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Analysis of the Economic Effects of New Jersey Statute 39:5H-10 on New Jersey Stakeholders

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Abstract

New Jersey Statute 39:5H-10 (39:5H-10 or the Statute), signed into law on February 10, 2017, as part of bill A3695, is intended to address perceived insurance coverage gaps associated with the operations of Transportation Network Companies (TNCs) like Uber and Lyft. Per the Statute, TNCs are required to maintain $1.5 million in UM/UIM coverage.

Our analysis shows that Uninsured Motorist (UM) and Underinsured Motorist (UIM) coverage in New Jersey far exceeds what is necessary to ensure adequate coverage for most motor vehicle accidents and that there is no statistical evidence that drivers or riders utilizing TNCs would be subject to unreasonable financial exposure in the event of accidents, were the mandated level of UM/UIM coverage to be reduced to $35,000 per individual ($70,000 per accident).

By mandating a level of coverage that far exceeds what is necessary, New Jersey's Statute disadvantages both riders and drivers by driving up TNCs' insurance costs: riders pay higher fares and drivers earn less income. In addition, we find that elevated UM/UIM coverage makes TNCs' insurance carriers a target for increased litigation, resulting in increased claim sizes and legal expenses.

We conclude that any reduction in TNCs' cost of UM/UIM insurance would mitigate the adverse effects of excessive coverage (e.g., driver earnings would go up, ride costs would go down, TNC costs would decrease). By reviewing both theoretical frameworks and empirical evidence, our analysis seeks to inform optimal policy design and encourage recalibration of the mandated TNC insurance coverage toward efficiency, while ensuring that drivers and riders involved in accidents are not treated unfairly.

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I Introduction

New Jersey Statute 39:5H-10 (39:5H-10 or the Statute), signed into law on February 10, 2017, as part of bill A3695, is intended to address perceived insurance coverage gaps associated with the operations of Transportation Network Companies (TNCs) like Uber and Lyft.[2] The Statute mandates specific insurance requirements for TNCs while a driver is engaged on a TNC's platform. Relevant to this study is that TNCs are required to maintain $1.5 million in Uninsured (UM) and Underinsured (UIM) coverage.

UM/UIM bodily injury coverage provides compensation for bodily injury damages to individuals occupying a TNC vehicle when a third-party driver (not the TNC driver) is at fault and the at-fault party either: 1) has no insurance at all (uninsured); or 2) has insufficient insurance to cover the full extent of the injuries or losses (underinsured).[3] UM coverage also applies to injuries caused to occupants in a TNC vehicle in a hit and run accident. In addition to UM/UIM coverage, TNCs (or their drivers) have to maintain coverage for Third Party Bodily Injury, sometimes referred to as "Primary Insurance." This coverage compensates an injured person who is involved in a crash with a TNC driver at the time the driver is on the TNC's platform and the TNC driver is at-fault. Other mandated categories include personal injury protection (PIP) and medical payments benefits.

We find that the level of UM/UIM coverage in New Jersey required by the Statute far exceeds what is necessary to ensure adequate coverage for injured parties in the vast majority of motor vehicle accidents. We also find that there is no statistical evidence that drivers or riders utilizing TNCs would be subject to unreasonable financial exposure in the event of accidents, were the mandated level of UM/UIM coverage to be reduced to $35,000 per individual ($70,000 per accident). In addition, excessive UM/UIM coverage makes TNCs' insurance carriers targets for increased litigation, resulting in inflated claim sizes and excessive legal expenses.

Based on our analysis, and as a matter of economics, we conclude that the mandated level of UM/UIM insurance coverage is excessive and that the extra costs of this insurance are likely borne in some combination by drivers (lower earnings), riders (higher costs), and TNCs (higher costs). We further conclude that any reduction in the cost of UM/UIM insurance would mitigate these effects (i.e., driver earnings would go up, rider costs would go down, TNC costs would decrease). By reviewing both theoretical frameworks and empirical evidence, our analysis seeks to inform optimal policy design and encourage recalibration, if needed, of the TNC insurance toward efficiency, while ensuring that drivers and riders involved in accidents are not treated unfairly.

[2] NJ Rev. Stat. § 39:5H-10 (2024). *See also* New Jersey Assembly Bill 3695, passed February 10, 2017.
[3] Ibid.

II A Brief Review of the Statute

The primary requirements of 39:5H-10 are as follows:[4]

a. **Period 1 (App on, no ride accepted)**: Requires TNCs or drivers to maintain primary liability insurance of at least $50,000 for injury to one person, $100,000 for injury per incident, and $25,000 for property damage. In addition, TNCs or drivers must carry personal injury protection coverage pursuant to New Jersey Statute 39:6A-4 but not to exceed $250,000. TNCs must provide UM/UIM coverage at the state minimum level of $25,000 per person and $50,000 per incident (increasing to $35,000 and $70,000 on January 1, 2026).[5]

b. **Period 2 (Driver in route to the passenger) and Period 3 (While passenger is in vehicle until drop-off)**: In addition to $1.5 million in primary liability insurance for death, bodily injury and property damage, plus $10,000 in medical payments for the benefit of the TNC driver, Periods 2 and 3 also require TNCs to provide $1.5 million in UM/UIM coverage.

The table below summarizes the insurance coverage required of TNCs in each of these periods.

Table 1: Summary of TNC's Mandated Insurance Coverage[6]

		Period 1	Periods 2 and 3
		The TNC driver has logged onto the App, but has not yet accepted a ride request	The TNC driver is engaged in a prearranged ride beginning when the driver accepts the ride request and ending when the rider exits the vehicle
Auto Liability Primary Insurance	For death & personal injury (per person)	$50,000	$1,500,000
	For death & personal injury (per incident)	$100,000	

[4] Ibid.
[5] *See* Bulletin No. 25-06, Auto Insurance Coverage Limits Pursuant to P.L. 2022, c.87, dated July 31, 2025, *available at* https://www.nj.gov/dobi/bulletins/blt25_06.pdf.
[6] State of New Jersey; New Jersey Motor Vehicle Commission; Transportation Network Company Safety and Regulatory Act Frequently Asked Questions, *available at* https://www.nj.gov/mvc/pdf/business/tncfaq.pdf, accessed on October 2, 2025; Justia U.S. Law; 2 2024 New Jersey Revised Statutes Title 39 - Motor Vehicles and Traffic Regulation Section 39:5H-10 - Automobile insurance required, *available at* https://law.justia.com/codes/new-jersey/title-39/section-39-5h-10/, accessed on October 2, 2025; Justia U.S. Law; 2024 New Jersey revised Statutes Title 39 - Motor Vehicles and Traffic Regulation Section 39:6A-4 - Personal injury protection coverage, regardless of fault, *available at* https://law.justia.com/codes/new-jersey/title-39/section-39-6a-4/, accessed on October 2, 2025; and Justia U.S. Law; 024 New Jersey Revised Statutes Title 17 - Corporations and Institutions for Finance and Insurance Section 17:28-1.1 - Required coverage; exceptions., *available at* https://law.justia.com/codes/new-jersey/title-17/section-17-28-1-1/, accessed on October 2, 2025.

For property damage	$25,000	
Personal Injury Protection (PIP)	Pursuant to section 4 of P.L.1972, c.70 (C.39:6A-4) but not to exceed $250,000	Not Required
Medical Payments Benefits (Driver only)	Not Required	$10,000
Uninsured Motorist Bodily Injury & Underinsured Motorist Bodily Injury (UM/UIM)	State Minimum of $25,000 per person / $50,000 per accident	$1,500,000

In contrast to the coverage imposed on TNCs, New Jersey does not require private or commercial (e.g., taxicab) drivers to carry UM/UIM insurance above the state minimum standards, and requires private motorists to carry only bodily injury coverage of at least $25,000 for a single individual injured in an accident and $50,000 for all persons injured in an accident (rising to $35,000/$70,000 on January 1, 2026), along with property damage coverage of $25,000 per accident.[7]

III Driving and Accident Patterns in New Jersey Do Not Warrant Excess Insurance *Vis-à-vis* Other States

Understanding how New Jersey compares to other states in terms of accidents, fatalities, and vehicle usage is crucial for grounding the empirical analysis to follow. Moreover, while TNCs are ubiquitous across the United States, operating in every major city, the UM/UIM requirements vary significantly across states. *See* Appendix A.

