the driver is doing and if Uber would consider such coverage.

MR. MATTHEWS shared his understanding that no other states have looked to adjust. He said that the state of Colorado previously evaluated period one and determined there was no reason to change that level of coverage.

[1:56:15 PM](#)

CO-CHAIR STUTES, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 132.

REPRESENTATIVE CLAMAN asked whether there are any states that require under state law and through regulation that there be \$1 million held by drivers in underinsured coverage.

[1:57:44 PM](#)

JARED EBER, Associate Counsel, Insurance, Uber Technologies Inc. ("Uber"), said that there are some states that require that the uninsured motorist/underinsured motorist (UM/UIM) coverage in periods two and three to match the state requirement. He said that Uber does comply in those instances.

REPRESENTATIVE CLAMAN offered his understanding that current Alaska law does not require the underinsured limits to match the liability limits. He added that there could be higher underinsured and lower liability or vice versa, so he asked whether there are any states that require specific matching amounts for the underinsured and the liability coverage.

MR. EBER shared that to his knowledge there is no state that differentiates between the limits of UM and UIM; if both are required, they would be at the same level. He said that is based on state statute, and Uber would follow suit and do what is required in each state under statute.

REPRESENTATIVE CLAMAN mentioned Washington legislation that actually specifically lists the amount of liability coverage as \$1 million and the underinsured also as \$1 million. He asked whether Washington is the only state that specifies that amount.

MR. EBER said that he did not know but would be happy to get back to the committee with that information.

REPRESENTATIVE CLAMAN asked Mr. Eber whether he knew about any of the TNC accident statistics from Portland, Oregon.

MR. EBER answered that he does not have that information at this time.

[2:00:38 PM](#)

ANNABEL CHANG, Director, Public Policy, Lyft, Inc. ("Lyft") clarified that Representative Claman is referencing figures published from a pilot program in Portland.

CO-CHAIR WOOL asked Ms. Chang whether Lyft would still operate in a state that raised coverage limits in period one to \$1 million.

MS. CHANG indicated that of the states in which Lyft operates, six have legislation that reflects differences between periods

one, two, and three. She explained that the reason for the period one coverage is because a driver could be home in his/her pajamas and not in a car at all versus periods two or three where a driver is actually connected to a ride or already has a passenger in the car. She said Lyft would not be able to operate in Alaska with the period one limits proposed under Version J.

[2:02:31 PM](#)

REPRESENTATIVE NEUMAN asked whether Ms. Chang knew if that insurance was even available to purchase in Alaska.

MS. CHANG explained that in terms of periods one, two, and three, Lyft purchases insurance through [Zurich Insurance Group]; however, she pointed out that the applicable legislation provided in other states allows Lyft drivers to [buy additional insurance] and insurance companies to market new insurance products. She listed State Farm Mutual Automobile Insurance Company ("State Farm"), Government Employees Insurance Company (GEICO), Progressive Casualty Insurance Company ("Progressive"), and Metropolitan Life Insurance Company ("MetLife") as all being insurance companies that created new insurance products recognizing the differences in the TNC model. She said that to Lyft's knowledge the \$1 million period one coverage is not available. She clarified that there are also concerns about "the moral hazard question" relating to when the state wishes to have [coverage levels for TNCs] that are significantly higher than personal insurance limits in Alaska and even taxi/limousine [coverage requirements] in the state.

REPRESENTATIVE NEUMAN, in follow up to Representative Claman's comment about minimum requirements, asked whether there are also minimum requirements for taxi drivers.

CO-CHAIR WOOL said that local laws vary. He explained that municipality regulations in Anchorage, Fairbanks, and Juneau all require taxi drivers to carry the following coverage: \$300,000 aggregate injury sustained, \$100,000 personal, and \$50,000 property. He pointed out that for those three Alaska cities, there is no mention of any sort of \$1 million-dollar insurance coverage requirement.

