
Business & Financial Services Committee

HB 2018

Brief Description: Addressing insurance covering for hire operators using personal vehicles.

Sponsors: Representatives Kirby, Stanford and McBride.

Brief Summary of Bill

- Establishes insurance requirements to cover for-hire operators and drivers who provide transportation services for for-hire operators.

Hearing Date: 2/13/15

Staff: Linda Merelle (786-7092).

Background:

A consumer's personal automobile insurance covers his or her private passenger automobile, which is an individually owned motor vehicle that is not used as a public or livery conveyance for passengers and is not rented to others. A "livery" is a common design or paint scheme used by a company. Personal automobile insurance does not cover commercial use of a vehicle.

A "for-hire vehicle" includes all vehicles used for the transportation of passengers for compensation, with certain exceptions, such as:

- school buses operating exclusively under a contract to a school district;
- ride-sharing vehicles;
- limousine carriers;
- vehicles used by nonprofit transportation providers for elderly or handicapped persons and their attendants; and
- vehicles used to provide courtesy transportation at no charge to and from parking lots, hotels, and rental offices; and
- vehicles used by charter party carriers of passengers.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A "for-hire operator" is any person, concern, or entity engaged in the transportation of passengers for compensation in for-hire vehicles.

Summary of Bill:

The provisions of this act establish the insurance requirements to cover for-hire operators.

Definitions.

The following new terms added to RCW chapter 46.72 and defined:

A "personal vehicle" means a vehicle that is used by a driver in connection with providing for-hire services.

A "prearranged ride" means a route of travel that begins when a driver accepts a requested ride through a digital network or software application, continues while the driver transports the passenger in a personal vehicle, and ends when the passenger departs from the personal vehicle.

A "passenger" means an individual in a personal vehicle for whom transport is provided, including an individual who uses a for-hire operator digital network or software application to connect with a driver to obtain services.

Required Insurance.

Before being used as a for-hire vehicle, every personal vehicle must be covered by a primary automobile insurance policy (primary policy). A for-hire operator must secure this policy for every personal vehicle used to provide transportation services. A primary automobile insurance policy is separate from a personal automobile insurance policy that covers private passenger automobiles.

The primary policy must provide liability coverage, applicable during the period before a driver accepts a requested ride through a digital network or software application. The amount of coverage must be at least \$100,000 for recovery for the personal injury or death of one person and \$300,000 for recovery for all persons personally injured or killed by an act of negligence. The minimum liability coverage for property damage is \$25,000. The primary policy must also provide comprehensive and collision coverage, and provide underinsured motorist and personal injury protection coverage of \$100,000 per person and \$300,000 per accident.

The primary policy must also provide liability coverage during the period after a driver accepts a requested ride through a digital network or software application, at a minimum amount of \$100,000 per person and \$1 million per accident. It must provide comprehensive and collision coverage and underinsured motorist and personal injury protection coverage of \$100,000 per person and \$1 million per accident.

The primary policy must also provide coverage at all times that the driver is logged in to a for-hire operator's digital network or software application and at all times a passenger is in the personal vehicle.

A driver who provides transportation services for a for-hire company and uses his or her personal vehicle may purchase a primary policy, that provides the same insurance coverage required for primary insurance purchased by a for-hire operator. Such policy must be approved by the Office of the Insurance Commissioner. In the event that the driver purchases coverage for his or her personal vehicle, the for-hire operator must maintain an excess insurance policy covering that personal vehicle providing the same level of coverage that would be required under a primary policy.

If the driver's primary policy lapses or does not exist, the for-hire operator's policy must provide coverage that begins with the first dollar of a claim. If a for-hire operator purchases a primary policy, it must provide proof of the policy to the Department of Licensing (Department). If a driver purchases a primary policy, the for-hire operator must verify that the driver has done so, and must provide proof to the Department of the required excess insurance policy. Drivers must provide copies of required policies upon request from the Department.

A primary policy required under this act may be placed with a licensed insurer authorized to practice in Washington or with an eligible surplus lines insurer. The insurer providing coverage under a primary policy and insurer providing coverage under the excess policy are the only insurers having the duty to defend any liability claim resulting from an accident occurring while the for-hire services are being provided. A private passenger automobile insurance policy is not required to provide coverage and does not have a duty to defend for liability incurred during the time that a driver is logged in to a for-hire operator's digital network or software application.

Before allowing a driver to provide services, a for-hire operator must verify that the driver has complied with motor vehicle registration and financial responsibility requirements under Washington law.

Required Disclosures.

A for-hire operator must disclose to a prospective driver that his or her private passenger automobile insurance may not provide coverage, depending on the terms of the policy. The disclosure must also inform the prospective driver that he or she must notify the lienholder on the personal vehicle that the driver may be using the vehicle for transportation services for a for-hire operator. This disclosure must be acknowledged by the driver electronically or by signature by the driver in the terms of service.

Assignment of Liability.

If one or more insurance policy provides valid coverage, the responsibility for the claim must be divided as follows:

- the for-hire operator, if the driver has been matched with a passenger and is traveling to pick up the passenger or the driver is providing services to the passenger; and
- equally among insurance policies where a driver is logged in to more than one for-hire operator digital network or software application but has not been matched with a passenger.

If there is a claims coverage investigation, the for-hire operator must cooperate with a private passenger automobile insurance policy insurer that also insures the driver's vehicle, including

providing relevant dates and times during which an incident occurred and while the driver was logged in to a digital network or software application. The for-hire operator must, to the extent possible, direct claims under comprehensive or collision coverage to the business repairing the vehicle or jointly to the owner of the vehicle and the primary lienholder on the vehicle.

Denial of Coverage.

After July 1, 2016, an insurance company may not deny an otherwise covered claim arising exclusively out of the personal use of a private passenger automobile solely on the basis that the insured, at other times, has used the vehicle to provide for-hire services.

Data and Reports.

The Commissioner must track data regarding the levels of coverage provided pursuant to this act. The Commissioner must provide its findings to the appropriate legislative committees beginning January 1, 2016 and annually, thereafter.

Appropriation: None.

Fiscal Note: Requested on February 6, 2015.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.