III.A New Jersey Is a Safe State in Which to Drive

Based on a number of metrics, including fatalities, New Jersey is a relatively safe state in which to drive. In 2023, New Jersey reported just over 600 traffic fatalities.[8] That corresponds to a fatality rate of 0.78 deaths per 100 million vehicle miles travelled (VMT), significantly below the national average of 1.26.[9] When measured per 100,000 population, New Jersey's rate in 2023

[7] *See* Bulletin No. 25-06, Auto Insurance Coverage Limits Pursuant to P.L. 2022, c.87, dated July 31, 2025, *available at* https://www.nj.gov/dobi/bulletins/blt25_06.pdf. We understand that taxis are required to carry $1.5 million in primary insurance for bodily injury, in the same way that TNCs are required, but that the UM/UIM mandate does not apply. (See 2024 New Jersey Revised Statutes, Title 48 – Public Utilities Section 48:16-3 – Insurance; Amount; Criminal History Background Check.)

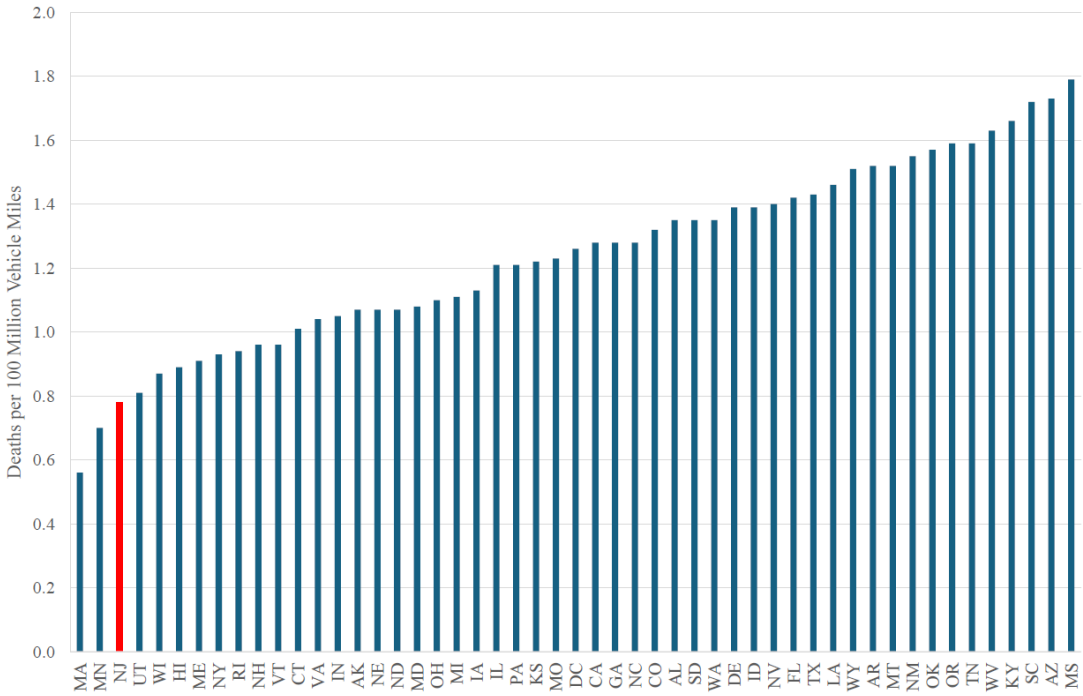
[8] Insurance Institute for Highway Safety (IIHS), at https://www.iihs.org/topics/fatality-statistics/detail/state-by-state, accessed on October 6, 2025.

[9] Ibid.

was 6.5, which is about half of the national average, indicating an extremely safe driving environment on a per capita basis.[10]

As shown in the chart below, only two states experienced a lower level of fatalities (per 100 million VMT) than New Jersey.

Figure 1. Motor Vehicle Crash Deaths Per 100 Million VMT (2023)[11]



One possible reason for the low fatality rate is that New Jersey ranks highly in terms of seatbelt usage, with a rate over 90%.[12] In contrast, some other states have usage rates at 80% or lower.

New Jersey ranks favorably based on a number of other metrics as well. For example, crash rates, both those resulting in bodily injury as well as those resulting only in property damage (PDO), have fallen by about 10% since 2019.[13] Since these rates are reported per million VMT, they already reflect any decline in driving that might have occurred as a result of the Covid-19 pandemic. In addition, the number of crashes resulting in injury in New Jersey is about 10% below the national average.[14]

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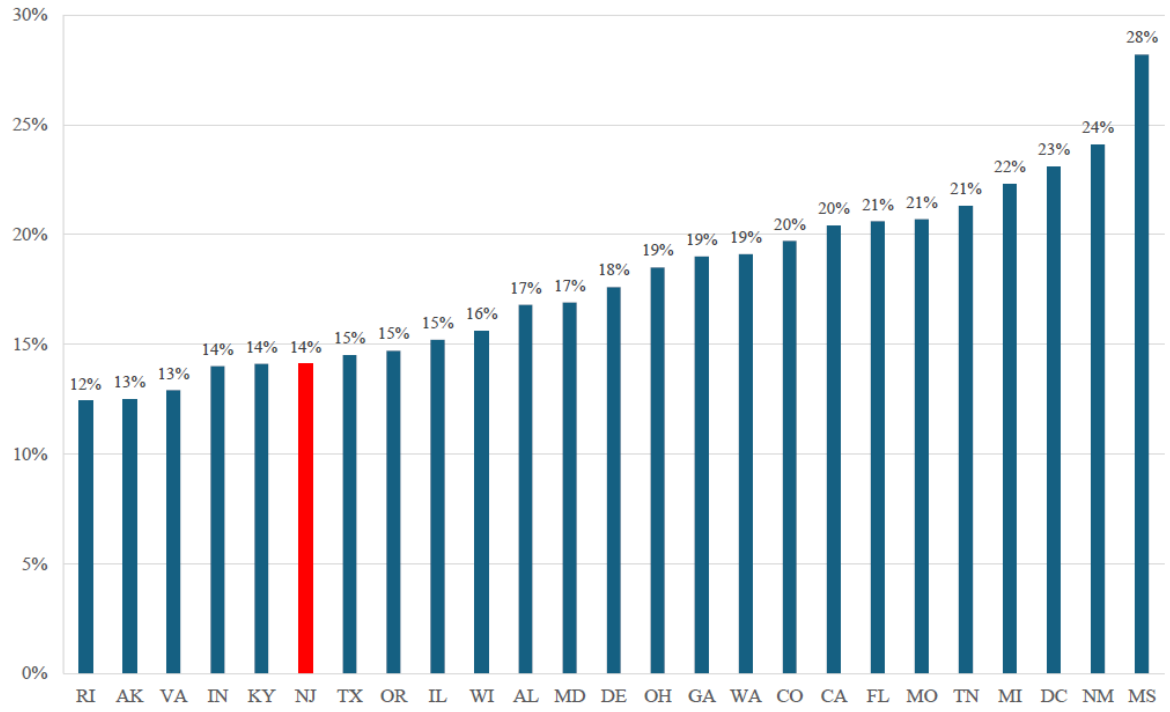
[10] Ibid.
[11] Ibid.
[12] U.S. Department of Transportation, National Highway Traffic Safety Administration, Seat Belt Use in 2023 – Use Rates in the States and Territories (August 2024) *available at* https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813615, accessed on October 3, 2025.
[13] New Jersey Department of Transportation, Crash Rates by Crash Severity Statewide *available at* https://dot.nj.gov/transportation/refdata/accident/pdf/CrashRatesBySeverityStatewide.pdf, accessed on October 6, 2025.
[14] New Jersey Department of Transportation, Crash Rates by Crash Severity Statewide *available at* https://dot.nj.gov/transportation/refdata/accident/pdf/CrashRatesBySeverityStatewide.pdf accessed on October 6, 2025 and U.S. Department of Transportation, National Highway Traffic Safety Administration, Overview of Motor Vehicle Traffic Crashes in 2022; June 2024 (Revised) *available at* https://rosap.ntl.bts.gov/view/dot/78044 accessed on October 6, 2025.