REPRESENTATIVE NEUMAN asked about different coverage periods for taxi drivers.

[2:05:23 PM](#)

CO-CHAIR STUTES offered her understanding that taxi drivers have only one period of coverage.

REPRESENTATIVE NEUMAN said he wants to make certain the playing field is even for a taxi cab company.

CO-CHAIR WOOL explained that the aforementioned figures are the minimum requirements and drivers can buy more coverage. He added, "There's no minimum of a million dollars ... when there's someone in your car or not in your car."

REPRESENTATIVE NEUMAN asked whether it would be the same for taxi companies as it would be for TNCs.

CO-CHAIR WOOL answered that both taxi drivers and TNC drivers can opt to buy additional insurance coverage.

REPRESENTATIVE CLAMAN asked Ms. Chang about differing gas prices in Seattle and Anchorage and how that gets accounted for in the price Lyft charges riders.

[2:06:38 PM](#)

MS. CHANG said that prices vary according to each market in which Lyft operates.

REPRESENTATIVE CLAMAN asked whether Lyft's computer systems have the ability to factor in fuel price differences and adjust fares according to local gas prices.

MS. CHANG answered yes. She elaborated that a multitude of factors can be taken into consideration. She said that one of Lyft's key factors is competing for drivers and making sure the platform is appealing to not only the driver but the passenger as well.

REPRESENTATIVE CLAMAN opined that the same way Lyft's computer system can make adjustments for the rate of fuel, it can make adjustments to factor in the differences of insurance costs for Lyft between, for example, Alaska and Washington.

MS. CHANG explained that it would be a little different because insurance is purchased from one specific provider and [according to each state's requirements]. She added that the coverage is purchased nationwide depending on the state. She offered her understanding that Representative Claman was trying to ask

whether Lyft could adjust the insurance for Alaska. She said Lyft could match the UM/UIM set in the state of Alaska. She opined that a \$1 million coverage for period one doesn't make sense for the TNC model. She noted that 39 states and 6 insurance-only states recognize the difference as does the National Conference of Insurance Legislators (NCOIL) and the insurance industry.

[2:08:48 PM](#)

REPRESENTATIVE CLAMAN asked Ms. Chang whether the \$1 million coverage is required currently under Alaska law or proposed under HB 132.

MS. CHANG responded that currently there are no rules in Alaska regulating TNCs. She noted that HB 132 would be the legislation regulating and dictating insurance requirements for TNCs.

REPRESENTATIVE CLAMAN shared that he understands the point that has been repeated by industry representatives about the potential for a driver to not even be in his/her car in period one coverage. He opined that a driver sitting at home in his/her pajamas is at a much lower risk of getting into an accident. He asked Ms. Chang whether she agreed.

MS. CHANG replied yes.

REPRESENTATIVE CLAMAN reiterated his case for the need for higher period one coverage by reviewing his aforementioned scenario wherein a driver has dropped off a Lyft customer 20 miles from the source of the next passenger, is not on a call but the app is on, and by chance has an accident and hits and severely injures someone. He said that he understands why the lower coverage would apply when a driver is sitting at home. He asked why there seems to be such a problem for TNCs to have higher coverage for a driver working for TNC purposes and anxious to serve the needs of the corporation when the driver may not be doing personal business and might just be trying to make him/herself more available for rides to further the business model.

MS. CHANG said that she would be happy to provide the committee with the state of Colorado report that looked into period one requirements. She noted that Colorado was the very first state to pass TNC regulations. She explained that since TNCs have been operating there for a longer period of time, it has the most statistical data.

[2:12:07 PM](#)

REPRESENTATIVE CLAMAN said that he would like to see that report. He mentioned that one of the TNC representatives previously testified that period one is actuarially the lowest risk period for TNCs. He asked Ms. Chang if, based on that data, she would agree that the cost for increasing coverage in period one would actually be fairly small. He concluded that the claim made by TNCs that the increase would cost millions of dollars might not be supported by actuarial data.

