

## SENATE THIRD READING

SB 371 (Cabaldon)

As Amended September 02, 2025

Majority vote

**SUMMARY**

Reduces uninsured/underinsured motorist (UM/UIM) coverage for transportation network companies (TNCs) from \$1 million to \$60,000 per person and \$300,000 per incident from the moment a passenger enters the vehicle of a participating driver until the passenger exits the vehicle (Period 3).

**Major Provisions**

- 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) and the California Department of Insurance (CDI) to collaborate on a study of the impacts of the requirements established for uninsured motorist coverage and underinsured motorist coverage 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.
- 5) Requires the 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 involving a participating drive using a personal vehicle 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.
- 6) Provides in the annual report submitted on or before February 1, 2027, the CPUC must specify the average transportation network company rider fare, excluding tips, tolls, and taxes, paid during the following time periods:
  - a) July 1, 2025, to December 31, 2025.

- b) January 1, 2026, to June 30, 2026.
  - c) July 1, 2026, to December 31, 2026.
- 7) Provides this measure is only operative if Assembly Bill 1340 of the 2025–26 Regular Session is enacted and becomes effective on or before January 1, 2026.

## COMMENTS

- 1) This measure reduces UI/UIM coverage from \$1 million to \$60,000/\$300,000. 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.

- 2) *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/under-insured drivers where the damages exceed the new, lower UM/UIM limits. Reducing limits does not reduce the losses experienced.

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."

- 3) *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.

- 4) *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.

### **According to the Author**

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."

### **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."

### **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."

## FISCAL COMMENTS

According to the Assembly Appropriations Committee, costs of up to \$1 million over two years to the CPUC for staff and external consultants to lead the study with CDI to assess the lowered UM/UIM coverage requirements (Public Utilities Commission Utilities Reimbursement Account (PUCURA)). The CPUC notes it is not the right entity to lead or co-lead an insurance adequacy study because it lacks access to insurer claims data and does not have in-house actuarial expertise. Since TNCs do not currently report data regarding UM/UIM claims to the CPUC, the CPUC would also incur costs of an unknown, but potentially significant amount, to collect and report such data by the time of the CPUC's next annual report (PUCURA).

Costs of approximately \$388 in fiscal year (FY) 2025-26 and \$45,000 in FY 2026-27 to CDI for increased staff workload to review new rate applications submitted by insurance companies (Insurance Fund). CDI notes that a 2017 data call revealed only 16 companies offering TNC coverage in California, with 13 being admitted personal auto insurers and three being non-admitted commercial auto insurers. Additionally, costs of approximately \$37,000 in FY 2030-31 to CDI to collaborate with the CPUC on the insurance adequacy study (Insurance Fund).

## VOTES

### SENATE FLOOR: 39-0-1

**YES:** Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNERney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

**ABS, ABST OR NV:** Reyes

### ASM INSURANCE: 16-0-1

**YES:** Calderon, Wallis, Addis, Alvarez, Ávila Farías, Berman, Chen, Ellis, Gipson, Hadwick, Harabedian, Krell, Nguyen, Petrie-Norris, Michelle Rodriguez, Valencia

**ABS, ABST OR NV:** Ortega

### ASM COMMUNICATIONS AND CONVEYANCE: 9-0-0

**YES:** Boerner, Hoover, Ahrens, Bonta, Caloza, Castillo, Lowenthal, Rogers, Blanca Rubio

### ASM APPROPRIATIONS: 11-0-4

**YES:** Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache

**ABS, ABST OR NV:** Sanchez, Dixon, Ta, Tangipa

## UPDATED

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