III.B New Jersey Does Not Have a High Rate of Uninsured Motorists

New Jersey does not have a particularly high rate of uninsured motorists, falling right around the median, as it barely ranks among the top 20 states (as well as the District of Columbia). As of 2023, there were over a dozen states clustered around an uninsured motorist rate of 12% to 15%, with New Jersey falling among that cluster; *see* Figure 2. In fact, New Jersey's uninsured motorist rate of 14.1% was half the rate of Mississippi's, and well below the rate of certain other large states (e.g., California, Florida, Ohio, and Texas). New Jersey was also below the national average of 15.4%.

Figure 2. Estimated Percentage of Uninsured Motorists Top 25 States (2023)[15]



III.C Other States with Similar Rates of Uninsured Motorists Either Mandate Much Lower Coverage Limits for TNCs or Do Not Mandate Coverage

Many states with similar (or even much higher) rates of uninsured motorists either do not mandate UM/UIM coverage for TNCs or require much lower amounts. One state with a similar rate of uninsured motorists is Illinois. Despite the similar rate, Illinois mandates that TNCs carry only $50,000 in UM/UIM coverage.[16] Notably, the District of Columbia, with one of the

[15] Insurance Information Institute, Facts + Statistics: Uninsured Motorists, *available at* https://www.iii.org/fact-statistic/facts-statistics-uninsured-motorists, accessed on September 25, 2025.

[16] Illinois General Assembly, 625 ILCS 57/10 – Insurance, *available at* https://www.ilga.gov/Legislation/ILCS/Articles?ActID=3589&ChapterID=49, accessed on October 16, 2025.

highest rates of uninsured motorists in the country, does not specifically mandate UM/UIM coverage for TNCs that is any different from what is required of private motorists.[17]

Georgia, a state with a higher rate of uninsured motorists than New Jersey, mandates UM/UIM coverage for TNCs that is just a fraction of New Jersey's mandated coverage.[18] The table below compares rates of uninsured motorists across states, along with those states' UM/UIM requirements for TNCs.

Table 2. Uninsured Motorists in Select States, Minimum UM/UIM TNC Bodily Injury Limits, per Appendix A[19]

State	Percentage of Uninsured Motorists (2023)	Minimum TNC UM/UIM Bodily Injury Limits (Periods 2 and 3)
New Jersey	14.1%	$1,500,000
District of Columbia[20]	23.1%	$25,000 / $50,000
Georgia	19.0%	$100,000 / $300,000
Illinois	15.2%	$50,000 (P3 only)

Given that New Jersey's mandated level of UM/UIM insurance for TNCs is multiples higher than what other states with comparable (or even higher) rates of uninsured motorists require, to justify this high level of mandated coverage New Jersey would need to be a particularly risky state in which to drive. However, as the data presented above indicates, this is not the case, making New Jersey's mandated level of UM/UIM coverage for TNCs an outlier without any apparent economic justification. Furthermore, as we show below, even at much lower levels of UM/UIM coverage, motorists and other individuals still have sufficient protection in the event of accidents.

[17] Council of the District of Columbia, § 50-301.29.c. – Insurance Requirements for Private Vehicle-for-Hire, accessed May 19, 2025, *available at* https://code.dccouncil.gov/us/dc/council/code/sections/50-301.29c#:~:text=(a)%20A%20private%20vehicle%2D,engaged%20in%20a%20prearranged%20ride

[18] Uber, "Unfair Rideshare Insurance Requirements Raise Costs for Riders and Affect Drivers' Ability to Earn," accessed October 6, 2025, *available at* https://www.uber.com/us/en/u/fair-insurance/.

[19] Insurance Information Institute, Estimated Percentage of Uninsured Motorists by State, 2017-2023, accessed on October 6, 2025, *available at* https://www.iii.org/table-archive/20641. *See also*, Appendix A.

[20] UIM is optional in the District of Columbia. (Council of the District of Columbia, § 31-2406.c-1. – Availability of Required and Optional Insurance and Benefits, June 3, 2025, *available at* https://code.dccouncil.gov/us/dc/council/code/sections/31-2406).

IV New Jersey's Mandated UM/UIM Coverage is Partially Duplicative and Exceeds What is Needed to Satisfy Most Claims

In the sections above, we demonstrated that New Jersey requires excess UM/UIM insurance for TNCs, relative to other states given accident and fatality rates. In this section we conduct empirical analysis to determine whether the coverage limits for UM/UIM insurance that New Jersey mandates for TNCs is necessary, and whether a reduction in the mandated level would expose stakeholders (e.g., riders, drivers, pedestrians) to the risk that policy limits are below the necessary amount for injury claims.

IV.A New Jersey Riders and Drivers Are Protected by Forms of Insurance Other than UM/UIM Coverage

UM/UIM insurance applies when the at-fault driver is unidentified (e.g., a hit and run), does not have liability insurance coverage, or has insufficient liability insurance coverage limits for damages resulting from an accident. As such, UM/UIM coverage only becomes relevant when the at-fault driver is a third-party not affiliated with a TNC, the at-fault driver lacks sufficient liability insurance, and when the insurance available to the claimant is insufficient to cover all the costs of the accident.

New Jersey TNC drivers already have coverage for bodily injury and medical bills. During Periods 2 and 3, TNCs (or TNC drivers) need to maintain $10,000 in medical payments benefits for the specific benefit of the TNC driver.[21] Uber also makes available to its drivers Optional Injury Protection, which provides disability payments and covers accident-related medical expenses up to $1 million with no deductible or copay.[22]

The UM/UIM insurance carried by TNC passengers on their personal auto policies could also provide coverage for their injuries in the event of a UM/UIM accident while occupying a TNC vehicle.[23] In addition, TNC passengers may have substantial PIP available to them on their personal auto policies. In fact, 52% of PIP policies for private passenger automobiles carry $250,000 limits or higher.[24] This raises the broader question of whether mandated UM/UIM coverage for TNCs is even necessary, since very few accidents are likely to result in UM/UIM coverage providing the sole means of recovery in an accident. This, in turn, suggests that there is little incremental value to an extremely high mandated level of coverage, relative to much

[21] NJ Rev. Stat. § 39:5H-10 (2024).
[22] Uber reports the cost of this insurance as less than $0.03 per mile. (*See* https://www.uber.com/us/en/drive/insurance/injury-protection/, accessed October 21, 2025.)
[23] UM/UIM coverage is included in so-called "standard" policies in New Jersey but is not included in "basic" policies. (State of New Jersey Dept. of Banking & Insurance, Standard Auto Insurance Policy, 2021, available at https://www.nj.gov/dobi/division_consumers/insurance/standardpolicy.html.)
[24] New Jersey Department of Banking and Insurance, Private Passenger Auto Semi-Annual Reports, *available at* https://www.nj.gov/dobi/division_insurance/propcasualty/240630ppamarket.pdf, accessed on October 17, 2025.

lower levels of coverage. Moreover, even in the rare instances of UM/UIM coverage providing the only insurance in an accident, the data presented below indicates that much lower levels of UM/UIM coverage would be sufficient.

IV.B UM/UIM Bodily Injury Claims Generally Settle for Much Less than Currently Mandated UM/UIM Coverage for TNCs

According to data provided by Uber's and Lyft's insurance partner in New Jersey, more than 98% of personal (i.e., non-TNC) UM/UIM claims close below $100,000, for policies that have $50,000/$100,000 limits in New Jersey. In other words, 2% or less of claims close at $100,000. Additionally, it is estimated that the average cost of settling a claim in New Jersey brought under personal UM/UIM coverage is between $42,000 and $48,000. By comparison, claims brought under TNC's UM/UIM coverage settle for about twice the cost to settle UM/UIM claims brought under personal coverage.[25]

Furthermore, even under TNC's own policies, when the mandated coverage amount for UM/UIM insurance is $1.5 million, data we have analyzed indicates that over 60% of claims in New Jersey have consistently settled for less than $35,000 per person/$70,000 per accident limit, as shown in the table below.

