

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

SB 371 (Cabaldon) – As Amended June 30, 2025

SENATE VOTE: 39-0

SUBJECT: Transportation network companies: insurance coverage

SUMMARY: Reduces uninsured/underinsured motorist (UM/UIM) coverage for transportation network companies (TNCs) from \$1 million to \$50,000 per person and \$100,000 per incident from the moment a passenger enters the vehicle of a participating driver until the passenger exits the vehicle (Period 3). Specifically, **this bill:**

- 1) Specifies that the policy will be primary over any other applicable UM/UIM coverage and solely the obligation of the TNC.
- 2) Clarifies that the \$1 million coverage for death, personal injury, or property damage requirement shall be met through a policy maintained by a TNC, unless a participating TNC driver voluntarily chooses to maintain such a policy.
- 3) States that it is this bill's intent to ensure that financial savings from any insurance cost reductions for TNCs will be reinvested to support the welfare and economic stability of TNC drivers and riders.
- 4) Requires the California Public Utilities Commission (CPUC) to provide the following information as part of its next annual report to the Legislature, as specified:
 - a) The average annual number of automobile accidents reported to the CPUC for the years 2022 to 2024, inclusive, by TNCs.
 - b) The average annual percentage of those accidents resulting in uninsured motorist or underinsured motorist claims, or both, for the years 2022 through 2024.
 - c) The average annual percentage of those accidents resulting in uninsured motorist or underinsured motorist claims, or both, over \$100,000 for the years 2022 through 2024.

EXISTING LAW:

- 1) Requires a TNC and any participating driver to maintain TNC insurance as specified. Existing law specifically requires TNC insurance to serve as the primary insurance for the duration of a TNC ride and requires this insurance to provide the following coverage amounts:
 - a) \$1 million for death, personal injury, and property damage.
 - b) \$1 million in underinsured and uninsured motorist coverage.

- 2) Specifies TNC insurance requirements may be met through a policy maintained by the TNC, a participating TNC driver, or a combination of both the company and the driver. Existing law specifies a process for verifying that insurance requirements are met when those requirements rely on an insurance policy held by a participating driver. (Public Utilities Code §5433)
- 3) Authorizes the CPUC to supervise and regulate every charter-party carrier of passengers. (Public Utilities Code §5381)]
- 4) Defines a charter-party carrier of passengers as every person engaged in the transportation of persons by motor vehicle for compensation over any public highway in this state. A charter-party carrier of passengers includes any person, corporation, or other entity engaged in the provision of a hired driver service when a rented motor vehicle is being operated by a hired driver. (Public Utilities Code §5360)
- 5) Requires each charter-party carrier of passengers to demonstrate its ability and financial capacity to provide transportation services before the CPUC can issue or renew a license to operate. Existing law prohibits the CPUC from issuing a license to any entity that fails to demonstrate that it meets licensure requirements. Existing law also specifies various criteria companies must meet prior to licensure, including, but not limited to, providing proof of insurance as required by the CPUC. (Public Utilities Code §5372)
- 6) Establishes minimum accident liability insurance requirements for charter-party carriers and specifies that this insurance must provide adequate protection against liability for property damage, bodily injury, and death resulting from an accident. (Public Utilities Code §5391 et. seq.)
- 7) Defines a TNC as an organization, including, but not limited to, a corporation, limited-liability company, partnership, sole proprietor, or any other entity, operating in California that provides prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using a personal vehicle. (Public Utilities Code §5431)
- 8) Requires TNCs to disclose the insurance coverage and liability limits that the TNC supplies in writing to participating drivers as part of its agreements with those drivers. Existing law requires the TNC to advise participating drivers in writing that the driver's personal car insurance policy will not provide coverage because the driver uses the vehicle for TNC services. (Public Utilities Code §5432)
- 9) Provides that the requirements of the Financial Responsibility Law (FRL), which requires most drivers purchase auto insurance with certain minimum limits of coverage, to \$30,000 for liability resulting in bodily injury or death of one person, \$60,000 for liability resulting in bodily injury or death to more than one person, and \$15,000 for liability resulting from property damage (known as \$30,000/\$60,000/\$15,000), up from the current requirements of \$15,000, \$30,000, and \$5,000 respectively. (Vehicle Code, Section 16500)
- 10) Increases, effective January 1, 2035, the requirements of the FRL to \$50,000 for bodily injury or death to one person, \$100,000 for bodily injury or death to more than one person, and \$25,000 for liability resulting from property damage. (Vehicle Code, Section 16500)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose of the bill:* According to the Author: “After spending time in my district and listening to constituents, it is clear that affordability is their top concern. This tracks with Californians across the state who are struggling with increased inflation, the cost of groceries, and increased housing and transportation costs. At the same time, people are using TNC services more than ever before for everyday transportation - to get to workplaces, doctor’s appointments, airports and more. Likewise, TNC drivers are seeing the high cost of state mandated uninsured/underinsured motorist insurance eat into their bottom line and riders are seeing the cost of their rides increasing.

