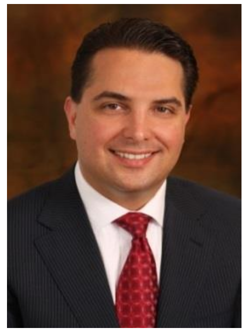

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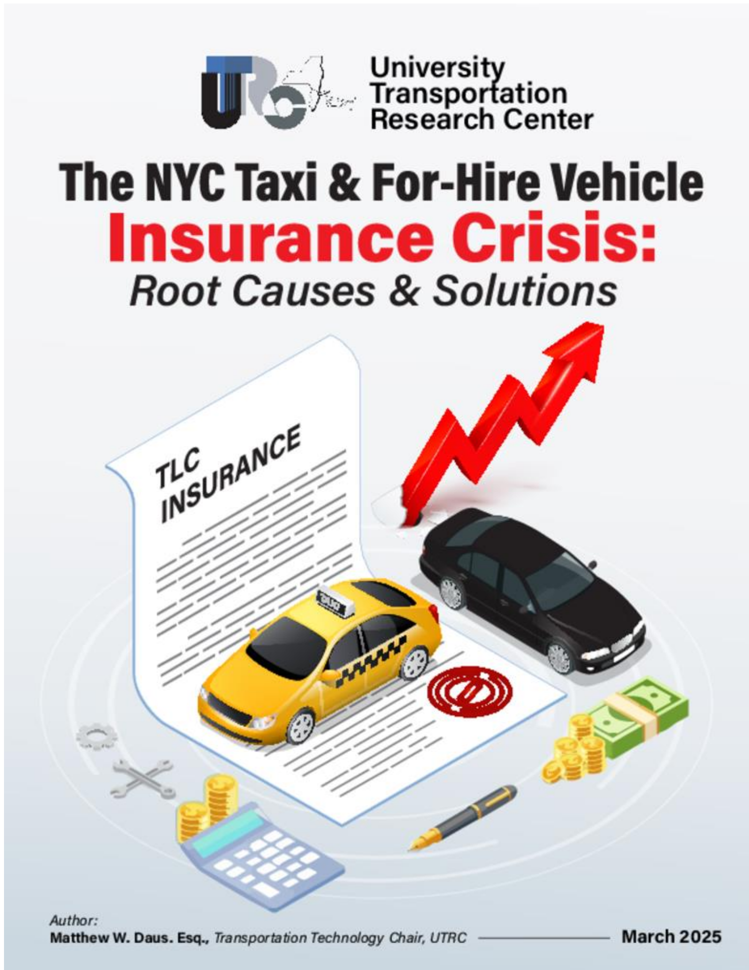
UTRC Releases NYC Taxi and For-Hire Insurance Crisis Report



(Click Here to Read the Full Report on the UTRC Website: https://utrc2.org/publications/nyc-taxi-hire-vehicle-insurance-crisis-root-causes-solutions)

The NYC taxi and for-hire vehicle (FHV) insurance crisis has reached a pivotal point. Insurance premiums have been rising for years, and the $700 million insolvency of American Transit Insurance Company (ATIC) – the New York City taxi and FHV market's biggest insurer – has exposed systemic vulnerabilities within the insurance market. This insurance crisis is threatening the livelihoods of tens of thousands of individual drivers and fleet owners and the overall stability of New York City's transportation infrastructure.

The NYC Taxi and Limousine Commission (TLC) ultimately chose not to enact meaningful reforms, like reducing its No-Fault (PIP) insurance limits, in its most recent amendments to the insurance rules. Instead, the TLC decided to ban the use of excess (surplus) lines policies to meet its additional insurance requirements. These amendments reflect a more ministerial approach, prioritizing regulatory compliance over substantive reform. While the agency claims these changes aim to ensure better coverage for TLC-licensed vehicles, many stakeholders express concern that such moves could exacerbate existing issues rather than resolve them.[1] This decision misses the opportunity to lower the financial burden on licensees and restricts their access to potentially more affordable coverage options that surplus lines can provide.