Table 3. Percentage of UM/UIM Claims That Settled Under $35,000 per Person/$70,000 per Accident, per TNC's Coverage in New Jersey[26]

2021 Q2	60%
2021 Q3	58%
2021 Q4	64%
2022 Q1	63%
2022 Q2	65%
2022 Q3	67%
2022 Q4	69%
2023 Q1	72%

Furthermore, Lyft has represented that between Q2:2021 and Q1:2023 its carriers have not settled any UM/UIM claims for the policy limit of $1.5 million.[27]

There will always be a few claims that are outliers and for which no amount of coverage would ever be sufficient. Consider the case of an individual who is injured in an accident and needs lifelong care. For this case, even $1.5 million in UM/UIM coverage might be insufficient. However, per the discussion above, such a scenario likely occurs very infrequently. One thus needs to consider the economic costs associated with higher insurance limits versus the

[25] The ratio increases to 5:1 when considering just litigated claims. (Based on TNC carrier data.)
[26] Source: TNC carrier data. Excludes open claims. The indemnity amounts on open claims are equal to the amounts already paid on those claims plus any amount of reserve determined by the claims adjustor.
[27] Provided by Lyft based on data of the same period as outlined in Appendix B.

incremental value of covering just a few additional, but high value, claims. As the remainder of our study demonstrates, it is economically inefficient to mandate such high coverage for such low probability events (i.e., negative externalities are introduced).[28]

V Empirical Analysis Demonstrates That New Jersey's Mandated Level of UM/UIM Coverage is Excessive

A natural experiment to determine whether New Jersey's mandated $1.5 million in UM/UIM coverage is excessive is to compare claims treatments in New Jersey to an analogous benchmark state with a lower mandated UM/UIM level. In other words, is there a state with similar numbers of miles driven per capita, similar accident rates, and so forth, but with a lower mandated UM/UIM requirement?

As our initial step, we looked for states that have similar demographics, in terms of population, population density, and percentage of residents living in metro areas. We also looked for states with a similar political composition to New Jersey (a so-called blue state). And, of course, our comparator state had to have a lower mandated level of UM/UIM coverage. These factors ruled out certain other Northeastern states (such as Rhode Island) which have significantly lower populations; ruled out states like Ohio and Pennsylvania which have far fewer residents living in metro areas; and ruled out Florida which is a staunchly red state. New York, although similar in many aspects to New Jersey, was ruled out since it also has a high level of mandated UM/UIM coverage. Based on these demographic metrics, we identified Illinois as a good comparator state, as shown in the table below.[29]

Table 4. Demographic Comparison, New Jersey vs. Illinois[30]

	New Jersey		Illinois	
	Metric	**Rank**	**Metric**	**Rank**
Population (2021)	9,267,130	41	12,671,469	46

[28] A study by the U.S. Dept. of Transportation (2013) in fact found that there is likely no "realistic" policy limit that could cover all possible claims and that since policy limits "have some tendency to become self-fulfilling," raising policy limits would not necessarily improve either the equity or the efficiency of insurance markets. (*See* Hymel, K., Lee, D.B., Pearlman, J., Prichard, R., and Rainville, L. (2013). *Financial Responsibility Requirements for Commercial Motor Vehicles*, U.S. Department of Transportation, Federal Motor Carrier Safety Administration. Report No. FMCA-RRA-12-045.

[29] In a previous study conducted by the authors, Illinois was also used as a comparator state for California. In many ways, Illinois is an even closer match for New Jersey than for California.

[30] Sources: National Association of Insurance Commissioners, 2021/2022 Auto Insurance Database Report, January 2025, *available at* https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf. Rankings are listed from lowest to highest value. Rankings run from lowest (1) to highest (51, including the District of Columbia). As an example, for "Population" both states rank near the top, meaning that both states have relatively high population numbers compared to other states. Note that the source for the percentage of urban population is the 2021/2022 Auto Insurance Database Report and is reported as the "% of population in a Metro area" for 2010. However, we understand this to be mislabeled, and it should be based on the percentage of population in an urban area based on the 2020 Census. *See* https://www.visualcapitalist.com/sp/mapping-us-urbanization-by-state, which contains identical numbers to the Auto Insurance Database Report, but states that the numbers came from the 2020 U.S. Census.

% of Urban Population (2020)	93.8%	48	86.9%	41
Population Density per Square Mile (2021)	1,260	50	228	39

We next investigated the comparability of Illinois to New Jersey in terms of various driving and safety metrics, as well as, crucially, percentage of uninsured motorists. For many of these metrics, New Jersey is either comparable to, or safer than, Illinois. Furthermore, New Jersey has a lower level of uninsured motorists. We summarize this comparison in the table below.

Table 5. Driving Conditions Comparison, New Jersey vs. Illinois[31]

	New Jersey		Illinois	
	Metric	**Rank**	**Metric**	**Rank**
Miles Driven per Person (2021)	7,950	10	7,697	6
Frequency of UM/UIM BI Claims under Personal Insurance (2021)	0.11	19	0.16	28
Crash Deaths per 100,000 Population (2023)	6.5	6	9.9	15
Percentage of Uninsured Motorists (2023)	14.1%	31	15.2%	35

The one metric for which New Jersey and Illinois appear to be less comparable is the severity of bodily injury claims, incurred under either personal liability insurance or UM/UIM insurance. By way of example, for bodily injury insurance claims incurred under personal liability insurance, the average claim amount in Illinois (in 2021) was about $24,000 while it was around $33,000 in New Jersey.[32] Likewise, for bodily injury insurance claims incurred under personal auto UM/UIM insurance, the average claim amount in Illinois (in 2021) was about $33,000 while it was around $44,000 in New Jersey.[33]

We understand, however, that New Jersey mandates PIP coverage, which is no-fault insurance providing medical coverage for the policyholder and anyone riding with the policyholder, regardless of their own insurance coverage.[34] Since PIP is primary to bodily injury insurance (i.e., pays out before bodily injury insurance), our understanding is that claims made in New Jersey under bodily injury insurance coverage are only those that are particularly severe. A review of other states with mandatory PIP coverage (e.g., Hawaii, Michigan,

[31] Sources: National Association of Insurance Commissioners, 2021/2022 Auto Insurance Database Report, January 2025, *available at* https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf, Insurance Information Institute, Estimated Percentage of Uninsured Motorists by State, 2017-2023, accessed on October 6, 2025, *available at* https://www.iii.org/table-archive/20641, and Insurance Institute for Highway Safety (IIHS), *available at* https://www.iihs.org/topics/fatality-statistics/detail/state-by-state, accessed on September 25, 2005.

[32] National Association of Insurance Commissioners, 2021/2022 Auto Insurance Database Report, January 2025, *available at* https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf.

[33] National Association of Insurance Commissioners, 2021/2022 Auto Insurance Database Report, January 2025, *available at* https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf.

[34] See Rosanes, Mark, Personal Injury Protect Insurance: A State-by-State Guide, Insurance News, February 7, 2022.

Minnesota, New York, and North Dakota) indicates that they also have among the highest losses incurred under bodily injury insurance in the United States.[35]

To address this possible difference in comparability between New Jersey and Illinois, we also looked for states that were closer to New Jersey in terms of their severity of bodily injury claims. Particularly for severity of bodily injury claims under personal auto UM/UIM coverage, one state close in comparability to New Jersey is Connecticut (about $41,000 in Connecticut versus about $44,000 in New Jersey).[36] To ensure that broader comparisons between New Jersey and Connecticut would be reasonable, we also checked the comparability of New Jersey and Connecticut using the same metrics we discussed above with respect to Illinois. Those findings are presented in the table below.

Table 6: Demographic and Driving Factors Giving Rise to an Insurance Claim, New Jersey vs. Connecticut[37]

	New Jersey		Connecticut	
	Metric	**Rank**	**Metric**	**Rank**
Population (2021)	9,267,130	41	3,605,597	23
% of Urban Population (2020)[38]	93.8%	48	86.3%	40
Population Density per Square Mile (2021)	1,260	50	745	47
Miles Driven per Person (2021)	7,950	10	8,040	11
Frequency of UM/UIM BI Claims under Personal Insurance (2021)	0.11	19	0.14	26
Crash Deaths per 100,000 Population (2023)	6.5	6	8.5	10
Percentage of Uninsured Motorists (2023)	14.1%	31	11.8%	21

As this table shows, other than for the size of the overall population and percentage of uninsured motorists, Connecticut in fact appears closer in comparability to New Jersey than Illinois for certain of these metrics. Thus, by analyzing data from both Illinois and Connecticut, we believe that we have chosen two states that in their own ways each serve as an accurate

[35] Rosanes, Mark, Personal Injury Protect Insurance: A State-by-State Guide, Insurance News, February 7, 2022 and National Association of Insurance Commissioners, 2021/2022 Auto Insurance Database Report, January 2025, *available at* https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf.

[36] National Association of Insurance Commissioners, 2021/2022 Auto Insurance Database Report, January 2025, *available at* https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf.