While the overall regulatory scheme for TNCs established in 2014 has worked, it is time to re-evaluate unintended consequences of the law. Current law requires TNC companies or riders to carry a \$1 million policy in UM and UIM coverage while a passenger is in the TNC vehicle. SB 371 will address the cost of rides for users by rightsizing the required insurance to instead require \$50,000 per person and \$100,000 per incident.”

- 2) This analysis will focus on UM/UIM and the author’s request to reduce TNC UM/UIM coverage from \$1 million to \$50,000/\$100,000. This reduction would apply under Period 3. Period 3 starts as soon as a passenger(s) enter a TNC and continues until the passenger(s) exits. AB 2293 in 2014 established the \$1 million UM/UIM limit after thoughtful negotiations. At that time the TNC industry was relatively new and data did not exist to determine what may or may not constitute appropriate limits. From there many other states followed suit such as New York and New Jersey but generally each state chose varying coverage limits.

UM/UIM in California: UM/UIM coverage consists of elements that protect the insured against bodily injury damages arising out of an automobile accident when the at-fault party has lower limits or no insurance at all. California law requires the insurer to offer UM/UIM coverage at minimum levels, but does not require a driver or vehicle owner to carry it. Existing law provides a specific method that allows a consumer to waive the coverage or request lower limits. UM coverage pays for losses caused by an at-fault uninsured driver up to selected limits. Underinsured motorist coverages pays for losses, up to the selected limit, related to bodily injury caused by an at-fault driver, less any contributions by the at-fault party’s insurer, any other liable person, and other sources specified in statute. UIM coverage only applies when the at fault driver has lower insurance limits than the injured driver.

- 3) *Cost Shifting from TNC to.....:* The bill proposes to reduce the TNC insurance resources available to compensate those injured by a UM/UIM driver by a considerable amount. If this bill were to become law, there would be some number of claims involving uninsured/underinsured drivers where the damages exceed the new, lower UM/UIM limits. Reducing limits does not reduce the losses experienced. TNC claims data provided in a study indicated that approximately 60% of claims would be settled under the \$50,000/\$100,000 limit. Accordingly, there would be costs born beyond that limit in approximately 40% of claims. Those losses will be shifted to other sources or uncompensated.

The gap will be filled, to some extent, by a number of other possible sources. The most likely source is the UM/UIM coverage provided by the overwhelming majority of private passenger automobile insurance (PPA) policies which include UM/UIM coverage. If a passenger is a driver with PPA that includes UM/UIM coverage (estimated around 90% of PPA policies) is injured, and the injuries exceed the limits of the TNC policy, the passenger's PPA policy can help fill the gap. The passenger's PPA policy coverage becomes secondary to the primary policy carried by the TNC and pays for injuries that exceed the TNC limit up to the limit of the PPA policy. An inevitable consequence will be shifting costs that are currently captured by the premiums paid by TNCs to premiums paid by regular drivers through their PPA policies.

The TNCs argue that much of the current claim activity on their UM/UIM policies is the result of fraud/abuse on the part of some attorneys. This argument does not eliminate the inevitable cost shifting that will result from bona fide claims. One TNC noted that, "Claimants can still pursue damages over the \$100K limit because UM/UIM is not the only insurance available to them....The passengers could have their own UM/UIM coverage on an auto policy in their household, health insurance, disability insurance, or even workers comp (if on a business trip). These policies are more efficient than UM/UIM in that there are embedded cost control mechanisms and the claimant can get reimbursed faster for necessary medical procedures."

