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February 11, 2011

Dennis G. Weldon, Jr.,  
General Counsel  
Philadelphia Parking Authority  
3101 Market Street, 2<sup>nd</sup> Floor  
Philadelphia, PA 19115

Via electronic mail: [PRM101@philapark.org](mailto:PRM101@philapark.org); [jims@IRRC.STATE.PA.US](mailto:jims@IRRC.STATE.PA.US)

Re: Regulation ID#126-1 (IRRC#2885)

Dear Mr. Dennis Weldon, Jr.:

Prime Insurance Company is an Excess and Surplus Lines carrier in 46 U.S. states and territories. In the Commonwealth of Pennsylvania, Prime has been the only stable Taxicab market over the last decade. Prime is committed to being a long-term market for this class in Pennsylvania and Nationwide.

In order to continue as a market well into the future, Prime must be able to continue its Partnership Approach with its Insured. This includes our ability to tailor individual coverage based on the flexibility of our in-house Underwriting, collaborating with Risk Management Direct and Claims & Litigation Management. Throughout the ten years as a market Risk Management Direct and Prime's key Management has had continued personal contact with Taxicab owners and managers and local officials to strengthen the partnership and ensure that it is a good relationship for all concerned.

**Section 1025.3(b) Insurance required** of the proposed regulation raises the liability insurance to a \$50,000 minimum coverage split in the amounts of \$20,000 bodily injury per person, \$40,000 bodily injury per accident and \$10,000 property damage per accident. It also increases the First Party Benefits to \$25,000.

Currently, the First Party Benefit limit is \$5,000. 75 Pa.C.S. §1711. The proposed regulation *increases this limit 400%*. If a person suffers injury "arising out of the maintenance or use of a motor vehicle" then they *shall* recover First Party Benefits. 75 Pa.C.S. §1713. The insurer against whom the claim is asserted first, regardless of liability, *shall* process the claim as if wholly responsible. The insurer is thereafter entitled to recover contribution pro rata from any other insurer. If multiple policies apply then the insurer with first priority is the "policy covering a motor vehicle occupied by the injured person at the time of the accident." 75 Pa.C.S. §1733.



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What happens too often is the insurer with the occupied injured person, which is often the insured of a Taxicab, pays the policy limit of \$5,000 regardless of fault. The insurer may not sue the at-fault driver's liability insurer until the \$5,000 limit is exhausted.

Obviously, to provide our Insured with coverage for a substantially higher risk, Prime must charge higher premiums accordingly to maintain a rate commiserate to the risk. Based on the proposed increase in the limit, we believe that the initial rate increase could be as high as 250% to 300% of the current rates charged. This could have a significant effect on the number of coverage options for Taxicab owners and operators, including medallions, which could ultimately price many individual operators out of business, which will result in much fewer cabs in the city and more of a monopoly of large fleets.

Prime's stability as a market in Philadelphia is a unique facet of our Excess and Surplus niche. What Prime has seen throughout the decade in Philadelphia is our Insured's enticed by other insurance carriers offering lower rates, but our stable market draws them back after the competing insurance companies find they can no longer write the risk profitably, which causes them to cancel the risk within a couple years. The increase in First Party Benefits as proposed will likely amplify the instability of the market, in other words, these other insurance carriers may enter the market by significantly undercutting premiums before quickly realizing that they cannot write the risk at any profit and cancel the risk, which could occur as soon as the first year.

With the substantially higher minimum coverage amounts, our underwriting flexibility will be taken away and there is a very real possibility that Prime will be priced out of the market. In addition, the increase may also eliminate many of the other current markets available. As the other markets available are admitted markets, they must file any rate increase with the Pennsylvania Insurance Department for approval. Historically, state regulators have limited the amount of increases allowed. If the admitted market is not allowed to adopt adequate rate increases the result is admitted carriers withdrawing from the market.

In April 2006, along the Gulf Coast the Mississippi Windstorm Underwriting Association (MWUA), a state managed program, requested a rate increase of 397% for private dwellings and a 268% increase on commercial properties. The Commissioner of Insurance granted an increase of only 90%. He explained that "options were sought to a solution to the Wind Pool issue in Mississippi that would be in the best interest of all Mississippians" even though he stressed that the rate increase would not affect everyone's homeowner policies on the coast. Many insurance companies that were writing property coverage along the Gulf Coast no longer write there because they were not allowed to adjust their rates adequately. The proposed regulation increase will likely cause the same result as the Gulf Coast, the withdrawing of admitted markets.

The higher minimum limits will also create a much larger "target" for the Plaintiffs' Bar, which again translates to much higher litigation costs, and the resultant higher premiums, thus fewer Taxicab owners who can afford the increase.



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The Philadelphia Parking Authority should take into account the interest of all Philadelphians and tourists alike, as well as the significant and real results the First Party Benefit increase will cause. We respectfully request that the First Party Benefit limit remain as is, and that some limiting language is added to the regulation to create a bar to potentially frivolous First Party Benefits claims. In reviewing other metropolitan areas where First Party Benefits is not required, it is clear that the insurance industry is able to provide a much more stable market for Taxicab operators.

If you have any questions or would like additional information, please contact me at (801) 304-5577 or via electronic mail at [toniah@primeis.com](mailto:toniah@primeis.com).

Sincerely,

Tonia Y. Hashimoto  
Corporate Attorney  
Prime Insurance Company  
8722 S. Harrison Street  
Sandy, Utah 84070

Cooper, Kathy

2885

**From:** Tonia Hashimoto [toniah@primeis.com]  
**Sent:** Friday, February 11, 2011 6:21 PM  
**To:** PRM101@philapark.org; IRRC; rtomlinson@pasen.gov; gyaw@pasen.gov  
**Cc:** Smith, James M.  
**Subject:** Proposed Regulation "Philadelphia Taxicab and Limousine Regulations" ID#126-1 (IRRC# 2885)  
**Attachments:** Comments on Proposed Regulation.pdf

Dear Mr. Weldon, Jr.:

Attached are comments to the proposed regulation ID #126-1 (IRRC#2885) submitted on behalf of Prime Insurance Company.

We appreciate the opportunity to comment and look forward to working with the Philadelphia Parking Authority.

Sincerely,

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