[37] Sources: National Association of Insurance Commissioners, 2021/2022 Auto Insurance Database Report, January 2025, *available at* https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf; Insurance Information Institute, Estimated Percentage of Uninsured Motorists by State, 2017-2022, accessed on September 25, 2025, *available at* https://www.iii.org/table-archive/20641; and Insurance Institute for Highway Safety (IIHS), *available at* https://www.iihs.org/topics/fatality-statistics/detail/state-by-state, accessed on September 25, 2005.

[38] Note that the source for this data category is the 2021/2022 Auto Insurance Database Report and is reported as the "% of population in a Metro area" for 2010. However, we understand this to be mislabeled, and it should be based on the percentage of population in an urban area based on the 2020 Census. See https://www.visualcapitalist.com/sp/mapping-us-urbanization-by-state, which contains identical numbers to the Auto Insurance Database Report, but states that the numbers came from the 2020 U.S. Census.

proxy for what New Jersey would look like without its excessive level of UM/UIM insurance mandated for TNCs.[39]

V.A Losses Incurred under TNC's UM/UIM Coverage in New Jersey Far Exceed Such Losses in Connecticut and Illinois

Despite the fact that New Jersey is an extremely safe state in which to drive, and that it compares favorably with both Connecticut and Illinois on a number of driving and safety metrics, the average UM/UIM losses incurred under TNCs' insurance coverage are substantially higher in New Jersey than in either Connecticut or Illinois. This result holds regardless of whether the claim proceeds to litigation or not. As shown in the table below, losses incurred in New Jersey by Uber's and Lyft's insurance carrier are over fifteen times higher than in either Connecticut or Illinois.[40] (Note figures have been rounded to the nearest thousand dollars.)

Table 7. Average UM/UIM Losses per Claim in New Jersey, Connecticut, and Illinois under TNCs' Insurance Coverage[41]

	New Jersey	Connecticut	Illinois
2022 Q2 to 2023 Q1	$139,000	$5,000	$9,000

Given the similarities between these three states, this stark contrast can only be attributed to the negative externalities created by the excessive UM/UIM mandate imposed by New Jersey.

One might be tempted to argue that the mandated coverage level for TNC's UM/UIM insurance is too low in Connecticut and Illinois, leading to claims being underpaid or underfunded. This argument can be rejected, given that the average claim loss for Connecticut and Illinois, as shown in the table above, are significantly below the UM/UIM policy limits for either personal or TNC auto insurance in both states, as shown in the table below.

[39] We also compared minimum personal auto insurance requirements. In both Illinois and Connecticut, personal drivers are required to carry $25,000 in bodily injury insurance per person ($50,000 per accident) while in Illinois personal drivers are required to carry $20,000 in property damage insurance per accident and $25,000 in Connecticut. (See Progressive, "Car Insurance Requirements Per State," accessed May 31, 2025, *available at* https://www.progressive.com/answers/state-car-insurance-information/.) New Jersey's requirements are similar, although increasing to $35,000/$70,000 in 2026. (*See* Bulletin No. 25-06, Auto Insurance Coverage Limits Pursuant to P.L. 2022, c.87, dated July 31, 2025, *available at* https://www.nj.gov/dobi/bulletins/blt25_06.pdf.)

[40] These figures represent average losses incurred across all settlements and expected settlements, regardless of whether the claimants were represented by an attorney or not and regardless of whether they were settled as part of litigation. Below, we report incurred losses specifically resulting from attorney representation with and without litigation.

[41] Source: TNC carrier data.

Table 8. UM/UIM Requirements in New Jersey, Connecticut, and Illinois For Personal Auto Insurance and TNC Insurance[42]

	Personal Auto Insurance	TNC Insurance
New Jersey	Basic Policies: No Requirement Standard Policies: $35,000 per person $70,000 per accident Beginning on 1/1/2026	$1.5 Million
Connecticut	$25,000 per person $50,000 per accident	$25,000 per person $50,000 per accident
Illinois	$25,000 per person $50,000 per accident	$50,000

V.B Lower UM/UIM Coverage Limits in Connecticut and Illinois Still Provide Sufficient Economic Incentives for Meritorious Claims to Be Litigated

Another anomaly emerges when one looks at the percentage of claims resolved with no losses incurred under TNCs' UM/UIM coverage. Based on data we analyzed, as shown in Table 9 below, 60% of claims brought in Illinois under TNC's UM/UIM coverage have either been settled, or are anticipated to be settled, without any losses being incurred. The percentage of claims resolved without any incurred losses is even higher in Connecticut, surpassing 80% in some quarters. This contrasts with less than 25% in New Jersey being resolved without incurring a loss.

Table 9. Percentage of Total Reported UM/UIM Claims without Incurred Losses, New Jersey vs. Connecticut and Illinois[43]

	New Jersey	Connecticut	Illinois
2022 Q2	19%	76%	61%
2022 Q3	21%	70%	59%
2022 Q4	21%	83%	62%
2023 Q1	18%	66%	63%

At first glance one might be tempted to ascribe the difference in claims being resolved without incurred losses to the lower TNC UM/UIM policy limits in Connecticut and Illinois deterring

[42] *See* https://law.justia.com/codes/new-jersey/title-17/section-17-28-1-1/, https://www.nj.gov/mvc/pdf/business/tncfaq.pdf, https://portal.ct.gov/cid/consumer-resource-library/auto-insurance?language=en_US, https://www.cga.ct.gov/2022/rpt/pdf/2022-R-0101.pdf, https://idoi.illinois.gov/consumers/consumerinsurance/auto-insurance-shopping-guide.html, and Illinois General Assembly, 625 ILCS 57/10 – Insurance, accessed May 19, 2025, *available at* https://www.ilga.gov/Legislation/ILCS/Articles?ActID=3589&ChapterID=49&Chapter=VEHICLES&MajorTopic=TRANSPORTATION.

[43] Source: TNC carrier data. The percentages represent the sum of UM/UIM claims settled without incurred losses and open claims estimated to settle without incurred losses divided by total reported UM/UIM claims.

meritorious claims from being pursued due to potential recovery levels being too low for legal counsel to take the case. This conclusion is demonstrably incorrect.

First, based on data we analyzed, 91% of the total losses incurred in Illinois under TNCs' UM/UIM coverage were in fact associated with legal representation. The percentage in Connecticut was even higher at 95%. In other words, even though Illinois and Connecticut have much lower UM/UIM policy limits, those limits were still sufficiently high for legal counsel to become involved.

Second, a gauge of the sufficiency of the potential recovery in Connecticut and Illinois to induce attorney representation is the rate of hourly attorney earnings implied by the average settlement. Based on our analysis, when a loss is incurred, as the result of litigation, under TNCs' UM/UIM coverage in Connecticut and Illinois, the average size of that loss is around $22,000. Assuming a contingency fee of 33% (which is the statutory cap in Connecticut), the average claim in those states would yield about $7,300 in fees to the plaintiff's attorneys. Given that the average personal injury case takes around 20 hours to resolve (per a study by Law360), this implies an hourly rate for the plaintiff's attorney of $365.[44] This hourly rate is in line with, or even somewhat higher than, the average reported attorney billing rate (in 2023) in Connecticut of $342 and in Illinois of $305.[45]

Third, the average reported attorney billing rate in New Jersey for 2023 was about $300 per hour, which is consistent with rates in Connecticut and Illinois.[46] However, in contrast, the average loss incurred in New Jersey was about 10 times higher than Connecticut and Illinois when the UM/UIM case was litigated under a TNC's insurance policy. As our analysis indicates, then, although average hourly attorney billing rates in New Jersey, Connecticut and Illinois are all fairly similar, the typical plaintiff's attorney in New Jersey is earning about $3,500 per hour worked on a claim brought under TNCs' UM/UIM coverage.

VI New Jersey's Mandated Level of UM/UIM Coverage Primarily Results in Higher Insurance Losses and Higher Legal Expenses

As shown above, there is no apparent economic justification for New Jersey's mandate that TNCs carry $1.5 million in UM/UIM insurance coverage. Such high levels of coverage create economic incentives leading to heightened litigation and elevated levels of insurance losses and expenses.

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[44] Lerner Steven, *Personal Injury, Employment top Hours Billed per Case*, April 10, 2023, *available at* https://www.law360.com/pulse/articles/1594389/personal-injury-employment-top-hours-billed-per-case.
[45] Brock, Catherine, "How Much Is a Lawyer? Hourly Rates by State and Much More," LawPay, November 12, 2024, *available at* https://www.lawpay.com/about/blog/lawyer-hourly-rate-by-state/#:~:text=Average%20lawyer%20hourly%20rates%20around,averages%20by%20practice%20area%20below.
[46] Ibid.

