Lyft Testimony
House Consumer Affairs Committee
October 9, 2014

Good morning Chairman Godshall, Chairman Daley, and members of the House Consumer Affairs Committee. My name is Mike Masserman, and I am the Director of Government Relations for Lyft. I appreciate the opportunity to testify today about Lyft and ridesharing legislation that would provide a regulatory framework for our industry operations in Pennsylvania.

I want to start by thanking all of the legislators who have recognized the importance of ridesharing and have sought a regulatory solution for the peer-to-peer ridesharing industry. This same enthusiasm has been seen in Pennsylvania residents and local leaders, who have widely embraced Lyft in Allegheny County. We look forward to a time when these important transportation options are available throughout the Commonwealth.

Over the past 10 months, Lyft has worked to develop a regulatory framework for Transportation Networking Companies (TNC) in Pennsylvania. Lyft has two Applications for Experimental Applications before the Pennsylvania Public Utility Commission that, if approved, will allow Lyft to provide service throughout Pennsylvania.

Four pieces of legislation related to ridesharing have been introduced and referred to the House Consumer Affairs Committee. We believe that Representative John Maher has identified the best approach with House Bill 2468. I would like to focus my remarks today on several key issues that Lyft feels should be addressed by any piece of ridesharing legislation moving forward.

First, I believe it important to describe Lyft and the service it seeks to provide in Pennsylvania. I will also outline the key insurance provisions that demonstrate that the insurance Lyft has obtained to support its service meets or exceeds state requirements. Lastly, I will do my best to answer questions from committee members.

Lyft is headquartered in California, but registered with the Pennsylvania Department of State. Lyft is considered a Transportation Network Company, or "TNC", which is defined as a company that offers transportation service through a mobile software application that connects individuals seeking transportation with qualified drivers. This is an innovative form of prearranged transportation accessible through a smartphone application.

Lyft's peer-to-peer ride-sharing model aims to enhance access to transportation alternatives, supplement existing public transportation, and reduce single occupancy vehicle trips, while assisting Pennsylvania in reducing greenhouse gas emissions. Through Lyft's platform, people do not just connect to give and receive rides; they also get to know one another. Lyft is your neighbor with a car. But this concept is nothing new. Ridesharing, where everyday individuals provide rides to friends,

neighbors, and casual acquaintances, has been going on for decades through low-tech forums as office carpooling lists, commuter pick-up lines, and employer and community ride boards. The benefits of low-cost ridesharing are unmistakable.

Throughout Allegheny County, the positive impact of ridesharing has been clear. Every single day, hundreds of Pennsylvania constituents rely on Lyft. Whether it's getting home after a late shift at a restaurant or making that last mile commute between public transportation and home, Lyft has become an integral part of the way people get around. Prior to launching in Pittsburgh, a common problem we heard from restaurant and bar owners was the lack of transportation options for their patrons after they had been drinking. In Pittsburgh and in cities across the US, we have seen that ridesharing has had a tremendous impact on reducing instances of drunk driving.

The public need for this service is clear. Existing prearranged and on-demand transportation services rely only on full-time professional drivers, unnecessarily limiting the scope of authorized services available to meet fluctuating consumer demand. Existing services can be costly, and therefore, beyond the resources of many consumers. TNCs such as Lyft effectively make use of available technology to enhance safety and efficiency, provide convenience to consumers, and offer service to communities and areas of need.

As the certificated entity, Lyft would be responsible for providing a record of each trip completed through the platform, including the identity of the passenger and driver, a photograph of the vehicle, and a description of each trip (*i.e.*, time and location of origination and destination, and GPS record of route taken). Lyft would also be responsible for obtaining criminal background and driving history checks for all individual drivers offering service through the Lyft platform.

Drivers must observe Lyft's Zero Tolerance for Drugs and Alcohol policy and meet all standards for a qualified driver as set forth in the Pennsylvania Code and Commission regulations. Drivers who fail to meet each and every one of the requirements simply do not qualify as Lyft drivers. This comprehensive scrutiny ensures the safety of passengers and makes it possible for non-professional and occasional drivers to provide transportation, thereby enhancing access and availability of affordable, high-quality transportation services for Pennsylvania residents.

