



To: Education, Equity & Governance Committee
From: Tony Kilduff
Date: June 27, 2016
Subject: C.B. 118712 relating to the For-hire industry

Overview

C.B. 118712, which will be heard in Committee on July 6, 2016,

- 1) Amends Sections 6.310.260 and 6.310.300 of the Seattle Municipal Code (SMC) to (a) remove references to the so-called Provisional Period established by Section 6.310.335, and (b) reduce the rating required of insurance companies providing insurance on for-hire vehicles from B+ to B;
- 2) Removes Section 6.310.335 establishing the Provisional Period; and
- 3) Amends Section 6.310.500 to allow for the issuance of additional wheelchair-accessible taxi and for-hire licenses.

The City Attorney's Office has requested a technical amendment to the Bill when it comes before the Committee.

Background

In July 2014, the Council passed Ordinance 124524 regulating transportation network companies (TNC) like Uber and Lyft for the first time. The Ordinance also made some changes to the existing regulations governing taxis and flat-rate cabs.

Provisional Period

Prior to the passage of the Ordinance 124524, TNC drivers who were logged into their TNC's network were only required to have the state's minimum private motorist insurance; that is, third party personal injury coverage in the amounts \$25,000 per person and \$50,000 per incident, and \$10,000 coverage for property damage (this is commonly abbreviated to \$25/\$50/\$10). The TNCs argued that this insurance was adequate because the TNCs provided additional coverage of \$1,000,000 per incident to cover third party personal injury liability while their drivers were carrying passengers.

The City did not agree and instead required that, while logged into the TNC's network (including when carrying passengers), TNC drivers have the same insurance coverage as required of the existing taxi and flat-rate drivers; that is, in abbreviated form, \$100/\$300/\$25 and underinsured motorist coverage of \$100/\$300.

This insurance requirement was to be in effect during the Provisional Period, defined in Section 6.310.335 of the SMC to be the period between the effective date of Ordinance 124524 and the earlier of (a) the effective date of any change to state insurance requirements for TNCs and (b) two weeks after the end of the 2015 Washington State legislative session. Ordinance 124524 provided that at the end of the Provisional Period the City would adopt the state requirements for TNC insurance if the state had, by then, established requirements, and if not, the City's existing insurance requirements would remain in effect.

The Washington State Legislature established insurance requirements of \$50/\$100/\$30 for TNC drivers while logged into a TNC network *but before* accepting a fare, and \$1,000,000 per incident plus underinsured motorist coverage per \$1,000,000 per incident *after* accepting a fare while carrying passengers.

TNC drivers licensed by the City may meet their insurance obligations with:

Coverage of \$100/\$300/\$25 and underinsured motorist coverage of \$100/\$300 while logged into the TNC network, including while carrying passengers;

OR

Coverage of \$50/\$100/\$30 while logged into the TNC network before accepting a fare, and coverage of \$1,000,000 plus underinsured coverage per \$1,000,000 upon accepting a fare and while carrying passengers.

C.B. 118712 removes references to the Provisional Period from Sections 6.310.260 and 6.310.300 of the SMC and removes Section 6.310.335 which defined the Provisional Period.

A. M. Best Rating

The A. M. Best rating of insurance companies is commonly used to indicate their financial viability. The relevant ratings have the following meanings:

Rating	A. M. Best's Opinion
A-	Insurance companies having an excellent ability to meet their insurance obligations
B+	Insurance companies having a good ability to meet their insurance obligations
B	Insurance companies having a fair ability to meet their insurance obligations, but which are vulnerable to adverse changes in underwriting and economic conditions

Before the passage of Ordinance 124524, the City required that companies providing insurance to the for-hire industry have an A- or better rating. During the Provisional Period, that was reduced to B, and after the Provisional Period it was reset to B+. C.B. 118812 returns it to B

since the City experienced no adverse consequences from allowing the lower rating during the Provisional Period, and it results in a larger pool of providers available to for-hire drivers.

Wheelchair-Accessible Taxis

There are currently 45 taxis with dual City and County licenses that are specially equipped to accommodate wheelchairs¹. The dual nature of the licenses allows these taxis to pick up and drop off fares anywhere in the city or county. The County has licensed an additional five wheelchair-accessible taxis but they are not currently licensed to pick up fares in the city. C.B. 118712 amends Section 6.310.500 of the SMC to authorize the Director of Finance and Administrative Services to issue new wheelchair-accessible licenses for the city, allowing the conversion of those County-only licenses into dual licenses.

Technical Amendment

The City Attorney's Office has requested an amendment, beginning on line nine and ending on line 13 of page 12 of the Bill. The amendment is shown below for convenience. Proposed changes are in double underline and double strikeout.

Proposed Amendment:

awarded to a King County wheelchair accessible taxicab licensee, ~~((then))~~ 1) a dual license is created, allowing the licensee to operate in both the City and County; 2) the licensee is not required to personally drive the taxicab; and 3) the licensee is not required to be a single individual, corporation held by a single shareholder, or limited liability company comprised of a single member.

The amendment clarifies that some obligations usually attaching to new licensees do not apply in this limited case of issuing a City-only wheelchair-accessible license to an existing King County-only wheelchair-accessible licensee since the action merely expands the jurisdiction of existing licensees.

CC: Kirstan Arestad, Central Staff Executive Director
Dan Eder, Central Staff Deputy Director

¹ Many for-hire vehicles are able to accommodate small wheelchairs but they are not required to be specially equipped to do so.