

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

INSURANCE
COMMITTEE HEARING

STATE CAPITOL
HARRISBURG, PA

IRVIS OFFICE BUILDING
ROOM G-50

MONDAY, JUNE 23, 2014
10:00 A.M.

PUBLIC HEARING TO EXAMINE INSURANCE
COVERAGE FOR CONSUMERS WHEN UTILIZING
EXPERIMENTAL SERVICE FOR TRANSPORTATION

BEFORE:

HONORABLE TINA PICKETT, MAJORITY CHAIRWOMAN
HONORABLE ROSEMARY BROWN
HONORABLE GARY DAY
HONORABLE GLEN GRELL
HONORABLE DAVID HICKERNELL
HONORABLE THOMAS KILLION
HONORABLE NICK MICCARELLI
HONORABLE BRAD ROAE
HONORABLE CURTIS SONNEY
HONORABLE TONY DELUCA, DEMOCRATIC CHAIRMAN
HONORABLE BRYAN BARBIN
HONORABLE RYAN BIZZARRO
HONORABLE DOM COSTA
HONORABLE TINA DAVIS
HONORABLE NICHOLAS KOTIK
HONORABLE EDDIE DAY PASHINSKI

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*Pennsylvania House of Representatives
Commonwealth of Pennsylvania*

ALSO IN ATTENDANCE:
HONORABLE MARK MUSTIO

COMMITTEE STAFF PRESENT:
GARTH SHIPMAN
MAJORITY EXECUTIVE DIRECTOR
SHAUNA BOSCACCY, ESQ.
MAJORITY LEGAL COUNSEL
NICOLE WILBOURN
MAJORITY RESEARCH ANALYST
JENNIFER KEATON
MAJORITY COMMUNICATIONS MANAGER
JILL BRIGHTBILL
MAJORITY LEGISLATIVE ASSISTANT

ALAN COHN
DEMOCRATIC EXECUTIVE DIRECTOR
CHERYL HALDI
DEMOCRATIC RESEARCH ANALYST
SEAN BRENNAN
DEMOCRATIC LEGISLATIVE ASSISTANT

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(See submitted written testimony and handouts online.)

P R O C E E D I N G S

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3 MAJORITY CHAIRWOMAN PICKETT: Well, it looks like
4 it's 10 o'clock on a Monday morning, so I'm going to call
5 this meeting of the House Insurance Committee to order.

6 And I want to thank all of the Members for
7 attending and I do welcome the testifiers to today's public
8 hearing on examining insurance coverage for consumers while
9 utilizing experimental service for transportation, better
10 known as "ridesharing." I applaud the companies who are
11 using technological advances to provide a more convenient
12 service and potentially less costly mode of transportation
13 for the consumers.

14 Today, we hope we can learn more about how and
15 when consumers as fare-paying passengers are covered with
16 insurance. The basic question is what entity is providing
17 coverage and when does that entity's coverage start and
18 stop?

19 I'm looking forward to hearing from each of the
20 testifiers, and I believe Chairman DeLuca would like to
21 have some opening comments, too.

22 MINORITY CHAIRMAN DELUCA: Thank you, Madam
23 Chairman.

24 MAJORITY CHAIRWOMAN PICKETT: Yes.

25 MINORITY CHAIRMAN DELUCA: I want to thank you

1 for holding this hearing at a crucial time for ridesharing
2 companies in the Commonwealth of Pennsylvania.

3 Previously, I sent a letter to the PUC Chairman
4 Powelson on May 6th of this year expressing my support for
5 competition in the ridesharing market, but only when it's
6 done in a responsible manner. This would include proper
7 insurance standards for the drivers and passengers of these
8 vehicles when operating for commercial purposes and making
9 sure there are no gaps in coverage.

10 This innovative mode of transportation is not
11 unique to the Commonwealth but seems to be spreading
12 throughout the Nation. Unfortunately, the providers of the
13 service have had some difficulties bringing this concept to
14 the people. Some of the difficulties may be trying to mesh
15 innovation with current laws, but some of those struggles
16 seem to be of their own doing. Currently, both Uber and
17 Lyft have racked up fines from the PUC for operating
18 without a certificate.

19 I would be remiss if I did not mention the
20 California incident on New Year's Eve where an Uber driver
21 allegedly -- let me make sure you understand -- allegedly
22 struck and killed a six-year-old child in San Francisco.
23 While the driver was reported to be on the clock, who was
24 ultimately liable for this tragedy and was proper insurance
25 in place? The applicants for these ridesharing entities

1 should both recognize that personal auto policies do not
2 have exclusions for their conduct that these operators are
3 performing. Meanwhile, the PUC has approved Yellow X in a
4 responsible manner requiring them to insure each vehicle
5 when operating for commercial use.

6 Let me finally say I do support competition but
7 only when our constituents are protected with proper
8 insurance coverage.

9 And, Madam Chairman, I also look forward to the
10 testimony today to make ourselves more knowledge about this
11 issue. And as we know, technology continues to change and
12 this is a new mode. And so again, thank you for holding
13 these hearings.

14 MAJORITY CHAIRWOMAN PICKETT: Thank you, Chairman
15 DeLuca.

16 And our first testifier today is Mr. Campolongo
17 of Pittsburgh Transportation Group. Whenever you're ready.

18 MR. CAMPOLONGO: Good morning. Chairman Pickett,
19 Chairman DeLuca, thank you, Committee, for allowing us to
20 speak on this important issue.

21 Today, I am going to kind of go through what we
22 did with respect to new technology that's emerging in our
23 industry and it's emerging across the country, not only in
24 the Commonwealth. And I want to kind of walk you through
25 the steps that we took to provide this transportation in a

1 safe, efficient manner.

2 As way of background, Pittsburgh Transportation
3 Group is the largest passenger transportation group in the
4 Commonwealth. We've done events as big as the Major League
5 All-Star Game; we've done all the transportation for the
6 G20 event that was in Pittsburgh; we're in limousine, taxi,
7 share ride, airport transfer, charter bus business. Our
8 biggest company is Yellow Cab Company of Pittsburgh. It
9 operates 335 cabs in and about the Pittsburgh area.

10 So when the technological advances came out and
11 different rideshare companies started operating in the
12 Commonwealth, we went to the PUC, looked at our options on
13 how we could get into this business. The best way for us
14 was to apply for an application for experimental service,
15 which was accepted by the PUC, and after that time was
16 vetted through the PUC. There were no protests to it.
17 We're permitted now to operate this Transportation Network
18 Company for the next two years and the PUC can determine a
19 set of rules and regulations and determine whether it is
20 good for the consumers and the Commonwealth.

21 Our new transportation service is Yellow X, which
22 is an extension of the Yellow Cab Company. We will use
23 similar technology to all the rideshare companies across
24 the country. We have our own app that is currently up,
25 working, and operating. We're owned by Veolia Worldwide.

1 That app is operating in 11 different cities now in the
2 U.S. and operates fine, in a very similar manner than
3 anything you'd see.

4 How we will achieve this to satisfy a myriad of
5 issues relative to control, operating safely, and insurance
6 is by actually leasing the vehicle from the consumer, a
7 private car, and in that lease, the entire lease will be
8 responsible for the actions of the driver, will be
9 responsible for his trips. We ensure the driver with
10 primary insurance from the time he engages in service with
11 us until the time that the last passenger or he disengages
12 in service with us.

13 And there is no mixed message here about our
14 insurance. It is the exact same insurance that you would
15 have if you were riding in a Yellow Cab, no different
16 whatsoever. There are some nuances to it, but none of
17 those are barred by any contractual obligation between us
18 and the driver. We're responsible, we will remain
19 responsible for any accident that happens.

20 There are a few things that we have to do
21 relative to [inaudible] on the vehicle so that it's
22 identifiable, that it has a PUC number on it so that the
23 consumer can actually understand, get a number, and if he
24 needs to make a complaint, a comment to the PUC so that he
25 can adjudicate that, he can do that by identifying the car

1 with the number.

2 We'll train our drivers and in abridged training
3 sessions they'll come to our offices. The drivers will be
4 vetted, fingerprinted, run through Child Welfare Act, Act
5 34, criminal background check, their MVR as any other cab
6 driver would be in the State of the Commonwealth will do
7 that.

8 While they're there, we'll inspect their vehicle
9 to make sure that the vehicle meets all the standards of
10 the PUC relative to its condition and relative to its age,
11 and we'll have our mechanics do that while they're there.

12 There'll be an insurance certificate that the
13 driver can carry with him both on paper and electronic and
14 they will run and operate under our self-insurance program
15 that we have with the Department of Transportation in the
16 Commonwealth.

17 And that's what I have to kind of bridge the gap
18 between understanding but I'm happy to take questions from
19 anybody relative to this.

20 MAJORITY CHAIRWOMAN PICKETT: Thank you. And
21 I'll start off with that. In talking about the way that
22 you insure, you say that you pick up the insurance from the
23 time the driver logs on with you?

24 MR. CAMPOLONGO: That's correct.

25 MAJORITY CHAIRWOMAN PICKETT: He logs on with you

1 when he has a call for a customer or---

2 MR. CAMPOLONGO: No, he will log on for a
3 predetermined period of time. So if we would lease the car
4 to him from 5:00 a.m. on Friday until 6:00 a.m. on Sunday,
5 then he would have that electronic lease, would sign that
6 electronically. When he engages in service, as soon as he
7 logs onto the system, he would be insured. So he's insured
8 while he's on a trip, he's insured between trips, he's
9 insured after the trip until he disengages from the
10 service, which he does electronically.

11 MAJORITY CHAIRWOMAN PICKETT: And he's not
12 allowed to do any personal driving during that time period?

13 MR. CAMPOLONGO: He is allowed to do personal
14 driving during that time period. When I said there were
15 nuances to the insurance issues here, those are some of
16 those that we're working out and how we separate the two of
17 those. We're not there yet but he's insured when he's in
18 our vehicle. When he's engaged in that lease, if he
19 doesn't have a customer and he's not on the system engaged
20 looking for a customer, then the insurance wouldn't be in
21 place because he basically takes himself out of service.
22 So if he's available for work and he's working, then he
23 would be covered.

24 MAJORITY CHAIRWOMAN PICKETT: You accept him as a
25 log-in, then he's insured.

1 MR. CAMPOLONGO: That's correct.

2 MAJORITY CHAIRWOMAN PICKETT: How do you know if
3 he's doing other things during that time period?

4 MR. CAMPOLONGO: Well, I mean the tablets are all
5 GPS. We're really going to send him trips because we're
6 available to send overflow trips from Yellow Cab to him, so
7 we could send those trips to him. It's like any other
8 rideshare. It's hard to know when they're in service and
9 when they're out of service. For us, because we want to
10 make sure we're the primary liability source, we'll engage
11 in a time period for that lease and insure him for that
12 time period.

13 MAJORITY CHAIRWOMAN PICKETT: Well, the minute or
14 second that a consumer steps into that vehicle, though,
15 there's a definite insurance agreement that covers anything
16 and everything that could happen?

17 MR. CAMPOLONGO: Yes.

18 MAJORITY CHAIRWOMAN PICKETT: And you know when
19 somebody steps into that vehicle obviously?

20 MR. CAMPOLONGO: Yes. Yes, we know when he
21 engages in service and when he takes a trip, yes.

22 MAJORITY CHAIRWOMAN PICKETT: Yes. Chairman
23 DeLuca?

24 MINORITY CHAIRMAN DELUCA: Thank you, Madam
25 Chair.

1 Jim, the Chairman was hitting on some of the
2 things and just opened some avenues. So if the individual,
3 he can get calls on his own. He doesn't have to be
4 filtered through you, am I right, with the GPS?

5 MR. CAMPOLONGO: Yes, we can't---

6 MINORITY CHAIRMAN DELUCA: No, you can't monitor
7 that, am I right?

8 MR. CAMPOLONGO: Right.

9 MINORITY CHAIRMAN DELUCA: Okay. Now, suppose he
10 builds up two or three customers that call him all the
11 time. He decides that he's not going to go through you;
12 he's just going on his own. Isn't there a problem for the
13 consumer if, God forbid, he gets in an accident because
14 you're not covering him because he's not on the clock, am I
15 correct?

16 MR. CAMPOLONGO: Yes, there's definitely a risk
17 to the consumer if they don't engage in service with us.
18 It would be no different than a jitney operating without a
19 taxicab license.

20 MINORITY CHAIRMAN DELUCA: See, that's what we're
21 actually dealing with here.

22 MR. CAMPOLONGO: That's what we're doing.

23 MINORITY CHAIRMAN DELUCA: Let's not kid
24 ourselves. I mean I'm all for competition but I also want
25 to make sure that the consumers are protected. I know

1 technology is great, but God forbid if you get in an
2 accident and nobody wants to take care of your liability
3 and your hospitalization and all that. It creates a
4 problem.

5 You have no problems, I would imagine, if you are
6 able to get the PUC to go along with your Yellow X, you
7 have no problems as far as the competition part, am I
8 correct?

9 MR. CAMPOLONGO: No, we---

10 MINORITY CHAIRMAN DELUCA: You know what I'm
11 saying. You said nobody objected to you, you wouldn't be
12 up here objecting if they followed all the rules and
13 everything else the same as Yellow X did.

14 MR. CAMPOLONGO: Yes.

15 MINORITY CHAIRMAN DELUCA: You know what I'm
16 saying?

17 MR. CAMPOLONGO: Just to kind of prove that
18 point, I mean there have been a lot of applications for
19 transportation network companies that have come after ours
20 that we've not protested any of those.

21 MINORITY CHAIRMAN DELUCA: Okay.

22 MR. CAMPOLONGO: We've developed our program,
23 we're going to follow the rules, and we'll let the PUC and
24 the Legislature determine how to deal with people who do
25 not.

1 MINORITY CHAIRMAN DELUCA: As an owner, you
2 started into this new technology. Do you have any problems
3 so far with any accidents from these individuals that you
4 have?

