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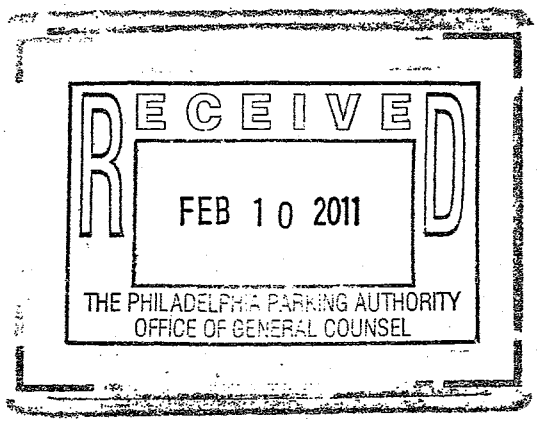

February 1, 2011

Philadelphia Parking Authority
ATT:
DENNIS WELDON, GENERAL COUNSEL.
PHILADEPHIA PARKING AUTHOITY
3101 MARKET STREET
2ND FLOOR
PHILA, PA. 19104

Re: Proposed Medallion Rulemaking Changes- Insurance

Gentlemen:

Please accept and review my comments regarding the PPA proposal to revise the taxi medallion insurance rules. As an insurance professional actively involved in insuring taxi medallions continuously since 1987, I respectfully submit my opinions and analysis regarding the proposed insurance regulation changes: Regulation Section 1025
My opinions are based upon my actual experience in reviewing untold number of claims handled by insurers for taxicabs, a familiarity with the insurance marketplace in Philadelphia for taxicabs, and the cab industry in general in other states.

Insurance

In regard to the proposed policy limit changes:

I. Liability Limits – 20/40/10

In my opinion, the increased in proposed liability limits is welcome and needed. However, it will increase premium, but should be a slight increase. I am unaware of any study by the PPA providing the basis for the proposed increase, but certainly understand that persons injured in an accident for which a cab has some degree of liability will have some increased protection from the 15/30/5 currently provided.

To my knowledge, most of the claims presented in the past few years do not involve claims exceeding the present limits. In many cases where there is a more serious accident involved that would exceed the present limits or even the proposed policy limits, many plaintiffs still have some protection depending on their individual circumstances. In many cases the plaintiff can pursue a claim against other potential tortfeasors if the Plaintiff is a passenger in a cab involved in a 2 car accident. In these type cases, the coverage for all those involved in the accident is available. The public is protected. Of course, I am not aware if the PPA has received numerous complaints, if any, regarding the present limits.

II First Party Benefits (PIP)

My opinion regarding the proposal to impose a requirement of $25,000/$25,000 PIP is much stronger. I am opposed to it.

The proposal is difficult to justify, would lead to substantial premium increases, may unduly restrict the number of insurers in the marketplace willing to undertake the risks, and provide claimants, their health providers, and lawyers with an open field to inflate their claims at the expense of the cab industry and carriers. In short, I believe the consequences would be devastating.

Typically other states do not require public livery vehicles to carry "PIP" protection that protects passengers and drivers. This no fault type coverage was originally introduced in the 1970's as an alternative for private passenger accident victims to be reimbursed for medical and wage relief without the burden of proof of negligence or court ordered remedies. It is a very bad fit for public livery vehicles that are in the business of transporting passengers. The coverage was not designed to provide automatic coverage for the riding public. Since most members of the public operating their vehicles are not involved in the number of miles driven by cabs or transporting the number of passengers, the rationale for the No Fault law was acceptable. However, when you have this type of commercial vehicle

operating almost 24/7 transporting passengers, the likelihood of accidents and resulting medical costs increases drastically. This is one reason why the anticipated premium would almost be prohibitive.

My opinion is also based upon the knowledge of this marketplace and the type of claims filed. Any carrier cannot ignore the reality or perception of inflated bogus type claims in this area. Federal, state, and local prosecutors have task forces aimed at insurance fraud; the industry itself spends millions in advertising and lawsuits to educate the public; organizations publish studies regarding the types of claims subject to abuse.

