

Date of Hearing: April 22, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

AB 2892 (Low) – As Amended April 18, 2024

SUBJECT: Vehicles: financial responsibility: self-insurance

SUMMARY: Allows the Department of Motor Vehicles (DMV), upon application, from those with 25 or more motor vehicles in their name, to accept a cash deposit or surety bond in order to qualify as a self-insurer. **Specifically**, this bill:

- 1) Codifies DMV's requirements to qualify as a self-insurer as follows: Requires an applicant to provide either of the following:
 - a) Audited financial statements of the applicant's net worth, including opinions of the financial condition and net worth of the applicant rendered by an independent certified public accountant, three years of audited financial statements, or financial statements for the period in existence; and,
 - b) A cash deposit or surety bond not less than the amount required by the DMV when an applicant files for a certificate of self-insurance.
- 2) Prohibits unsatisfied final judgments from existing against the applicant's name resulting from property damage or bodily injury, including death, or both, that occurred as a result of a motor vehicle accident in order to qualify to self-insure.
- 3) Requires evidence of the cash deposit to be deposited in a bank or credit union account and requires the cash deposit to be assigned to, accepted by, and maintained by the DMV.
- 4) Requires the evidence of the surety bond to be a bond issued in favor of the DMV by a surety company licensed to do business in California.
- 5) Requires the company to maintain an insurance policy issued by a company licensed to write the policy in California, or by nonadmitted insurers, with coverage of at least 50% of the minimum insurance amount required by law.
- 6) Provides that self-insurance shall not exceed 50% of the minimum insurance amount required by applicable law. Self-insurance may be satisfied if the applicant demonstrates one of the following covering the no-more-than-50% self-insurance amount:
 - a) Satisfies the net worth requirements of this section;
 - b) Makes a cash deposit pursuant to this section; and,
 - c) Post a surety bond.

EXISTING LAW:

- 1) Allows the DMV in its discretion, upon application, to issue a certificate of self-insurance when it is satisfied that the applicant in whose name has more than 25 motor vehicles registered and will continue to have the ability to pay judgments obtained against them in amounts at least equal to California's financial responsibility limits. The certificate may be issued authorizing the applicant to act as a self-insurer for either property damage or bodily injury or both. (Vehicle Code Section (VEH) 16053)
- 2) Allows the DMV to cancel a certificate of self-insurance upon reasonable grounds, with five or more days' notice, as well as, a hearing. (VEH 16053)
- 3) Requires to qualify as a self-insurer:
 - a) Audited financial statement of the applicant's net worth;
 - b) Audited financial statement cover a three year period immediately preceding the date of application;
 - c) Audited financial statement include an opinion of the applicant's net worth; and,
 - d) Reflects a net worth of not less than \$2,200,000 on the date of the application.
(California Code of Regulations (CCR), Title 13, section 80.60)
- 4) Defines "net worth" as an applicant's net financial worth determined by calculating financial assets minus liabilities as identified on the financial statements and application or renewal attachments. Liabilities include unresolved past, current and future financial responsibility obligations and assessed risk factor. (CCR, Title 13, section 80.00)

FISCAL EFFECT: Unknown

COMMENTS: This measure allows a company with 25 or more vehicles to deposit cash or a surety bond in the amount the DMV requires at the time a company applies for a self-insurance certificate. The DMV would determine the amount required through their regulatory process if this bill became law. Existing law requires companies to show an audited financial statement with a net worth of \$2.2 million to receive a certificate. Re-certification occurs on an annual basis by the DMV. The bill stems from an issue where MV Transportation lost its ability to self-certify its insurance because it no longer met DMV's net valuation requirements to be self-insured. MV Transit would like to continue to self-certify instead of purchase insurance.

According to the author, "MV Transportation, founded in California, is one of the largest minority-owned private companies in the US and the largest American-owned provider of para and public transit in North America. MV manages 64 public agency contracts at 47 locations throughout California. MV currently employs more than 4,400 people in the State and approximately 84% of MV's workforce in California is racially diverse and 88% is unionized. AB 2892 will help stabilize costs for our public partners, ensure that resources are being used for employees and riders, further enable these companies to provide vital services to the paratransit community. AB 2892 would benefit California taxpayers, passengers, businesses and public transit agencies across the state, and the only parties who are worse off are the out-of-state financial firms earning huge fees today for collateral that only benefits them, not California."

Currently, individuals can show financial responsibility by either having a typical insurance policy, \$35,000 cash deposit, or a \$35,000 surety bond. The amounts of the cash deposit and surety bond increase to \$75,000 on January 1, 2025.

MV Transportation, the sponsor of this bill, argues “Current state law requires transportation companies seeking to self-insure to meet an accounting test related to book equity, as established by the DMV. California is the only state where MV and other transportation companies have to meet a net valuation requirement instead of a net worth requirement. The DMV’s current test does not measure a company’s ability to pay claims and MV has never failed to pay a claim throughout its 49 years in business.

As a result of this test, to operate in California, MV is forced to pay out-of-state financial firms many millions of dollars each year to provide collateral for an out-of-state insurance company. That collateral does not offer California consumers any enhanced protection and is not even available to California consumers in the event of a problem. But, because such costs are passed through to the transit agencies served by MVB, the financial cost of complying with this misguided rule is borne by California taxpayers.”

REGISTERED SUPPORT / OPPOSITION:**Support**

MV Transportation (sponsor)
Access Services
Emeryville Transportation Management Association
Gold Coast Transit District
Livermore Amador Valley Transit Authority
San Leandro Transportation Management Organization

Opposition

None on file

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