5 MR. CAMPOLONGO: No. I mean we are basically in
6 the beta testing stages of our operations, so no. But we
7 feel confident because, 100 years of service at Yellow Cab
8 in the State of Pennsylvania, we've paid every claim.
9 We're going to vet these drivers, inspect their vehicles
10 like they're our own, so we're reasonably comfortable that
11 he's the same driver if he drives that car or if he got in
12 a Yellow Cab. So we're confident in that.

13 MINORITY CHAIRMAN DELUCA: And evidently, your
14 mayor doesn't have any problems with liability in
15 Pittsburgh, right?

16 MR. CAMPOLONGO: We have---

17 MINORITY CHAIRMAN DELUCA: He doesn't care
18 whether the consumers are protected or not, as long as they
19 can call somebody up.

20 MR. CAMPOLONGO: Yes. Yes. The mayor
21 [inaudible].

22 MINORITY CHAIRMAN DELUCA: I just wanted to throw
23 that in, Jim.

24 MR. CAMPOLONGO: Thank you.

25 MINORITY CHAIRMAN DELUCA: Thank you. Thank you,

1 Madam Chairman.

2 MAJORITY CHAIRWOMAN PICKETT: Thank you.

3 So exactly what is the status of your licensing
4 with PUC right now?

5 MR. CAMPOLONGO: Our license was approved
6 completely, our entire program was approved. The PUC is
7 waiting for us to go through some administrative work, get
8 our Schedule E filed with them for insurance, and a copy of
9 our lease and some agreements relative to the insurance.
10 Other than that, we could start tomorrow.

11 MAJORITY CHAIRWOMAN PICKETT: Okay. And when the
12 driver has a customer he's gotten through you -- by the
13 way, there's no way the consumer knows exactly about this
14 coverage/no coverage situation if they make a deal with a
15 guy to go to the airport or whatever, right? They don't
16 know? That's a problem, I guess.

17 So the driver has a customer through you and he's
18 got a specific route he's supposed to follow, I guess, with
19 the GPS system?

20 MR. CAMPOLONGO: Yes.

21 MAJORITY CHAIRWOMAN PICKETT: Do you track him?
22 Do you know that he's on that route?

23 MR. CAMPOLONGO: Well, what we do is we know
24 where he went. On our system if we have the pickup, the
25 destination, it will route that the shortest route. We

1 don't know if he -- he can vary from the route. So what's
2 important for everyone to understand is if he varies from
3 that route, then that passenger, that consumer can complain
4 to us as any other taxi would complain to us and then we'll
5 kind of adjudicate that and find out is the driver trying
6 to raise the fare on him and do all that stuff.

7 So it's the same set of rules that we're governed
8 by today. The good news is you can call us and talk to us
9 and we can work through those issues.

10 MAJORITY CHAIRWOMAN PICKETT: Okay. Are there
11 any other questions?

12 Oh, I'm sorry, yes.

13 REPRESENTATIVE COSTA: Representative Costa.

14 MAJORITY CHAIRWOMAN PICKETT: Representative
15 Costa.

16 REPRESENTATIVE COSTA: Thank you, Madam Chair.

17 Let me ask you. These PUC numbers that are going
18 to be attached to the vehicles, how are they going to be
19 attached? Magnetically or permanently attached?

20 MR. CAMPOLONGO: No, they'll be magnetic.

21 REPRESENTATIVE COSTA: So in other words, I can
22 put it on and take it off as I wish if I'm a driver?

23 MR. CAMPOLONGO: Absolutely.

24 REPRESENTATIVE COSTA: So there's really no way
25 of a consumer really knowing if they look at the vehicle if

1 it was PUC-regulated or not?

2 MR. CAMPOLONGO: That's correct.

3 REPRESENTATIVE COSTA: Okay.

4 MR. CAMPOLONGO: I mean we'll govern that the
5 best we can, but if the driver takes the markings off --
6 when we go out to the community and to the consumer, I mean
7 we'll remind them that our vehicles are marked and that
8 they should expect a marked vehicle to show up. And really
9 consumers will help us kind of govern that.

10 REPRESENTATIVE COSTA: And if I can have one
11 more, please.

12 The background checks, are your drivers required
13 to report the traffic citations, accidents that they have
14 not while working and physical arrest by---

15 MR. CAMPOLONGO: Yes. So the answer to that is
16 yes. We have a very rigid license check, so you have a
17 pre-engagement license check, you have three random checks
18 per year, you have a check post-complaint, post-accident,
19 and then an annual. So we'll pick it up. The Commonwealth
20 doesn't have the ability yet to transmit that data to us
21 electronically. They're working on it. That would be
22 helpful.

23 REPRESENTATIVE COSTA: What eliminates someone
24 from a background? A felony, a misdemeanor, do you know?

25 MR. CAMPOLONGO: We have an entire vetting

1 process. I mean I don't have it in my head but I can tell
2 you that felonies would definitely -- DUIs on their driving
3 would disqualify them from operating with us. And we take
4 certain smaller incidents, speeding, reckless driving and
5 assign points to all those, and if they get to a spot where
6 if they're in that range, then we wouldn't engage in
7 service with them.

8 REPRESENTATIVE COSTA: Okay. I thank you, sir.
9 I appreciate it.

10 MR. CAMPOLONGO: You're very welcome.

11 REPRESENTATIVE COSTA: Thank you, Madam Chair.

12 MAJORITY CHAIRWOMAN PICKETT: Thank you. Any
13 further questions?

14 If not, we thank you so much for your testimony
15 today.

16 MR. CAMPOLONGO: Thank you for your time.

17 MAJORITY CHAIRWOMAN PICKETT: Appreciate hearing
18 from you.

19 And the next person to testify with us today is
20 Jim Black, the Executive Vice President of Lyft.

21 Good morning, Mr. Black.

22 MR. BLACK: Good morning. Good morning,
23 Chairwoman Pickett and Chairman DeLuca, and all the other
24 members of the House Insurance Committee. My name is Jim
25 Black. I'm Executive Vice President of Lyft. I have also

1 presented testimony regarding Lyft in several States
2 including Texas, California, Colorado, Illinois, and Ohio.

3 Lyft commends the Committee for undertaking a
4 review of the insurance coverage for consumers and drivers
5 that utilize experimental transportation throughout the
6 Commonwealth of Pennsylvania.

7 Lyft is a Delaware corporation headquartered in
8 California but registered with the Pennsylvania Department
9 of State. Lyft has pending with the Pennsylvania Public
10 Utilities Commission Applications for Experimental Service
11 that, if approved, will allow Lyft to provide service
12 throughout Pennsylvania.

13 For several reasons, Lyft will soon file Amended
14 Applications to refine its proposed service; the largest
15 substantive difference involves insurance requirements. We
16 view the Amended Applications as an opportunity to address
17 and adjust a few things that many not have been
18 sufficiently highlighted when Lyft filed its Applications
19 for Experimental Service before the Commission.

20 Accordingly, I'll outline some very specific and
21 comprehensive insurance provisions that support Lyft and
22 its service in Pennsylvania.

23 The substance of my testimony this morning is
24 divided into three parts. First, I believe it's important
25 to describe Lyft, what is it and the service it seeks to

1 provide in Pennsylvania. Second, I'll specify and outline
2 the key insurance provisions that demonstrate the insurance
3 Lyft has obtained to support its service, that it meets or
4 exceeds the State requirements now in place. And lastly,
5 I'll do my best to address questions from the Committee.

6 Lyft proposes to operate a peer-to-peer
7 ridesharing network that uses a digital platform to
8 facilitate transactions between passengers and drivers.
9 The purpose, of course, is to enhance transportation, to
10 reduce single-occupancy vehicle trips, as well as to even
11 reduce vehicle ownership. People who own one car may get
12 rid of that car. People who own one may not buy a second
13 car. It's to reduce greenhouse gas emissions. It's to
14 help people get home when they've had too much to drink.
15 In essence, what we're trying to do is fill up the empty
16 seats on the road. If we could take what's currently about
17 a 20 percent occupancy rate, if we could take that to just
18 25, we could take as many as 20 percent of the cars off the
19 road.

20 Lyft is a Transportation Network Company, and
21 this refers to a company offering transportation service
22 through a mobile software application to connect
23 individuals seeking transportation with qualified drivers.
24 It's an innovative form of prearranged transportation
25 accessible through a mobile application on a smartphone.

1 Currently we're available both on the Apple operating
2 system, as well as the Android operating systems.

3 The need for it is clear. Existing prearranged
4 and on-demand transportation services rely on full-time
5 professional drivers, and that unnecessarily limits the
6 scope of authorized services available to meet the
7 fluctuating consumer demand. In a study in Seattle, they
8 show that regardless of how many drivers you had, you would
9 always run into a shortage situation events on the weekends
10 at the nightlife areas, hence the long, long wait for
11 people trying to get home from a night of going out with
12 friends and really in a situation where they shouldn't be
13 driving.

14 In addition, the existing services can be costly,
15 and therefore, beyond the resources of many consumers.
16 TNCs, or Transportation Network Companies, such as Lyft
17 effectively make use of available technology to enhance
18 safety and consumer convenience and to efficiently
19 distribute available resources, to efficiently distribute
20 the extra car seats that people have available.

21 Ridesharing, where non-professionals with
22 vehicles providing rides to friends, neighbors, casual
23 acquaintances, as you said earlier, is nothing new, nothing
24 new in the Commonwealth, nor really nothing new in the
25 United States. Consumers have engaged in ridesharing for

1 many decades, utilizing such low-tech forums as carpool
2 lists, commuter pickup lines, "slugging" as they call it in
3 Washington, D.C., employer and community ride boards, and
4 even electric fora such as Craigslist.

5 The benefits of low-cost ridesharing are clear
6 and unmistakable; it reduces single-occupancy vehicle trips
7 while providing tremendous societal benefits, including
8 enhanced access to transportation, reduction in traffic
9 congestion and greenhouse gas emissions. And one thing
10 that doesn't often get mentioned is it really helps build
11 the social fabric. It's neighbors meeting neighbors. It's
12 the front porch all over again where you can actually meet
13 people and get to know some of your neighbors.

14 The TNC proposed by Lyft is accessible through
15 the Lyft mobile application and operated by Lyft. It would
16 make use of these technological advances to allow
17 Pennsylvania residents in need of transportation to quickly
18 and efficiently communicate with individuals willing to
19 provide transportation to points within the Commonwealth
20 using their personal vehicles. As a certificated entity,
21 Lyft would be responsible for providing the rider with a
22 durable record of each trip completed through the platform,
23 including the identity of the passenger and the driver, a
24 photograph of the vehicle, description of the trip, you
25 know, the time, the location, the origination and

1 destination, and GPS record of the route taken.

2 Lyft would further be responsible for obtaining
3 criminal backgrounds, driving history checks for all the
4 drivers offering services throughout the platform. In
5 addition to the background checks, drivers must observe
6 Lyft's zero tolerance policy. So if any complaint is made
7 with respect to a suspicion of drug or alcohol use, the
8 driver is immediately taken off the platform, not at the
9 end of the shift when they come in, not at the end of the
10 week when the dispatcher finally catches up with them, but
11 immediately through a flip of the switch of the network
12 they can be taken off the system.

13 Drivers who fail to meet each and every one of
14 the foregoing requirements simply would not qualify as a
15 Lyft driver. Yet this comprehensive scrutiny does make it
16 possible for non-professional and occasional drivers to
17 provide transportation, thereby enhancing access and
18 availability of affordable, high-quality transportation
19 while maintaining safety standards.

20 Now, let's talk about insurance. As with any new
21 innovation or variance from a traditional, long-standing
22 practice, there are concerns regarding liability and
23 exposure to risk. It is not unexpected and quite frankly
24 understandable. However, misinformation is sometimes
25 spread around with respect to what's out there and I think

1 it's important for us to amend our applications to make it
2 clear what kind of insurance we have. We may not have done
3 a good enough job of doing that and I'm happy to talk about
4 that now, as well as what will be in our Amended
5 Applications for Experimental Service.

6 So I will set forth in detail the insurance
7 program and how it meets or exceeds the State law and
8 Commission regulations. First, we'll talk about during
9 what I call the "match" period, and Chairwoman Pickett, as
10 you were asking about when a rider is in the car, this is
11 before a rider is in the car when somebody is driving
12 around, they may be doing their personal work or going to
13 the drugstore. Again, these are casual drivers, which is
14 one of the things that makes this work. As they're going
15 to drugstore or perhaps sitting at home watching
16 television, perhaps at a Starbucks having a coffee, they'll
17 get a request for a ride, say can you give a ride, and
18 here's where the person is. They'll have a certain amount
19 of time to say yes or no. The very second they say yes,
20 that is a match period. Now they are matched with that
21 passenger. While they are in route to getting the
22 passenger, once they pick up the passenger, during the ride
23 right up to the point that they drop off the passenger,
24 they would be insured under one of Lyft's policies.

25 Lyft's policy is an excess policy. It's a policy

1 that rides above the personal insurance but it specifically
2 provides in its terms that if, for any reason, that
3 driver's policy doesn't cover it -- and as you mentioned,
4 there may be a livery exception or something like that
5 where that policy would not cover that ride -- the Lyft
6 policy, a \$1 million policy, \$1 million policy, would drop
7 down and cover the very first dollar. So it's not merely
8 excess; it's access with a dropdown, and it expressly says
9 it becomes primary in that situation. So that's during the
10 match. So en route to getting the passenger, picking up
11 the passenger, driving the passenger, and dropping them
12 off.

13 In addition, during that period, there is a \$1
14 million uninsured and underinsured motorist coverage. So
15 if the car were to get into an accident by a third party
16 who didn't have adequate insurance, that would be covered
17 as well.

18 In addition, during that period, there is a
19 contingent policy for collision and comprehensive. And
20 that means if the driver is out there -- and this is really
21 something that affects the driver more than the passenger
22 or third parties. And when I talked about liability
23 before, we're talking about the driver's liability. Now,
24 it could be to the passenger, it could be to a third party
25 on the street, it could be property damage, it could be a

1 fire hydrant, a building, what have you.