Within the past few months alone, federal, state, and local prosecutors have charged and convicted medical providers, large groups, and body shop owners of various types of fraud. (See Chiropractor was sentenced for falsely billing insurance companies for 3 million dollars; Daily News Nov. 4, 2010 13 people indicted for insurance fraud; August 4, 2010 article of a man sentenced to jail for insurance fraud involving more than 100 persons for staging accidents and false billing).

Pennsylvania has established the Insurance Fraud Unit of Pennsylvania., a state agency. Its web site contains some of the following assertions:

Health care providers can commit fraudulent acts by:

- billing for services, procedures and/or supplies that were never rendered

- charging for more expensive services than those actually provided
- performing unnecessary services for the purpose of financial gain
- misrepresenting non–covered treatments as a medical necessity
- falsifying a patient's diagnosis to justify tests, surgeries, or other procedures
- billing each step of a single procedure as if it were a separate procedure
- charging a patient more than the co–pay agreed to under the insurer's terms
- paying "kickbacks" for referral of motor vehicle accident victims for treatment.

To better appreciate the consequence of raising the PIP aspect, a brief explanation of the process is necessary.

Since PIP does not require a finding of fault to obligate a carrier to pay for medical expenses, a cab could pay out untold thousands of dollars for one accident even though it is not at fault and would be without the ability to seek compensation from the responsible party. Hypothetically, if a passenger is rear ended by another vehicle while riding in a cab, the cab's insurance carrier may be exposed to pay substantially more than the entire

annual premium for this one accident.

To support the hypothetical claimant case, above, it is typical in this City for the lawyer to refer the Plaintiff to a medical provider specializing in treating accident cases. Most often, the medical provider has a history of treating claimants referred from the law firm.

The longer the treatment, the greater potential recovery for a Plaintiff. The carrier is responsible to pay the medical bills. In my opinion, an increase in PIP bills will result in additional average cost of treatment. Presently, PIP claims usually cease when the $ 5,000 limits are reached. If they exceed this amount, the Plaintiff's recovery pays the excess, which customarily is reduced by the medical provider since the provider gets business from the lawyer.

The PPA should also be aware that it is costly for a carrier to combat a PIP claim. The carrier has to retain the expensive service of a provider to review the claim and determine if the treatment is reasonable or inflated. The provider has the ability to appeal any administrative finding regarding the bills. If the provider succeeds in reversing even part of the disputed items, the carrier is responsible to pay all the providers legal fees on an hourly basis. In Florida, there have been cases where a $ 2000 dispute resulted in paying legal fees of more than $75,000.

Two attachments support the above:

Insurance Research Council Study of PIP claims in New York City. Attached is a copy of the summary of its extensive findings. Ex A. Its conclusions, state in part:

-Soaring injury claims in the New York metropolitan area, far exceeding those in the rest of New York State and the country, suggest an increase in no-fault auto insurance fraud that threatens to make New York auto insurance rates the nation's highest,

-average amount paid for personal injury protection claims jumped 20 percent in New York in the year 2000, in contrast to 6 percent in other states, including New Jersey, that also have no-fault system

- *one in four New York PIP claims appeared to involve some kind of fraud or buildup, either the exaggeration of medical expenses, unnecessary treatments, or padding claim-related costs.*

-claim patterns within metropolitan New York City drove insurance costs significantly higher

- Reported more injuries, particularly neck and back sprains and strains. Forty-seven percent reported three or more injuries, twice the statewide average.

- Were more likely to seek treatment from a larger number of medical

professionals, including chiropractors, neurologists, physical therapists, psychotherapists, and alternate treatment providers, and were less likely to be treated in hospitals.

