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The NYC Taxi & For-Hire Vehicle Insurance Crisis:

Root Causes & Solutions

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Executive Summary

The NYC taxi and for-hire vehicle ("FHV") insurance crisis has reached a pivotal point, driven by high insurance premiums that threaten to price-out individual drivers and fleet owners and rooted in the $700 million insolvency of the New York City taxi and FHV market's biggest insurer, American Transit Insurance Company ("ATIC"). This report seeks to identify the root causes of the crisis and propose actionable reforms to address the industry's challenges.

The insolvency crisis at ATIC has been brewing for decades and is the result of several factors, including alleged long-standing financial mismanagement at ATIC, underpricing policies, and resistance to regulator intervention. ATIC's insolvency is compounded by escalating claims and costs, the NYC Taxi and Limousine Commission's ("TLC") high minimum insurance requirements, New York's No-Fault (also called Personal Injury Protection or "PIP") insurance law, and rampant insurance abuse and fraud.[1] ATIC controls over 63% of the TLC insurance market, making it "too big to fail." If ATIC goes under, tens of thousands of taxi and FHV owners may find themselves without an insurance carrier. This will destabilize the entire New York City transportation system on which so many depend.

An ATIC "bailout" is inevitable. At the end of December 2024, ATIC reported potential uncovered claims amounting to approximately $760 million – more than double the $300 million in the state's two insurance security funds.[2] 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. An insurance industry-funded bailout via an assessment would mean property and casualty insurance policyholders throughout New York will see their premiums rise. The other alternative is for the state to fund the rescue package, essentially impacting all taxpayers.

Determining how to structure an ATIC bailout and who should pay for it is complex and has no easy answers. However, people with no connection to New York City's taxi and for-hire vehicle industry should not be forced to bail out a private company without anything in return.

As New York State leaders contemplates the future of ATIC, it must also consider reform measures to attract new insurers to the market and lower insurance costs for the TLC industry. High insurance premiums have emerged as a significant challenge for taxi and FHV drivers and fleet owners. As of 2024, individual drivers faced annual insurance costs between $4,000 and $5,500, while fleet liability policies soared to $6,000–$9,000 annually per vehicle. These escalating costs have reduced driver earnings, ultimately diminishing the profession's attractiveness and threatening the stability of the for-hire transportation market in New York City.

The report proposes short-term measures to provide immediate relief to the TLC-regulated industries and insurance companies and long-term measures to navigate through the crisis to a more stable future.

[1] 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

[2] Annual Statement for the year 2024 of the American Transit Insurance Company

Short-Term Solutions

- **Reduce No-Fault (PIP) Limits to State-Mandated Levels:** The TLC currently requires licensees carry four times the amount of No-Fault (Personal Injury Protection) insurance that is required by state law. Reducing the TLC-mandated additional insurance from $200,000 to $50,000 could help deter insurance claim abuse and fraud, encourage additional competition in the insurance market, and lower premiums.

- **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. The TLC should reverse course on its recent decision to eliminate excess policies starting January 1, 2026, or the NYC Council could pass legislation overruling the TLC's recent actions – which have exacerbated the crisis.

- **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 to keep drivers on the road. To ensure reasonable rental rates, the TLC must continue to allow excess lines insurance to keep the rental companies' insurances rates at a reasonable level. Drivers benefit from this model, as they do not need to own or maintain a vehicle. The insurance and maintenance is included in rental 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.

- **Mandate Telematics for Risk Mitigation and Price Relief:** Deploying technology to improve safety is a long term strategy to reduce insurance costs industrywide that can also encourage safer driving habits immediately and help defend against claims. Telematics helps reduce insurance costs and claims by allowing insurers to accurately assess driver risk based on real-time driving data, which enables them to offer personalized premiums to incentivize safer driving habits, leading to fewer accidents and claims. Telematics data, such as video from dashboard cameras, can also help defend against claims, and promotes efficient settlement which reduces legal costs and the extent of carrier exposure. Telematics also saves lives and promotes Vision Zero. Studies have consistently shown major reductions in claims and crashes when installing and properly monitoring incidents as part of a safety program.

- **Safe Driver Discount:** The TLC and DFS should work to create a discount program that requires insurers to provide substantial premium reductions for TLC vehicle owners or operators with a demonstrated safe driving history based on TLC data.

Long-Term Solutions

- **Tort Reform:** By implementing targeted reforms such as modifying comparative negligence rules, capping non-economic damages, and limiting attorney contingency

fees, it is possible to reduce the incidence of fraudulent claims and frivolous lawsuits in New York, which will lower litigation costs and insurance premiums. If treated holistically, with buy-in from lawmakers, stakeholders, and the public, tort reform for the commercial auto market could ensure valid claims are paid in reasonable amounts.

- **Attract New Market Players to Enhance Competition and Drive Down Costs.** Attracting competition in the NYC commercial vehicle insurance market requires implementing No-Fault (PIP) reduction strategies and strong anti-fraud measures to make the environment more appealing for insurers. Additionally, regulatory reforms and the promotion of innovative insurance models can further entice new entrants, leading to lower premiums and enhanced benefits for policyholders. The TLC and/or other stakeholders should collect and analyze data and develop a safety dashboard which can convey industry-wide safety improvements to educate carriers interested in entering the market. While underwriting may be granular and based upon loss runs, claims experience and driving records, an educational or public relations campaign to show the reduced crashes, violations and regulatory risk mitigation measures in place, generally, will help insurance regulators, reassure existing carriers, and will hopefully attract new insurers to consider writing policies. TLC continuing to allowi excess and surplus lines carriers to meet the excess TLC insurance requirements would allow for other insurance carriers to enter the space.

- **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.

These reforms aim to create a more sustainable insurance environment, protect drivers' livelihoods, and ensure the availability of vital transportation services within NYC.

Methodology

The research commenced with a comprehensive review of current and proposed laws, regulatory reports, industry publications, and media reports. The purpose was to create a comprehensive view of the NYC for-hire vehicle insurance legal framework, governmental oversight of the insurance and for-hire industries, and public opinion. Examining relevant legislation and regulations illuminated how policies have been shaped and enforced, while the media reports offered insights into societal attitudes and potential gaps in implementing these laws.

The project's second phase focused on engaging with a wide range of experts in the field to gather comprehensive insights, complemented by a detailed survey distributed to a broader audience of key industry stakeholders, referred to as the "industry survey." To ensure a robust and varied representation of viewpoints, the participants in the survey were meticulously selected based on their relevant expertise and extensive experience within the industry. This included representatives from various sectors, such as insurance companies, insurance brokers, fleet owners, and trade associations representing the taxi and FHV industries. Additionally, the survey targeted the TLC and the New York State Department of Financial Services ("DFS"), crucial for understanding the regulatory landscape. Despite our persistent efforts to encourage participation

from the TLC and DFS, we regrettably received no responses from these agencies, limiting some perspectives that could have enriched the survey results.

In total, we received 23 responses. Approximately 30% of respondents identified themselves as representing insurance companies, and another 30% identified as representatives of transportation companies (*e.g.*, FHV or taxi fleet owner, base operator, TNC). We also received responses from insurance brokers (17%), industry trade organizations (13%), and industry attorneys (9%).

The survey was designed with a mix of closed and open-ended questions, allowing for the collection of quantitative data that could be statistically analyzed and qualitative insights that could provide depth to the findings. This combination was intended to create a comprehensive data set that reflects the diverse opinions and experiences of the industry stakeholders, ultimately striving to inform future developments and improvements in the field.

The survey asked respondents to rate certain factors contributing to NYC's in surance crisis on a scale of 0 to 5, with 0 being "not a factor" and 5 being the most direct cause of the insurance crisis. Ineffective or inadequate regulatory oversight of ATIC was rated as the most direct cause, followed by ATIC's practice of underpricing policies.