There is currently legislation pending at both the state and local levels to address the insurance crisis in New York City's taxi and FHV market, including a City Council bill to eliminate TLC's additional PIP. Policymakers are seeking solutions to alleviate the pressure on drivers and fleet owners grappling with soaring insurance premiums, particularly in the wake of the ATIC's insolvency. A public hearing was held at the New York City Council on reducing the TLC's Additional PIP requirements on February 10, 2025, and the bill resides in the Transportation and Infrastructure Committee; however, the bill has not yet been scheduled for a committee vote.

To help stakeholders grapple with insurance challenges and understand what's going on, I recently published a report**, "The NYC Taxi & For-Hire Vehicle Insurance Crisis: Root Causes & Solutions"** (https://utrc2.org/publications/nyc-taxi-hire-vehicle-insurance-crisis-root-causes-solutions) through the University Transportation Research Center at the City University of New York (UTRC) (www.utrc2.org/). Established in 1987, UTRC (www.utrc2.org/) is a consortium of 19 universities focusing on advancing transportation research, education, and technology transfer. It is currently the headquarters of the USDOT Region 2 University Transportation Center, known as SEMPACT (Center for Social and Economic Mobility for People and Communities through Transportation).

In this report, I delve into the multifaceted landscape of commercial auto insurance in New York City, explaining what happened to ATIC, identifying the root causes of rising premiums, and exploring possible strategies for reform – from reducing TLC's No-Fault insurance limits to allowing excess insurance policies to meet any TLC limits above the state requirements, mandating telematics, and tort reform. This report is important because it could help guide state and local efforts to address this crisis.

What Happened to ATIC?

Insurers have criticized ATIC for underpricing premiums for decades, leading to market share dominance while raising concerns about its ability to pay claims.[2] Although state regulators recently approved two premium rate increases, it may be too late.

[1] https://www.nyc.gov/assets/tlc/downloads/pdf/insurance_rule.pdf
[2] www.insurancejournal.com/news/east/2024/09/04/791291.htm; www.bloomberg.com/news/articles/2025-01-21/new-york-proposes-plan-to-stabilize-broken-taxi-insurance-market

According to insurance insiders, ATIC's longstanding practice of offering policies at rates much lower than needed to cover claims directly contributed to the current crisis. First, ATIC generally offered the lowest-priced coverage, which took market share away from other carriers that tried to charge adequately priced rates. Second, the New York State Department of Financial Services (DFS) used ATIC's low rates to argue that increases were unnecessary. Third, ATIC's low rates appeared to empower DFS to disapprove reasonable rate increase requests from other insurers and to place smaller companies into receivership when their financial results were examined, based on accurately reflecting reserves for unpaid losses. Last but not least, ATIC is now short $760 million to pay potential claims – more than double the $300 million in the state's two insurance security funds.[3]

An ATIC bailout is inevitable. New York State will ensure the payout of ATIC's claims despite the company's insolvency. However, as currently funded, New York's insurance safety nets will not support an ATIC crash. There has been talk of a one-time assessment on property and casualty insurers to cover the shortfall. However, an insurance industry-funded bailout would mean homeowners and policyholders throughout the state – people with no connection to NYC's for-hire and taxi industry – would see their premiums rise. The other alternative is for the state to fund the rescue package, impacting all taxpayers.

Determining how to structure an ATIC bailout and who should pay for it is complex and has no easy answers. The situation is further complicated because ATIC is "too big to fail." The company insures over 63% of the TLC licensees. If DFS takes the normal course of action for this scale of insolvency—liquidation—tens of thousands of taxi and FHV owners may find themselves uninsured or paying higher premiums, potentially disrupting the city's transportation system.