VI.A Excessive Insurance Coverage Can Result in Increased Frequency and Size of Claims

Before presenting empirical evidence that NJ's excessive level of UM/UIM coverage results in increased litigation and increased insurance losses, prior literature on this point predicts just such an outcome. For example, an extension of Priest and Klein (1984), which developed key insights into which claims are litigated and why, is that insurance alters the expected value of legal claims, leading to marginal or nuisance suits, larger settlements, and other tactics that increase the cost of awards.[47] Thorpe (2004) specifically notes that contingency fees create incentives for "frivolous" lawsuits.[48]

Defendants in personal injury or medical malpractice suits also frequently have to engage in unnecessary and defensive conduct to mitigate the risk of outsized, adverse judgments resulting from excessive insurance coverage. Empirical studies, such as those by Sloan and Chepke (2008) and Kessler (2011), find that excessive coverage increases the stakes of litigation, prompting defensive lawyering and prolonged trials.[49] This in turn contributes to court congestion, delay, and greater administrative costs.

VI.B States with Lower UM/UIM Requirements Have Fewer UM/UIM Claims Proceed to Litigation

Attorney involvement in UM/UIM claims, as measured as a percentage of total claims, is higher in New Jersey than in either Connecticut or Illinois. In states with less attorney involvement, fewer UM/UIM claims against TNCs proceed to litigation. In Connecticut and Illinois, only 5% to 10% of UM/UIM claims against TNCs were litigated, compared to over 50% in New Jersey between the second quarter of 2022 and the first quarter of 2023, as shown in the table below.

Table 10. Percentage of UM/UIM Claims Litigated
New Jersey vs. Connecticut and Illinois[50]

	New Jersey	Connecticut	Illinois
2022 Q2	52%	4%	4%
2022 Q3	57%	8%	3%
2022 Q4	45%	5%	2%
2023 Q1	47%	5%	2%

[47] Priest, G. L., & Klein, B. (1984). *The Selection of Disputes for Litigation*. Journal of Legal Studies, 13(1), 1–55.
[48] Thorpe, K.E. (2004). *The Medical Malpractice 'Crisis': Recent Trends and the Impact of State Tort Reforms*. Health Affairs W4, 20-30.
[49] Sloan, F. A., & Chepke, L. M. (2008). *Medical Malpractice*. MIT Press and Kessler, D.P. *Evaluating the Medical Malpractice System and Options for Reform*, Journal of Economic Perspectives, 25(2), 93-110.
[50] Source: TNC carrier data.

As shown in the table below, for claims that had attorney representation and were litigated, the average losses were consistently less than $25,000 in Connecticut and Illinois, compared to over $200,000 in New Jersey.

Table 11. Average Incurred Loss per UM/UIM Claim with Attorney Representation New Jersey vs. Connecticut and Illinois[51]

	New Jersey		Connecticut		Illinois	
	Litigated	**Not Litigated**	**Litigated**	**Not Litigated**	**Litigated**	**Not Litigated**
2022 Q2 to 2023 Q1	>$227,000	>$68,000	<$23,000	<$8,500	<$24,000	<$18,000

VI.C Attorney Involvement Is Associated with Higher Legal Expenses

There are significant out-of-pocket costs incurred by TNCs' UM/UIM insurers in connection with litigating UM/UIM claims. These costs are referred to as Allocated Loss Adjustment Expenses or ALAE. ALAE represent costs associated with attorney and expert witness fees, along with investigation and other costs. In New Jersey, between Q2:2022 and Q1:2023, our analysis shows that the average ALAE incurred by TNCs' insurer carriers was almost $25,000 per litigated claim. However, these costs were significantly lower when claims did not entail litigation. Furthermore, litigation in New Jersey simply appears to be more expensive, as ALAE in Connecticut and Illinois is significantly less, even when proceeding to litigation. These costs are summarized in the table below.

Table 12. Average ALAE per UM/UIM Claim with Attorney Representation New Jersey vs. Connecticut and Illinois[52]

	New Jersey		Connecticut		Illinois	
	Litigated	**Not Litigated**	**Litigated**	**Not Litigated**	**Litigated**	**Not Litigated**
2022 Q2 to 2023 Q1	>$24,000	>$3,000	<$5,000	<$100	<$4,000	<$500

Excessive ALAE is one factor driving up TNCs' insurance costs, the economic implications of which are discussed below.

[51] Source: TNC carrier data.
[52] Source: TNC carrier data.

VII Riders, Drivers, and Potential Claimants Would Benefit from a Lower UM/UIM Requirement

A reduction in the mandated level of UM/UIM coverage for TNCs would result in a number of benefits across a number of different stakeholders. Before discussing those benefits, it is important to note a number of the detriments to excessive UM/UIM coverage. In other words, the decision to mandate $1.5 million in on-trip coverage is not without significant adverse costs, even beyond the heightened incentives to engage in litigation.

VII.A Negative Externalities from Excessive Insurance Costs

Additional insurance costs, from increased litigation and increased insurance losses, can have negative spillover effects (known as externalities). Setting aside the increased premiums associated with excessive insurance coverage, increased litigation costs or losses can themselves raise premiums, thus resulting in either further elevation of insurance premiums beyond what is economically necessary.

Reductions in litigation costs would be expected to reduce insurance premiums. The literature on tort reform in medical malpractice cases is instructive here. Prior empirical work shows that tort reform, such as caps on contingency fees and phantom damages, serves to reduce medical malpractice insurance premiums as well as other unnecessary costs. Thorpe (2004) found that in states that had caps on damages awards, both loss ratios and insurance premiums were lower by 11% and 17%, respectively.[53] Similarly, a report by the Congressional Budget Office (2019) found that nationwide caps on non-economic damages awards would reduce insurance premiums by about 20%.[54]

Heightened insurance premiums have a number of adverse effects. Increased health insurance premiums borne by employers have been shown to reduce either wages or hours worked.[55] The same would apply to other costs associated with excessive insurance coverage, such as costs associated with more frequent litigation. This indicates that driver compensation on TNC platforms has likely been reduced to offset elevated insurance costs. Furthermore, given that increased insurance costs have likely been passed through to riders on TNCs' platforms, this also imposes a burden on consumers. Prior research has shown that increased transportation costs fall most heavily on households with limited financial resources, thus worsening what is known as transportation inequity. As observed by one study

[53] Thorpe, K.E. (2004). *The Medical Malpractice 'Crisis': Recent Trends and the Impact of State Tort Reforms*. Health Affairs, W4, 20-30.
[54] Stockley, K. (2019). *How Do Changes in Medical Malpractice Liability Laws Affect Health Care Spending and the Federal Budget?* Working Paper 2019-03, Congressional Budget Office.
[55] *See*, e.g., Kurt Hager, et al., "Employer-Sponsored Health Insurance Premiums Cost Growth and Its Association with Earnings Inequality Among US Families," *JAMA Network Open*, Vol. 7, No. 1, 2024. *See also* Matthew Davis, "Effects of Rising Health Insurance Premiums," *The NBER Digest*, August 2005.

on transportation equity, increased transportation costs, specifically including ridesharing, result in reduced mobility, with a variety of adverse consequences.[56]

Research also indicates that higher insurance premiums are passed on to customers in the form of higher fees. Danzon (1990) found that for every $1.00 increase in insurance premiums, doctors' fees for office visits were about $0.16 cents higher.[57] Uber estimates that in New Jersey, more than 30% of riders' fares pay for government-mandated insurance, around half of which is specifically related to UM/UIM coverage.[58] In other words, for every $1.00 spent on fares on the Uber platform in New Jersey, more than $0.15 specifically goes to pay for UM/UIM coverage. In comparison, in places like Washington, DC, and Massachusetts, which have much lower UM/UIM coverage requirements, less than 5% of riders' fares goes to mandatory insurance costs.[59]

VII.B Economic Principles Predict that Reduced Insurance Costs Would Benefit Both Riders and Drivers

Were the costs associated with excessive UM/UIM coverage reduced, the negative externalities borne by riders and drivers on TNCs' platforms would be reversed. Economic principles predict that in highly competitive industries reductions in costs are, on average, generally passed through to consumers.[60] As prices trend towards marginal costs in more competitive industries, reductions in firms' input costs frequently are manifested in reduced prices since one firm unilaterally seeking to reduce its price would be expected to gain market share at the expense of its competitors, particularly when switching costs are low.