Table 1 Stakeholder Survey - Causes of NYC Insurance Crisis

	0 not a factor	**1**	**2**	**3**	**4**	**5 most direct cause**	**Weighted Average**
Ineffective or inadequate regulatory oversight	4.55%	0.00%	4.55%	13.64%	22.73%	54.55%	5.14
ATIC underpriced policies	9.09%	9.09%	4.55%	9.09%	9.09%	59.09%	4.77
Rising claims and costs	4.55%	13.64%	0.00%	9.09%	36.36%	36.36%	4.68
No-Fault (Personal Injury Protection) Insurance law	0.00%	9.09%	9.09%	22.73%	22.73%	36.36%	4.68
Broken tort system	4.55%	9.09%	4.55%	18.18%	22.73%	36.36%	4.64
Insurance Fraud	4.55%	4.55%	13.64%	13.64%	40.91%	22.73%	4.50
Financial mismanagement at ATIC	9.09%	18.18%	9.09%	0.00%	13.64%	50.00%	4.41
NYS insurance rate approval process and requirements	4.55%	9.09%	22.73%	9.09%	22.73%	31.82%	4.32
ATIC resistance to regulator intervention	13.64%	22.73%	0.00%	0.00%	31.82%	31.82%	4.09
Lack of data	28.57%	9.52%	23.81%	9.52%	19.05%	9.52%	3.10

The survey also asked respondents to evaluate the feasibility of potential measures to address the insurance crisis. Notable solutions that respondents viewed as "short-term" include:

- Flex Rating: Allow insurers to make small adjustments to rates in response to changes in the industry (43%)
- Insurance Rate Approval: Enable NYS insurance regulator, the Department of Financial Services (DFS), to establish actuarially-sound rates across the industry and phase-in any rate increases over time (33%)

- Operator Financial Assistance: Provide subsidies or financial assistance for insurance (32%)
- Enhanced driver training and safety programs (32%)
- Lower the TLC-mandated No-Fault (PIP) coverage from $200,000 to the state-mandated level ($50,000) (30%)

Among the measures that respondents did not view as viable solutions were:

- Tax-Payer Funded Bailout of ATIC: NYS would provide funds to ensure the payout of ATIC's claims (75%)
- Insurance Company-Funded Bailout of ATIC: Charge other admitted insurance companies in New York a one-time assessment to ensure the payout of ATIC's claims (60%)
- Captive Insurance Companies (67%)
- Lowering the TLC-mandated Liability coverage (50%)
- Usage-Based Insurance (UBI) (43%)

I. Background

The insurance landscape for NYC taxis and for-hire vehicles is greatly influenced by state insurance law and TLC regulations, which mandate higher coverage levels than those established by state law. Premiums ranged from $4,000 for individual drivers up to $11,000 for fleet vehicles in 2024 and expected to rise between 2% and 10% in 2025 for most TLC drivers.

With a staggering net loss exceeding $700 million reported in the second quarter of 2024, ATIC's situation has escalated into a mandatory control level event, prompting oversight from DFS. Given its market share, ATIC's financial turmoil highlights the vulnerabilities within the NYC insurance industry and, coupled with rising insurance costs, casts a shadow over the taxi and for-hire vehicle industry's future.

Insurance regulations are now being scrutinized. The TLC has moved to amend its insurance rules but has done so in a way that may do more harm than good. The recent amendments, set to take effect in early 2026, incorporate measures to eliminate excess lines policies, which help some licensees keep insurance costs manageable. Additionally, recent legislative efforts by the Governor to foster a more stable for-hire vehicle insurance market have faced setbacks, and no real action has been taken. The implications for driver earnings, fares, and industry supply are becoming increasingly significant.

A. NYC Taxi & For-Hire Vehicle Insurance Requirements

The NYC TLC requires licensees to carry higher levels of insurance coverage than what is required by state law. New York State requires taxis and for-hire vehicles seating fewer than seven passengers (eight with the driver) to carry a minimum of $25,000 per person and $50,000 per occurrence for bodily injury, a minimum of $50,000 per person and $100,000 per occurrence for injury resulting in death, $10,000 for property damage, and $50,000 per person for No-Fault insurance, also known as Personal Injury Protection ("PIP").[3] These are the same levels of coverage that New York requires for personal passenger vehicles.[4] However, the TLC requires taxis and for-hire vehicles (non-luxury limousines) to be covered by a minimum of $100,000 per person for bodily injury, $300,000 per occurrence combined single limit, and $200,000 No-Fault coverage.[5]

In 1998, the TLC quadrupled the minimum No-Fault (PIP) insurance requirement from the state-mandated $50,000 to $200,000. The TLC's action was not inspired by legislative action or debate by members of the City Council or the State Legislature, nor were these changes recommended by state insurance regulators or other actuarial experts. Instead, the policy was one of 13 initiatives announced by then-Mayor Rudolph Giuliani in a 1998 speech regarding "quality of life concerns" that went beyond the taxi and for-hire vehicle industry. The increased insurance

[3] NY CLS Veh & Tr § 370
[4] www.dfs.ny.gov/consumers/auto_insurance/minimum_auto_insurance_requirements
[5] 35 RCNY § 59A-12(c)(1). TLC requires luxury limousines to have minimum liability coverage of $500,000 per person and $1,000,000 per occurrence. *See* 35 RCNY § 59A-12(c)(3); *see also* NYC Admin. Code § 19-502(v) (defining "luxury limousine" as a for-hire vehicle "for which there is maintained personal injury insurance coverage of no less than five hundred thousand dollars per accident where one person is injured and one million dollars per accident for all persons injured in that same accident").

minimums and the other reforms that TLC implemented were intended to hold taxi and for-hire vehicle drivers to higher standards for the safety of the riding public.[6]

Table 2 NYS Insurance Minimums

	Personal Passenger[7]	NYS For-Hire Vehicle & Taxi	NYC For-Hire Vehicle (non-luxury limousine) & Taxi
Bodily Injury	$25,000 per person / $50,000 per occurrence	$25,000 per person / $50,000 per occurrence	$100,000 per person / $300,000 per occurrence combined single limit
Death	$50,000 per person / $100,000 per occurrence	$50,000 per person / $100,000 per occurrence	The same minimum limits are required for bodily injury
No-Fault (PIP)	$50,000 per person	$50,000 per person	$200,000 per person
Property Damage	$10,000 per occurrence	$10,000 per occurrence	$10,000 per occurrence
Uninsured Motorist (UM)	The same minimum bodily injury limits are required for liability insurance		

It is important to understand insurance dynamics when a TLC driver is involved in a crash. Workers' Compensation coverage is primary to No-Fault (PIP), and most TLC drivers are covered by a Workers' Compensation policy. What this means is that, if a taxi or FHV driver is injured on the job, the driver's applicable Workers' Compensation policy will be the first to pay out benefits, with No-Fault insurance potentially acting as secondary coverage, and health insurance will cover any remaining costs not covered by Workers' Compensation or PIP.[8] Independent contractor-drivers working for a black car base or livery base in New York City and elsewhere in the state receive coverage through the base's membership in the New York Black Car Fund or Independent Livery Drivers Benefit Fund, respectively.[9] Luxury limousine bases and other for-hire bases do not qualify for membership in the Black Car or Livery Fund must acquire an individual Workers' Compensation policy. Taxi medallion owners are generally required to provide Workers Compensation insurance for drivers to whom they lease their taxis.[10]

In the 27 years since the TLC imposed the Additional No-Fault requirement on taxi and for-hire vehicles, the industry and commercial automobile insurance market have changed dramatically. Notably, New York created the Black Car Fund in 1999 and the Livery Fund in 2008 to ensure drivers injured on the job have primary coverage for medical care, lost wages, and other benefits.[11]

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[6] www.nytimes.com/1998/04/30/nyregion/as-accidents-rise-giuliani-seeks-stricter-rules-for-cabbies.html
[7] NY CLS Ins § 3420; www.dfs.ny.gov/consumers/auto_insurance/minimum_auto_insurance_requirements
[8] N.Y. Ins. Law § 5102(b)(2)
[9] www.wcb.ny.gov/content/main/coverage-requirements-wc/taxi-cabs
[10] www.wcb.ny.gov/content/main/coverage-requirements-wc/taxi-cabs
[11] The Black Car Fund was signed into law in May 1999 (Chapter 49 of the laws of 1999), and the Livery Drivers Benefit Fund was signed into law in July 2008 (Chapter 392 of the Laws of 2008).

B. Industry Dynamics: Impact of High Insurance Costs on Industry Supply, Driver Earnings, and Fares

High insurance premiums can impact the supply of taxis and for-hire vehicles and drivers, driver earnings, and passenger fares. According to reports, individual FHV drivers paid around $4,000 to $5,500 annually for insurance in 2024, fleet liability policies cost $6,000 to $9,000 per vehicle, and fleet "CAP" policies cost $8,000 to $11,000.[12] Companies that lease or rent TLC-licensed FHVs to drivers saw a 20% to 30% increase in rates in 2024.[13] Insurance rates for the majority of TLC drivers will rise between 2% and 10% in 2025.[14]

For independent drivers who own their vehicles, the increased operating costs associated with higher premiums can reduce drivers' take-home pay. The burden of high insurance premiums may force drivers to leave the industry altogether.

As fleets face rising insurance costs, many black car and limousine companies may pass these costs onto passengers through higher fares, which can, in turn, diminish the demand for service. If FHV rental companies cannot pass along the increased costs to drivers (higher rental rates), it may be financially unviable for them to continue operating the NYC market.[15] For individual TLC-licensed drivers who cannot afford to purchase or enter into a long-term lease, this could shut them out of their profession.

The significant and continuing rise in insurance premiums for taxis and for-hire vehicles poses a multifaceted challenge for the industry. Higher costs threaten the livelihoods of individual drivers, making the profession less appealing, and they impact fleet owners who may reduce their vehicle operations, increase FHV rental costs, or increase passenger fares. As service availability declines and potential drivers are deterred by financial barriers, the overall sustainability of the for-hire transportation sector comes into question.

C. ATIC's Insolvency

ATIC reported a net loss of more than $700 million for the second quarter of 2024 in a filing with the National Association of Insurance Commissioners.[16] This financial shortfall triggered what is known as a "mandatory control level event," prompting intervention from DFS.[17] Such an event means the company's financial reserves have dipped below the levels necessary to ensure continued operation without external support. December 2024 filings show the company's policy holder surplus is now deficient by $760 million.