- 4) *Financial Responsibility Limits (FRL)*: Every driver in California must show financial responsibility, which is auto insurance coverage. Financial responsibility shows that a driver is financially able to provide monetary protection to those injured or vehicle damaged due to an accident, regardless of fault. As a practical matter, auto liability coverage also provides the means to protect the at fault driver's assets. Wealthy drivers with low limits expose that wealth to pay damages in a settlement of judgement when they are at fault in an accident. Thus coverage limits are typically chosen to reflect the wealth of the driver. Drivers with little or no wealth/assets generally choose low limits.

In 2022, SB 1107 (Dodd), increased FRL for personal driving. The limits increased on January 1, 2025 to \$30,000/\$60,000/\$15,000 and will increase again in 2035 to \$50,000/\$100,000/\$25,000. These new FRLs apply to personal use driving and car rental. Please note, these are "minimum" limits. It is advised that drivers carry coverage than that is appropriate to their situation.

- 5) *TNCs*: TNCs are commonly referred to as rideshare or ride-hail companies. One of the distinguishing factors of a TNC, compared to other types of transportation services like taxis or chartered vehicles, is the use of personal vehicles and web-based applications to connect riders to drivers. California has over 500,000 TNC drivers across the state; however, according to San Francisco County Transportation Authority's 2020 report titled *TNCs 2020: A Profile of Ride-Hailing in California*, "TNC trips are highly concentrated in a few urban areas. Nearly two-thirds of TNC trips are in San Francisco, Los Angeles, and San Diego counties. Within these counties, trips are most highly concentrated in just a few areas: San Francisco's downtown core, Los Angeles' Westside, and at the San Diego airport, respectively." TNC drivers are designated as independent contractors because of the provisions of voter-approved Proposition 22 in 2020, which cemented the independent

contractor status of TNC drivers in state law after case law (Dynamex) and state legislation (AB 5) designated those workers as TNC employees.

AB 2293 (Bonilla, Chapter 389, Statutes of 2014) required a study to be completed by CDI and CPUC in 2017 on the impacts of the insurance requirements established under that bill. The study, titled, “Joint Study of TNC Insurance Coverage Requirements in California” found that “The average claim for UM/UIM is significantly higher than the claim severity for Death and Personal Injury. This indicates that UM/UIM coverage is an essential component of TNC insurance coverage.” The report also highlighted that the statutory UM/UIM requirements may only apply from the moment a passenger enters the vehicle until the passenger exits the vehicle, and not during the other time periods when a driver is not carrying a passenger, thus leading to potential insurance gaps. Outside of this study, there is limited data/information on this issue.

- 6) *Related legislation:* AB 1340 (Wicks & Berman) would establish the TNC Drivers Labor Relations Act and require the Public Employment Relations Board (PERB) to protect TNC drivers’ collective bargaining rights under the Act. Pending before the Senate Appropriations Committee.
- 7) *Previous legislation:* AB 2293 (Bonilla, Chapter 389, Statutes of 2014) this bill established the \$1 million under and uninsured motorist insurance coverage requirement and modified the Charter-Party Carriers’ Act to establish insurance requirements for TNCs.

SB 1107 (Dodd) (Chapter 717, Statutes of 2022) This bill (1) increases, effective January 1, 2025, the requirements of the FRL, which requires most drivers purchase auto insurance with certain minimum limits of coverage, to \$30,000 for liability resulting in bodily injury or death of one person, \$60,000 for liability resulting in bodily injury or death to more than one person, and \$15,000 for liability resulting from property damage (known as \$30,000/\$60,000/\$15,000), up from the current requirements of \$15,000, \$30,000, and \$5,000 respectively; (2) adjusts further, on January 1, 2035, the FRL requirements upward by \$20,000, \$40,000, and \$10,000, respectively, so that on January 1, 2035, the minimum limits will become \$50,000 for bodily injury or death to one person, \$100,000 for bodily injury or death to more than one person, and \$25,000 for liability resulting from property damage; (3) requires the Insurance Commissioner to solicit rate applications in advance of each change to the FRL that would go into effect with the change in the FRL; and, (4) adjusts the bonding and deposit requirements for drivers that do not purchase auto insurance to match the FRL requirements as they change

- 8) *Arguments in support:* According to Uber, “We believe there is critical work to be done to better balance California’s outdated Transportation Network Company (TNC) insurance requirements in order to lower costs of app-based ride-sharing for consumers and support the reinvestment of savings to enhance the economic stability and welfare of drivers and riders. SB 371 accomplishes this goal by rightsizing the state requirement for uninsured/underinsured motorist coverage for TNCs from \$1 million to \$50,000 per person and \$100,000 per accident. SB 371 accomplishes this goal by rightsizing the state requirement for uninsured/underinsured motorist coverage for TNCs from \$1 million to \$50,000 per person and \$100,000 per accident.