- Received diagnostic procedures using magnetic resonance imaging (MRIs) and electromyography (EMG) more often than their upstate counterparts - and more than once.
- Hired attorneys at nearly four times the rate of the rest of the state.
- Were two to three times more likely to wait more than 30 days before reporting injuries to insurance companies.
- Were two times more likely to have more than 45 days pass before medical bills were submitted to insurers for payment.

(These last two patterns are potentially important contributors to no-fault auto fraud).

The average payment for New York City PIP claims in 2000 was $6,898 - up 17 percent on an annualized basis since 1997.

The factors in NY are similar to the experience in Philadelphia. I urge the PPA to review this study.

Most of the claims we have seen involve "soft "tissue injuries where there are months of treatment provided, even when there is minor damage to a vehicle. Yet, the carrier not at fault is obligated to pay. It is more equitable,

in my opinion, to allow the carrier for the tortfeasor to pay for any increased medical expense in a resolution of that claim rather than the PIP carrier. If PIP is increased as proposed, the responsible insured's carrier will benefit because there is no excess medical bills or lost wage to pay and the overall resolution would be less to that carrier. In addition, the medical provider is more likely to bill for more frequent treatment as explained in the above study.

The Coalition Against Insurance Fraud found that

"Claims with apparent fraud or buildup were more likely than other claims to involve sprain and strain injuries, and periods of disability. These claimants also were more likely to receive treatment from physical therapists, chiropractors and other alternative medical providers. ...Buildup involves treatment that's excessive but isn't deliberately or criminally fraudulent." Ex B

For all the above, I urge a reconsideration of this proposal . Increasing the limits will either cause carriers to leave the market or raise premiums by twice its current rate. Unfortunately the reputation of Philadelphia in this area is poor. Philadelphia auto claims are ranked second behind Los Angeles for fraudulent medical claims.

III Suggested Modification

I am highly recommending that the PPA add an additional change to the insurance section. I do not believe this impacts the cab industry, but does provide some protection to the public. Approximately 96% of the medallions are insured by carriers whom do not offer the protection of the Pennsylvania Guaranty Fund in the event that the insurer fails. This in my opinion represents a bigger risk to the public than any issue of limits. Unfortunately, because of the high risk nature of insuring taxicabs, the insurance is largely available only from high risk insurers that do not participate in the fund. However, an alternative way of providing an extra layer of protection would be to require a minimum financial rating as established by a nationally recognized insurer rating organization. The national used rating organization, A.M.Best , publishes independent financial letter ratings of all insurers.

Various transit agencies, such as New York Transit Authority, require this of insurers. This method is non discriminatory and does not interfere with the insurer regulation provided by the Pennsylvania Insurance Department. Below is an example of a proposed suggested regulation.

"All carriers must present evidence of insurance with an insurer carrying a

current AM Best rating of B+ or higher. Should a carrier not possess a B+ or better rating, its reinsurer rating of B+ or better will suffice". The insurer must submit evidence that the B+ or better reinsurer is currently providing more than 50% of all first dollar claims"

In my opinion, it is not unlikely for a carrier to collect premiums by offering an operator a low premium and then be dissolved or placed in liquidation a few years later when claims begin to hit. This is far more costly to the public.

IV Reg 1025.3 b – Loss Runs

I do not believe it is feasible, nor legal, to require an insurer to furnish loss history within 2 days. I do not know reasons why such information would require to be supplied in such an expeditious fashion.

Insurance providers are considered financial providers under the provisions of the Bierly Federal Privacy Act. As such, a third party may not receive confidential information, not directly from the insured.

V 1025.5

The standards set forth in this regulation appear unclear. Does it apply to

insurers or the owner of the certificate? It is the insurer who is obligated to engage in fair claims settlement. This regulation appears to make it the common carrier's responsibility when the taxi is not involved in the resolution of the claims.

Conclusion

I therefore urge you to delete the increased PIP coverage. The expenses these provisions will cause will have serious adverse impact to the industry and will cause values of medallions to drop, may create a rise in fares to the public, and benefit no one.

Thank You.
Sincerely,

Ronald P. Hambrecht CIC A.R.M.
President