The New York-based commercial automobile liability insurer has specialized in covering taxicabs and for-hire vehicles in the New York metropolitan area for the past 50 years. Despite its long-standing presence and industry dominance, the company has faced persistent financial

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[12] www.automarketplace.substack.com/p/2024-nyc-tlc-insurance-industry-overview. A "CAP" policy covers multiple vehicles and drivers. A CAP policy often arises in the TLC fleet industry when multiple "undisclosed driver" claims happen.
[13] A "CAP" policy covers multiple vehicles and drivers and arises when multiple "undisclosed driver" claims happen.
[14] https://automarketplace.substack.com/p/atic-and-hereford-announce-2025-insurance
[15] automarketplace.substack.com/p/2024-nyc-tlc-insurance-industry-overview
[16] www.insurancejournal.com/news/east/2024/09/04/791291.htm
[17] *Id*.

challenges over the past several decades. According to DFS, which oversees insurance companies operating in New York State, "ATIC's reserves were first identified as inadequate in 1979 and the amount of the insolvency has continued to increase since then."[18] ATIC was insolvent by $6.2 million in 1986, $39.9 million in 1989, $79.3 million in 1997, $139.8 million in 2007, and $254.4 million in 2013. In the most recent report, DFS found the company's insolvency to be roughly $665 million in claims (and claim expenses) for crashes that have already occurred, prompting DFS to direct ATIC to find additional capital and explore the possibility of a sale.[19]

D. Recent TLC Amendments to Insurance Rules

On January 29, 2025, the TLC amended its insurance rules for taxis and for-hire vehicles to require more comprehensive reporting and placed restrictions on acceptable policies effective January 1, 2026.[20] Specifically, the new rules ban excess policies to satisfy the TLC's minimum coverage requirements unless the policy is "with a company authorized to do business in this State by the Superintendent of Insurance." Notably, under New York's Insurance Law, excess lines policies are understood to be issued by a carrier that is "unauthorized" by DFS.[21] A more detailed discussion of excess lines insurers and New York's regulation of carriers and brokers of such policies is in Section IV.A.2 of this report.

The new rules will also ban policies containing "limitations or restrictions on location or timeframes of coverage." Commercial auto insurance policies with limitations or restrictions on location or timeframes of coverage only provide coverage for a specific geographic area or during certain hours of the day, meaning the vehicle is not insured if it travels outside that designated area or operates outside the specified time period. This type of timeframe-based coverage is common with TNC insurance where the TNC only needs coverage for the vehicle when a driver is signed on to the app, either awaiting a trip request or transporting passengers, and the vehicle's personal vehicle policy applies at other time. It is unclear if TLC licensees were using these types of policies in New York.

The amended rules do not address the TLC's high No-Fault (PIP) and liability limits, which the Commission can adjust through rulemaking.[22] In 1998, the TLC increased liability and No-Fault insurance coverage requirements for taxis and for-hire vehicles as a package of rules to address public safety. Reducing TLC's No-Fault limits is discussed in detail in Section IV.A.1 of this report.

E. NYS Executive Budget Legislation

New York Governor Kathy Hochul included three proposals targeting for-hire vehicle insurance in her Fiscal Year 2026 executive budget – all of which the NYS Senate and Assembly

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[18] www.dfs.ny.gov/system/files/documents/2024/09/ATIC_Report-on-Exam-Financial_2018.pdf
[19] *Id.*
[20] www.nyc.gov/assets/tlc/downloads/pdf/insurance_rule.pdf
[21] *See* N.Y. Ins. Law §§ 1101 and 2118; *see also* https://nysba.org/NYSBA/Coursebooks/Spring%202016%20CLE%20Coursebooks/Insurance%20Coverage%202016/6-Platt-EXCESS-AKA%20SURPLUS-LINES%20101.pdf?srsltid=AfmBOorr0ZtOGU3PJhcEIXoC2S_7hR6j50Qc62N2tnSj6u4pqWIfDIX2
[22] NYC Charter § 2303(7) (The TLC's powers include regulations setting "[r]equirements for the maintenance of financial responsibility, insurance and minimum coverage."); NYC Admin. Code § 19-503.1

intentionally omitted from their revised version of the budget legislation.[23] The NYS Senate formally introduced into budget negotiations[24] a bill the Governor vetoed last year[25] to establish a captive insurance program for commuter vans, pre-arranged for-hire vehicles, and accessible vehicles.

One of the Governor's original proposals would make it easier for insurance *companies to make minor rate adjustments ("Flex Rating for For-Hire Vehicle Insurance") without DFS approval.[26] The Flex Rating bill would let insurers adjust within DFS-established limits (not to exceed 5%) up to two times in 12 months, with increases implemented in the next policy period. According to the legislation, the Flex Rating bill is intended to help insurance companies "better compete for business within reasonable limitations."[27] According to the industry survey, such a measure could produce results in the short-term.

The second proposal ("Insurance Rate Approval for For-Hire Vehicles") would require insurers to submit rates and rating plans, rules and manuals to DFS for approval by August 1, 2025, and then at least every three years. According to the legislative memo, this would let DFS "establish actuarially-sound rates across the industry" and phase-in increases.[28] This bill "should also allow for more carriers to enter the market granting more options to drivers."[29] Such a measure is seen as a mechanism to allow DFS to guard against ATIC's practice of underpriced premiums to drive out competitors, which the industry survey found to be a direct contributor to the current insurance crises.[30] Approximately one-third of those who responded to the industry survey said that allowing DFS to set actuarially-sound rates across the industry and phase-in any rate increases over time could produce results in less than a year.

The Governor's third proposal ("For-Hire Vehicle Group Insurance Policies") would allow insurance companies to provide group insurance policies to for-hire vehicles of any size.[31] New York prohibits group property-casualty policies absent specific statutory authorization, which currently is granted to vehicles seating eight or more that transport passengers for hire.[32] This bill would purportedly "open opportunities for insurers to expand their group policy offerings and provide owners of for-hire vehicles more options for sufficient coverage in this market."[33] However, it is unclear whether carriers would be willing or able to offer this type of policy from a practical standpoint and whether such policies would provide significant cost savings to drivers.

The Legislature's proposal would require DFS to establish a captive insurance program for commuter vans, prearranged for-hire vehicles—including small school buses, charter buses,

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[23] https://www.nysenate.gov/legislation/bills/2025/S3008/amendment/B
[24] Part ZZZ, https://www.nysenate.gov/legislation/bills/2025/S3008/amendment/B
[25] Reintroduced in 2025 as S. 4809, https://www.nysenate.gov/legislation/bills/2025/S4809/amendment/A
[26] Part CC https://www.nysenate.gov/legislation/bills/2025/S3008/amendment/original
[27] www.budget.ny.gov/pubs/archive/fy26/ex/artvii/ted-memo.pdf
[28] Part DD, https://www.nysenate.gov/legislation/bills/2025/S3008/amendment/original
[29] www.budget.ny.gov/pubs/archive/fy26/ex/artvii/ted-memo.pdf
[30] www.bloomberg.com/news/articles/2025-01-21/new-york-proposes-plan-to-stabilize-broken-taxi-insurance-market
[31] Part BB, www.budget.ny.gov/pubs/archive/fy26/ex/artvii/ted-bill.pdf
[32] NY CLS Ins § 3457
[33] www.budget.ny.gov/pubs/archive/fy26/ex/artvii/ted-memo.pdf

liveries, taxis, black cars, or luxury limousines—and accessible vehicles, such as ambulettes and paratransit vehicles. DFS would allow the creation of a captive insurance company to provide the necessary insurance for these vehicles. Under this legislation, the captive insurance company would be required to maintain the following insurance requirements: $500,000 combined single limits (CSL); $50,000 personal injury protection (PIP) (basic); and $25,000/$50,000 uninsured motorist coverage (UM/UIM). In addition, all No-Fault insurance for vehicles insured in this program will rely on the medical treatment guidelines promulgated in existing workers' compensation law.

The Legislature's intentional omission of the Governor's insurance proposals does not mean they ultimately will not agree to them or that they have any serious qualms with the measures and it may be a negotiating tactic. Executive budget legislation is subject to amendment by the Governor and the legislature, and the bills go through the normal legislative process of hearings and floor debate. The final budget is due by March 31, 2025. Fiscal Year 2026 begins on April 1, 2025.

II. How Did Things Get So Bad?

ATIC's insolvency crisis has been brewing for decades and is the result of several factors, including alleged long-standing financial mismanagement at ATIC, underpricing policies, and resistance to regulator intervention. The issues with ATIC highlights broader issues affecting the entire taxi and for-hire vehicle insurance industry, including rising claims, increasing costs, New York's No-Fault insurance law, and rampant insurance fraud and abuse of the system.