MS. CHANG said that she would be happy to further research Representative Claman's question. She shared that based on previous discussions in other state legislatures the main concern is how to make sure passengers are covered in period one. She stressed that the period one coverage matches state insurance levels for personal driving. She pointed out that not only would Lyft match coverage levels at the personal insurance levels in the state of Alaska, it would go much higher for periods two and three insurance levels.

[2:14:01 PM](#)

CO-CHAIR WOOL asked Ms. Chang how many drivers Lyft currently employs nationwide.

MS. CHANG estimated that Lyft employs hundreds of thousands of drivers and connects over 10 million rides per week across the nation. She noted that the number of drivers fluctuates because some people only drive seasonally such as for school holidays, summer break, or just for a short time to meet a financial goal.

CO-CHAIR WOOL asked Mr. Matthews how many drivers Uber currently has.

MR. MATTHEWS answered that the number of drivers nationwide for Uber is in the hundreds of thousands. He added that the number of drivers fluctuates depending on drivers' specific needs. For example, drivers could be driving just to bridge a gap for a goal or only driving during rush hour, while some could be taking a break. He echoed Ms. Chang's comments about connecting millions of rides a week.

CO-CHAIR WOOL asked for confirmation that although there are other TNCs, Uber and Lyft are the two largest in the country,

and he observed that the cost of raising the limit in period one would vary depending on the size of the TNC.

[2:16:59 PM](#)

REPRESENTATIVE DRUMMOND inquired whether the available period one coverage is the same in every state that Lyft and Uber already have under contract.

MS. CHANG answered that in most states it is the same. She noted that while there are some slight variations from one or two outliers, it is not to the degree that is being discussed for HB 132.

[2:17:56 PM](#)

MR. MATTHEWS said that period one coverage levels are very consistent in the states where Uber operates.

REPRESENTATIVE DRUMMOND asked whether Uber and Lyft currently operate in 49 states.

MR. MATTHEWS answered that Uber has the ability to operate in 49 states, and he offered his understanding that the company currently operates in 40.

MS. CHANG noted that the numbers change every day. She shared her belief that Alaska is one of only a few states where Lyft is not currently in operation.

REPRESENTATIVE DRUMMOND asked Ms. Chang to clarify the one or two outliers she mentioned in an earlier response.

MS. CHANG said that she would have to double check, but she offered her belief that there are some pieces of legislation from 2014, when TNCs were just coming online, which might be slightly different. She said that overall coverage numbers and limits are very consistent.

REPRESENTATIVE DRUMMOND asked whether any of the states Lyft or Uber operate in have health care costs that are as high as in Alaska. She opined that while the coverage limits have been discussed in today's hearing, what has failed to be mentioned is that Alaska has the highest health care costs in the nation. She recognized that although TNCs cannot control the cost of health care, that factor does certainly give cause for alarm when considering the low level of coverage for period one. She

pointed out that there is no way to shop for low cost health care in Alaska. She shared that she is unsure whether TNCs have their drivers' best interest in mind, in terms of covering them in period one. She pointed out one concern for Alaska drivers is the possibility of hitting a moose.

[2:20:52 PM](#)

REPRESENTATIVE KOPP offered his understanding that HB 132 would set insurance requirements during periods two and three to be three times greater than what Alaska currently requires commercial cab drivers to carry. He said that no one is arguing the TNC insurance coverage for periods two and three isn't pretty fantastic. He asked whether Uber or Lyft would alter their decision to operate in Alaska if the basic requirement that taxi drivers carry coverage at \$300,000 and \$100,000 were required of TNCs in period one.

MR. MATTHEWS said that Alaska has the highest minimums in the United States. He said that the TNC model reflects that high coverage in period one. He claimed that if Alaska were to change that minimum, then Uber might have to adjust period one to reflect that. He noted that that action may cause Uber to have to reevaluate its decision to come to Alaska or not. He shared his belief that it is up to the state to determine the appropriate minimum coverage levels.