2 But now we'll talk about the driver and it's the
3 contingent collision and comprehensive coverage. So if
4 during that match period there is an accident to the car
5 and it's not another person's fault, if it were the
6 driver's fault, their car could be damaged. They could
7 also have a deer jump out in front of them or something
8 like that and have comprehensive damage. If their policy
9 were not to cover that, if they have comprehensive
10 coverage, if they've elected to get that but their policy
11 were to say, sorry, that was a livery operation and you're
12 not going to be covered, the Lyft contingent policy would
13 step in and provide up to \$50,000 of coverage for that kind
14 of damage, for the collision and comprehensive.

15 Now, during the period of the pre-match, this the
16 app-on. Now, in many cases with these new applications
17 people aren't driving around looking at the sidewalk for
18 somebody to flag them down. They're not looking for rides;
19 the rides are actually looking for them. There's no reason
20 to drive around endlessly putting miles on your car and
21 using up gas. People are often, as I said, sitting in a
22 Starbucks. They may be sitting at home, literally sitting
23 at home with the phone on in their pocket, and that's
24 really one of the biggest benefits.

25 I've had people in San Francisco and the western

1 parts of San Francisco say it's amazing; I used to wait an
2 hour-and-a-half for a ride and I get one in six minutes
3 now. But so often it's the same person. I'm kind of
4 amazed. And I sort of laughed and I said, well, that's
5 because they live six minutes away. That's how it's
6 supposed to work.

7 So in the situation that they were to get into an
8 accident prior to being matched with a rider, they had the
9 app on so perhaps you're taking the kids to school in the
10 morning, somebody's taking the kids to school, they don't
11 have the app on then because they couldn't accept a ride
12 with somebody else in the car. But they drop them off,
13 they turn the app on on the way home. Maybe they can pick
14 somebody up on the way home and give them a ride. Before
15 they've been matched if something were to happen, in that
16 case, it's not a commercial activity. They weren't giving
17 a ride. They weren't matched with a ride. They may have
18 actually been going to the drugstore on their own but they
19 happened to have the app on. But if for some reason, and
20 we haven't seen it yet, but if for some reason a personal
21 insurer were to say that is a commercial activity, we're
22 not going to cover it, the Lyft policy would step in with a
23 \$50,000 per person, \$100,000 aggregate for injury, and
24 \$25,000 property damage coverage that would step into that
25 period. Again, we haven't seen that determined to be a

1 commercial activity so far, but if it were, there's
2 something to cover that as well.

3 So that gives you an idea of what the insurance
4 coverages are. In an effort to clarify this we will be
5 amending our applications for -- oh, there is another and
6 I'll point that out in a second, but again, we will be
7 amending our experimental applications shortly to clarify
8 that.

9 Also for Pennsylvania Lyft has contracted to
10 supplement its coverage with something more for
11 Pennsylvania, and that would provide a \$25,000 first party
12 medical coverage, as well as the \$10,000 in wage loss
13 benefits, which were coverages that are specific to
14 Pennsylvania and something that we will have as well.

15 Hopefully, this is a help somewhat to some of the
16 questions you may have and perhaps prompted some questions,
17 so I'm happy to answer any questions that you may have.

18 MAJORITY CHAIRWOMAN PICKETT: Thank you. The
19 first question I have is do you require all of the folks
20 that answer your apps who say they're willing to be on your
21 list to go out in the rain?

22 MR. BLACK: I'm sorry, what?

23 MAJORITY CHAIRWOMAN PICKETT: I'm just kidding.
24 I could never get a ride in the rain. Okay.

25 I didn't hear it in your testimony; I'm not sure.

1 Do you have the drivers that are part of your network
2 tested for drug and alcohol?

3 MR. BLACK: They're not tested for drug and
4 alcohol going in. What we've found is drug and alcohol
5 testing can be very, very inaccurate. I mean CBS,
6 Huffington Post, others have reported a 20 to 30 percent
7 false positive as well as false negatives. What we have is
8 something, and this has been reviewed by a number of -- I
9 mean California, for example, Washington, D.C., others have
10 looked it -- it's called a zero tolerance policy which they
11 actually like more.

12 And that is if there's any suspicion of drug or
13 alcohol use, any complaint, we even have filters that catch
14 comments if somebody uses a word that would have something
15 to do with that or if they specifically complain, that
16 driver is taken off -- and this is in the statute itself --
17 taken off the system immediately until an investigation is
18 conducted. So there's no question and there's also no
19 waiting, as I said, to the end of the shift or the end of
20 the week when you finally catch up with the person.
21 They're off the system immediately.

22 Now, one of the benefits of the system like this
23 is rides can only be obtained through the network. People
24 aren't picking people up. There's no cash, which is
25 another big safety issue. Each and every ride is rated.

1 There's a five-star rating. If there's ever a three-star
2 rating or below, that driver will never be matched with
3 that passenger again. And also if there's ever below a
4 five-star rating, so anything below the top rating there's
5 a second tier of questions: was it safety, was it courtesy,
6 was it cleanliness, and was it navigation? If it's safety,
7 in fact if it's any of those, we'll be following up. If
8 it's safety, we'll be following up very quickly.

9 And if there's any allegation at all of somebody
10 acting erratically something that would indicate drug or
11 alcohol use, the driver is simply taken off the network
12 immediately until an investigation is done. And we've
13 found that that's actually much more useful than a
14 determination of has that person ever used drugs in the
15 past.

16 Now, if they've been arrested for something like
17 that, but if they have something in their system, I mean
18 what CBS pointed out is that with the levels that are in
19 some drugs today, somebody could go to a concert and get
20 second-hand smoke and it would actually show up in their
21 blood. Poppy seeds can indicate opiates. And these things
22 really happen, and what happens is if somebody has the
23 money to go out and appeal it, they may get around it. If
24 somebody doesn't it really unfairly cuts against people who
25 aren't in a position to do that.

1 MAJORITY CHAIRWOMAN PICKETT: Bad actors have a
2 way of finding their spot into something that they can work
3 in, so I engaged with your company. You matched me with a
4 driver. I know what my rate is. I see the route. Is that
5 true? I see all of this on my smartphone?

6 MR. BLACK: Yes.

7 MAJORITY CHAIRWOMAN PICKETT: So at that point
8 let's say that this driver is a bad actor and decides to
9 deviate from that route and maybe rob me or something, is
10 that something you can see? Can you see them deviating and
11 do you question that or can you follow them?

12 MR. BLACK: We can see the deviation. We're not
13 following each and every ride to see if there is a deviation
14 because we may not know exactly which way they're going, we
15 may not know if traffic -- but my daughter is probably one
16 of the best examples. When she first told me about
17 ridesharing, she was walking home through San Francisco at
18 1:00 in the morning, and I live in the suburbs and I said
19 you've got to be kidding me. You're 24 years old, you've
20 been out with your friends, walking home. And she said I
21 take ridesharing. And I said, well, what is that? And she
22 said, well, it's regular people in regular cars.

23 My first reaction was, oh, my God, you'd be
24 better off walking home. She actually pointed out to me
25 that there were background checks, there were vehicle

1 inspections, things like that. And then she said, besides,
2 every single ride is GPS-tracked. They know exactly what
3 car I got into, who I got into with, where we got in, what
4 time we got in, where we went, and so on. And it was
5 really dawning on me. And she said, and besides, Dad, have
6 you been in the incumbents lately? Have you been -- a
7 random car on a dark street picking me up I mean without
8 those GPS tracking. And it really hit me over the head
9 that this is a much, much better way to go.

10 MAJORITY CHAIRWOMAN PICKETT: Okay. And so even
11 something lesser than that, a safety issue, driving too
12 fast or too erratic, you're going to pull that guy or
13 person, that woman out of the system. But let's just say
14 that there is something that sort of damages that consumer
15 at the point, maybe robbing or whatever, is your insurance
16 going to cover that?

17 MR. BLACK: I believe so. On top of all of the
18 others we have CGL, the commercial general liability.
19 We're talking mostly about the driving insurance. But
20 without going deep into it, I mean I'm sure that everybody
21 would be named in a suit like that. We haven't seen one
22 but I'm sure everybody would be named and I expect they
23 would. I mean I don't want to make a representation of
24 that particular policy because I'm just not aware of the
25 details of it.

1 MAJORITY CHAIRWOMAN PICKETT: Okay.

2 Mr. Chairman.

3 MINORITY CHAIRMAN DELUCA: Thank you, Madam
4 Chairman.

5 I want to thank you for your testimony,
6 Mr. Black.

7 Let me just follow up on something. We talk
8 about ridesharing and your paragraph B you talk about the
9 new innovations, and I understand there are new
10 innovations. As we know, if I'm not mistaken, my personal
11 car insurance does not permit me to do commercial stuff, am
12 I correct?

13 MR. BLACK: Your personal car insurance does
14 permit you to do commercial stuff.

15 MINORITY CHAIRMAN DELUCA: I can do commercial
16 stuff?

17 MR. BLACK: It permits you---

18 MINORITY CHAIRMAN DELUCA: I can go out as a
19 business on my personal insurance?

20 MR. BLACK: It permits you to do it. It simply
21 doesn't cover it.

22 MINORITY CHAIRMAN DELUCA: Well, it doesn't cover
23 it---

24 MR. BLACK: Right.

25 MINORITY CHAIRMAN DELUCA: ---I'm not going to be

1 doing it because then I open myself for a lot of liability.

2 MR. BLACK: Right. No, that's correct.

3 MINORITY CHAIRMAN DELUCA: So what I don't
4 understand is you're going to cover the person while he's
5 on duty in that there, but I also hear that his personal
6 car insurance is going to be the first payer. Do I hear
7 that right?

8 MR. BLACK: His personal---

9 MINORITY CHAIRMAN DELUCA: You'll cover
10 afterwards, is that correct?

11 MR. BLACK: No, his personal---

12 MINORITY CHAIRMAN DELUCA: If that's what I heard
13 you testify.

14 MR. BLACK: Sure.

15 MINORITY CHAIRMAN DELUCA: Maybe I misinterpreted
16 what you said.

17 MR. BLACK: So his personal car insurance would
18 remain primary---

19 MINORITY CHAIRMAN DELUCA: Primary.

20 MR. BLACK: ---and if it's denied, ours drops
21 down---

22 MINORITY CHAIRMAN DELUCA: Yours will---

23 MR. BLACK: ---to the very first dollar, not just
24 what's above there but down to the very first dollar,
25 whatever is not covered. So in other words if, and in your

1 case from what you're saying, when, they don't cover, ours
2 would drop down to the very first dollar and provide not
3 the personal amount, personal level, but it would provide a
4 full million dollars.

5 MINORITY CHAIRMAN DELUCA: I understand that
6 part, but under Pennsylvania law, your personal insurance
7 does not cover any commercial business that you do, am I
8 correct? So why would my insurance company be liable for a
9 vehicle that's going to be used -- and it is a commercial
10 -- we talked about ridesharing.

11 MR. BLACK: Right. Right.

12 MINORITY CHAIRMAN DELUCA: This is a commercial
13 enterprise. I mean let's not kid ourselves. It's not like
14 going and picking somebody up, your neighbors, I heard you
15 say about neighbors and all that. That's great, but it's
16 not going out and picking your neighbors up because I could
17 pick my neighbors up and if there's an accident they can
18 sue my insurance in that there. But they're not paying me.
19 This is a business venture. It's commercial. And I
20 understand that. So it's a little different than picking
21 your neighbors and knowing your neighbors and all that.
22 The Chairman calls me up and says, Tony, pick me, I'll pick
23 her up. She doesn't give me her credit card so she's not
24 paying me.

25 MR. BLACK: Just don't put anything in the glove

1 compartment. Don't throw a few dollars in there.

2 MINORITY CHAIRMAN DELUCA: And in the same token,
3 I'm a little worried about the fact that in Pennsylvania
4 right now we do have pretty reasonable rates in car
5 insurance, and I'm just worrying about if this venture does
6 happen, do we create an entity where it's going to cost us
7 more money, all of us who are not doing this ridesharing
8 program because we'll pick up the tab. That's one of my
9 main concerns. Do you feel there's any problem with gaps
10 in coverage by doing this venture?

11 MR. BLACK: I don't think there's any problem
12 with gaps in coverages. I mean what you said I agree with
13 100 percent and that is that if a policy is written to have
14 a commercial exception and this is deemed to be commercial
15 and I can see how it certainly would, then it wouldn't
16 cover. But there is insurance to cover exactly that. I
17 mean companies deny claims all the time for all kinds of
18 reasons, so this would just be one of them.

19 But the Lyft policy is not a personal policy;
20 it's a commercial policy, commercial automotive liability
21 policy that specifically covers -- I mean it's written on
22 an ISO form and they have the various coverages. There's a
23 coverage that specifically names out Lyft drivers. It's
24 their liability because some people might say, well, what
25 about Lyft's liability? They're not driving the car. No,

1 this is not only Lyft's liability but the driver's
2 liability, you know, their negligence.

3 So it's commercial automotive liability coverage
4 that covers the driver, and as I said, drops down to the
5 very first dollar in the event -- specifically says becomes
6 primary in the event that the claim is denied by the
7 personal insurer. So it's designed for exactly what you
8 said with that in mind.

9 MINORITY CHAIRMAN DELUCA: Now, you are going in
10 and amending your---

11 MR. BLACK: Application.

12 MINORITY CHAIRMAN DELUCA: ---application, okay.
13 Is your application going to be any different than what you
14 have heard testify today with Yellow X? Is it going to be
15 the same avenue? Is there any difference between you and
16 Yellow X or you have any problems with following -- if they
17 do give Yellow X the okay, is your application going to be
18 the same thing? And why would they deny you if they give
19 them the okay and you're going to be the same thing?

20 MR. BLACK: Great question. Great question.
21 Ours is different. Yellow X is doing something innovative;
22 I applaud them for it. They have what I would call a trip
23 lease, so they're actually leasing the car. They're
24 controlling the car while the person is on the system. It
25 does run into the nuances that were brought up. Our

1 insurance is set up so that -- I mean and in fact in almost
2 every State it says we cannot own or control the cars.
3 These are personal automobiles. These are independent
4 contractors. We don't get to own a fleet of cars and lease
5 them from or lease them to people. So that model wouldn't
6 work for what we're doing. Our insurance company
7 specifically provides that these are cars that we do not
8 own or control.