The situation has resulted in only a handful of insurance companies willing to write for-hire vehicle insurance in New York. ATIC insures around 63% of NYC's for-hire vehicles. The other insurance companies are Hereford Insurance Company (21%), Affirmative Direct (6%), Accident Fund (4%), Maya Assurance Company ("Maya") (3%), INSHUR (2%), and Lancer (1%).[34] Affirmative Direct and Accident Fund provide insurance to large fleets instead of individual owner-drivers. Moreover, according to an August 2024 DFS report, Maya, which insures around 3% of TLC vehicles, is also technically insolvent.[35] DFS determined that, as of December 31, 2019, Maya was insolvent in the amount of $50,965,794, its capital was impaired in the amount of $51,465,794, and its minimum required to be maintained a surplus of $2,900,000 was impaired in the amount of $53,865,794. Maya announced its plans to leave the NYC market, citing its inability to survive in the current conditions.[36]

A. Issues at ATIC

ATIC has struggled with financial issues for years. The company's reserves have been flagged as deficient since 1979, and, despite repeated regulatory interventions, it has failed to achieve economic stability.[37] State regulators recently approved two premium rate increases for ATIC, which may be a corrective measure following reports of underpricing premiums. ATIC has

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[34] https://automarketplace.substack.com/p/2024-nyc-tlc-insurance-industry-overview-8ea
[35] www.dfs.ny.gov/system/files/documents/2024/11/36030f19_new.pdf
[36] www.mayaassurance.com/wp-content/uploads/Maya-making-plans-to-exit-the-New-York-City-livery-market-_-Insurance-Insider-US.pdf
[37] blog.pia.org/2024/10/04/american-transit-insurance-co-s-looming-collapse-causes-regulatory-failures-and-impact/

strategically positioned itself in the NYC insurance market for decades by consistently underpricing its policies—offering premiums too low to cover claims.[38] This aggressive pricing strategy has allowed the company to capture a significant share of the TLC market (approximately 63%) while raising concerns about its ability to pay claims.[39]

According to insurance insiders questioned for this report, ATIC's decision to continue offering policies at rates that were much lower than needed to cover claims caused several problems. First, it generally offered the lowest priced coverage, which took market share away from other carriers that tried to charge adequately priced rates. Other companies could not compete, which lead to ATIC's market share growing to its current level. Second, the DFS used ATIC's low rates to argue that rate increases were not needed. Third, it appeared to empower the 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.

There have been long-standing disagreements between ATIC and its third-party actuaries over the amount ATIC sets aside for claims.[40] Regulatory attempts to bolster ATIC's reserves have often been met with resistance from the company. Moreover, regulators have submitted numerous petitions to initiate the company's liquidation process, with actions dating back to 1979, none of which were successful.

The DFS report on ATIC reveals several potential financial improprieties and concerning internal accounting practices.[41] It notes that the company improperly paid its affiliated entities and used these affiliates to withdraw funds earmarked for claims. Additionally, ATIC disbursed approximately $2 million to employees of various vendors, while it allocated another $2.8 million to consultants for data processing and information technology services, although the specific nature of these services remains unspecified. Furthermore, DFS found that, despite ATIC facing a shortfall in its reserves since 2018, the company still awarded significant bonuses to its executives. In another instance, ATIC outsourced services amounting to $1.56 million to GBS, a company where the controlling shareholders of ATIC hold 70% of the ownership.

B. Escalating Claims and Costs

Commercial auto insurers are experiencing larger claim sizes, an increase in the number of claims, and rising costs, all of which significantly affect the financial health of the insurance industry.[42] Higher insurance limits can greatly benefit plaintiffs' attorneys. Some personal injury lawyers have exploited New York City's increased insurance limits for taxis and FHVs. The severity of claims has also increased consistently since the pandemic began. Since 2020, the severity of bodily injury has jumped by 20%, the severity of all material damage coverages has

[38] 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
[39] www.insurancejournal.com/news/east/2024/09/04/791291.htm
[40] www.insurancejournal.com/news/east/2024/09/06/791729.htm
[41] www.dfs.ny.gov/system/files/documents/2024/09/ATIC_Report-on-Exam-Financial_2018.pdf
[42] www.insurancejournal.com/news/east/2024/09/04/791291.htm

risen by 47%, and total loss claims have increased by 29 percent.[43] This has led to higher settlements and jury awards. As a result, each claim becomes more expensive to settle.

Insurance and repair costs for cars have increased due to advanced materials and new technology.[44] When newer models with advanced technology are involved in crashes, costs can be high. The consumer price index of motor vehicle maintenance and repair rose 10% between 2023 and 2024.[45]

In recent years, the increased severity of claims and the cost of repairing vehicles have contributed to insurance companies losing money. Commercial auto averaged a combined ratio of 108% over the last 13 years and 113.3% in 2023. A "combined ratio" is a metric that insurance companies use to assess profitability by dividing the sum of incurred losses and operating expenses by earned premiums. A ratio below 100% indicates an underwriting profit, meaning the company earns more from premiums than it pays out in claims and costs.

The commercial auto insurance sector faces significant challenges marked by increasing claim sizes, rising costs, and a troubling trend of greater claim frequency. Insurers are struggling to keep their combined ratios below the breaking point.

C. No-Fault Insurance Laws and Fraudulent Claims

New York's No-Fault (PIP) insurance law aims to support individuals injured in car crashes, but its current framework has led to abuse and significant fraud, affecting both insurers and honest policyholders. Fraudulent claims increase operational costs for insurers, which leads to higher premiums for policyholders.

New York's No-Fault insurance law requires insurance companies to cover economic losses—up to $50,000 per person for personal or private passenger vehicles and $200,000 for taxis and for-hire vehicles in New York City—of the driver and any injured passengers or pedestrians regardless who caused the collision or whether there was any negligence.[46] These requirements ensure that anyone injured in a crash is quickly covered for medical/health expenses, lost earnings, and other reasonable and necessary expenses related to injuries sustained.

The structure of the law contributes to significantly higher premiums. It has inadvertently created opportunities for abuse, as some healthcare providers have submitted fraudulent No-Fault claims for nonexistent, false, or exaggerated injuries. A March 2024 DFS report said that suspected No-Fault fraud reports accounted for 75% of suspected insurance fraud reports and 94% of all healthcare fraud reports received in 2023.[47] ATIC estimates that, of the more than 250,000 claims it processes every year, 60% to 70% are fraudulent.[48] This fraudulent activity increases insurers' costs and ultimately increases the rates for all policyholders.

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[43] https://risk.lexisnexis.com/insights-resources/white-paper/auto-insurance-trends-report
[44] www.travelers.com/resources/business-topics/insuring/commercial-auto-risks-that-can-increase-insurance-rates
[45] https://rsmus.com/insights/industries/financial-services/rising-auto-repair-costs.html
[46] www.dfs.ny.gov/consumers/auto_insurance/minimum_auto_insurance_requirements
[47] www.dfs.ny.gov/system/files/documents/2024/03/2023-health-fraud-annual-report.pdf
[48] www.insurancebusinessmag.com/us/news/life-insurance/450-million-lawsuit-alleges-massive-fraud-in-nofault-insurance-claims-518595.aspx

In December 2024, ATIC filed a lawsuit seeking to recover $450 million from over 180 defendants for allegedly submitting thousands of fraudulent insurance claims.[49] The lawsuit—one of the largest insurance fraud actions under the Racketeer Influenced and Corrupt Organizations (RICO) Act filed in New York—alleges that specific ambulatory surgery centers and individuals conspired to submit thousands of fraudulent insurance claims to ATIC for services that involved kickbacks, were not provided or misrepresented, and/or were medically unnecessary.[50] As of March 10, 2024, ATIC has voluntarily dismissed its claim against numerous defendants in the case; ATIC is not required to state a reason for these dismissals. The lawsuit is ongoing.

Uber filed a similar racketeering lawsuit in January 2025, against a group of law firms, doctors, and pain-management clinics, accusing them of staging car accidents, falsifying injuries, and performing unnecessary surgeries to exploit New York's No-Fault insurance system.[51]

D. Impact of the Pandemic on Insurance Costs and Industry Recovery

The pandemic significantly affected commercial vehicle insurance costs in various ways. One of the most notable changes was the decline in claim frequency as driving diminished and lockdowns were enforced. This reduction meant that fewer claims were filed throughout 2020. However, while the number of claims decreased, the average size of those claims (or severity) substantially increased. This rise in claim severity can be attributed to several factors, including higher medical costs, increased litigation, rising jury awards, and escalating legal defense costs.

When driving activities resumed, claim volumes gradually returned to levels seen before the pandemic. This surge in claims contributed to combined ratios—an essential measure of profitability—rising above 100% in 2022. As a result, insurers faced significant underwriting losses, prompting them to increase premiums and change their underwriting processes.

III. What Will Happen Next?

ATIC's insolvency has raised alarm bells for New York City's taxi and for-hire vehicle industry. As the leading insurance provider for many of these vehicles, ATIC's potential exit from the market threatens to plunge hundreds of drivers into uncertainty, complicating access to necessary coverage and driving up insurance premiums even further. Given that ATIC currently holds approximately 63% of the market share for for-hire vehicles in NYC, the implications are profound. The situation is further complicated by insufficient funding in the state's security funds to cover ATIC's claims.