REPRESENTATIVE KOPP asked for clarification about a previous statement regarding period one requirements in most states being basically the same. He asked how much higher Alaska is in comparison to other states.

MR. MATTHEWS stated that in the state of Washington coverage limits are \$25,000, \$50,000, and \$10,000. He deferred to Mr. Eber to explain the difference between Washington and what limits would be in Alaska.

[2:23:37 PM](#)

MR. EBER stated that Alaska's limits of \$50,000 and \$100,000 are significantly higher than those in the rest of the country, which range from \$20,000 to \$30,000 per person, \$40,000 to \$50,000 per accident, and with a maximum of \$15,000 to \$25,000 in property damage. He said that there are a couple states where property damage coverage in period one is required to be carried at \$30,000. He shared that typical state minimum liability requirements are \$10,000 to \$20,000 for injury to one

person and \$40,000 to \$50,000 for multiple people per accident and \$25,000 to \$50,000 for property damage. To further illustrate that Alaska has high coverage limits, he added that Florida has \$10,000, \$20,000, and \$10,000 coverage limits.

CO-CHAIR WOOL asked whether Uber's period one coverage in the states with legislation is satisfying those states' minimums or if Uber is introducing insurance coverage similar to what it is introducing in Alaska, which just happens to be the same as the state minimum.

MR. EBER explained that Uber is not matching the state minimums in other states. He said that Uber's typical coverage is similar to what is proposed under HB 132. He said that many states have \$25,000, \$50,000, and \$15,000 coverage limits. He added that even though those are the minimums, Uber has \$50,000, \$100,000, and \$25,000 coverage for period one, except for the rare couple incidences where the property damage coverage was raised to \$30,000.

[2:26:32 PM](#)

REPRESENTATIVE NEUMAN asked whether the state's Division of Insurance has the authority to change the requirement for minimum insurance.

[2:27:03 PM](#)

MICHAEL RICKER, Actuary P/C, Division of Insurance, Department of Commerce, Community & Economic Development (DCCED), answered no. He added that minimums are set in statute.

REPRESENTATIVE NEUMAN pointed out that it is a problem for the department not to have the ability to make adjustments when it sees problems arise. He posed the question as to whether the department should have the authority to make adjustments, and he noted it could do so through regulation. He noted that trying to change statute is very difficult.

REPRESENTATIVE CLAMAN, in follow up to Representative Kopp's question about raising minimums from \$50,000 and \$100,000 for aggregate and liability coverage to match taxi coverage requirements of \$100,000 and \$300,000, asked Mr. Matthews to restate the answer to that question.

MR. MATTHEWS shared that although he cannot speak for Uber globally, he can say that the Pacific Northwest region would

have to evaluate whether or not Uber would pursue operations in Alaska in light of that change.

REPRESENTATIVE CLAMAN offered his assumption that the determination would be in part based on what the actual cost would be for the slight increase in insurance coverage.

MR. MATTHEWS explained that Uber would prefer to determine the effects of HB 132 in its entirety through a cost benefit analysis.

REPRESENTATIVE CLAMAN asked Ms. Chang whether, if HB 132 were to pass with higher requirements for period one, Lyft would do an economic analysis to determine if the economic impacts would be worth it to operate in Alaska, even if that meant Alaska had period one requirements different from those in other states.

MS. CHANG answered that Lyft would run an economic analysis. She clarified that if coverage limits were close in terms of numbers to those currently being discussed, in the one-million-dollar range, it would be very problematic for Lyft to try to operate in Alaska. She said that if the coverage requirements were closer to the \$50,000/\$100,000/\$25,000 limits that would make a much easier case. She stressed that period one is a very unique model compared to periods two and three. She raised the moral hazard question of a driver possibly having the app on to gain higher coverage, yet never intending to pick up a fare. She said that a driver in drive mode in an area where it can be difficult to get ride connections would have the higher coverage and that presents a moral hazard problem. She explained that the reason why the insurance industry regulators and TNCs have been so hung up on the numbers for period one is because the lower coverage recognizes the different nature of period one. She added that lower period one coverage also provides flexibility for insurers to provide new products for drivers to purchase that could help to address some of the issues without having to raise the moral hazard problem.