TNCs have noted the extremely competitive nature of the ridesharing industry and the existence of a number of competitive alternatives to ridesharing.[61] In addition, these TNCs have also noted that, to remain competitive in the marketplace, they have either reduced prices to consumers (through lowered fares or other discounts or promotions) or increased driver incentives. Lyft, for example, specifically noted that in the past it has reduced prices to defend its ridership share.[62]

Furthermore, switching costs among various TNCs are low. This means that if one TNC were to reduce fares when the overall cost structure of the industry declined (e.g., if insurance premiums were to decline) it would be relatively simple for either riders or drivers to switch to

[56] *See* Quinn Molloy, et al., "A New Approach to Understanding the Impact of Automobile Ownership on Transportation Equity," *Transportation Research Record*, Vol. 2678, No. 2, 366-376.
[57] Danzon, P., Pauly, M., and Kington, R. (1990). *The Effects of Malpractice Litigation on Physicians' Fees and Incomes*. AEA Papers and Proceedings, 122-127.
[58] Uber, "Unfair Rideshare Insurance Requirements Raise Costs for Riders and Affect Drivers' Ability to Earn," accessed October 6, 2025, *available at* https://www.uber.com/us/en/u/fair-insurance/.
[59] Ibid.
[60] *See*, e.g., Federal Reserve Bank of New York, Estimates of Cost-Price Passthrough from Business Survey Data, No. 1062, June 2023. This survey found an average passthrough rate of 60%, but with significant heterogeneity across firms. This was based on a complexity of factors and strategic decision-making differing across firms.
[61] *See*, e.g., Uber SEC Form 10-K, for the fiscal year ended December 31, 2023, at p. 10 and Lyft SEC Form 10-K, for the fiscal year ended December 31, 2024, at p. 16.
[62] Lyft SEC Form 10-K, for the fiscal year ended December 31, 2024, at pp. 16 and 21-22.

that TNC if the other TNCs declined to follow suit. Many riders already have both apps on their phone and compare prices before they confirm (and pay for) their ride.

Economic principles thus predict that any reductions in a TNC's cost structure, such as those that would result from decreased UM/UIM costs, would be used by TNCs to enhance their competitiveness either through fare reductions or increased driver compensation. Economic principles also predict that if TNCs were to reduce their prices, consumer demand would increase. Increases in demand can also result in virtuous cycles since, in networked industries such as ride-sharing, an increase in demand would bring forth more drivers, reducing wait-times for riders (making ride-sharing more appealing) and increasing driver earnings.

In addition to what economic principles predict, empirical evidence also documents that prior reductions in insurance costs have resulted in reduced fares. For example, after Georgia passed legislation in 2023 reducing insurance requirements for TNCs, fares on Uber were reduced, on average, by about $0.75 per trip.[63]

In contrast, higher insurance costs have been passed through to consumers. As explained by Uber in February 2025: "To maximize demand, we remain committed to keeping prices as low as possible, passing through only the insurance cost increases to consumers."[64] This statement particularly noted outsized insurance costs in California (as well as New Jersey).

VII.C TNCs Balance the Economic Interests of Both Their Riders and Drivers

TNCs are "platform" companies. The value created by platform companies is based, at least in part, on bringing together different types of economic agents—in this case riders and drivers—to the mutual benefit of both. A platform company thus solves a coordination problem that would be difficult for individual economic agents to resolve on their own.

However, since TNCs benefit from "network effects"—meaning that the value of their ride-sharing services increases as more people opt to take rides and more drivers opt to transport them—they need to ensure that they keep both sides of their platform content.[65] Importantly, TNCs need to ensure that their platforms maintain a critical mass of both riders and drivers so that both sides are sufficiently incentivized to use the platform. In such an environment, a TNC is incentivized to use any favorable improvement in its cost structures to more aggressively compete for either riders or drivers.

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[63] Uber, "Insurance for Rideshare and Delivery Drivers, Frequently Asked Questions: What Can I Do to Help Bring Down Insurance Costs in My State," at Frequently Asked Questions, Insurance Basics, "What can I do to help bring down insurance costs in my state?" accessed May 17, 2025, *available at* https://www.uber.com/us/en/drive/insurance/.

[64] Uber Q4 2024 Earnings Conference Call, Prepared Remarks, February 5, 2025, *available at* https://investor.uber.com/news-events/events-and-presentations/event-details/2025/Uber-Q4-2024-Earnings-Conference-Call-2025-V_CXS5kc60/default.aspx.

[65] *See*, e.g., Jean-Charles Rochet and Jean Tirole, "Platform Competition in Two-Sided Markets," *Journal of the European Economic Association*, Vol. 1, No., 4, (June 2003), 990-1029.

Thus, reductions in insurance costs would be expected to have beneficial effects on both sides of a TNC platform, resulting in reduced fares (or other incentives) for riders and increased earnings (or other incentives) for drivers.

VII.D Reduced Fares Would Result in Greater Usage of TNC's Platforms

Responsiveness to changes in price is known as "elasticity." An elasticity of -1.0, also known as unit elasticity, means that for every one percent decrease in a product's price, the quantity demanded of that product would increase by one percent.

For TNCs, both sides of the platform would be expected to respond to changes in price: when prices go down, riders will request more trips, and when trip earnings increase, drivers will drive more hours in the short term. Lyft, as just one example, has disclosed that its riders are highly sensitive to changes in fares.[66]

Various economic studies of elasticity do in fact indicate that both riders and drivers are fairly responsive to changes in price.[67] Estimates of riders' elasticity from academic studies range from a low of -0.4 to a high of -1.2. The estimate of less elastic demand (-0.4) was specifically measured during so-called "surge pricing," though, suggesting that the temporary nature of such price changes may have muted riders' responsiveness. In contrast, the estimate of more elastic demand (-1.2) reflects the impact of longer-term structural changes.

More permanent price changes, such as structural decreases resulting from reduced insurance premiums, would be expected to result in a larger increase in demand corresponding to the higher end of elasticity research. This is because over a longer time horizon (as opposed to the temporary nature of surge pricing) households have time to become accustomed to lower pricing and adjust their purchasing habits accordingly. This means, then, that over a longer time horizon, even small reductions in fares would result in a meaningful, outsized increase in riders' usage of TNCs over time.

Assuming that TNCs' insurance costs associated with UM/UIM coverage could be reduced by half, it is projected that the number of trips taken on TNCs' platforms would increase by more than 10%. This is based on the following calculations:

a. $1.00 Fare = $0.67 Costs + $0.165 UM/UIM Insurance + $0.165 Other Mandatory Insurance

b. $0.9175 Fare = $0.67 Costs + $0.0825 UM/UIM Insurance + $0.165 Other Mandatory Insurance

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[66] Lyft SEC Form 10-K, for the fiscal year ended December 31, 2024, at p. 21.

[67] Peter Cohen, *et al.*, "Using Big Data to Estimate Consumer Surplus: The Case of Uber," *NBER Working Paper* No. 22627 (September 2016), *available at* http://www.nber.org/papers/w22627;James Parrot and Michael Reich, "An Earnings Standard for New York City's App-Based Drivers: Economic Analysis and Policy Assessment," The New School Center for New York City Affairs (July 2018), *available at* https://www.centernyc.org/an-earnings-standard; and Juan Camilo Castillo et al., "Matching and Pricing in Ride Hailing: Wild Goose Chases and How to Solve Them, February 13, 2024, *available at* https://ssrn.com/abstract=2890666.

c. ($0.9175 - $1.00)/$1.00 = -8.25%

d. (1 - 8.25%) ^ (-1.2 Elasticity) = 1.1088 or a 10.88% Usage Increase[68]

To our knowledge, there is no public data for the number of rides provided by Uber and Lyft in New Jersey. However, we have been able to infer those numbers from various data sources.[69] Based on our analysis, we estimate that in 2024 Uber provided around 33 million rides in New Jersey while Lyft provided around 29 million rides. Based on those estimates, a 50% reduction in Uber's and Lyft's costs associated with UM/UIM coverage would be expected to generate nearly 7 million additional trips.