A. Driver Job Losses & Increased Fares

If ATIC leaves the NYC marketplace, tens of thousands of taxi and FHV drivers will be without insurance. Insurance premiums are likely to rise as remaining insurers shoulder increased risk. Independent drivers, who already face high operating costs, may struggle to stay on the road

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[49] finance.yahoo.com/news/american-transit-insurance-company-files-191000538.html

[50] *American Transit Insurance Company v. All City Family Healthcare Center Inc., et al.*, Case No. 24-cv-08606 US District Court, Eastern District of New York (Brooklyn)

[51] *Uber v. Wingate*, 25-cv-522, US District Court, Eastern District of New York (Brooklyn); https://www.insurancejournal.com/news/east/2025/01/31/810277.htm

due to these rising premiums, potentially leading to decreased service availability and higher passenger fares as operators adjust to the fallout of fewer drivers and vehicles.[52]

The departure of ATIC would leave numerous drivers who own their vehicles in a precarious situation where they cannot work until they find a new insurance carrier. In such an event, drivers and the industry would benefit if TLC allowed FHV rental companies to obtain additional licenses to fill the gap. This would help stabilize the market and facilitate access to viable rental options for drivers who have lost their insurance coverage with ATIC. This approach would ensure that these drivers can resume work promptly.

B. New York State Insurance Guaranty (Security) Funds and an ATIC Bailout

If ATIC cannot pay claims, DFS and New York State will ensure ATIC's liability protections are honored despite the company's insolvency to a limit. However, as currently funded, New York's insurance safety nets will not support an ATIC crash.

New York State's insurance security funds are supposed to protect policyholders if their insurance provider becomes insolvent, ensuring that claims (up to a limit) are paid out.[53] Every insurer authorized to write for-hire vehicle liability policies in New York must contribute 3% of premiums charged on such policies to the Public Motor Vehicle Liability Security Fund. The Public Motor Vehicle Liability Security Fund provides coverage for insureds of insolvent authorized carriers up to $50,000 per person for bodily injury and $10,000 for property damage.[54] The Property/Casualty Insurance Security Fund is underwritten by premiums on policies that insure property and risk in New York, including motor vehicle liability, homeowner, and other property and casualty policies.[55] The Property/Casualty Insurance Security Fund provides coverage for insureds of insolvent authorized carriers, up to the lesser of $1 million or the policy limit.

Suppose an admitted insurer in New York is underfunded to meet its claims obligations. In that case, DFS ordinarily draws from the Public Motor Vehicle Liability Security Fund or the Property/Casualty Insurance Security Fund to meet the claims.[56] According to the most recent available data, the Public Motor Vehicle Liability Security Fund had roughly $57.5 million, and the Property Casualty Insurance Security Fund had $248.7 million as of March 2023.[57] At the end of September 2024, ATIC reported uncovered claims amounting to approximately $670 million. This significant figure seriously threatens the two insurance security funds holding only $300 million collectively. The security funds would be depleted well beyond their capacity.

A bailout of ATIC will likely be necessary to ensure that claims for existing policies will be paid. According to reports, the State is considering charging other admitted insurance companies in New York a one-time assessment to ensure the payout of ATIC's claims.[58] An insurance industry-funded bailout would likely mean property and casualty insurance

[52] blog.pia.org/2024/10/04/american-transit-insurance-co-s-looming-collapse-causes-regulatory-failures-and-impact/
[53] NY Insurance Law § 7601
[54] NY Insurance Law § 7604
[55] NY Insurance Law § 7603
[56] www.insurancejournal.com/news/east/2024/12/12/804617.htm
[57] www.dfs.ny.gov/system/files/documents/2024/06/dfs_annrpt_2023.pdf
[58] www.insurancejournal.com/news/east/2024/12/12/804617.htm

policyholders in Buffalo, Rochester, and throughout New York will see their premiums rise. Those with no connection to New York City's for-hire vehicle market would face the burden of having to repay the shortfall, leaving them responsible for compensating the insurance funds for the incurred losses.[59] All insureds should not be forced to bail out a private company without anything in return.

In light of the potential for across-the-board increases in premiums for all lines of insurance, determining how to structure an ATIC bailout and who should pay for it is complex and has no easy answers.[60] An ATIC bailout that allows the company to continue writing insurance is more likely than not because ATIC insures approximately 63% percent of the commercial for-hire vehicle insurance market in New York City.[61] Its sudden departure from the NYC market could leave too many drivers uninsured and disrupt the transportation system.

A bailout for ATIC might be needed to cover existing claims, but it will not solve the problem of breaking up the "too big to fail" market share that the company enjoys. If ATIC just continues its current practices after the bailout, the situation could get worse.

IV. Proposed Reforms

As the state contemplates an ATIC bailout, it must also consider reform measures for the industry as a whole and ways to attract new insurers to the market. To attract new insurance options, DFS must approve reasonable rate and underwriting filings. The state needs to address tort reform to help insurance companies fairly defend against inflated claims. At the city-level, a comprehensive examination of insurance requirements, including No-Fault and liability limits, is essential. Current rates may not accurately reflect the safety records of TLC drivers, who benefit from extensive training and robust oversight.

Improving data collection, mandating telematics, and offering driver training can lead to better outcomes over time. Captive insurance models and excess lines offer promising avenues for reducing costs and improving risk management. 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. Insurance is a slow moving industry, so most changes made today may not have a noticeable impact on loss runs and rates for a several years.

A. Short-Term Measures

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

High No-Fault (PIP) insurance limits have made the for-hire industry a target for personal injury lawsuits. The state-mandated $50,000 PIP is available to the vehicle's driver and any passengers, as well as pedestrians, bicyclists, or others injured by the covered vehicle.[62] Under NYS regulations, the $150,000 of Additional PIP required by the TLC only covers the vehicle's

[59] www.calameo.com/read/0065303639a9cef561140
[60] www.carriermanagement.com/news/2024/12/15/269540.htm
[61] www.insurancejournal.com/news/east/2024/09/04/791291.htm
[62] *See* 11 NYCRR 65-1.1, Requirements for minimum benefit insurance policies for personal injuries.

occupants—*i.e.*, the driver and passengers.[63] However, pedestrians, cyclists, and others outside the vehicle are excluded from Additional PIP coverage.[64]

A bill introduced by New York City Council Member Carmen De La Rosa in September 2024 would bring the TLC-required No-Fault (PIP) to the statewide standard.[65] 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 the mandatory Additional PIP.

Eliminating the TLC's mandatory Additional PIP would not prevent a vehicle owner from voluntarily obtaining higher levels of PIP. Any vehicle owner interested in carrying more than the TLC-mandated minimums may do so today and will be able to do so even if the TLC does not mandate it. It is relatively inexpensive for any motorist to purchase Additional PIP coverage. The extra $150,000 of PIP is estimated to cost around $600 annually.[66] Those who want additional PIP coverage for their vehicles will still be able to obtain it.

As is explained in Section II.C above, No-Fault (PIP) is a major vector for insurance fraud, and it is inarguable that the TLC requirement for $200,000 in No-Fault coverage makes taxis and for-hire vehicles a particularly attractive target for fraudulent or inflated claims. Private drivers, commercial drivers, and governmental vehicles do not generally carry additional PIP – or at least not at the levels required by the TLC. Only taxis and for-hire vehicles have this excessive no-fault insurance. Insurers that have left the market cite the TLC's Additional PIP as a reason for their exit. Reducing PIP requirements is expected to induce carriers to enter or re-enter the market (which was made clear by testimony of insurers at the last TLC public hearing on unrelated insurance related regulations). Reduced premium costs may result from increased competition in the NYC taxi and FHV insurance market.

TLC-licensed drivers tend to be among the safest on our streets. One study found that taxi and livery drivers' crash rates were about one-third lower than for all other types of vehicles and that passengers were more likely to be injured while riding in a vehicle driven by a loved one than a TLC-licensed driver.[67] TLC-licensed drivers are professionals who cannot obtain or keep their license unless they do the following:

- Complete a 24-hour TLC Driver Education Course and pass an 80-question comprehensive exam on driving rules
- Complete a Defensive Driving Course (and a refresher every three years)
- Pass a medical exam and drug test (and pass that drug test annually)
- Pass a criminal background check

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[63] *See* 11 NYCRR 65-1.3, Requirements for additional personal injury protection coverage.
[64] *Id*.
[65] legistar.council.nyc.gov/LegislationDetail.aspx?ID=6874625&GUID=6C24B84A-3C88-4D19-8BE7-203B250FE1B6
[66] https://automarketplace.substack.com/p/uber-urges-nyc-tlc-drivers-to-support
[67] *See* www.schallerconsult.com/taxi/crash06.htm (2004)

- Pass a driving background check and resolve all outstanding moving or parking summonses.

The TLC's efforts to prevent crashes have been working; on a per-trip basis, the rate of injury crashes involving a TLC licensed driver declined by more than one-third from 2015-2024, from 28.9 injury crashes per million trips in 2015 to 18.3 crashes per million trips in 2024. Furthermore, tens of thousands of FHVs have telematics cameras installed. Insurance carriers may offer discounts on driver premiums for the use of these cameras but are not currently required to do so.[68] The TLC or the City of New York should mandate cameras for all TLC-licensed vehicles.