[2:32:09 PM](#)

REPRESENTATIVE CLAMAN asked Ms. Chang to clarify what exactly she means by a moral hazard [problem]. He pointed out the various examples TNC representatives have given in regard to what a driver could be doing in period one that has nothing to do with ridesharing but said none of those examples address his previously stated example of when a driver, after dropping off

one rider, is returning to the original spot where he/she has more opportunity to get more riders.

MS. CHANG clarified that Representative Claman raised two distinct issues. Regarding the issue of a driver returning from a remote location back into a city, she said that Lyft's goal is to expand service areas so that drivers can stay in their own neighborhoods and connect to a ride within 10 to 15 minutes at the most. She shared Lyft's goal for the future is to have no large gaps in areas where coverage is not likely or where people would wait a very long time to be connected to a ride. She said that as Lyft grows in terms of size and ridership, the hope is for those period one connection times to be reduced so that rides are being connected within minutes of turning on the app. In regard to Representative Claman's second question about the definition of a moral hazard, she said that in a situation where there are significantly higher limits, such as the \$300,000, \$100,000, and \$50,000 limits, and a driver is driving around with the app in drive mode, has an accident, and submits a claim, the driver would have the higher coverage limits. She added that there could be a situation where someone could be potentially tempted to turn the app to driver mode just to have the higher level of insurance. She shared that the aforementioned situation is a known risk. She suggested Colorado's reports would hopefully help to clarify some of the questions from the committee.

CO-CHAIR WOOL said that Representative Claman brought up an interesting situation with the hypothetical driver who drives from downtown Anchorage to Eagle River. He offered a further alternative that the driver could stop to visit a friend and maybe the friend has a kid who needs a ride into Anchorage. He clarified that the period one situation he is explaining would be a non-work-related situation. He said that some people might argue that the driver would still be commercially driving if the app was on while heading back to pick up more fares, and simultaneously giving the friend's kid a ride, and thus the driver should have the highest level of coverage possible. He posed the question of whether a TNC should be responsible for a multimillion-dollar policy in period one if a driver has a 20-minute window and needs to drop his/her kid off at school and has the huge misfortune of hitting a kid. He offered his belief that the essential question is whether a driver out running errands with the app on constitutes work. He contended that TNCs should not be required to have a multimillion-dollar policy in period one, and he added that if a driver wants that much

coverage, then he/she can purchase it through his/her personal insurance company.

[2:37:07 PM](#)

REPRESENTATIVE CLAMAN moved that the committee adopt Amendment 1, labeled 30-LS0522\J.1, Wallace, 3/3/17, which read:

Page 6, line 7:
Delete "and"
Insert ", "

Page 6, line 8:
Delete "but is not"
Insert ", or is"

Page 6, line 10:
Delete "\$50,000"
Insert "\$1,000,000"
Delete "\$100,000"
Insert "\$1,000,000"

Page 6, lines 12 - 13:
Delete "as required under AS 21.96.020 and AS 28.20.440"
Insert "in the amount of at least \$1,000,000 for death and bodily injury for each person, \$1,000,000 for death and bodily injury for each incident, and \$25,000 for property damage"

Page 6, lines 20 - 31:
Delete all material.

Reletter the following subsections accordingly.

Page 7, line 1:
Delete "or (c)"

Page 7, line 17:
Delete "and (c)"

CO-CHAIR WOOL objected.