9 So again we couldn't lease cars from the drivers
10 the way Yellow X does. Again, I think what they did is
11 innovative and that's what this whole movement is doing is
12 creating innovation and creating competition, and I applaud
13 them for actually stepping up and doing that. I think it's
14 a great idea.

15 MINORITY CHAIRMAN DELUCA: As the individual who
16 is the business manager for this, would you be more at an
17 advantage than Yellow X because of the fact that you don't
18 have to follow all the regulations they're doing?

19 MR. BLACK: I don't think so. I think we're
20 following---

21 MINORITY CHAIRMAN DELUCA: That's why I'm asking
22 you. I don't know. I'm asking you.

23 MR. BLACK: I don't think we would. I mean I
24 think we're pretty much doing the same thing. They're
25 using individual automobiles. They're inspecting them;

1 we're inspecting them. They're doing background checks;
2 we're doing background checks. They're doing a trip lease;
3 we're doing it differently with a different form of
4 insurance. I mean the trip lease, I believe, is more to
5 get the insurance coverage than anything else. I don't
6 know that there's an economic advantage one way or another.
7 I don't know what their split is with the drivers. Ours is
8 public. Based on the regulations, I think we're both doing
9 something very similar although a different model with this
10 trip lease versus not a trip lease.

11 MINORITY CHAIRMAN DELUCA: And if I heard them
12 right, and Madam Chairman brought up a point about drug
13 testing, I understand they're going to be drug testing
14 there. I don't know if you're familiar with a lot of the
15 employment applications have drug testing. To be a ditch-
16 digger, you've got to be drug tested because something
17 could happen out there. Why would we not want to have
18 these individuals who they're going to be doing business
19 with you, why wouldn't we want them protected? It not only
20 protects you but also protects their primary insurance?
21 Why wouldn't you want to do that?

22 MR. BLACK: Well, one, our insurance company is
23 fully aware of exactly the steps we're going through. What
24 we've found is that the drug tests are very, very
25 inaccurate. I mean it's kind of shocking how inaccurate

1 they are. People can easily get around them. You go on
2 the internet; you'll find 150 ways to get around one. The
3 people who want to get around it will get around it very
4 easily. The people who ate a poppy seed bagel that morning
5 won't. It's really kind of shocking. But in talking about
6 that with regulators in other States and demonstrating to
7 them exactly how the zero tolerance policy works, they
8 actually like that more and said this is a great way. I
9 don't know that I care as much about whether somebody went
10 to a party a week or two ago as much as what are they doing
11 when they're driving. And that's the issue. And it is a
12 zero tolerance, you're off the system immediately, no
13 questions asked. And at that point---

14 MINORITY CHAIRMAN DELUCA: I understand that
15 point. Just to finish up, I guess what really throws me
16 off is the fact that the State Police, the city police,
17 local police officers, the turnpike organization hiring all
18 their workers, and you're saying these people, if it's so
19 easy, they don't want jobs because they deny a lot of
20 applicants because of this stuff, drug testing. And I will
21 be asking them, if it's that easy, why these individuals
22 are not circumventing that to get a job because there are a
23 lot of people looking for jobs that are being denied jobs
24 because they can't pass the drug test.

25 MR. BLACK: Right.

1 MINORITY CHAIRMAN DELUCA: So I want to thank you
2 for your testimony.

3 MR. BLACK: Sure. Sure.

4 MINORITY CHAIRMAN DELUCA: Thank you, Madam
5 Chair.

6 MAJORITY CHAIRWOMAN PICKETT: Thank you.

7 Representative Day, you have a question.

8 REPRESENTATIVE DAY: Thank you.

9 Thanks for your testimony. I appreciate it.

10 MR. BLACK: You're welcome.

11 REPRESENTATIVE DAY: A couple of quick questions,
12 hopefully quick answers. The commercial coverage that you
13 offer drivers, is that through app Terms of Service, or is
14 that a traditional contract exchange with each driver? So
15 how do you cover them? What's the process? Is it when I
16 sign up as a driver I accept Terms of Service and, boom,
17 I'm covered or do you send out a contract to every driver?

18 MR. BLACK: We do not send out a contract to
19 every driver; there is a Terms of Service. But the
20 insurance policy itself specifically states it would cover
21 each and every driver that is an active Lyft driver.

22 REPRESENTATIVE DAY: Well, I want to be a driver.
23 I want to make sure I'm covered. Do you send me any kind
24 of liability sheet or anything?

25 MR. BLACK: I mean there are ACORD Certificates

1 that are available to everyone, yes.

2 REPRESENTATIVE DAY: A driver would just have to
3 trust that we're covered, right?

4 MR. BLACK: Yes, I mean that and the ACORD
5 Certificate that would lay out who the insureds are.

6 REPRESENTATIVE DAY: And government plays a role
7 in regulation in temporary transportation now. How do you
8 see government playing a role of regulation? I know if I
9 was running the company, I would say don't worry about it,
10 we'll handle everything, but that's not what we're probably
11 going to do. We're going to want to have a hand in
12 regulating everything that you talked about that you cover
13 with drivers and everything. How do you see government
14 regulating this?

15 MR. BLACK: I see exactly what you're saying.
16 What we do, we feel very comfortable with it and we would
17 love to demonstrate it to each and every one of you and we
18 have no problem being regulated and required to do those
19 things. I think if you don't, we are good players, I think
20 the other people who are here today are good players, but
21 there may be players who aren't as good who come in in the
22 future.

23 So I think regulation is important but I think
24 that it's also important to come up with ways to regulate
25 to enhance safety, yet to allow what I'd call casual

1 drivers, people who are really the people who are providing
2 the biggest benefits here, not people who are going to come
3 in and do nothing but work the downtown area or the
4 nightlife area but the neighborhoods that you really can't
5 get rides in now in neighborhoods where cars may not be
6 willing to go. People who live there are more than happy
7 to provide rides there.

8 So I think it's a great idea to regulate. We are
9 regulated in a number of jurisdictions now and it's working
10 out very, very well. So I see working very closely with
11 the government for regulation.

12 REPRESENTATIVE DAY: Another quick question,
13 following up what the Chairman had talked about and asked
14 about. Does the app have a panic button available? So I
15 have GPS apps on my phone and any time I can hit "help," I
16 need help where I am. GPS locates where I am. Everyone in
17 my family knows where I am and it's for everybody in my
18 family. So it seems like an easy component to add for the
19 driver and for the passenger. Is that something that's
20 already in or will be in your---

21 MR. BLACK: You don't have a patent on that, do
22 you? It's a nice idea.

23 To my knowledge it's not there. I know that some
24 of the applications actually have something where you can
25 actually tell somebody I'm getting in the car, this is

1 where I'm going, and I'm scheduled to be there at this
2 time. So there are ways to track. I mean that's one that
3 -- I mean there are so many things in the works. I mean
4 stop and think of where the iPhone was five years ago,
5 virtually nonexistent, where it is today, and where it's
6 going to be two or three years from now. I can't imagine
7 that something like that wouldn't be -- I mean it will be
8 probably a process that we all have whether we're in a car
9 or not.

10 REPRESENTATIVE DAY: And last quick question for
11 a quick answer, I think I can guess what the answer is but
12 I don't like to guess; I like to just ask the question.
13 What is your business model? Is it a percentage of each
14 transaction or how does that work?

15 MR. BLACK: Yes, it's a percentage of each
16 transaction. The drivers get at least 80 percent, and in
17 peak hours they may get more and more and more. We haven't
18 figured out how to give them 110 percent yet. We try to
19 get drivers out there. This is almost like energy,
20 matching supply and demand. If people push the button four
21 or five times and don't get a ride or if they drive all day
22 and don't get a rider, they may not do it again or may not
23 do it very often.

24 REPRESENTATIVE DAY: Does the rate change as like
25 there's no drivers and they keep pushing the button? Is

1 there a rate change?

2 MR. BLACK: Our rate does change. I know that
3 one of our competitors has something called search pricing.
4 We have something called primetime tips. One thing, I
5 don't know if it's unique but I'll just say about ours is
6 that 100 percent of that primetime tip of the marginal
7 amount goes to the driver. The idea is to have an
8 incentive to get more drivers out there.

9 If it's raining, as you said, and you can't get a
10 car, we try to do everything we can to get those cars out
11 there with lots and lots of notices and being very clear it
12 may end up costing a certain percentage more. It may cost
13 25, 50 percent more, but if you have the choice at that
14 point and we're able to get drivers out there, the idea is
15 let's find drivers, let's give them an incentive to get out
16 there and give those rides at times where there's that peak
17 demand.

18 REPRESENTATIVE DAY: Thank you for your testimony
19 and being here to answer questions. I appreciate it.

20 Thank you, Madam Chair.

21 MAJORITY CHAIRWOMAN PICKETT: Thank you.

22 Representative Miccarelli.

23 REPRESENTATIVE MICCARELLI: Thank you, Madam
24 Chair.

25 How exactly do you ensure that your drivers have

1 insurance?

2 MR. BLACK: We check their insurance certificates
3 for each and every driver before. That's part of the on-
4 boarding process. We also track the expiration, make sure
5 that we get a renewal, that they've renewed the policy a
6 certain number of days or weeks before it's due. And
7 again, if they don't, it's just an automatic flip of the
8 switch and they can't get a ride until they do.

9 REPRESENTATIVE MICCARELLI: Is there an e-form
10 sent to the PUC?

11 MR. BLACK: That's part of the Experimental
12 Application. There will be an e-form sent to the -- I
13 mean, yes. I mean we haven't -- it's part of the
14 Experimental Application. The e-form is provided in there.

15 REPRESENTATIVE MICCARELLI: Okay. So it's part
16 of the application but it's not currently being done?

17 MR. BLACK: That is correct.

18 REPRESENTATIVE MICCARELLI: Okay. I saw in the
19 Pittsburgh newspaper that the PUC has fined Lyft \$130,000.
20 Can you tell me why that is?

21 MR. BLACK: We're going to be having a hearing
22 soon and we'll find out exactly why. If you read the
23 ordinance, some would say we're covered; some would say
24 we're not. We'll find out.

25 REPRESENTATIVE MICCARELLI: Okay. And as far as

1 your umbrella policy, who is the carrier for that?

2 MR. BLACK: James River.

3 REPRESENTATIVE MICCARELLI: James River?

4 MR. BLACK: Yes.

5 REPRESENTATIVE MICCARELLI: And they're a
6 licensed Pennsylvania--

7 MR. BLACK: They can provide coverage here. They
8 may be in many States. They're a surplus provider.
9 There's a process in every State to use surplus providers.
10 We've gone through that process. They're A.M. Best-rated,
11 A minus, excellent.

12 REPRESENTATIVE MICCARELLI: Okay. Thank you very
13 much.

14 MR. BLACK: Sure. You're welcome.

15 REPRESENTATIVE MICCARELLI: Thank you, Madam
16 Chair.

17 MAJORITY CHAIRWOMAN PICKETT: Thank you.

18 Representative Pashinski.

19 REPRESENTATIVE PASHINSKI: Thank you, Madam
20 Chair, and thank you, sir, for your testimony.

21 MR. BLACK: Sure.

22 REPRESENTATIVE PASHINSKI: Could we stay on your
23 business profile for a little bit? How many employees do
24 you expect you need in order to make this operation work?

25 MR. BLACK: As we grow and grow and grow -- it's

1 a great question. Right now, we have probably well over
2 300 employees and I expect it to grow and grow from there.
3 Perhaps you could restate it or maybe I could---

4 REPRESENTATIVE PASHINSKI: Well, I'm trying to
5 figure out what your outlay is since you don't have any
6 vehicles. Like, for example, you said that your cars will
7 also be inspected.

8 MR. BLACK: Yes.

9 REPRESENTATIVE PASHINSKI: So I'm assuming you
10 have a particular point where all these cars have to go to
11 get inspected to make sure they are up to standards. Would
12 that---

13 MR. BLACK: Yes.

14 REPRESENTATIVE PASHINSKI: ---be correct? Okay.
15 So you have 300 employees now but now you're going to
16 incorporate this new process. So how many employees, and
17 what will their job description be in order to make this
18 process work?

19 MR. BLACK: Those employees are currently
20 conducting the process. The process has been in place for
21 nearly 2 years. We've always done the inspections. We
22 have a five- page protocol of exactly what to do. There
23 are 19 safety points that are listed in the California
24 regulation and the Washington, D.C., regulations, Detroit
25 operating agreement, and elsewhere, and part of our

1 framework. And we also have five pages going through those
2 19 points of exactly what's done at each and every step.

3 So those have been conducted, so with who we have
4 today and the people who are conducting it, I mean there's
5 nothing new where we'd have to ramp-up to do these.

6 REPRESENTATIVE PASHINSKI: Okay. So that's been
7 set, but now how about tracking the vehicles? You
8 obviously would have some sort of elaborate electronic
9 system, you know, how many people? Do you have people at
10 terminals that are watching these vehicles? Can you record
11 the travel route? How long do you store the data?

12 MR. BLACK: Yes to all of that. We have many,
13 many, many people, I mean probably -- I'm guessing at this
14 point but it's probably nearly 100 who are part of the
15 Trust and Safety Team who are tracking these things, who
16 are taking calls, who are responding, who are helping out
17 drivers, helping out passengers, anybody, following up with
18 low ratings or people who push safety when it gets to that
19 second tier. So there are quite a few people doing exactly
20 that. So, yes, there are terminals, there are -- so again,
21 how many? I don't know exactly how many but quite a few.
22 And the data, yes, it is stored and we have policies with
23 respect to how long it's stored and so on.

24 REPRESENTATIVE PASHINSKI: And the rate for this
25 travel, is that the same as a Yellow Cab or---

1 MR. BLACK: It in most jurisdictions it's in the
2 range of 70 percent or so of what an---

3 REPRESENTATIVE PASHINSKI: It would be less?

4 MR. BLACK: ---incumbent would be.

5 REPRESENTATIVE PASHINSKI: Okay. Thank you very
6 much.

7 MR. BLACK: Sure. You're welcome.

8 MAJORITY CHAIRWOMAN PICKETT: Thank you.

9 Representative Roae.

10 REPRESENTATIVE ROAE: Thank you, Madam
11 Chairwoman. And thank you, sir, for your testimony.

12 On page 3 of your handout you have some
13 information about your insurance coverage, and I just had a
14 question. Starting on line 15 where the handout discusses
15 there's \$1 million of excess liability coverage, is that \$1
16 million in liability coverage for Lyft, Inc., or is that \$1
17 million of liability coverage for the actual driver and for
18 Lyft also?

