



**CITY OF HOUSTON**  
Administration & Regulatory Affairs

**Interoffice**

Correspondence

**To:** City Council Members  
**From:** Tina Paquet, Assistant Director  
Insurance Management Division

**Thru:** Tina Paez, Director  
**Date:** July 2, 2014

**cc:** James Koski, Mayor's Office  
Marta Crinejo, Agenda Director  
**Subject:** **Chapter 46, Vehicles for Hire  
Insurance Requirements for  
Transportation Network  
Companies (TNCs)**

This is to clarify, and hopefully set to rest, the rumors and misinformation regarding the insurance policies that have been submitted for review to the City of Houston by Uber and Lyft.

Over the past few weeks, several Public Session speakers have alleged that the insurance provided by two Transportation Network Companies, Uber and Lyft, is inadequate, contains coverage gaps, or is altogether non-existent. A one-page "Insurance Matrix" that outlines these issues was distributed to City Council during the June 3, 2014 Public Session meeting. While the insurance information distributed to City Council during these meetings may be true in other jurisdictions, it is not applicable to the insurance required in the proposed revisions to the Vehicles for Hire Ordinance. This memorandum will provide facts about the insurance that is required and must be maintained for the operation of Transportation Network Company Vehicles in the City of Houston, as well as clearly identify when coverage begins and ends.

**1. The James River Insurance Company is authorized and eligible to do business in the state of Texas.**

Many public speakers alleged that the James River Insurance Company is not authorized to do business in Texas. Attached is information from the Texas Department of Insurance website listing "Authorized Insurance Companies" in Texas. James River Insurance Company is highlighted in yellow on the authorized list.

According to the 2013 edition of *Best's Key Rating Guide, Property/Casualty U.S. & Canada*, the James River Insurance Company is rated **A- IX**, explained further below:

"A-" is "Excellent", the second highest Financial Strength Rating according to Best, and is defined as, "Assigned to companies that have, in our (Best's) opinion, an excellent ability to meet their ongoing insurance obligations."

“IX” is Best’s Financial Size Category, which indicates the size of a company in terms of its statutory surplus and related accounts. Best’s evaluation of James River Insurance Company’s financial capacity, based on this criteria, is from \$250,000,000 to \$500,000,000.

2. **The required Transportation Network Company insurance will have no gaps in coverage while the driver is logged into the app.**

Under the proposed requirements in the ordinance, a Transportation Network Company is required to have Commercial Automobile Liability Insurance coverage. The proposed ordinance requires “App On – App Off” coverage. This means that the proposed ordinance requires the TNCs to provide Commercial Automobile Liability Insurance coverage from the moment the TNC driver logs on to the internet enabled application and is available to provide vehicle for hire transportation services (i.e. “driver mode”) – to the moment the driver turns off the internet enabled application. This insurance is required, regardless of whether the driver maintains personal insurance adequate to cover any portion of a claim.

The TNC Commercial Automobile Liability Insurance requirements are triggered in two phases:

- a. The first phase is triggered when the TNC driver logs on to the application. This indicates he is available to accept a trip, but is not yet actively engaged in providing transportation services, i.e. the driver has not accepted a trip and there is no passenger in the vehicle. The requirement for this phase is Commercial Automobile Liability Insurance in no less than the coverage amounts specified in the Texas Motor Vehicle Safety Responsibility Act. This insurance is often referred to as “contingent liability insurance” because it is contingent to the driver’s personal automobile insurance and will provide coverage if the driver’s personal insurance is either inadequate to pay a claim or does not exist.
  - b. The second phase is triggered when the TNC driver is matched with and accepts a trip request through the transportation network company application, until completion of the trip – i.e. until the passenger is delivered to his destination. The requirement for this phase is Commercial Automobile Liability Insurance with a combined single limit for bodily injury and property damage of \$1M per accident for coverage of liability resulting from an occurrence arising out of or caused by the operation of a transportation network vehicle.
3. **Commercial Automobile Liability Insurance is not triggered when the driver is not logged into the TNC application.** When the driver is “off-app”, i.e. he is not logged into the app, his personal automobile liability insurance is triggered in the event of a collision or accident. Drivers and passengers should be aware that, should the driver engage in illegal behavior and transport a passenger through a private arrangement and not through the TNC app, the TNC Commercial Automobile Liability Insurance policy will not cover the incident.

4. **The proposed Transportation Network Company insurance requirement of \$1M of Commercial Automobile Liability Insurance during the period that the driver actively provides transportation services is in line with the levels of insurance required for certain other vehicles for hire.**

This includes the current pedicab insurance requirement of \$1M of Commercial General Liability Insurance, as well as, the proposed increases in insurance requirements of \$1M of Commercial Automobile Liability Insurance for Limousines and Jitneys.

5. **The Transportation Network Company insurance requirements are more stringent than the current insurance requirement for Taxicabs.** Under the current and proposed ordinance, Taxicabs are only required to maintain Commercial Automobile Liability insurance coverage in the minimum amounts required by the Texas Motor Vehicle Safety Responsibility Act. Currently, those coverage limits are \$30,000 for each person injured in an accident, \$60,000 for everyone injured in an accident, and \$25,000 for property damage per accident. This is also known as 30/60/25.
6. **Transportation Network Companies are required to provide proof of the required insurance to their drivers, at all times the drivers are available to provide transportation network services.** It is also required that the City will have direct access to the required insurance policies at all times.

Our intent in developing these insurance requirements was to provide for the safety of the riding public. In developing these standards, we reviewed requirements in other cities and consulted with various industry stakeholders. The City's Insurance Broker of Record, John L. Wortham, was also consulted and contributed to the development of these ordinance requirements and agrees that they are reasonable as presented.

Please feel free to call me if you have any additional questions or comments, or would like an individual briefing on this issue.

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Tina Paquet, Assistant Director  
Administration & Regulatory Affairs

Attachments