Causes of Rising Premiums & the Current Crisis

ATIC is not the only commercial auto insurer struggling to survive in NYC. The second largest insurer of TLC vehicles, Hereford Insurance Company, reported $141 million in losses in 2024, and Maya Assurance Co., which is technically insolvent, announced its intention to leave NYC's for-hire commercial auto market, citing its inability to survive in the current conditions.[4]

There are external factors at work impacting all commercial auto insurers in NYC, namely escalating claims and costs fueled by New York's No-Fault (also called Personal Injury Protection

[3] Annual Statement for the year 2024 of the American Transit Insurance Company
[4] https://www.insuranceinsiderus.com/article/2dq7zgsiv0hd7lrstkwsg/lines-of-business/commercial-lines/hereford-maya-ny-livery-insurers-saw-141mn-8mn-in-q2-losses; www.dfs.ny.gov/system/files/documents/2024/11/36030f19_new.pdf; www.mayaassurance.com/wp-content/uploads/Maya-making-plans-to-exit-the-New-York-City-livery-market-_-Insurance-Insider-US.pdf

or "PIP") insurance law, the TLC's additional PIP requirement, and insurance abuse and fraud.[5] Insurers are struggling to keep their combined ratios below the breaking point.

Commercial auto insurers are facing larger claim sizes, increased claims, and rising costs, all of which are impacting the commercial auto insurance industry's financial health. Since the pandemic, the severity of claims has risen significantly: Bodily injury claims increased by 20%, material damage by 47%, and total loss claims by 29%, leading to higher settlements and jury awards.[6] The costs of car repairs have also surged due to advanced materials and technology, with the consumer price index for motor vehicle maintenance rising by 10% from 2023 to 2024.[7]

Higher insurance limits have favored plaintiffs' attorneys, particularly with New York City's increased limits for taxis and FHVs. New York's No-Fault (PIP) insurance law is designed to support individuals injured in car crashes, allowing up to $50,000 in coverage per person for private vehicles and $200,000 for taxis and for-hire vehicles in NYC. However, this framework has led to significant fraud, affecting insurers and honest policyholders. Fraudulent claims—which comprised 75% of insurance fraud reports and 94% of healthcare fraud reports in 2023, according to DFS—drive up operational costs and result in higher premiums.[8]

Consequently, many insurance companies are struggling financially, with a combined ratio averaging 108% over the last 13 years and 113.3% in 2023. A combined ratio above 100% means claims and expenses surpass premiums.

Strategies for Reform

The measures outlined below highlight the potential for legislative and regulatory changes and insurance products to serve vehicle owners and insurers better while ensuring passenger safety and fair coverage. Some of these measures can be implemented now, while others will take time. Insurance is a slow-moving industry. Today's changes may not noticeably impact loss runs and rates for several years.

Short-Term Solutions

Reduce No-Fault (PIP) Limits to State-Mandated Levels

The TLC requires four times the amount of No-Fault (PIP) insurance required by state law. Reducing the TLC-mandated additional insurance from $200,000 to $50,000 could help deter

[5] www.nysenate.gov/sites/default/files/No-fault%20Hearing%20Notice.pdf; natlawreview.com/article/important-court-decision-no-fault-insurers-ny-federal-court-rejects-argument-to
[6] https://risk.lexisnexis.com/insights-resources/white-paper/auto-insurance-trends-report
[7] https://rsmus.com/insights/industries/financial-services/rising-auto-repair-costs.html
[8] www.dfs.ny.gov/system/files/documents/2024/03/2023-health-fraud-annual-report.pdf

insurance claim abuse and fraud, encourage additional competition in the insurance market, and lower premiums. A bill introduced by New York City Council Member Carmen De La Rosa in September 2024 would bring the TLC-required No-Fault insurance to the statewide standard.[9] While the TLC could reduce its PIP requirement through rulemaking, it has not done so.

Additional PIP coverage has fueled higher premiums and losses due to excessive claims and settlements by plaintiffs' lawyers and the well-documented cases of fraud. The costs to the industry's continued existence weigh in favor of removing TLC's excessive coverage requirement. Eliminating the TLC's mandatory Additional PIP would not prevent a vehicle owner from voluntarily obtaining higher limits. Any vehicle owner interested in carrying more than the TLC-mandated minimums may do so today and will be able to even if the TLC does not mandate it.