19 MR. BLACK: It's for the actual driver and for
20 Lyft also.

21 REPRESENTATIVE ROAE: Okay. Then the part below
22 starting on line 23, it says also regarding business auto
23 coverage it talks about coverage of \$50,000 per person,
24 \$100,000 per accident if the person's personal insurer
25 denies coverage. So why would that be necessary if there's

1 the \$1 million you talk about in the top?

2 MR. BLACK: Great, great question. Those are the
3 two periods we were talking about. So while you're driving
4 to the drugstore for your own personal business---

5 REPRESENTATIVE ROAE: Right.

6 MR. BLACK: ---you know, going up to pick up a
7 prescription, you may have your phone on in driver mode.
8 At that point you could get a request for a ride. You may,
9 you may not. It depends if somebody even wants to. You
10 may or may not accept that ride at that point because
11 you're going to the drugstore. Once you get there, if
12 you're pulling at your driveway, perhaps you could be at
13 Starbucks or at home. That's what's called "app on" but
14 pre-match. During that period, the coverage at line 23 and
15 below covers it.

16 During the match period, in other words the
17 moment you say yes, I will go pick up that ride, you could
18 be miles from the rider but the moment you say yes and head
19 out in that direction, you're covered under what I would
20 call the match period. You've been matched with a ride at
21 that point. So the \$1 million policy covers that match
22 period. The 50, 100, 25 policy covers the pre-match
23 period, and that's a contingent policy because that's not a
24 commercial activity. We haven't seen an instance yet where
25 a personal insurer has denied that.

1 So in that situation, if they were to deny it, we
2 don't want there to be -- we're taking an extra step -- we
3 don't want there to be a gap in coverage so we have this
4 policy that would step in to place and have the 50, 100,
5 25.

6 REPRESENTATIVE ROAE: Okay. So, yes, there's
7 different ways of writing that coverage. Like a good
8 example would be a pizza store that has delivery. A lot of
9 pizza stores, they make their drivers have their own
10 personal insurance policy but then the store also has \$1
11 million excess liability policy as well. But that can be
12 written in a way that only protects the store, not the
13 driver, or it can be written in a way that protects the
14 store and the driver both.

15 So you're saying yours is specifically written to
16 provide -- like if the driver would be named in a lawsuit
17 because of an accident and the driver himself gets sued for
18 \$1 million, the policy would actually cover the driver, not
19 just the Lyft company?

20 MR. BLACK: Unequivocally, that is absolutely
21 correct.

22 REPRESENTATIVE ROAE: And that's how it should
23 be. I'm glad you do it that way.

24 MR. BLACK: And it's interesting. An ISO policy,
25 I mean these policies are written on an ISO form. It's

1 sort of standard policy across almost every State. They
2 have nine categories and those nine categories, you went
3 through it, it covers exactly the pizza situation, cars you
4 lease, cars you own, cars your employees drive, on and on
5 and on. None of those cover what we're doing. I believe
6 none of those cover what UberX is doing. And there's
7 actually a category 10, a custom manuscripted provision
8 that specifically called out the drivers who are contracted
9 to drive for Lyft. So it covers their liability as well as
10 our own.

11 REPRESENTATIVE ROAE: Okay. Thank you so much.

12 MR. BLACK: Sure.

13 MAJORITY CHAIRWOMAN PICKETT: Thank you.

14 Representative Killion.

15 REPRESENTATIVE KILLION: Thank you.

16 Just following up on Representative Miccarelli's
17 question. You said you verified the primary insurance, the
18 personal insurance they have on the vehicles. Is there
19 specific language in your contract that says it's a
20 contract breach if in fact that coverage isn't there or
21 should lapse and they didn't renew it?

22 MR. BLACK: I mean they are automatically
23 terminated from the system, so I mean that's the way we
24 deal with it. I have to go back and I'm sorry; it's a good
25 question. I'd have to go back and look at the Terms of

1 Service to see that it's an actual contract breach. But it
2 is something where if we don't get the renewal, it's just
3 automatically they're off the system until they actually
4 come in with it. And we require that a certain amount of
5 time, weeks in advance, to be sure that the policy has been
6 renewed as we track the expirations.

7 REPRESENTATIVE KILLION: I think it would be
8 important to have that language specifically in there so a
9 driver doesn't come back and try to say you're releasing me
10 for -- I want to get back on.

11 MR. BLACK: Right. Good point. Thank you.

12 REPRESENTATIVE KILLION: Thank you.

13 MAJORITY CHAIRWOMAN PICKETT: Thank you.

14 Representative Costa.

15 REPRESENTATIVE COSTA: Thank you, Madam Chair.

16 Thank you for being here, Mr. Black.

17 MR. BLACK: Sure.

18 REPRESENTATIVE COSTA: I have a couple of
19 questions. You're currently operating in Pittsburgh?

20 MR. BLACK: That is correct.

21 REPRESENTATIVE COSTA: Okay. If I came there and
22 I wanted to be working for your company, where do I bring
23 my vehicle to get inspected? Where do I come for an
24 interview I guess in Pittsburgh to do that? What would I
25 do? Or is this just all online and then you tell me where

1 to take the vehicle or how does that work?

2 MR. BLACK: The way it works is, first, you would
3 sign up as a Lyft passenger. And there's a section on the
4 application where you'd say I'd like to be a driver, at
5 which point you fill out some things, what kind of car do
6 you have. It's sort of the first level. Cars must be of a
7 certain age, the cars must be four-door cars. We don't
8 want people having to move seats around to get in and out
9 of the car. So if it passes that, then a meeting is
10 scheduled with a mentor, somebody who's going to come out
11 and they can -- we try to make it, I would call it, as
12 friction-free as possible.

13 If we said you've got to make an appointment 2-
14 1/2 weeks from now, take your car someplace, leave it there
15 for four hours, maybe a day. If I want you or me to be
16 drivers, you're probably not going to do that or you're
17 going to put it off a long, long time and we're not going
18 to get the casual drivers; we're only going to get people
19 who really -- if they go through that much effort, it's
20 going to be difficult to get -- they're going to want to
21 work a lot more than casual.

22 So we try to make it as friction-free as possible
23 by calling them up, arranging for somebody to come out, do
24 the inspection, have the interview. Of course they've
25 already have the background checks at that point because

1 they've filled that out online. We use the Sterling
2 Infosystems. We use others for the driver's check. If
3 they pass those things, these meetings take place, the
4 inspections are done. And if everything's passed there,
5 then they have some training, they go through mentor rides
6 and drive around with a mentor to make sure that they pass
7 that and can become a driver.

8 So there isn't a specific place that they come
9 and sit down. It's partly online but there's a lot of live
10 one-on-one interviews and training and inspections.

11 REPRESENTATIVE COSTA: Well, then correct me if
12 I'm wrong, so in other words they just come out and look at
13 the car in front of my house---

14 MR. BLACK: They can---

15 REPRESENTATIVE COSTA: ---and say it's passed
16 inspection?

17 MR. BLACK: There will be places that they could
18 meet but if you see the protocol, and I'm happy to send out
19 the protocol, it's a protocol that's put together by
20 National Champion Auto Mechanic and the Plymouth
21 Troubleshooting Contest. It's been reviewed and edited by
22 one of the top automotive schools in the West Coast. These
23 are safety inspections, remember, not vehicle -- we're not
24 buying the car. Nobody's pulling the plugs and checking
25 compression. You're checking the 19 safety points that are

1 important, and if you go through the protocol, it's a very,
2 very thorough inspection. And in many jurisdictions when
3 they've seen it, they've said, wow, this is a lot more than
4 we do.

5 REPRESENTATIVE COSTA: Well, I disagree with
6 that, but that's neither here nor there because the vehicle
7 needs to be up on a rack, looked at, and things like that
8 to be properly inspected to take people that are paying a
9 commercial fee to go somewhere.

10 Okay. Now, as a customer, do you send me a
11 picture of the driver and the car?

12 MR. BLACK: Yes.

13 REPRESENTATIVE COSTA: So I get a picture of
14 both?

15 MR. BLACK: You get a picture of both, including
16 -- and you'll have the license plate number of the car as
17 well.

18 REPRESENTATIVE COSTA: Okay. And---

19 MR. BLACK: And if you push the button, it'll
20 actually give you a full-screen -- if you push the picture
21 of the driver, a picture of the car, it'll be a full-screen
22 picture so you can see it very clearly.

23 REPRESENTATIVE COSTA: Okay. So than I assume
24 that you will have PUC numbers on it if and when you get
25 it?

1 MR. BLACK: Yes. Yes.

2 REPRESENTATIVE COSTA: Okay. Thank you,
3 Mr. Black. I appreciate it.

4 MR. BLACK: Sure. You're welcome.

5 REPRESENTATIVE COSTA: Thank you, Madam Chair.

6 MAJORITY CHAIRWOMAN PICKETT: Thank you.

7 And thank you, Mr. Black, for being with us
8 today.

9 MR. BLACK: Thank you.

10 MAJORITY CHAIRWOMAN PICKETT: We appreciate your
11 testimony and your information.

12 Our next---

13 MR. BLACK: I very much appreciate the
14 opportunity. Thank you.

15 MAJORITY CHAIRWOMAN PICKETT: Thank you.

16 Our next person to testify today is J. Robert
17 Wooley from Uber.

18 Good day.

19 MR. WOOLEY: Good morning, Chairwoman Pickett and
20 Chairman DeLuca and Members of the Committee. Thank you
21 for the opportunity to testify today about insurance issues
22 related to a new type of transportation service that is
23 commonly referred to as ridesharing and is often associated
24 with the two leading platforms on which it is offered,
25 UberX and Lyft.

1 I served as the Commissioner of Insurance of
2 Louisiana for 2000 to 2006. While my tenure predated the
3 emergence of these technologies, I am very familiar with
4 the types of insurance policy questions that have been
5 raised by policymakers in Pennsylvania and throughout the
6 country. In addition, I have closely examined the
7 insurance policy held by Rasier, LLC, which is Uber's
8 subsidiary which supports its low-cost service known UberX
9 in Pittsburgh.

10 Before delving into the details of Rasier's
11 insurance policy, I would like to briefly comment on
12 ridesharing services, which I believe have the potential to
13 fundamentally reshape transportation in our country. As
14 you may know, ridesharing platforms like UberX and Lyft
15 enable individuals to connect with drivers who use their
16 personal vehicles and carry personal auto insurance
17 policies. These services have made finding a safe and
18 affordable ride easier than ever and have created tens of
19 thousands of new, well-paying jobs in more than 70 markets
20 across the U.S., including in and around Pittsburgh

21 Importantly, indeed, most importantly for
22 policymakers, these services are safe and the drivers who
23 provide these services have more than adequate insurance
24 coverage. In fact, I can unequivocally state that if I
25 were still Insurance Commissioner of Louisiana, I would

1 welcome these services into my State and would have no
2 problem whatsoever with their insurance policies. Here is
3 why:

4 First, before allowing any drivers to operate on
5 their platforms, these companies verify that drivers hold a
6 valid personal auto insurance policy that meets the minimum
7 standards mandated by the State in which they operate.
8 Thus, all drivers operating in Pennsylvania hold policies
9 that meet or exceed Pennsylvania's requirements to operate
10 a vehicle on public roads.

11 Second, these services back up drivers' personal
12 policies with a commercial auto insurance policy. This
13 commercial auto policy provides coverage that is excess to
14 the driver's personal policy and is in place for whenever a
15 trip is being conducted through the ridesharing app. If
16 for whatever reason the driver's personal policy does not
17 cover an incident, the excess commercial policy drops down
18 and becomes the primary policy from the first dollar.

19 Specifically speaking about Rasier's policy, this
20 policy provides \$1 million of coverage for third-party
21 liability. This coverage provides for third-party
22 liability and uninsured motorists exceeds the coverage
23 requirements for the Pennsylvania PUC of \$35,000 and also
24 includes the required Pennsylvania no-fault coverages
25 mandated by the PUC.

1 Raiser's insurer is James River Company, which is
2 rated A minus, or excellent, by A.M. Best and is listed on
3 the Pennsylvania Insurance Department's list of eligible
4 surplus line insurers.

5 Fourth, contrary to some critics' suggestions,
6 rideshare drivers are covered at all times. When drivers
7 are not logged into the app and using their vehicles for
8 personal reasons, their personal policy will cover them.
9 When drivers are logged into the app but have not yet
10 accepted a trip request, their personal policy may cover
11 them. If not, then our contingent coverage will kick in.

12 As you know, there are certain individuals and
13 entities out there attempting to raise red flags about
14 these services and their insurance policies. Some of these
15 critics suggest that ridesharing companies should be
16 required to provide 24/7 insurance coverage for drivers who
17 operate on their platforms and do so at commercial limits.
18 This would mean that these companies would insure these
19 drivers even when they are using their vehicle for purely
20 personal reasons such as driving to the grocery store.

21 They suggest that this is necessary because
22 otherwise there would be uncertainty as to whether a
23 driver's personal policy covers an incident and whether the
24 rideshare company's policy covers and that this uncertainty
25 will generate disputes that will takes years to wind

1 through the court system.

2 These concerns are overstated to say the least.
3 As an initial matter, these types of insurance issues are
4 no different than the insurance issues raised by countless
5 other businesses in the United States that employ or
6 partner with individuals who use personal vehicles for
7 business purposes such as a pizza delivery person. Yet no
8 one would suggest that a company such as Pizza Hut must
9 provide insurance coverage for a pizza delivery person when
10 he or she is using their vehicle to drive to the grocery
11 store.