As with any new innovation or variance from traditional and long-standing practice, concerns regarding liability and risk exposure exist. This is not unexpected, and quite frankly, understandable. However, misinformation and a base misunderstanding of Lyft's actual insurance policies are troublesome. In order to ease concerns about Lyft's insurance coverage, I want to fully outline the Lyft insurance program and discuss how it meets and exceeds state law and Commission regulations.

Several periods of time are covered in this discussion: the first stage, commonly referred to as "Period 1" is the time during which the application is on and available

to accept ride requests, but a ride has not been accepted. All that period one signifies is that the app is on. It does not mean that a driver is engaged in commercial activity or even present in their vehicle.

In fact, the flexible nature of driving in the Lyft community means that drivers are entirely in control of their own schedules and can drive whenever they choose. Many will casually view the app throughout the day to take the pulse of market conditions. This can be done just as easily from a couch at home or from today's ridesharing hearing as it can be done in a vehicle.

Period one simply says that drivers are accessing information. As a hypothetical driver, I can turn it on right now. Clearly I am not engaged in commercial activity.

If I choose to move beyond simply accessing information and formally engage with a consumer all ambiguity is removed and the insurance picture changes.

As soon as a ride is accepted and a the driver is en route to the passenger and when the passenger is in the vehicle Lyft provides primary commercial liability coverage of $1 million per incident, PA First Party Benefits ($25,000 Medical Expense and $10,000 Work Loss Expense), comprehensive and collision of $50,000 per incident, and uninsured/underinsured motorist coverage of $1 million per incident.

This voluntary $1 million of coverage whenever a driver and rider are matched far exceeds what taxis are required to carry in Pennsylvania. We would encourage traditional transportation industries to match us.

During Period 1 – again the period when the application is on, but a consumer has not been matched with a driver – Lyft currently provides contingent liability coverage. In an effort to demonstrate good will and compromise, Lyft supports regulations that will provide excess liability coverage, with a "drop down", of $50,000 for death or personal injury per person, $100,000 for death and personal injury per incident, and $30,000 for property damage.

Lyft believes that this insurance coverage will best serve the ridesharing community in Pennsylvania. The policy ensures that there is always coverage during the time when the application is on and the driver is available to accept rides, but has not been matched with a passenger.

In the event that a driver's personal policy does not respond for any reason, this excess policy drops down to the first dollar and if a personal policy does provide coverage, but the limit is less than the $50,000/$100,000/$30,000 level, Lyft's policy will make up the difference and cover up to those limits.

Once again, this arrangement will provide far more coverage than the $35,000 of primary insurance currently required by common carriers throughout the state. This policy is better for the general public while also permitting all Transportation Network Companies - regardless of size - to compete in Pennsylvania.

Some have argued that TNCs should carry a primary insurance policy during Period 1, but there are several reasons why this will not best serve the public.

First, as we have seen, Period 1 in an inherently flexible arrangement that does not guarantee anything other than individual viewing information. There is already sufficient coverage in place and a clear order of operations for this activity.

Second, this mandate comes too soon. Because of the popularity of ridesharing, many insurers are actively developing products for drivers who choose to use their personal cars on a TNC platform. Forcing TNCs to provide primary coverage in Period 1 will create disincentives that keep the insurance industry from developing new products while also eliminating consumer choice in purchasing personal coverage that reflects how they use their vehicle.

Third, drivers may use multiple TNC applications. By requiring every TNC to provide primary coverage during Period 1, multiple policies would exist, potentially creating complexity in claims adjusting. Contribution and subrogation negotiations between multiple insurers on each claim could delay payments to injured third parties.

By comparison, the excess model proposed by Representative Maher provides both a clearer process for resolving claims faster and more overall coverage than alternate proposals that lock in lower rate of coverage.

Lyft believes that this excess policy for Period 1 and primary coverage for Periods 2 and 3 protects drivers and passengers by exceeding state insurance requirements, allowing for competition among TNCs, and creating opportunities for insurers to offer innovative personal policies.

Lyft wants to work with legislators and other stakeholders to craft legislation that protects consumers and allows the industry to be successful in Pennsylvania. We want to thank all of the state leaders who have championed the need to develop a regulatory framework that will allow ridesharing to grow and thrive in Pennsylvania. Thank you for your kind attention and consideration of my testimony. I would be happy to answer any questions you may have.