Allow Excess (Surplus) Insurance Policies to Meet TLC Requirements

Allowing TLC licensees to use an excess policy that, in combination with the primary policy, provides the required TLC insurance coverage is a viable way to reduce the amount that licensees pay for insurance. Excess lines insurers, often called "non-admitted" carriers, are frequently misunderstood. Many mistakenly believe they cannot meet state licensure requirements and operate without oversight. In reality, these insurers choose not to seek licensing, allowing them to develop their coverages and set rates without state approval. As a result, they can offer lower premiums on certain products, although lower cost is not a valid reason to access the excess line market. Unlike authorized insurers, who must wait for rate or form approvals that can take six months, excess lines insurers can implement changes immediately after internal approvals, enabling them to respond more swiftly to market fluctuations.

Excess lines policies provide solutions in the NYC FHV insurance market, benefiting large rental companies and fleet owners. Without access to these policies, they would face higher premiums and increased rental rates for drivers, which would also impact customers. The TLC's ban on excess lines policies won't take effect until January 1, 2026, giving the agency time to reconsider the implications of such a ban.

Expand FHV Rental Options

If ATIC leaves the NYC market, or if premiums rise beyond a level that drivers can afford, the TLC needs to take action to stabilize the industry. The quickest remedy would be to allow FHV rental companies to obtain new FHV licenses to increase their fleets and keep drivers on the road. Drivers benefit from renting FHVs. The insurance and maintenance are included in rental

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[9] legistar.council.nyc.gov/LegislationDetail.aspx?ID=6874625&GUID=6C24B84A-3C88-4D19-8BE7-203B250FE1B6

rates, giving renters access to more efficient fleet management services, with many of the large rental companies having integrated and more efficient vehicle repair, maintenance, and insurance solutions. Rentals will also help the TLC meet its Green Rides Initiative mandate that 100% of Uber and Lyft vehicles are either electric or wheelchair accessible by 2030.[10] EVs have a higher purchase price, and many finance companies will not finance these vehicles to individuals if they are used for commercial purposes.

Mandate Telematics for Risk Mitigation and Price Relief

Deploying technology to enhance safety can lower insurance costs across the industry. Vehicle telematics encompasses various systems that use telecommunications and informatics to gather and transmit data about vehicle activity, including GPS tracking, diagnostics, and driver behavior analysis, often used for fleet management, insurance, and safety. Many systems also offer real-time feedback to improve driving habits. Additionally, distracted driver technology can help prevent accidents by alerting drivers to stay focused, ultimately reducing insurance carriers' losses and stabilizing premiums.

Telematics data can help insurers price premiums more precisely, reward safe driving habits, and investigate claims from collisions. Telematics data allows insurers to move beyond broad generalizations and make fair premium calculations based on actual driving patterns. By focusing on driving behaviors, insurers can identify high-risk drivers before accidents occur, aiming to reduce claims by promoting safer driving. However, Usage-Based Insurance (UBI) programs often cater more to lower-mileage drivers, leaving professional drivers with fewer options despite increased road exposure. DFS should encourage insurers to adapt UBI principles for TLC drivers.

A potential challenge for fleets is driver reaction to the increased scrutiny and worker classification concerns. Successful implementation requires drivers to know which behaviors are tracked, receive real-time feedback on logged incidents, and have a chance to dispute or contextualize those reports. Additionally, requiring insurance telematics for TLC vehicles can help address worker classification concerns for for-hire bases, FHV fleet owners, and taxi medallion owners.