12 In any event, Uber and Lyft's technology enables
13 insurers to pinpoint the precise moment and location when a
14 driver has logged into the app and the precise moment and
15 location when they have accepted a trip request. Thus,
16 even if a driver's personal insurance policy contains an
17 exclusion that legitimately allows the insurer to deny
18 coverage because the driver engaged in a commercial
19 activity, the risk of a lengthy insurance dispute is
20 minimal.

21 In sum, having reviewed the insurance policy
22 issues associated with rideshare services and having
23 reviewed Rasier's policy, I can testify with confidence
24 that their insurance coverage is more than adequate and
25 will fully protect Pennsylvania consumers.

1 Thank you for your time and I would be happy to
2 answer any questions.

3 MAJORITY CHAIRWOMAN PICKETT: Thank you,
4 Mr. Wooley.

5 Near the end of your testimony, could you just
6 enlarge a little more on the exact process? I mean Pizza
7 Hut, their drivers don't carry any people. It's a whole
8 lot more complicated when people are involved in that
9 vehicle, right? When something goes wrong, there's an
10 accident, there's some issue that the person in the car
11 feels that they have a right to some coverage, do they to
12 your knowledge simply have to make an application -- the
13 driver makes an application to his company for coverage?
14 Is it a simple denial? Is it going to end up in court for
15 that denial before that other insurance actually kicks in?
16 How's it going to work?

17 MR. WOOLEY: Well, if they are on the app, then
18 they would make a claim under their insurance coverage.
19 And if they are then denied, then the Uber policy with
20 James River would kick in and provide coverage for any
21 reason that they would be denied.

22 If in the event that they are actually with a
23 passenger, then they have the \$1 million coverage, which is
24 a commercial policy and they would not have to make any
25 type of claim against their insurance.

1 MAJORITY CHAIRWOMAN PICKETT: We would think in
2 most cases that would be a denial, so is that to your
3 knowledge an instant denial? Do we all know right away
4 this is not covered by the personal policy? We have
5 another policy. I'm on my way to a hospital or a doctor
6 visit or whatever. Do I know that's kicking in right now?

7 MR. WOOLEY: If the app is turned on, then the
8 coverage does exist. If the app is not turned on and
9 you're just going to the hospital, then your personal
10 policy is going to cover you. That's what you bought it
11 for.

12 We haven't seen a case yet, as the previous
13 gentlemen testified, where the personal policy has not
14 covered when you just have it turned on but you're not
15 involved in a ride and you have not picked someone up, and
16 so therefore we're not sure that that will happen. But
17 because it is a potential gap, these companies have both
18 decided to go ahead and purchase insurance that would
19 specifically drop-down as a contingent policy to be first-
20 dollar coverage in that case.

21 MAJORITY CHAIRWOMAN PICKETT: I'm kind of
22 concerned about that passenger when something goes wrong.

23 MR. WOOLEY: Right.

24 MAJORITY CHAIRWOMAN PICKETT: How quickly is that
25 process going to happen, the application, the denial, the

1 other insurance jumps on?

2 MR. WOOLEY: I would imagine it's pretty
3 instantaneous. Companies aren't very, I guess, timid about
4 filing their exclusions. I mean once they're notified of
5 an accident and if it's commercial, they're going to say we
6 feel this is commercial and it's excluded.

7 MAJORITY CHAIRWOMAN PICKETT: Thank you.

8 Other questions?

9 Chairman.

10 MINORITY CHAIRMAN DELUCA: Thank you, Madam
11 Chairman.

12 Thank you for your testimony, Mr. Wooley.

13 MR. WOOLEY: Yes, sir.

14 MINORITY CHAIRMAN DELUCA: And let me first state
15 that we certainly are not against competition, and as Madam
16 Chairman says, we just want to make sure the consumers and
17 the public is protected. I certainly welcome competition
18 out there. I think we need competition, but we've got to
19 make sure that the competition is done the right way.

20 It's my understanding as a former Insurance
21 Commissioner that in Pennsylvania 95 percent of the
22 personal policies exclude commercial operations. Am I
23 correct?

24 MR. WOOLEY: Yes, they do.

25 MINORITY CHAIRMAN DELUCA: Okay. Now, how do you

1 get around that because we're only talking about 5 percent
2 now. Is your insurance company going to cover all the---

3 MR. WOOLEY: We're not getting around it.

4 MINORITY CHAIRMAN DELUCA: Well, I mean if---

5 MR. WOOLEY: What we're saying is is that it's
6 obvious once you pick someone up that it's commercial and
7 it's going to be denied on their personal policy. So
8 therefore, the million-dollar coverage is in place from
9 dollar one. The only issue is when you have logged onto
10 the app and you're just driving to the grocery store or
11 doing some other errand, are you then engaged in a
12 commercial activity if you have the app on? We have
13 purchased insurance that will provide for the coverage of
14 those people if it's ever determined. It has not ever yet
15 been determined that that is a commercial enterprise at
16 that point.

17 MINORITY CHAIRMAN DELUCA: Where you're losing me
18 and maybe I don't---

19 MR. WOOLEY: Right.

20 MINORITY CHAIRMAN DELUCA: ---understand the fact
21 that if 95 percent of the policies exclude your business---

22 MR. WOOLEY: Right.

23 MINORITY CHAIRMAN DELUCA: ---95 percent are
24 going to exclude your business, you're working with 5
25 percent, so you're actually ensuring the 5 percent. Is

1 that correct?

2 MR. WOOLEY: If that's the math, then absolutely.

3 MINORITY CHAIRMAN DELUCA: Well, that's what it
4 is in Pennsylvania.

5 MR. WOOLEY: Absolutely. We have coverage.

6 MINORITY CHAIRMAN DELUCA: So you're going to
7 be---

8 MR. WOOLEY: Exactly.

9 MINORITY CHAIRMAN DELUCA: So you're the primary
10 care of this business, primary insurer, let's face it,
11 because---

12 MR. WOOLEY: Right.

13 MINORITY CHAIRMAN DELUCA: ---95 percent are
14 excluded so you're the primary---

15 MR. WOOLEY: Right.

16 MINORITY CHAIRMAN DELUCA: ---on it. So it just
17 seems to me that I don't know how that affects your
18 business model since you are going to have to pick up most
19 of the insurance on it, number one.

20 Now, you mentioned the fact that these are good-
21 paying jobs. Can you give me an example of what these jobs
22 pay?

23 MR. WOOLEY: Sir, I'm here---

24 MINORITY CHAIRMAN DELUCA: No, no, I mean you
25 mentioned in your testimony---

1 MR. WOOLEY: ---testifying on the insurance --
2 right.

3 MINORITY CHAIRMAN DELUCA: I mean---

4 MR. WOOLEY: Well, that's the folks---

5 MINORITY CHAIRMAN DELUCA: ---you mentioned in
6 your testimony that you're creating a lot of jobs---

7 MR. WOOLEY: Right.

8 MINORITY CHAIRMAN DELUCA: ---and good-paying
9 jobs and I figured you had some information on that.

10 MR. WOOLEY: The gentleman before me is more
11 involved in operations---

12 MINORITY CHAIRMAN DELUCA: Oh, okay. I'm only
13 going---

14 MR. WOOLEY: ---and I think answered some---

15 MINORITY CHAIRMAN DELUCA: Pardon me.

16 MR. WOOLEY: ---good questions, but I'm really
17 not in operations with the company.

18 MINORITY CHAIRMAN DELUCA: Okay. No, the only
19 reason I bring that up---

20 MR. WOOLEY: They'll look at the insurance.

21 MINORITY CHAIRMAN DELUCA: ---is because you put
22 it in your testimony.

23 MR. WOOLEY: Yes, sir.

24 MINORITY CHAIRMAN DELUCA: Okay. That's all,
25 Madam Chairman.

1 MAJORITY CHAIRWOMAN PICKETT: Thank you. Thank
2 you.

3 Representative Killion.

4 REPRESENTATIVE KILLION: Thank you, Madam
5 Chairman.

6 First, I would say I've used it Uber. I think
7 it's a great service, but a couple questions are popping
8 up. You say there could be a potential gap which means you
9 feel that at some point the primary insurance could
10 actually cover an accident or an injury. Is that---

11 MR. WOOLEY: Well, like I said, when you turn on
12 the app, the minute you turn on the app you have this
13 potential coverage with James River Insurance Company
14 through Uber. It has never been determined that that
15 actually is a commercial activity simply turning on the
16 app. A lot of people will be running errands during the
17 day, not have the app on, and then think, well, while I'm
18 in this part of town I might turn it on and see but they're
19 still not doing any real commercial activity. So because
20 of that, because it hasn't been determined yet whether that
21 period of time is commercial or not, we have gone ahead and
22 purchased insurance that will cover that if it's ever
23 determined that that is a commercial activity.

24 REPRESENTATIVE KILLION: A couple things pop up.
25 A million years ago I started my career as a property

1 casualty underwriter for State Farm and I see a couple
2 problems. If I'm a driver and I have my personal policy
3 with State Farm, Farmers, Allstate, and I have an incident
4 and I have to report it to State Farm, I can tell you from
5 working at State Farm you're probably going to get
6 canceled. You're probably going to get canceled. Or if
7 they find -- I mean as an underwriter if I knew the risk
8 was going to be doing commercial work in a vehicle that I
9 was ensuring---

10 MR. WOOLEY: Right.

11 REPRESENTATIVE KILLION: ---I'm going to look at
12 that risk a whole lot differently.

13 MR. WOOLEY: Right.

14 REPRESENTATIVE KILLION: I would be petrified to
15 call my agent on a claim when I was doing a commercial
16 activity for fear that I would lose my insurance.

17 MR. WOOLEY: Right.

18 REPRESENTATIVE KILLION: You get the policies
19 from your drivers, correct?

20 MR. WOOLEY: Right.

21 REPRESENTATIVE KILLION: You know they're
22 insured?

23 MR. WOOLEY: Right.

24 REPRESENTATIVE KILLION: Is there a requirement
25 that they notify their insurer that they're doing this work

1 or do you notify the insurer that they're doing this work?

2 MR. WOOLEY: I don't think there is a requirement
3 to notify.

4 REPRESENTATIVE KILLION: Okay. But as I said, I
5 think it's a wonderful service, it's innovative, but
6 there's a lot of red flags here, especially for the drivers
7 that risk that they expose---

8 MR. WOOLEY: Right.

9 REPRESENTATIVE KILLION: ---themselves to
10 cancellation by their insurer.

11 MR. WOOLEY: Right.

12 REPRESENTATIVE KILLION: It's something we need
13 to look at. Thank you.

14 MAJORITY CHAIRWOMAN PICKETT: Thank you.

15 Representative Costa.

16 REPRESENTATIVE COSTA: Thank you, Madam Chair.
17 Thank you, Mr. Wooley.

18 You're currently operating in Pittsburgh, your
19 company, correct?

20 MR. WOOLEY: Yes, sir, from what I understand.

21 REPRESENTATIVE COSTA: Okay. You as well as Lyft
22 are both being fined by the PUC as we speak---

23 MR. WOOLEY: As I understand---

24 REPRESENTATIVE COSTA: ---on some disputes,
25 right?

1 MR. WOOLEY: I do understand they have been---

2 REPRESENTATIVE COSTA: Okay. And I assume that
3 the PUC is doing that because they haven't gotten all the
4 i's dotted and the t's crossed?

5 MR. WOOLEY: I'm not positive of the---

6 REPRESENTATIVE COSTA: Okay.

7 MR. WOOLEY: ---circumstances of that.

8 REPRESENTATIVE COSTA: Well, then I guess my
9 question would be because of the insurance and we say
10 there'll be no question if someone is injured in one of the
11 vehicles by your company, then why are you continuing to
12 operate in Pittsburgh if the PUC says you shouldn't be
13 because this is going to give any insurance company a right
14 to say, whoa, you're not even licensed to do this. And I
15 know I wouldn't want to be in one of your services and have
16 an accident and you're disputing that. You're a big
17 company; I'm just a regular guy. How am I going to -- if I
18 have no insurance. There's people out there that still,
19 believe it or not, do not have insurance.

20 MR. WOOLEY: Sure.

21 REPRESENTATIVE COSTA: Where do they go?

22 MR. WOOLEY: Well---

23 REPRESENTATIVE COSTA: I mean why are you
24 continuing to operate if the PUC has not sanctioned your
25 ability to operate in Pennsylvania?

1 MR. WOOLEY: I can't answer that question because
2 I'm not in operations but I do know that they do have
3 insurance coverage in place that would be accessible if
4 there is any type of injury.

5 REPRESENTATIVE COSTA: Well, but I can assure you
6 my insurance company is going to tell me that I shouldn't
7 have taken a ride if it was not PUC-regulated and paid for
8 it. So, okay. I disagree with you but thank you, sir.

9 MR. WOOLEY: Thank you.

10 REPRESENTATIVE COSTA: Thank you, Madam Chair.

11 MAJORITY CHAIRWOMAN PICKETT: Thank you.

12 Representative Miccarelli.

13 REPRESENTATIVE MICCARELLI: Thank you, Madam
14 Chair. And thank you for your testimony here today, sir.

15 Two quick questions, one is kind of piggybacking
16 on what Representative Killion had brought up. Say a
17 vehicle is registered in Montgomery County or one of the
18 collared counties around Philadelphia, Delaware, my home
19 county, where insurance rates are less than they are, say,
20 in the City of Philadelphia. If that vehicle is primarily
21 operating as a commercial vehicle within the Philadelphia
22 City limits, would the insurance company need to be
23 notified about that? Would that change anything in the
24 insurance company's eyes, do you believe?

25 MR. WOOLEY: I mean that's going to be between

1 the person and their particular company that they have done
2 business with. So we don't really control that. All that
3 we can control is to say that we've looked at the insurance
4 coverage issues that we potentially see out there today,
5 and we have tried to cover and make sure that we offer
6 coverage even if the coverage doesn't avail itself from the
7 company of the driver. So the driver's insurer denies
8 coverage, we're going to step down to first dollar and have
9 coverage.

10 So that's all that we can control and that's what
11 we've done. We've gone out and provided insurance for
12 every potential that we can see, including the
13 comprehensive and collision issue that they may have. So
14 we've looked at all those and tried to cover all the gaps
15 that we can see at this point.