2. Allow Excess (Surplus) Lines 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. The TLC has established minimum liability insurance limits exceeding those of the New York and Vehicle and Traffic Law. While state law requires the state-mandated minimums ($25,000/$50,000/$10,000 and $50,000 PIP) to be issued by a company licensed by the NYSDFS and certified by the NYS Department of Motor Vehicles (referred to as "admitted" or "authorized"), DFS allows TLC-established minimums over the state requirements to be provided by "excess lines" or "unauthorized" insurers.[69]

According to DFS guidance, the TLC's insurance requirements may be satisfied by either (a) a single policy from an admitted insurer providing the required limits on a primary basis or (b) an excess policy that, in combination with the primary policy, provides the required limits.[70] For example, the $50,000 No-Fault minimum is issued by an admitted carrier, and an excess lines carrier issues a $150,000 excess policy, which, in combination with the primary policy, meets the TLC's $200,000 No-Fault minimum. Despite DFS's guidance, the TLC's recent rule change requiring coverage by a New York State-admitted insurer will effectively ban excess lines policies.[71]

The excess policy covers losses only after a claim exceeds the primary policy limits. This method of stacking policies provides a responsible and more financially sustainable insurance model than a single primary policy. It ensures that the TLC's requirements are met without putting excessive financial burden on the FHV owners.

Excess lines insurers are often misunderstood. Because they are also referred to as "non-admitted" carriers, many people believe they are companies that cannot meet the licensure requirements of a particular state and operate without regulatory oversight. Both assumptions are false. Excess lines insurers typically choose not to seek licensing to freely develop their own

[68] www.dfs.ny.gov/reports_and_publications/press_releases/pr202001161
[69] *See* N.Y. Ins. Law § 1101
[70] www.dfs.ny.gov/industry_guidance/circular_letters/cl1998_18;
www.dfs.ny.gov/insurance/ogco2002/rg203072.htm
[71] www.nyc.gov/assets/tlc/downloads/pdf/insurance_rule.pdf

coverages and set rates without needing approval from state regulators.[72] This allows them to offer lower premiums on certain products, although lower premiums is not a permitted reason to go to the excess line market. While an authorized insurer cannot implement new rates or forms until they have been approved — a process that can take six months according to industry-insider estimates — an excess lines insurer can start using new rates or forms immediately after obtaining internal approvals. This allows excess lines insurers to respond more quickly to changes in the market compared to authorized carriers.

Non-admitted carriers lack state licensing, but they are not entirely unregulated. These carriers must be "eligible" to offer coverage in New York, and this is an annually revisited determination.[73] DFS will remove any carrier from the list of eligible excess lines insurers if it determines that the insurer lacks sufficient financial resources to continue providing insurance in New York. In fact, at $49 million, New York has the highest capital and surplus requirement for foreign excess line (surplus line) carriers in the country.[74] Also, there are certain insurance code sections, DFS regulations, and DFS requirements that apply to excess line policies. Moreover, excess lines placements must be made by DFS-licensed excess line brokers, and such brokers are fully regulated, including specifically for excess line placements.

However, there are essential differences in protection for insureds. If an authorized carrier becomes insolvent, insureds benefit from the guaranty funds. In contrast, insureds of an excess lines carrier have no such recourse. Excess lines carriers do not participate in the NYS guaranty funds (Public Motor Vehicle Liability Security Fund or the Property/Casualty Insurance Security Fund), meaning that if an excess lines carrier goes bankrupt, the insured can only seek recovery from the receiver of the insolvent insurer with no additional sources of recovery available. Although, as explained in Section III.B above, guaranty fund coverage is limited in the amount that it will cover.[75] It is also critical to note that there has not been an insolvency of a NY-eligible excess line insurer in over 20 years.[76] Many are part of large, financially strong groups, which diminishes the potential risk of unpaid claims.

Excess lines policies are solution, not a problem. In the NYC FHV insurance realm, they are primarily used by companies, like large FHV rental companies and fleet owners. If these rental companies are unable to use excess lines to meet the higher limits required by the TLC, it will almost certainly result in higher premiums and, in turn, higher rental rates for drivers. Fleets will also pass on increases to customers. The TLC's ban on excess lines polices does not go into effect until January 1, 2026, so there is still time for the agency to reconsider what such a ban will actually accomplish and correct its course.[77]

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[72] https://nysba.org/NYSBA/Coursebooks/Spring%202016%20CLE%20Coursebooks/Insurance%20Coverage%202016/6-Platt-EXCESS-AKA%20SURPLUS-LINES%20101.pdf

[73] Eligibility rules must align with the Nonadmitted and Reinsurance Reform Act of 2010 (NRRA). Annual requalification requires submitting financial data to NYSDFS.

[74] Excess Line Association of New York email message to the author, March 12, 2025. *See also* www.elany.org/filing-requirements-for-new-applicants

[75] *See* NY Insurance Law §§ 7603 and 7604

[76] www.elany.org/insurers-no-longer-listed-in-new-york-foreign

[77] www.nyc.gov/assets/tlc/downloads/pdf/insurance_rule.pdf

3. Expand FHV Rental Options

Expanding short-term FHV rental options is a viable response to the insurance crisis that has priced individual owner-operators out of the market and will be essential to keeping the industry functioning if ATIC exits the NYC market, potentially leaving tens of thousands of drivers with unviable rate hikes as the only option to continue working. As insurance rates for the majority of TLC drivers will rise between 2% and 10% in 2025, many may find that the associated costs outweigh the anticipated income, leading them to reconsider their continued participation in the industry.[78]

FHV rentals can be a good option for drivers who want flexibility, do not want to commit or cannot afford to maintain a car, or are just starting out with rideshare driving, as it eliminates the upfront cost of a vehicle and includes maintenance and insurance. This model allows rental companies to take control of costs associated with vehicle ownership, enabling them to implement comprehensive safety programs for drivers while accommodating the needs of drivers seeking more flexible working arrangements. 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.[79] The transition to these vehicles comes at a higher purchase price, and many finance companies will not finance these vehicles to individuals if they are used for commercial purposes.

Moreover, expanding rental options creates a driver-friendly ecosystem that addresses the current insurance crisis head-on. However, the existing FHV cap and the TLC's recent ban on excess insurance policies set to take effect on January 1, 2026, are significant barriers to this solution. By lifting the cap for FHV rental companies, the TLC can encourage rental companies to grow their fleets. This would foster competition among rental companies, leading to better rates and services for drivers. A more robust rental market means drivers can access well-maintained vehicles that meet stringent safety standards, improving the quality of service provided to passengers.

The TLC must consider providing an exemption from the FHV cap, allowing rental companies to expand their operations to more drivers who want to rent. To allow these companies to keep their rental rates reasonable, the TLC must also reconsider its decision to ban excess policies.

4. Safe Driver Discount

Each year, the TLC recognizes the City's safest taxi and for-hire vehicle drivers and bases by naming them to the Honor Roll. In 2024, TLC named 8,385 drivers and 40 bases which made at least 1,000 trips in the previous year and have gone at least five years without an injury crash, a fatal crash, a traffic violation or a violations of TLC safety rules.[80] One honoree, Chika Anthony Ogonnaya, provided this advice to TLC drivers: "Patience is the key word. You have to give other drivers a break, you don't have to be selfish on the road. Once you are patient, the sky will be your limit."

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[78] https://automarketplace.substack.com/p/atic-and-hereford-announce-2025-insurance
[79] www.nyc.gov/site/tlc/about/green-rides.page
[80] www.nyc.gov/assets/tlc/downloads/pdf/honor-roll/safest-drivers-2024.pdf

Hundreds of awardees in 2024 attended an Honor Roll ceremony at Gracie Mansion, hosted by Mayor Eric Adams.[81] This recognition certainly means a lot to those drivers, and they should take pride in their achievement. Despite this recognition, these exemplary drivers did not receive any monetary incentives or rewards for their commitment to safety.

In light of this, TLC and DFS should collaborate in reinvigorating and modernizing the "TLC Safe Driver Certification Program" that TLC started in 2003 while under the direction of CEO and Chair Matthew Daus.[82] Under that program—which was subsequently discontinued—participating insurers provided significant insurance discounts to vehicle operators who demonstrated to TLC that they exceed safety standards. This renewed initiative could mandate insurers provide heavily discounted insurance premiums to drivers who meet the rigorous standards typically associated with the Honor Roll designation. Such a program would not only serve as an additional layer of recognition but would also incentivize safe driving practices throughout the industry.

5. Mandate Telematics for Risk Mitigation and Price Relief

Deploying technology to improve safety is a strategy to reduce insurance costs industrywide. Telematics helps reduce insurance costs and claims by allowing insurers to accurately assess driver risk based on real-time driving data, which enables them to offer personalized premiums to reward safer driving habit with lower rates. Telematics using distracted driver technology can also help prevent an accident from happening by alerting the driver to focus on the road, which will lower the insurance carriers' loss cost and help stabilize premiums.

Telematics systems collect and analyze vehicle activity data to provide driver behavior insights. These systems can provide insurers with data to help them price TLC-licensed drivers' premiums more precisely and investigate claims stemming from collisions. In addition, many of these telematics systems can provide real-time feedback to drivers to improve their habits. Telematics systems have been used to operate Usage Based Insurance programs.