TLC Safe Driver Discount

The TLC and DFS should collaborate in reinvigorating and modernizing the "TLC Safe Driver Certification Program" that TLC started in 2003 under my direction.[11] Under that

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[10] www.nyc.gov/site/tlc/about/green-rides.page
[11] https://www.nyc.gov/assets/tlc/downloads/pdf/archived_industry_notices/industry_notice_03_02.pdf

program—which was subsequently discontinued—participating insurers provided significant insurance discounts to vehicle operators who demonstrated to TLC that they exceeded safety standards. This renewed initiative could mandate insurers to provide heavily discounted insurance premiums to drivers who meet the rigorous standards typically associated with the Honor Roll designation. Such a program would serve as an additional layer of recognition and incentivize safe driving practices throughout the industry.

Long-Term Solutions

Tort Reform

Reducing fraudulent claims and frivolous lawsuits would benefit the commercial auto insurance industry. "Tort reform" aims to decrease personal injury litigation and associated costs through measures such as capping damage awards and making it more difficult to file lawsuits. These reforms can deter frivolous claims and lead to lower premiums.

Potential tort reforms include:

1. **Modified Comparative Negligence:** This principle allows injured parties to recover damages even if they are partially at fault, with compensation reduced based on their degree of fault. In a "pure" comparative negligence state like New York, a person 99% at fault can still recover 1% of their damages. Most states use a "modified" standard, barring recovery if the plaintiff's fault meets or exceeds that of the defendant.
2. **Limits on Attorney Contingency Fees:** Contingency fees allow lawyers to get paid only if they win a case, typically taking a percentage of the awarded amount. New York caps this fee at 33⅓%. Advocates for tort reform suggest limits on these fees to prevent abuse in personal injury cases.
3. **Limits on Non-Economic Damages:** Non-economic damages include pain and suffering and emotional distress, which are hard to quantify. Critics argue that juries often award excessive amounts due to emotional bias. Caps on these damages could help stabilize insurance premiums.
4. **Alternative Dispute Resolution (ADR):** ADR methods like mediation and arbitration provide faster and cheaper ways to resolve disputes outside of court, which can lower legal fees and streamline claim settlements. The New York State Unified Court System supports ADR to reduce litigation costs.

The impact of tort reform varies based on individual insurance carriers' strategies for managing claims. If a carrier mismanages claims or uses aggressive denial tactics, the benefits of tort reform may not lead to faster resolutions or lower premiums. For instance, ATIC is facing a lawsuit from Uber for allegedly failing to defend and indemnify Uber drivers, with claims of poor claims-handling practices.

Attract New Market Players to Enhance Competition and Drive Down Costs

Attracting competition in the NYC commercial vehicle insurance market is vital for reducing costs. ATIC's long history of underpricing has limited competition. While its withdrawal could create opportunities for other insurers, the market remains uninviting. The DFS must approve reasonable rates and underwriting filings to entice new insurers. Implementing No-Fault (PIP) reduction strategies and robust anti-abuse measures could enhance market appeal. Eliminating TLC's Additional PIP coverage requirements may lower costs and attract more players.

Strengthening anti-fraud measures is crucial, as fraudulent claims increase overall costs. Improved detection and oversight can make the market more secure and attractive. Regulatory reforms, such as simplifying the rate approval process and promoting technology-driven solutions, could draw more insurers. Encouraging alternative insurance models, like mutual insurance groups, could diversify options and enhance competition. These strategies would signal to potential insurers that the NYC market is evolving positively, fostering a more competitive environment.

Captive Insurance Models

A captive fronted by a highly rated insurer, like those rated by A.M. Best, could offer large fleet owners, such as rental companies, an option for the NYC market. Captives could help add capacity and stability to the market. An insurance captive, or captive insurance company, is an insurer created and owned by a parent company or group to cover its risks through self-insurance. There are several types, including single-parent captives (owned by one company), group captives (owned by multiple unrelated companies), and association captives (managed by an industry association for its members).