VII.E Increased Usage of TNCs' Platforms Would Result in Improved Safety

Nationwide, for the years 2020 to 2022, fatalities from motor vehicle accidents ranged from 1.33 to 1.38 per 100 million vehicle miles travelled.[70] In contrast, safety data reported by Uber and Lyft indicate fatality rates substantially lower than the national average.[71]

TNCs leverage technology to help improve platform safety. Both Uber and Lyft introduced Driving Insights dashboards which provide drivers with details about their safe driving habits. Uber has also implemented in-app technology to reduce the number of left turns made by its drivers. Both Uber and Lyft also obtain thorough background checks that meet (or exceed) legal requirements to ensure safe driving histories.

Usage of TNCs also helps to prevent motor vehicle fatalities linked to alcohol consumption. As explained by one academic study on this issue, TNCs have the effect of substituting sober drivers for inebriated drivers. This study in fact found that increased ridesharing usage reduced motor vehicle fatalities, with the greatest reductions concentrated during nights and weekends, which is when alcohol-related motor vehicle accidents would be most expected.[72]

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[68] The long-term elasticity estimate of -1.2 in Castillo is the result of a log-log model.

[69] Based on data that Uber and Lyft reported to the California Public Utilities Commission, we understand that Uber and Lyft undertook 73 million and 65 million trips, respectively, in California between September 2020 and August 2021. We then scaled those numbers using the combined populations of New Jersey and New York City (around 18 million) as a percentage of California's population (around 39 million). (*See* California Public Utilities Commission, TNC Portal, Aggregated Requests Accepted for Uber and Lyft, accessed on October 21, 2025, *available at* https://www.cpuc.ca.gov/regulatory-services/licensing/transportation-licensing-and-analysis-branch/transportation-network-companies/tnc-data-portal. *See also* US Census Bureau, State Population Totals and Components of Change: 2020-2024, December 2024, accessed on November 3, 2025, *available at* https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html and US Census Bureau, City and Town Population Totals: 2020-2024, May 2025, accessed on November 3, 2025, *available at* https://www.census.gov/data/tables/time-series/demo/popest/2020s-total-cities-and-towns.html.)

[70] National Highway Traffic Safety Administration, Early Estimate of Motor Vehicle Traffic Fatalities in 2023, April 2024, *available at* https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813561.

[71] *See* Uber, U.S. Safety Report, 2021-2022, *available at* https://www.uber.com/us/en/about/reports/us-safety-report/ and Lyft, Safety Transparency Report (2020-2022), *available at* https://www.lyft.com/blog/posts/2024-safety-transparency-report.

[72] Michael Anderson and Lucas Davis, Uber and Traffic Fatalities, accepted by *The Review of Economics and Statistics* (October 23, 2023).

Were ridership increased on TNC platforms as a result of reduced insurance costs, there would be an expected improvement in traffic safety, particularly a reduction in motor vehicle fatalities stemming from alcohol usage.

VIII Conclusion

In this paper, we use a combination of economic principles and empirical evidence to inform whether the insurance limits mandated by New Jersey statute 39:5H-10 serve the public good. Our analysis seeks to inform optimal policy design and encourage recalibration of the TNC liability systems toward efficiency, while ensuring that accident victims are properly compensated for their injuries.

We find that as a result of New Jersey's statute, UM/UIM requirements for TNCs in New Jersey far exceed what is necessary to ensure adequate coverage for most motor vehicle accidents and that there is no statistical evidence that drivers or riders utilizing TNCs would be subject to unreasonable financial exposure in the event of accidents, were the mandated level of UM/UIM coverage to be reduced to $35,000 per individual ($70,000 per accident). In addition, we find that elevated UM/UIM coverage makes TNCs a target for increased litigation, including increased claim sizes and legal expenses - economically suboptimal results that are driven by the insurance coverage as opposed to the accidents themselves.

We conclude with the finding that increased usage of TNCs' ride-sharing services (arising from lower ride fares as a result of lower insurance costs) would be expected to reduce traffic fatalities as well as benefit TNCs' riders and drivers.

IX Appendix A. Summary of UM/UIM Requirements for TNCs by State (as of March 2025)[73]

Required at $1M or More
California ($1M)[74]
Delaware ($1M)
New Jersey ($1.5M, combined single limit)
New York ($1.25M)
Vermont

Required at $200K/$400K
Colorado

Required at $100K/$300K
Georgia
South Dakota
Washington

Required at $50K to $50K/$100K
Illinois (combined single limit)
Virginia

Required at $25K/$50K to $25K/$75K
Arizona ($25K/$75K combined single limit)
North Carolina ($35K/$60K)

Required at State Minimum
Connecticut
Kansas
Maine
Maryland
Massachusetts
Minnesota
Missouri
Nebraska
North Dakota
South Carolina
West Virginia
Washington, DC (UM only)

No Requirement
Alabama
Alaska
Arkansas
Florida
Hawaii
Idaho
Indiana
Iowa
Kentucky
Louisiana
Michigan
Mississippi
Montana
Nevada
New Hampshire
New Mexico
Ohio
Oklahoma
Oregon[75]
Pennsylvania
Rhode Island[76]
Tennessee
Texas
Utah
Wisconsin
Wyoming

[73] Different states' UM/UIM requirements for TNCs differ as to the operating Period. The table above captures requirements for when the passenger is in the vehicle (Period 3), but some states like New Jersey extend the same requirement to other Periods.
[74] Per SB-371, as-of January 2026, mandated UM/UIM coverage for TNCs will be reduced to $60,000 per person and $300,000 per accident. (See SB-371 Transportation network companies: insurance coverage, accessed on November 3, 2025, *available at* https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB371.
[75] Except Portland: $1M Combined Periods 2 and 3.
[76] Except UM BI minimum of $25K/$50K.

X Appendix B. Description Data Provided by Uber and Lyft

We were provided with data containing bodily injury insurance indemnity claims on UM/UIM policies for Uber and Lyft for New Jersey, Connecticut, and Illinois. We had independent access to data that Uber and Lyft provided to us, and neither Uber nor Lyft was provided access to data provided by the other company at any time.

New Jersey and Connecticut data was provided in aggregated form quarterly from Q2 2021 through Q1 2023. Our understanding is that UM/UIM claims take a significant amount of time to be recognized and settled; accordingly, this allowed close to two and a half years for claims to close and settle (data was computed as of June 30, 2025).

Illinois data was similarly produced in aggregated quarterly form from Q2 2022 through Q1 2023. The later start date for the Illinois data is due to a change in the underlying insurance carrier.

The data for the three states contained the following:

a) The type of coverage, which is always equal to "UM/UIM BI".

b) The quarter in which the accident took place.

c) An identifier that showed as "Y" if at least one claimant in an incident was represented by an attorney or "N" if none of the claimants in an incident were represented by an attorney.

d) An identifier that showed as "Y" if at least one claimant in an incident litigated the claim or "N" if none of the claimants litigated their claims.

e) The claim status that identified whether a claim was closed with pay when all features of the claim were closed with at least one indemnity payment, closed without pay when all features of the claim were closed with no payment, or open when at least one UM/UIM feature of the claim remained open as of June 30, 2025.

f) Number of claims for each of the categories described in b) to e) above. In the case of multiple claimants for the same accident, this was counted as one claim.

g) Total amount of indemnity incurred for the claims in f) above.

h) Total amount of Allocated Loss Adjustment Expenses (ALAE) incurred for the claims in f) above.

The total amount of indemnity and ALAE when a claim was flagged as "open" represented actual amounts of indemnity for features of a claim that were paid and estimated amounts for features that were yet to be paid as of June 30, 2025.

The New Jersey and Connecticut data also included a field that identified the period as either P2 or P3. Period 2 (P2) is the period when the TNC driver has accepted a ride request and is driving to the pick-up location. Period 3 (P3) is the period from when the passenger enters the TNC driver's vehicle until the passenger exits the vehicle. The data for Illinois does not include a field identifying the period, as all

the entries were for Period 3. As a result, all our analyses are limited to Period 3. The numbers for New Jersey and Connecticut do not change materially if Period 2 were to also be included.

The New Jersey data also included a field that identified the severity of a claim as either being less than or equal to $35,000 per person or $70,000 per accident or a claim being over $35,000 per person or $70,000 per accident. The New Jersey data also included a field containing the total of this capped indemnity.

Data was produced in a series of excel tables and we took the data as given. No attempt was made by the authors to edit, change or otherwise alter the data.