REPRESENTATIVE CLAMAN stated that Amendment 1 would address appropriate coverage limits. He opined that it is really interesting to hear TNC representatives point out that Alaska has the highest coverage limits in the nation and claim that

million-dollar coverage would cost them so much money. He said he finds it interesting that upon examination of variations insurance rates, the rates don't go up uniformly. He opined that to go from \$50,000 in coverage to one million is far less than a 20-fold increase. He listed a few different oil companies and other types of companies such as delivery and floral companies that are all driving vehicles with million-dollar coverage. He stated that million-dollar coverage shows good corporate practice.

REPRESENTATIVE CLAMAN suggested that the question with \$1 million-dollar coverage is not what the face value is but rather what the actual dollar increase is for TNCs to cover folks in period one. He said that the argument from TNC representatives against million-dollar coverage for period one, such as a driver can be sitting at home in his/her pajamas or just going to the store, are not the reasons for his concern about insurance limits. He said that Alaska is not like a big city such as Boston, Massachusetts so there would inevitably be situations where a driver drops off a fare in a remote location and immediately tries to get back to a location where he/she could more advantageously collect another fare. He surmised that a certain amount of risk is included when a driver is driving back from a remote drop off. He said that with Alaska's high health care costs, \$50,000 coverage limit would not provide for the necessary coverage in the event of an injury. He said that in the world of consumer protection, it is really important to increase period one coverage to \$1 million dollars. He opined that because Alaska is "out of sync" in terms of UM/UM coverage, it is really important that the actual underinsured coverage be specifically listed at one million dollars so that the coverage would match the one-million-dollar coverage in periods two and three.

[2:41:00 PM](#)

REPRESENTATIVE NEUMAN stated that he doesn't support Amendment 1. He shared that he sees the business environment in Alaska as the reason the state seems to be able to develop only one resource. He said that too often industry does risk assessments that come back in the negative and investments in the state are lost. He shared that he would like for Alaska to be more inviting to outside industries. He opined that TNCs appear to be playing by the same rules by which most others have to play. He concluded that he is very concerned about putting coverage limits in statute.

CO-CHAIR WOOL spoke to his objection. He shared his belief that Representative Claman's concern is valid because there are underinsured drivers driving around legally in the state of Alaska. He explained that the drivers would be legal because they purchased whatever coverage the state required. He said that he is in agreement with Representative Neuman that Alaska needs not to be obstructionists to new industries. He shared that he would hate to not have TNCs in Alaska. He offered his belief that 60,000 people tried to call an Uber in Anchorage last year. He declared that he did not want HB 132 to get so altered that TNCs would not come to Alaska.

REPRESENTATIVE CLAMAN noted that TNC representatives claim drivers can buy their own higher period one insurance coverage. He pointed out that the drivers are poorly equipped to spread the risk, whereas, if it were the corporations buying the higher coverage, then the cost could be spread out equally over all company drivers. He said the increase could be built directly into the rate so that it would have little to no impact. He opined that even with the coverage increase, TNC fares would be lower than the taxi prices.

CO-CHAIR STUTES asked Representative Wool if he still maintained his objection.

CO-CHAIR WOOL answered yes.

[2:44:33 PM](#)

A roll call vote was taken. Representatives Drummond and Claman voted in favor of Amendment 1. Representatives Neuman, Kopp, Sullivan-Leonard, Wool, and Stutes voted against it. Therefore, Amendment 1 failed by a vote of 2-5.

[2:45:23 PM](#)

REPRESENTATIVE CLAMAN moved that the committee adopt Amendment 2, labeled 30-LS0522\J.2, Wallace, 3/3/17, which read:

Page 11, line 18:
Delete "or"
Insert "and"

Page 11, line 20, through page 12, line 1:
Delete all material and insert:
"* **Sec. 8.** AS 29.35 is amended by adding a new section to read:

Sec. 29.35.148. Regulation of transportation network companies. (a) Notwithstanding AS 28.01.010, a municipality may by ordinance

(1) prohibit a transportation network company or driver from conducting activities under AS 28.23 within the municipality; or

(2) regulate the operation of a transportation network company or driver in a manner that is more restrictive than the provisions of AS 28.23.