When pricing a driver's premiums, insurance companies will generally consider the type of vehicle they drive, their crash history, driving record, age, and other factors that correlate with a similarly situated driver's risk. Telematics data, by contrast, provides granular, personalized data that allows insurers to see beyond broad generalizations and assess risk based on actual driving patterns, leading to more accurate and fair premium calculations. For instance, a driver with two collision claims in a year may be exhibiting reckless tendencies like speeding and hard braking. Telematics can be used to identify driving tendencies and coach drivers to better driving habits.

Case Study: Zendrive monitors and analyzes driving behavior via smartphone sensors. This system provides insurers with highly accurate risk assessments, allowing for more precise policyholder segmentation and personalized premium pricing. Credit Karma used Zendrive's technology to provide over 4 million discounted policy offers to lower-risk drivers.

Telematics can also help insurers investigate collisions and determine the validity of claims by providing clear, objective evidence of what occurred during the moments preceding, during,

[81] www.nyc.gov/site/tlc/about/2024-honor-roll-press-release.page
[82] https://www.nyc.gov/assets/tlc/downloads/pdf/archived_industry_notices/industry_notice_03_02.pdf

and after a crash. Another example of technology that can perform this recoding function is inward and outward-facing dashboard cams. As an example, on November 2024, the Queens District attorney charged a Brooklyn man with insurance fraud, staging a motor vehicle crash, and other crimes after a dash cam video posted on TikTok showed the man cut off another vehicle's driver – apparently attempting to cause a rear end crash – and then backed into that car, causing $8,300 in damages.

Case Study: Nexar dash cam devices combine video data with data from other onboard sensors to evaluate driver behavior like "headway distance keeping," which correlates with collision probability. In a crash, the Nexar device collects and analyzes video, speed, and g-force data and instantly provides it to the owners' insurer. This data can help insurers process claims more efficiently and even identify potentially fraudulent claims by, for instance, indicating whether the severity and nature of the collision is or is not generally consistent with a passenger's reported injuries.

Telematics devices have also been demonstrated to improve driver behavior through real-time feedback. This coaching, accomplished via audio alerts or driver scoring, discourages risky driver conduct such as speeding, hard acceleration, and aggressive turns.

Case Study: Geotab identifies risky driving behavior via a device installed in the vehicle that records speed, acceleration, braking, and other activity. A firm with a 450-vehicle fleet hired Geotab to improve their driver's safety. Geotab used the data from the in-vehicle device to provide the firm's employees with a monthly ranking scorecard, positive feedback, and recognition for safety improvements. The program resulted in a nearly 90% reduction in high-risk driving and a 40% drop in crashes.

Insurers can use telematics to manage a comprehensive Usage-Based Insurance ("UBI") program for TLC vehicle owner-drivers. UBI uses real-time telematics driving data to assess risk and calculate individualized premiums. Driving behaviors like hard braking and harsh acceleration are valuable indicators of crash risk, often providing more insight than crash history alone because these events occur much more frequently than crashes, offering a larger risk assessment dataset. This real-time driving behavior analysis provides a more current and comprehensive view of a driver's risk profile than historical crash data. By focusing on these behaviors, insurers can identify high-risk drivers before they are involved in crashes. Ultimately, such a program aims to reduce the frequency and severity of claims by fostering safer driving.

Case Study: Cambridge Mobile Telematics uses smartphone sensors to analyze driver behavior and provide immediate feedback. They recently released a study that examined 100,000 U.S. drivers participating in a UBI program through their system. The findings revealed that drivers who actively engaged in their safety programs experienced notable reductions in dangerous driving behaviors. Specifically, they reduced instances of distracted driving by 20%, hard braking by 9%, and speeding by 27%. These positive changes contributed to a 5.5% decrease in bodily injury claims, particularly among the riskiest drivers who demonstrated the highest levels of engagement in the program.

One challenge is that UBI is often not tailored to professional drivers, who log more miles on the road and, therefore, have more opportunities to be involved in a crash that leads to a claim.

Consumers who benefit most from UBI programs are those lower-mileage drivers who do not drive during high-risk overnight hours – essentially the inverse of professional TLC-licensed drivers. As a result, there are fewer UBI programs for professional drivers than consumers. DFS should encourage insurers to apply UBI principles to professional driver insurance.

Another potential challenge to TLC licensees' widespread use of telematics is the potential reaction among drivers to the scrutiny that the programs can enable. The implementation of the technology is the key. For a mandate to use telematics to be successful, drivers must be fully aware of which driving behaviors the system will track; they must receive real-time feedback on incidents that the system logs and an opportunity to dispute or add context to those reported incidents. Not all harsh braking incidents indicate unsafe driving, for instance. Suppose a TLC-licensed driver were to slam on their brakes to avoid a collision with a pedestrian who unexpectedly emerged from behind a parked car, and the driver could only speculate about whether the system deducted from the driver's safety assessment. In that case, the driver would likely find the whole program to be arbitrary and of limited utility. In contrast, if the driver received notification of what the system observed and had the opportunity to provide context – such as through the use of dash cam video or another objective, automatic source – the program would feel fairer. Finally, if TLC vehicles are required to have insurance telematics as a condition of licensing, this will mitigate worker classification concerns that may arise among for-hire bases, FHV fleet owners, and taxi medallion owners.

B. Long-Term Measures

1. Tort Reform

A claimed culprit for part of ATIC's woes is approximately $150,000,000 in alleged compensatory damages and over $450,000,000 in punitive damages against a fraudulent insurance claim ring of 180 healthcare entities, signaling that tort reform is an essential part of ATIC's and the NYC insurance market's rehabilitation.[83] ATIC is making the allegation that the defendants were abusing New York's No-Fault insurance laws, claiming that "substantial possible no-fault recoveries can incentivize providers with ill intent to over-diagnose, over-treat, and over-bill to recover the most money for themselves."[84]

Uber recently launched a similar racketeering lawsuit against an array of law firms, doctors and pain management clinics that the company alleges staged car crashes, filed false claims, grossly exaggerated tor fabricated he nature of claimants injuries and performed unnecessary medical procedures to enable plaintiffs to tap into the TLC mandated PIP insurance.[85]

Reducing fraudulent claims and frivolous lawsuits would help the commercial auto insurance industry in general. "Tort reform" refers to legislation aimed at reducing personal injury litigation and associated costs, typically through caps on the amount of damages that may be recovered or by making it more challenging to bring a lawsuit.[86] Essentially, it seeks to reduce the

[83] *See* American Transit Insurance Company v. All City Family Healthcare Center Inc. (1:24-cv-08606). *See also* www.blackcarnews.com/article/atic-files-450m-fraud-suit-against-over-180-defendants
[84] *Id.*
[85] *See Uber v. Wingate*, 25-cv-522, US District Court, Eastern District of New York (Brooklyn)
[86] www.justia.com/injury/negligence-theory/tort-reform/

number and severity of lawsuits and ensure that valid claims are paid in reasonable amounts. When appropriately used, tort reforms should deter frivolous lawsuits and ultimately lead to lower premiums.

Tort reform could include any of the following: modifying comparative negligence rules, limiting attorney contingency fees, capping non-economic damages (pain and suffering), limiting punitive damages (damages to punish wrongdoers), streamlining the discovery process (pre-litigation screening panels), and promoting alternative dispute resolution.

Modified Comparative Negligence: Comparative negligence is a legal principle that allows a plaintiff to recover damages in a negligence case even if they are partially at fault.[87] However, their compensation is reduced based on their percentage of responsibility, dividing the fault proportionally among all negligent parties. New York is a "pure" comparative negligence state, allowing injured parties to recover compensation if their fault exceeds the defendant's.[88] If a person is 99% at fault for an accident, they can still recover 1% of their damages from the other party under pure comparative negligence. Most states operate under a "modified" comparative negligence standard, which bars plaintiffs from recovering any amount if their fault is equal to or greater than the fault of the defendant(s).[89] A modified comparative negligence standard discourages plaintiffs from pursuing claims where they are significantly at fault, as their potential recovery would be reduced considerably or even barred entirely.

Limits on Attorney Contingency Fees. A contingency fee is a payment arrangement where a lawyer only gets paid if they win a case for their client, usually a percentage of the monetary award recovered through settlement or court judgment, rather than charging an hourly rate upfront. Plaintiff attorneys in personal injury cases typically take cases on a contingency-fee basis.[90] Like many other states, New York caps the contingency fee in a personal injury case at 33⅓ percent.[91] The contingency fee system can lead to abuse as it motivates lawyers to demand excessive awards and seek cases that settle quickly, such as car accidents, or are decided under No-Fault laws.[92] Tort reform advocates support limiting contingency fees in cases where a legitimate risk of non-recovery exists and requiring "an hourly fee in cases where no legitimate risk of non-recovery exists, such as cases involving automobile accidents and other incidents where the parties are likely to settle."[93] In addition, sliding contingency fee scales, like Connecticut's, can eliminate the incentive to seek excessive awards.[94]

Limits on Non-Economic Damages. Non-economic damages encompass pain and suffering, emotional distress, and loss of companionship. These are intangible injuries with no precise value and no direct economic loss. According to the American Tort Reform Association,

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[87] www.law.cornell.edu/wex/comparative_negligence
[88] NY CPLR § 1411
[89] www.justia.com/injury/negligence-theory/comparative-contributory-negligence-laws-50-state-survey/
[90] www.actuary.org/sites/default/files/files/tort_fact_oct09.4.pdf/tort_fact_oct09.4.pdf
[91] 22 NYCRR 1015.15
[92] www.atra.org/issue/contingent-fee-reform/
[93] www.atra.org/issue/contingent-fee-reform/
[94] Conn. Gen. Stat. § 52-251c provides diminishing returns for contingency fees in personal injury, wrongful death, and property damage: 33.33% of the first $300,000, 25% of the next $300,000, 20% of the next $300,000, 15% of the next $300,000, and 10% of any amount over $1,200,000.