16 REPRESENTATIVE MICCARELLI: Okay. And my other
17 question, if, say, someone is canceled, say their primary
18 insurance is canceled and Uber somehow is not notified of
19 that, would the umbrella insurance policy still kick in?

20 MR. WOOLEY: Yes.

21 REPRESENTATIVE MICCARELLI: It's written in the
22 policy that if someone was to be canceled and not have
23 primary insurance, that they would still be covered under
24 your insurance?

25 MR. WOOLEY: The contingency is is that their

1 policy doesn't cover, then that would under this policy say
2 that since there is no coverage, it would not be covered.
3 But we do track and make sure that these people do have
4 personal policies, and much like Lyft, once we see they're
5 uninsured, they would come out of the system.

6 REPRESENTATIVE MICCARELLI: And how would you see
7 that they're uninsured?

8 MR. WOOLEY: Because we ask to be notified
9 anytime that they have that issue come up.

10 REPRESENTATIVE MICCARELLI: So it's kind of an
11 honor system?

12 MR. WOOLEY: Right.

13 REPRESENTATIVE MICCARELLI: Okay. Not often
14 heard in the Capitol.

15 One other quick question as well, when someone
16 joins up for a ride or someone goes to be a driver, are
17 they waiving any rights to sue? Are they waiving any
18 ability to seek damages?

19 MR. WOOLEY: I don't think so. I haven't really
20 examined all of their contracts in between the drivers and
21 all, but I don't think they give up any of those rights. I
22 was mainly just looking at the insurance issues to see if
23 there were gaps in coverage.

24 REPRESENTATIVE MICCARELLI: Okay. So you're not
25 aware of anything in the Terms of Service?

1 MR. WOOLEY: Not that I know of.

2 REPRESENTATIVE MICCARELLI: Not that you know,
3 okay. All right. Thank you very much.

4 MR. WOOLEY: Thank you.

5 MAJORITY CHAIRWOMAN PICKETT: Thank you.

6 Within the major umbrella or overview, whatever
7 the coverage that your company carries, are there within
8 that limits on liability for certain parts of it?

9 MR. WOOLEY: No.

10 MAJORITY CHAIRWOMAN PICKETT: No?

11 MR. WOOLEY: No. Once you've picked up someone,
12 the million-dollar coverage is the commercial coverage that
13 would cover all of that incident.

14 MAJORITY CHAIRWOMAN PICKETT: Okay. Thank you.

15 We appreciate you being here today, Mr. Wooley,
16 and testifying with us.

17 And our next person to testify today is Scott
18 Walker -- Cooper, sorry. I made you the Governor, didn't I
19 -- Pennsylvania Association for Justice.

20 MR. COOPER: Chairlady Pickett, Chairman DeLuca,
21 my name is Governor Cooper, Scott Cooper. Sorry, Sam. I'm
22 a partner with the law firm of Schmidt Kramer here in
23 Harrisburg and I'm the past President of the Trial Lawyers
24 and also its Legislative Policy Chair. Thank you for
25 giving us the privilege of being here today.

1 I think what we've seen with the first three
2 speakers is a lot of devil in the details, and really what
3 we would hope as an organization is that this Committee
4 tread carefully and look at a lot of the things that have
5 come up here today, particularly -- and I'm not going to go
6 through my testimony but just some of the things that I
7 think we think need to be looked at and examined.

8 First of all, Colorado recently enacted detailed
9 legislation dealing with these experimental ridesharing
10 programs that actually address a lot of the issues which
11 came up today thus far. The act was signed in April. It's
12 Senate Bill 125. And what it establishes are minimum
13 requirements not only for insurance; it also addresses the
14 gap that Chairman DeLuca brought up about if the app is on
15 but you're not actually on a trip, and I think we heard
16 testimony or representations that there hasn't been an
17 issue yet.

18 In California, New Year's Eve you had asked
19 about. There was a six-year-old girl who was killed by
20 Syed Muzaffar, who was an Uber driver. And the claim was
21 made and apparently he was "trolling for a fare" at the
22 time the girl was killed. The insurance company denied
23 that the Uber claim existed because he was not on the fare
24 at the time; he had the app on but was just trolling. So
25 that's the gap that Representative DeLuca was asking about,

1 which at this point there is a lawsuit pending in San
2 Francisco. But that's one of the things that well-crafted
3 legislation could prevent.

4 In addition, there's minimums that are
5 established in the Colorado law as far as the minimum \$1
6 million because there are no guarantees that this is always
7 going to be \$1 million. In fact, I was surprised when I
8 saw it's \$1 million because even tractor-trailer drivers
9 for interstate are only \$750,000. And our State -- and we
10 could beg to differ and get into a different issue later on
11 -- we think the minimum should be higher. But there's
12 nothing to say that two years from now or three years from
13 now they're not going to go down to \$100,000 or \$50,000 or
14 just say we're the same as the taxi drivers.

15 In addition, there is in the law background
16 checks which came up, that there are specific requirements
17 that the companies have to do the background checks on the
18 drivers, they have to do background checks on the cars, not
19 just look at a picture of the car and say, oh, here's the
20 picture. You know, of course, you're selling your car
21 you're going to give people the best picture. It's not
22 going to be the one that has the dents on the other side or
23 something like that. It's going to check the hoses, the
24 lighting, the parking, for air bags. So those are the
25 things as part of legislation that would be important to

1 look at.

2 In addition, looking at exclusions, and this has
3 also come up. The James River policy, and on the internet
4 there actually is a sample that shows the policy and it's
5 an ISO policy which is a generic policy that's adopted.
6 And there's a lot of problems with the one that at least if
7 this was the one that was going to be used in Pennsylvania
8 that it would be invalid or not provide mandatory benefits
9 that people need to have in Pennsylvania.

10 One, it does not provide mandatory PIP benefits
11 at all. It just provides for the \$1 million of liability,
12 \$1 million of uninsured and underinsured motorist coverage.
13 It doesn't provide at least \$5,000 of mandatory PIP
14 benefits. It also has provisions that are inconsistent and
15 impermissibly conflict with what not only our law says but
16 what the State Supreme Court says as far as provisions of
17 what can be in a policy. There's a provision in here that
18 says if you're working at the time, they don't provide
19 uninsured or underinsured motorist coverage. That's
20 invalid. It provides for a two-year statute of limitations
21 for uninsured motorist coverage, which is really four years
22 because it's a contract claim, that before anything is
23 approved, to look at what the policies are going to be for
24 specifically Pennsylvania. And we haven't seen the
25 underinsured motorist provision. This is just something

1 you print off the internet. But it does have things you
2 can look to.

3 As far as the excess and the primary and the
4 umbrella, one of the concerns we have is not only that
5 almost every insurance policy is now started on personal
6 policies have exclusions that are placed in there. All of
7 the companies, and I printed off one from the insurance
8 Department, May 16th, 2014, Unitrin just added an exclusion
9 to all their personal policies that exclude liability,
10 medical payment, uninsured, comprehensive, and underinsured
11 motorist coverage from anyone who's operating one of these
12 vehicles or even in one of these vehicles at the time of an
13 accident.

14 So from a primary purpose, the primary policy is
15 almost never going to apply if the trend keeps going on how
16 these companies are putting in the exclusions, which
17 they're allowed to do, which is going to lead to more
18 claims just on the front-end because what's going to happen
19 is the driver is going to have to open up a claim because
20 they're going to say you're the primary policy. So now the
21 personal policies are going to start having more claims.
22 They're going to have to do more coverage investigations.
23 Then there's going to be the denials. Then you're going to
24 turn it over to the excess.

25 The other potential problem, and you don't see it

1 often but it can happen, is in excess policies. Every once
2 in a while you have one that's worded that says we don't
3 pay as an excess policy unless you fully exhausted all the
4 underlying coverage that's available. And I could say I
5 think it was an invalid argument, but insurance companies,
6 their job is generally to make money and not pay claims.
7 So an excess policy I could see hypothetically an argument
8 being made, well, you have primary coverage, and because
9 you have primary coverage, if there is no coverage, we're
10 only excess over any collectible insurance. And your
11 coverage is not collectible; therefore, our policy doesn't
12 kick in even though the intent was to be primary.

13 So what we're really asking is for a lot of these
14 things to be explored further with legislation and what the
15 policies that they're going to use through James River.

16 One of the other things which I was just curious
17 about and I'm sure we'll ask is Uber is not the named
18 insured on at least the James River policy that I was able
19 to print up. It's the Rasier, LLC, and Uber owns it as a
20 parent corporation. So I'm not sure if there's a legal
21 reason or not but it doesn't appear to me that Uber, even
22 though they are going to be operating the coverage or the
23 cars, is going to be the responsible entity. Ultimately
24 it's going to be Rasier, LLC, which is a limited liability
25 company.

1 So I guess overall to sum it up what we're just
2 asking is to look at these things and consider all the
3 different hypotheticals and how it could be played out and
4 not to just allow a company to start operating without the
5 same requirements that, say, a cab company or a taxi
6 company has to have with mandatory minimums and do
7 background checks and for people to actually understand you
8 get in the car, you may not have coverage.

9 I would be happy to answer any questions.

10 MAJORITY CHAIRWOMAN PICKETT: Thank you.

11 You sort of indicate in your testimony I think
12 that you feel that the first line of oversight on this
13 should be within the insurance department rather than the
14 PUC. Could you enlarge on your thoughts on that a little
15 bit?

16 MR. COOPER: Sure. Basically, this all comes
17 down to an insurance issue and it's something that we see a
18 lot with cab companies, mainly the cab companies and that's
19 what raises the concern is that a lot of cab companies are
20 insured by certain insurance companies either in Kansas or
21 other places, and when we try to bring the claims for
22 first-party benefits or liability benefits on behalf of
23 injured victims who are involved in cab companies, there's
24 just a lot of unresponsive companies that really don't
25 enter defenses in the cases and you don't get -- not to

1 beat down on the PUC -- you just don't get the oversight
2 with provisions and enforcement that you may get with a
3 threat of an insurance department.

4 Also because most people tend to think PUC is
5 utilities and electric, gas, things like that, they don't
6 see every day the insurance enforcement aspect of it or
7 what to approve and not to approve. So if a lot of these
8 policies are going to be relied upon, they're going to have
9 to be submitted to the insurance department.

10 And one of the concerns we also have is if the
11 PUC approves the companies, then the companies are going to
12 say, well, we don't have to submit anything to the
13 insurance department; we could just do it all through the
14 PUC and a lot of things will slip through the cracks. So
15 if this is all done under the jurisdiction and
16 implementation of the insurance department, at least
17 they'll have an insurance expert, for lack of a better
18 term, to look over it.

19 And also I think I saw Commissioner Constantine
20 also had a press release or he put out a statement that he
21 was concerned or the department was concerned about the
22 transportation services.

23 MAJORITY CHAIRWOMAN PICKETT: Thank you.

24 Chairman DeLuca.

25 MINORITY CHAIRMAN DELUCA: Just a brief

1 statement.

2 I agree with what you're saying. It should be
3 under the Insurance Commissioner mainly because of the fact
4 we're talking about protecting the public out there. And
5 so I think that our main concern, and I know I speak for
6 Madam Chairman, too, is we look for innovation on different
7 technologies and I think this is a new idea and I think
8 it's worth studying out there, and I think also the fact
9 that we want to make sure that the public is taken care of
10 and if the public is taken care of, then I can see nothing
11 wrong with having competition out there. Like anything
12 else, competition is good for the Commonwealth and good for
13 the consumers. So we'll be looking at that. Thank you.

14 Thank you, Madam Chair.

15 MAJORITY CHAIRWOMAN PICKETT: Thank you.

16 Any further questions?

17 Go ahead, Representative Barbin.

18 REPRESENTATIVE BARBIN: Thank you.

19 Mr. Cooper, I noticed in your testimony that
20 you've indicated our minimum coverage is very low. Is
21 there any reason under current law we couldn't have a
22 higher minimum liability for this new company until we
23 determine whether or not the risks are higher to the
24 public?

25 MR. COOPER: No. And that's one of the reasons

1 why we would advocate some type of legislation that would
2 establish a minimum floor for what the primary policy would
3 be. There doesn't appear to be any -- because if you're
4 not doing background checks or you're doing minimal
5 investigation of the drivers, at least make sure that there
6 is a minimum of maybe \$25,000 per person, \$50,000 per
7 accident, or 50/100 to establish a primary policy for the
8 person, and there's nothing that we've seen other than they
9 have to have insurance.

10 REPRESENTATIVE BARBIN: Have any of the other
11 States gone to the higher levels for just this special
12 industry?

13 MR. COOPER: Well, I think they've made it equal
14 -- at least a couple -- Colorado is I think equal to what
15 their State minimum is.

16 REPRESENTATIVE BARBIN: And what is Colorado? Is
17 it a \$50,000 or---

18 MR. COOPER: I think it's 50/100. California has
19 regulations that they've established and it's \$50,000, I
20 believe, per person. And I think that's what the State
21 minimum is there, too.

22 REPRESENTATIVE BARBIN: Thank you.

23 Thank you, Madam Chairman.

24 MAJORITY CHAIRWOMAN PICKETT: Thank you.

25 Thank you, Mr. Cooper, for being with us today.

1 We appreciate your information.

2 And our next person to testify is Samuel
3 Marshall, the President and CEO of the Insurance Federation
4 of Pennsylvania.

5 Welcome, Mr. Marshall.

6 MR. MARSHALL: I'm going to be joined today -- I
7 guess since he's on this side, for a bit he'll be Citizen
8 Mustio, normally your colleague Representative Mustio, here
9 today to join me as something of an insurance fellow
10 himself and Representative Killion maybe a million years
11 ago.

12 You have our remarks. You have my testimony.
13 But I'll just try to address some of the things that you've
14 heard today. And all of this sort of reminds me of the old
15 ad "Who insures you doesn't matter until it does." And
16 that's really what the past couple of hours have been an
17 exercise in considering.

18 What you have is an innovative service in some
19 ways. I mean it's innovative in its use of technology but
20 what it's saying is, you know what, we're going to have a
21 lot of part-time cabdrivers. Okay. That's fine. But what
22 they need to have is the insurance that you require of any
23 and all cabdrivers, whether they're part-time, full-time,
24 working overtime, whatever it is.