This extreme imbalance in insurance requirements creates excessive costs that are ultimately borne by consumers. Personal auto insurance prices are up over 20% year over year nationally. The confluence of this UM/UIM policy, widespread litigation abuse, and rapid inflation is leading to record breaking costs here in California, and riders are paying more than they need to. In Los Angeles, for example, 45% of a typical ride fare on average in May 2025 goes to pay for government-mandated insurance requirements. And while drivers' earnings have actually been increasing, they are receiving smaller shares of the overall fare riders are paying, leading to confusion and frustration about what is behind the increased costs and where the money is going."

- 9) *Arguments in opposition:* According to the Consumer Attorneys of California, "According to the Insurance Research Council, 17% of California drivers are uninsured, and many more carry only minimal coverage. Weakening the UM/UIM requirement would not eliminate costs—it would shift them to taxpayers, public health programs, and hospitals. Medi-Cal, private insurers, and emergency rooms would be forced to cover unpaid medical bills and lost wages, driving up costs for all Californians. Uber's attempt to externalize its liability undermines public policy and fiscal responsibility.

Uber drivers operate in high-risk environments, often under time pressure and without professional licensing or mandatory training. Compared to taxi drivers—who undergo fingerprint-based background checks, safety training, and operate under strict regulations—Uber drivers face minimal oversight. Given the nature of the work, maintaining robust insurance protections is a necessary safeguard. Lowering insurance requirements now would expose thousands of Californians to unnecessary financial harm and reverse a necessary consumer protection. We urge your committee to reject SB 371's reduction of California's \$1 million UM/UIM coverage unless the bill is amended to more adequately protect Californians in ride shares."

- 10) *Double-referral:* Should this measure pass out of the Assembly Insurance Committee, it will move onto the Assembly Communications and Conveyance Committee.
- 11) *Recommended Amendments:* As stated above, should this measure move forward, it would move onto Assembly Communications and Conveyance Committee on the same day, therefore, the committee would seek a verbal commitment from the Author that these amends will be taken in Assembly Communications and Conveyance Committee.

- a) Increase the limits from \$50,000/\$100,000 to \$100,000/\$300,000.
- b) Add a study to be conducted by CPUC/CDI.

"The CPUC and CDI shall collaborate on a study of the impacts of the requirements established for uninsured motorist coverage and underinsured motorist coverage under paragraph (2) of subdivision (b) of Section 5433 to assess whether those coverage requirements are appropriate to the risk of transportation network company services in order to promote data-driven decisions on insurance requirements, and shall report the findings of this study to the Assembly Committee on Insurance and the Senate Committee on Insurance on or before December 31, 2030."

Additionally, should the bill move forward, the Author may wish to consider stronger protections and safeguards for Californians who will be impacted by the reduction of TNC UM/UIM limits.

REGISTERED SUPPORT / OPPOSITION:**Support**

Bay Area Council
California Asian Pacific Chamber of Commerce
California Black Chamber of Commerce
California Hispanic Chamber of Commerce
California Nightlife Association
California-Hawaii State Conference of the National Association for the Advancement of Colored People (NAACP)
Central City Association of Los Angeles
Chamber of Progress
Greater Los Angeles African American Chamber of Commerce
Los Angeles Area Chamber of Commerce
Lyft, INC.
Mtm Health
National Action Network - Sacramento Chapter
San Francisco Chamber of Commerce
Silicon Valley Leadership Group
Technet
Uber Technologies, INC.
Valley Industry & Commerce Association

Oppose

Coalition of Concerned Rideshare Drivers
Consumer Federation of America
Consumer Watchdog
Consumers for Auto Reliability & Safety
United Policyholders

Oppose Unless Amended

California Conference Board of the Amalgamated Transit Union
California Federation of Labor Unions, Afl-cio
California State Legislative Board of the Smart - Transportation Division
California Teamsters Public Affairs Council
Consumer Attorneys of California
Transport Union of America, California State Conference
Transport Workers Union of America, Afl-cio

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