Captives offer significant cost efficiency, allowing companies to reduce insurance expenses, manage risks internally, and retain underwriting profits. In New York, captive insurance companies must be licensed by the DFS and adhere to specific regulatory requirements, including submitting financial statements and undergoing periodic examinations. Captives often require a licensed carrier to "front" the insurance, meaning the carrier issues the policy while the captive provides the necessary financial backing. This structure necessitates substantial collateral to ensure the program's stability. While not suitable for individual vehicle owners, captives can benefit FHV and taxi drivers by enabling larger companies to manage predictable risks, potentially leading to lower rental rates and higher driver earnings.

Next Steps: Urgent Actions for Legislators and Regulators

ATIC's insolvency has exposed systemic vulnerabilities within the insurance market, threatening the livelihoods of individual drivers and fleet owners and the overall stability of New York City's transportation infrastructure. Legislators, government executives, and regulatory agencies must take immediate action to deal with this crisis.

There is currently legislation pending at both the state and local levels addressing taxi and FHV insurance. At the state level, lawmakers are using the Fiscal Year 2026 executive budget to introduce various measures under the state's insurance regulator, the NYS Department of Financial Services (DFS). Governor Kathy Hochul included three proposals in the initial budget legislation: (1) allow insurance companies to make minor rate adjustments (up to 5%) without DFS approval; (2) require DFS to establish actuarially sound rates and phase in increases, and (3) enable insurers to provide group policies for FHVs of any size.

The NYS Senate and Assembly intentionally omitted all three proposals from their revised version of the budget legislation. They inserted a bill to establish a captive insurance program for commuter vans, for-hire vehicles, and accessible vehicles – the same bill the Governor vetoed last year.[12] The Legislature's exclusion of the Governor's proposals may be a negotiating tactic. The final budget was due March 31, 2025, but debates and negotiations between the Governor and state lawmakers are ongoing.

As discussions and negotiations continue at both the state and local levels, it remains to be seen whether policymakers will ultimately prioritize comprehensive solutions that genuinely address the root causes of the insurance crisis or continue to make minimal adjustments. Policymakers must quickly propose and implement reforms that directly address the current insurance crisis, ensuring immediate relief for affected drivers without delaying long-term strategies. The urgent action items are:

1. **Reduce No-Fault (PIP).** One of the most pressing issues is the TLC's No-Fault (PIP) insurance limits. Critics argue that reducing these limits is essential to stabilizing the industry and making insurance more affordable for drivers. If the City Council does not promptly eliminate or reduce additional PIP requirements, TLC should lower these limits that it unilaterally raised in 1998. This swift action is essential to alleviate the burden of skyrocketing premiums on drivers and fleet owners, stemming from increased fraud and rising insurance claims caused in part by Additional PIP.

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[12] Part ZZZ, https://www.nysenate.gov/legislation/bills/2025/S3008/amendment/B; Reintroduced in 2025 as S. 4809, https://www.nysenate.gov/legislation/bills/2025/S4809/amendment/A

2. **Repeal the TLC Rule Banning Excess Lines**. The TLC should also immediately repeal the rule banning excess lines policies. These policies are vital for large FHV rental companies and fleet owners in NYC to meet higher insurance limits. Without them, we can expect increased premiums and rental rates for drivers, and fleets may have no choice but to pass on these increased costs. The ban will not take effect until January 1, 2026, giving the TLC time to reconsider its decision and its implications.

3. **Allow FHV Rental Companies to Expand.** The TLC must consider allowing FHV rental companies to obtain additional licenses to expand operations for more drivers. Expanding short-term FHV rentals can provide TLC drivers who are priced out of the market the flexibility to continue driving without ownership costs, primarily including rising insurance premiums. If ATIC leaves the NYC market, tens of thousands of drivers will potentially be left without insurance. In addition, lifting the cap would encourage competition among rental companies, leading to better rates and services for drivers and improved passenger experiences.

By focusing on these urgent actions, we can provide much-needed relief and stability to NYC's taxi and for-hire vehicle market, ensuring that drivers can continue to serve the city's transportation needs. Frankly, ***the time for action is long overdue, and there is no more road – or time – left to kick that can!***