25 What you heard it today were a lot of platitudes

1 about a harmonious relation between the excess insurers and
2 the primary insurers, but if you kick it around a bit, I
3 mean if that were the case, I would have been on their
4 panel. We would've been going at this together. We're
5 not. In fact, representing primary insurers, we are
6 objecting. We have questions.

7 We're protesting their applications before the
8 PUC because, as we look at their insurance coverage that
9 they outline in those applications, there are significant
10 gaps, significant potentials for gaps. We heard today that
11 they're going to be revising those filings. Again, as
12 Scott Cooper mentioned, the devil is in the details. As
13 trite and cliché as that is, it's incredibly true in the
14 world of insurance coverage.

15 But what we heard today was that there will be
16 gaps. We heard, well, you know, as long as there's
17 commercial coverage, we'll step in and not the primary
18 insurer. First of all, that's an "if." There are
19 legitimate questions as to whether it'll be commercial
20 coverage or not commercial coverage.

21 And Representative Pickett, you honed right on it
22 when you said, okay, you're on app but you don't have the
23 business. They said, yes, well, you know, sure because if
24 you just happen to have your cell phone on and you're
25 driving to the drugstore or the supermarket, maybe you're

1 not really in a commercial setting. Okay. But what if
2 it's a Saturday night and you're on app and you're driving
3 around trolling for business? In both situations you're
4 what was described as on app but pre-match, two very
5 dramatically different uses and two dramatically different
6 risks that are being undertaken there.

7 They also left out the scenario of what happens,
8 you've dropped the passenger off and now you're driving
9 home. You're in an area that you're not normally in and
10 it's a whole different use. You may no longer be on app
11 but from my perspective you're still engaged in a
12 commercial use. You're coming back from dropping somebody
13 off.

14 The other thing that was mentioned, and this can
15 all be done but it really does have to be a much more
16 coordinated -- I mean I say harmonious; it is ironic to say
17 in this last week of budget season -- but certainly a much
18 more coordinated effort than has been displayed to date.

19 The primary insurer should know. Representative
20 Killion is correct. The primary insurer eventually will
21 find out whether it's as a result of an accident or the
22 result of a moving violation. It'll be known. And
23 presumably these drivers will themselves be on a list with
24 PUC. When that happens, there's a question of whether the
25 primary insurer is going to say, you know what, that's not

1 the risk I undertook because there are questions as to when
2 your policy applies, when it doesn't apply that you may
3 have with Uber or Lyft or whoever. So that lack of notice
4 is going to be a problem. It should be addressed because
5 how a primary insurer is going to treat that may well vary
6 from primary insurer to primary Insurer.

7 The other thing, and this goes into how to
8 coordinate the relation, it's very easy to say that you're
9 going to be the excess policy and you're going to step down
10 the minute the primary insurer says no. If it was really
11 the minute the primary insurer said no, that would be a lot
12 easier. As a matter fact, just be primary because, as
13 Scott Cooper I think erroneously stated, I guess all
14 insurers ever do is deny claims. So you presumably will
15 say no from the outset.

16 I think actually what insurance companies,
17 certainly the primary auto insurers do, I mean it's our job
18 to accurately underwrite, assess, and rate a risk and it's
19 our job to pay the claims that we've insured, not the
20 claims that we haven't insured. Sometimes that is an
21 argument.

22 And in fact one of the great difficulties here
23 the way insurance policies work in the world of auto
24 insurance, the primary insurer would have the
25 responsibility the minute there's an accident to step in.

1 He has a duty to defend. That's an obligation that he has
2 to an insured. He may deny the coverage and say, you know
3 what, this is excluded; it was a commercial use. But while
4 that is being argued -- because I didn't quite hear Uber
5 and Lyft say we'll always accept whatever that primary
6 insurer's determination is. While that's being argued, the
7 primary insurer has the expense and the obligation of the
8 duty to defend.

9 All of that goes into challenges on the rating
10 challenges, on the underwriting. And none of this is
11 insurmountable, and for those who read the business
12 section, Uber and Lyft appear to be the hottest companies
13 on the planet. We heard today they're going to
14 revolutionize everything. Their market valuation is before
15 going public, but their market valuation is based on what
16 the venture capital community says, it seems Uber goes up
17 about a billion dollars every other week. Frankly, their
18 valuations, sadly for me, are worth more than the insurance
19 industry that I represent.

20 Given that, it would make a great deal of sense
21 to say let's have the obligation on them. I mean all they
22 have to do is say, you know what, we'll be primary
23 insurers, and by the way, we'll notify our drivers'
24 personal insurer that he's become a driver for us. And you
25 want them notifying it because one of the questions -- and

1 again, I think it was Representative Killion who raised it,
2 how do you verify that the primary insurance is in place?
3 You can verify it on day one. How do you have an ongoing
4 verification? You take on a driver and he quits paying his
5 primary insurance, and for whatever reason his primary
6 insurer cancels him, whether it's nonpayment of premium,
7 whether it's a change in hazard that was being insured,
8 those are the -- and you say, well, Sam, they just had the
9 trial lawyers on just ahead of you. Aren't you used to the
10 rough-and-tumble of litigation? Yes, we are, but
11 consumers, particularly consumers who step into cabs,
12 aren't used to that rough-and-tumble.

13 The whole reason the PUC has its requirements for
14 cabs to have verifiable, accessible, identifiable insurance
15 is because when you step into a cab and you get into an
16 accident, it's supposed to be -- you may have some problems
17 evaluating the claim, you may have some problems putting
18 the exact dollar figure on it, but you shouldn't have to go
19 through a couple of different channels to figure out who
20 the insurer is.

21 What the applications, as they've been filed with
22 the PUC, set up is a scenario where you do have to go
23 through that, where you first -- I mean it's not just, gee,
24 what was the damage, what were the total damages, what were
25 my medical, property damage, et cetera, of the claim, but

1 you have to figure out, okay, first these two carriers, the
2 primary and excess, have to argue it through. That's not
3 what the PUC wants out of the cab system. It doesn't want
4 to have some two-tier confrontational approach.

5 Again, it goes to you can have a primary and a
6 secondary or excess insurer, but in the case of these
7 services, it needs to be a lot more coordinated than what
8 you've heard today and what we've seen in the application.
9 Witness the fact that when we tried to interject and raise
10 some of these questions in the form of their applications,
11 their response wasn't to say, gee, let's see if we can work
12 with the primary insurers and to do something along those
13 lines. Their response was to file preliminary objections
14 saying that we don't have the right to appear before the
15 PUC and raise the questions even though it's our coverage
16 and our policyholders who are on the risk.

17 All of that can be overcome. We're not nudniks
18 and denying new technology or anything like that, but you
19 better make sure that the insurance that they are providing
20 as a new service is coordinated and is there, because if
21 you don't, you're going to have legitimately disgruntled
22 consumers saying it wasn't supposed to be this hard.

23 Representative Mustio?

24 REPRESENTATIVE MUSTIO: Thank you. And thank you
25 for letting me participate this morning.

1 I've been involved in this issue for probably a
2 little over a month now, and when I first heard of these
3 services, I immediately thought of an exclusion that was in
4 the policy and I actually brought some of it for you to
5 look at this morning as part of the record.

6 Just to be clear, you can use a personal car for
7 business but there are specific businesses you cannot use
8 it for where it's excluded. I can use it as a
9 pharmaceutical rep going from doctor's office to doctor's
10 office but I specifically cannot use it and have coverage
11 if I'm using it while it's being used to carry persons or
12 property for a fee. And that's really what this whole
13 issue has been about.

14 So we've heard testimony this morning that while
15 there is a policy out there with James River that provides
16 coverage and that may or may not drop down. So I don't
17 lead a very exciting life but I did read this policy and
18 it's funny. It's like the last page, almost the last line
19 that you really have to pay attention to. And it says
20 named operators under endorsement and gives the number,
21 "are insured provided such drivers are using a covered auto
22 you don't own, hire, or borrow in your business or personal
23 affairs and have entered into a contract with one or more
24 of the named insureds prior to the time of the accident."

25 So that sort of opened up another can of worms.

1 We heard the Insurance Commissioner testify. Well, he
2 hasn't reviewed all the contracts; he's read the policy,
3 right? Well, that immediately said to me I better look at
4 the contract. What's in the contract? So there's a
5 section in the contract for one of the companies that
6 testified today that says there are some requirements for
7 the driver, and if the driver doesn't meet these
8 requirements, he's in breach of the contract, okay? Which
9 then raised questions in my mind should I contact the
10 insurance company to see if they've actually been paying or
11 denying claims because the contract was in breach? And the
12 fact is that a lot of these claims are being denied because
13 they're using the breach provision in this contract that
14 they weren't actually insured under the policy at the time.

15 So that's why we need to do legislation that
16 really buttons down this issue because it is a different
17 animal. It's not the traditional here's the auto policy;
18 let's go to the PUC, get filings made, and it's a policy
19 that's owned by a company that's driving.

20 I applaud these companies for being innovative.
21 I think it's a great service. We as legislators just need
22 to do what you're doing today to make sure we vet this
23 properly and protect the public because the two people that
24 are really at risk right now are the driver. He's
25 financially at risk because he could be involved in a

1 serious accident or maybe one that's not so serious. Let's
2 face it. If you're doing this, signing on as a driver, you
3 probably need the extra cash, right? So you probably don't
4 have a lot of assets to risk. So we want to make sure that
5 that policy in my opinion as an insurance professional
6 would be to make sure that their policy is primary.

7 We can't, in my recommendation, make the limits
8 too onerous that the marketplace is not available to
9 provide coverage that we're mandating. And the reason I
10 say that, I'm in the process of trying to determine if
11 there are other markets available. James River right now
12 is not writing any new types of business along these lines
13 because they sort of want to get their arms around it.
14 They're not a real large insurance company, maybe a couple
15 hundred million in surplus, but I think they've done a nice
16 job in tailoring a policy. But it's the contract
17 provisions. I don't think we should be enabling -- we're
18 basically, if we let this continue, setting up the driver
19 to fail in the event that there's an accident.

20 Thank you.

21 MAJORITY CHAIRWOMAN PICKETT: And as you know,
22 I'll speak for myself, we buy insurance because we trust
23 the agent and sometimes we don't totally understand the
24 details of our insurance. But if I have personal insurance
25 for my own auto coverage and I get in one of these

1 vehicles, there is no coverage from my company on that
2 basis, right?

3 REPRESENTATIVE MUSTIO: You'd have to look at
4 your own individual policy but the first-party benefits
5 statute in Pennsylvania should cover you for your medical
6 expenses while you're injured in an auto accident or hit by
7 a vehicle even as a pedestrian.

8 MAJORITY CHAIRWOMAN PICKETT: So whether it's a
9 friend or it's an Uber or it's a whatever, it--

10 REPRESENTATIVE MUSTIO: But what was testified
11 earlier by the representative from the trial lawyers was
12 that some of the insurance companies now are starting to
13 put these endorsements on policies and I think that's
14 something that this Committee really should look at and
15 review to the extent that those endorsements do really in
16 my opinion violate public policy.

17 MR. MARSHALL: The endorsement -- I mean where
18 you'll see the tightening up in the endorsements won't go
19 so much when you're a passenger as when you're a driver.
20 And you will see -- frankly when everybody came up with
21 livery exclusions and that became some standard parts of
22 policies, and I actually think, Chairman DeLuca, it may be
23 higher than 95 percent, it might even closer to 100. But
24 when they did that, this wasn't envisioned. This is a
25 whole new thing. So yes, there will be a tightening up of

1 your livery exclusions.

2 And that maybe the answer. We can tighten up a
3 definition of commercial use. It's still going to be in
4 certain situations fact-specific, and frankly that's going
5 to be a cost to all ratepayers. It would make far more
6 sense in terms of the expeditious handling of claims if, as
7 Representative Mustio mentioned, if you consider
8 legislation, and other States are doing it, to clarify how
9 that's going to work, when it's going to be commercial,
10 when it isn't.

11 MAJORITY CHAIRWOMAN PICKETT: A question that the
12 consumer will forget to ask when they're purchasing. Thank
13 you.

14 Chairman.

15 MINORITY CHAIRMAN DELUCA: Thank you, Sam, and
16 it's always informative, your testimony.

17 Mark, I want to thank you for your testimony,
18 too.

19 I think there's a niche out there if we do it the
20 right way, and I think there's a niche for this
21 marketplace, the technology, and I think it's time we go
22 into the 21st century. Some of the regulations with the
23 PUC is outdated and I don't know if we should depend on
24 them all the time. So I really respect your testimony out
25 there and certainly I would like to work with you guys to

1 make sure that we tighten up some of the problems you see
2 so that maybe this technology and people have an advantage
3 because I think this is going to happen all over and we
4 just want to make sure it's done right in the Commonwealth
5 of Pennsylvania.

6 You have no problems with the competition part,
7 right? Sam, you always want competition.

8 MR. MARSHALL: You know how I am about
9 competition.

10 MINORITY CHAIRMAN DELUCA: So I think I'd like to
11 sit down with the Chairman and maybe we can work together
12 and come up with something that not only benefits the
13 public, certainly protects them, and certainly takes into
14 consideration the insurance industry out there, too.

15 So thank you very much for your testimony.

16 MAJORITY CHAIRWOMAN PICKETT: Absolutely. Any
17 further questions?

18 And I want to thank everybody for being here
19 today and it seems that we do have some things we need to
20 look at, but on the other hand, we have a rather exciting
21 service that we can perhaps enlarge on and do some good
22 things with and have nothing but good results from. That
23 would be the total goal here.

24 So thank you to everyone who's been part of this.
25 As you can see, Committee Members have had to scatter to

1 other things. It's a busy, busy week, as you know, so with
2 no further announcements, I'll declare the hearing
3 adjourned and thank everyone.

4

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(The hearing concluded at 12:00 p.m.)

1 I hereby certify that the foregoing proceedings
2 are a true and accurate transcription produced from audio
3 on the said proceedings and that this is a correct
4 transcript of the same.

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