(b) This section applies to home rule and general law municipalities.

(c) In this section, "transportation network company" and "driver" have the meanings given in AS 28.23.180."

CO-CHAIR WOOL objected for purposes of discussion.

[2:45:29 PM](#)

REPRESENTATIVE CLAMAN said that at the House Transportation Standing Committee hearing on 3/2/17, it was reported that a number of cities have their own regulations that are distinct from state regulations. He offered his belief that Portland has its own regulations that are more expansive than the State of Oregon's regulations. He shared the importance of local control over these matters. He opined that the state should not take the option for local control away from municipalities. He said that the committee heard from both Uber and Lyft that in cities where regulations are independent of state regulations, the companies just adapt. He offered his belief that Amendment 2 would be very supportive of local communities without changing the basic goal of setting a statewide structure for TNCs.

REPRESENTATIVE NEUMAN asked Mr. Ricker whether there is a process where people could appeal to the division.

[2:47:24 PM](#)

MR. RICKER answered that he is not aware of an appeal process.

REPRESENTATIVE NEUMAN expressed surprise that there isn't an appeal process and opined that there should be one.

CO-CHAIR WOOL, in speaking to his objection, expressed concern that municipal carve-outs would create gaps in coverage. He said that there would be instances where someone could get

dropped off but not picked up, or vice versa. He noted that Alaska is a low population state. He asked about the origin of legislation in one of the first cities to have TNC operation, Seattle, where TNCs were able to negotiate with the city individually, as opposed to a state like Wyoming, which is one of the more recent states to adopt statewide legislation. He offered his belief that just like with the insurance limits, the statewide legislation is a necessary component for TNCs to operate in more states.

[2:49:12 PM](#)

MR. MATTHEWS said that Uber would look to the state bill to provide an equal opportunity for all Alaskans to access enhanced transportation services. He said that Alaska is similar to Wyoming with low population density and vast distances between communities. He surmised that a state bill where the rules are enshrined at the state level would provide a level playing field for all residents to be able to access the technology and ridesharing. He said that there is an economic argument that it is essentially less feasible for a TNC to negotiate with every jurisdiction within a state with a lower population density and such a large land base. He pointed out that in Alaska there are over 164 cities, unified municipalities, and boroughs. He said that having to negotiate with that many jurisdictions would create a barrier to the ability of TNCs to operate in Alaska.

CO-CHAIR WOOL shared that from what he has gathered about the issues between the Anchorage Assembly and the taxi industry, he is not so sure local control is going that well. He shared his understanding that the medallion system in Anchorage is going to be phased out in the near future and there are pushes both to increase medallions and not increase medallions. He surmised that in a limited market, like Anchorage, the ability to be able to add vehicles to the system during peak hours when there is demand and take them away when there is less demand would be a good system. He opined that local control at the municipality level would be a hindrance to TNC operation.

REPRESENTATIVE CLAMAN shared that Amendment 2 would provide an opportunity for local control with no requirement to exercise that control. He said that TNCs could make their case to municipalities to not exercise that control.

CO-CHAIR STUTES asked if Representative Wool maintained his objection.

CO-CHAIR WOOL answered yes.

[2:52:22 PM](#)

A roll call vote was taken. Representatives Claman and Drummond voted in favor of Amendment 2. Representatives Kopp, Sullivan-Leonard, Neuman, Wool, and Stutes voted against it. Therefore, Amendment 2 failed by a vote of 2-5.

[2:53:20 PM](#)

REPRESENTATIVE DRUMMOND moved to report CSHB 132, Version 30-LS0522\J, Wallace, 2/27/17, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 132(TRA) was reported from the House Transportation Standing Committee.

[2:54:02 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:54 p.m.