"[t]he broad and basically unguided discretion given juries in awarding damages for noneconomic loss is the single greatest contributor to the inequities and inefficiencies of the tort liability system."[95] New York is not among the states that cap non-economic damages in personal injury claims.[96] Some argue that emotions may influence juries in awarding non-economic damages, resulting in unreasonable amounts. Caps could help stabilize insurance premiums by limiting large jury awards.

Alternative Dispute Resolution. Encouraging the use of Alternative Dispute Resolution ("ADR") methods for resolving automobile crash claims can also help reduce legal fees and court costs, ultimately leading to lower premiums. ADR includes methods like mediation and arbitration to resolve legal disputes outside of court. It can provide a faster, cheaper, and more controlled way to settle tort claims than litigation. The New York State Unified Court System is already a strong proponent of ADR and can be a valuable tool to decrease the cost of litigation and streamline claims settlements if arbitration or some other alternative forum is not possible.[97]

Tort reform's effects depend highly on individual insurance carriers' specific strategies and effectiveness in managing claims. Suppose an insurance carrier lacks the competence to manage claims efficiently or practices aggressive denial tactics to minimize payouts. In that case, the benefits of tort reform may not translate into faster resolutions or reduced premiums for policyholders. For example, ATIC has been embroiled in a lawsuit with Uber Technologies Inc., which accused the insurer of failing to provide defense and indemnification in lawsuits involving Uber drivers.[98] According to Uber's lawsuit, ATIC allegedly engaged in "a pattern and practice of failing to adhere to reasonable claims-handling practices and failing to reasonably resolve claims and lawsuits on its insureds' behalf."[99] ATIC denied the allegations, and the lawsuit is ongoing.

Tort reform is an opportunity to address the challenges faced by the NYC insurance market. By implementing targeted reforms such as modifying comparative negligence rules, capping non-economic damages, and limiting attorney contingency fees, it is possible to reduce the incidence of fraudulent claims and frivolous lawsuits. Furthermore, promoting alternative dispute resolution can streamline processes and lower associated costs. These measures will not only help stabilize insurance premiums but also ensure that valid claims are handled fairly and efficiently. Ultimately, a balanced approach to tort reform can create a more equitable legal environment that benefits both consumers and the insurance industry.

2. Attract Marketplace Competition

Attracting marketplace competition in the NYC commercial vehicle insurance market is crucial for reducing insurance costs. Because ATIC has underpriced its insurance for years, few insurers were able to compete, leaving few players in the market. Based on basic economic principles, one could conclude that the withdrawal of ATIC would result in other insurers filling the void with market-priced insurance. However, for the reasons detailed elsewhere in this report,

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[95] www.atra.org/issue/noneconomic-damages-reform/

[96] These eleven states are Alaska, Colorado, Idaho, Kansas, Michigan, Maryland, Mississippi, Ohio, Oklahoma, Oregon, and Tennessee.

[97] https://ww2.nycourts.gov/courts/1jd/supctmanh/ADR_Menu.shtml

[98] www.insurancejournal.com/news/east/2024/02/20/761468.htm

[99] www.claimsjournal.com/news/national/2024/02/26/322169.htm

the market is not alluring. To further stimulate competition in an unattractive insurance market, more must be done than create a vacuum and hope other insurers fill the void.

Insurance company representatives who responded to the industry survey suggest that, to attract new insurance options, DFS must approve reasonable rate and underwriting filings, allowing insurers to get the rate required to profitably take the risk from operators.

To effectively attract new insurers to the NYC commercial vehicle insurance market, implementing No-Fault (PIP) reduction strategies alongside robust anti-abuse measures can send a strong message about the commitment to a healthier insurance environment. Insurers may view the market as more financially viable if the TLC's Additional PIP coverage requirements are eliminated. A smaller payout obligation means less risk and could lower costs, making the prospect of entering the market more appealing. This shift would create a more competitive environment and lower policyholders' premiums.

Additionally, instituting strong anti-fraud measures is essential. Fraudulent claims drive up costs for everyone in the system. By enhancing fraud detection and prevention techniques—such as better data analytics, improved reporting mechanisms, and stricter oversight—insurers can feel more secure in the risks they underwrite. A market perceived as reducing fraud and ensuring accountability will be more attractive to new entrants looking for stability and predictability.

Regulatory reforms could also make the market more attractive. Simplifying and reducing unnecessary bureaucratic hurdles from the rate approval process could encourage more insurers to enter the market. Promoting the adoption of technology-driven insurance solutions, such as usage-based insurance or coverage tailored to driver behavior, can attract insurers who specialize in these areas. Encouraging alternative insurance models, such as mutual insurance groups, could diversify the marketplace. These models can provide competition against traditional insurers and promote a community-focused approach to coverage. Increased competition can lead to lower premiums, ultimately benefiting the entire system.

These combined efforts would signal to potential insurers that the NYC market is actively improving its landscape and foster a competitive atmosphere.

3. Captive Insurance Companies

An insurance captive, or captive insurance company, is essentially an insurer established and owned by a parent company or group to cover its risks. This model allows the company to engage in self-insurance, meaning it can manage its risks internally instead of relying on a traditional insurance provider.

Different types of captives cater to various needs, including single-parent, group, and association captives. A single-parent captive is an insurance company wholly owned and controlled by one parent company. A group captive insurer is owned and operated by multiple unrelated companies, providing coverage for their collective risks. Association captives (a type of "sponsored captive") are formed and managed by an industry association to benefit its members.

One of the significant advantages of using captives is cost efficiency. Companies can often reduce their overall insurance expenses, manage risks more effectively, and retain underwriting

profits that would typically go to a third-party insurer by employing a captive. Captive insurers are subject to regulation by the jurisdiction where they are established.

In New York, captive insurance companies must be licensed by DFS, submit annual statements and filings, and be subject to examination at least once every five years.[100] The license application must include documents, including financial statements, a plan of operation, actuarial analysis, letters of credit, background investigation reports, pro forma financials, a loan agreement, and an independent valuation if required. An independent certified public accountant must opine on the financial condition of the captive annually.

In New York, an admitted (licensed) carrier must "front" a captive reinsurer, meaning that the admitted carrier issues the policy, and the captive reinsurer provides the financial backing to satisfy regulatory requirements that an admitted insurer write proof of coverage. The captive would take up to 100% of the carrier's risk. These models need heavy collateralization and require the owners of the captive to have access to significant funds to satisfy the insurance company, ceding the risk that the program would be stable and adequately funded. New York laws currently prohibit any other structure.

Insurance captives are typically unsuitable for individual vehicle owners but can still benefit FHV and taxi drivers. They allow large companies, like FHV rental companies and operators that own their vehicles, to manage predictable risks, providing greater control over insurance programs and potential cost savings. This can lead to lower rental rates and fares and higher driver earnings.

New York City's unique statutory framework for taxi and for-hire vehicle insurance provides an opportunity for DFS to collaborate with the TLC to establish a specialized oversight system for fleet captive insurance companies. A captive fronted by a highly-rated insurer, such as those rated by the credit rating agency A.M. Best, could provide an affordable and fiscally responsible option for the NYC market. However, the majority of the industry survey respondents believe captives are not a viable solution to the crisis.

V. Conclusion

The NYC taxi and for-hire vehicle insurance crisis presents a complex challenge that requires immediate and comprehensive action. With the insolvency of ATIC and skyrocketing insurance premiums, the industry's viability is at stake. If left unaddressed, the current trajectory threatens not only the livelihoods of countless drivers, but also challenges the essential transportation services upon which New Yorkers rely.

The proposed reforms outlined in this report serve as a roadmap to navigate these rocky roads. Stakeholders can cultivate a more sustainable insurance environment by adjusting insurance requirements, integrating advanced technologies, promoting competitive market practices, and implementing tort reforms. These changes aim to alleviate the financial burdens on insurance companies, vehicle owners, and drivers while safeguarding the stability of NYC's taxi and for-hire transportation industry.

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[100] www.dfs.ny.gov/apps_and_licensing/property_insurers/forming_a_captive_in_new_york_state

Collaboration among regulators, the insurance industry, and vehicle owners will be crucial in executing this plan of action. The goal must be to create a fair and resilient insurance framework. Only through concerted efforts can we restore confidence in the market and ensure that taxis and for-hire vehicles continue to thrive for the benefit of all New Yorkers.