

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

ZUM SERVICES INC.,

Petitioner,

For an Exemption from WAC 480-30-
191(1)(a) and WAC 480-30-191(2)

DOCKET TE-220583

ORDER 01

GRANTING PETITION FOR
EXEMPTION

BACKGROUND

- 1 On August 22, 2022, Zum Services Inc. (Zum Services or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition for an exemption (Petition) from Washington Administrative Code (WAC) 480-30-191(1)(a) and WAC 480-30-191(2). The Company previously applied for a charter/excursion certificate, which is pending as of the date of this Order.
- 2 WAC 480-30-191(1) requires each passenger transportation company to file with the Commission evidence of currently effective liability and property damage insurance written by a company authorized by the Office of the Insurance Commissioner (OIC) to write such insurance in the state of Washington.
- 3 WAC 480-30-191(2) establishes a minimum limit of required bodily injury and property damage liability insurance for motor vehicles that have a seating capacity of 16 persons or more, including the driver, of \$5,000,000 combined single limit coverage.
- 4 Zum Services is a school bus transportation provider that applied for a charter and excursion certificate to provide charter services for the Seattle Public Schools for school-related activities such as field trips and sporting events. Despite diligent efforts by Zum Services and Heffernan Insurance Brokers, the Company was unable to find insurance in the admitted market within the \$2,000,000 to \$5,000,000 range required for vehicles with passenger capacities of 16 persons or more.

5 Zum Services has obtained \$2,000,000 of combined single limit coverage underwritten
by Ace American Insurance Company, which is admitted by the Office of the Insurance
Commissioner in the state of Washington.

6 Zum Services requests in its Petition to obtain the remaining \$3,000,000 in liability
coverage required from General Star Indemnity Company (General Star), a surplus lines
insurer that is not authorized to write insurance in the state of Washington. Surplus lines
insurance is used when licensed insurers in the standard market will not provide
coverage because the risk is too high, too unfamiliar, or does not otherwise meet the
insurers' guidelines. Surplus line insurers have more flexibility to design and price their
policies and generally charge higher premiums because they ensure risks that are
usually more costly to cover.

7 While the specific requirements of Commission rules can be exempted, the Commission
must "require the carriers to either procure and file liability and property damage
insurance from a company licensed to write such insurance in the state of Washington,
or deposit security, for the limits of liability and on terms and conditions that the
Commission determines are necessary for the reasonable protection of the public
against damage and injury for which the carrier may be liable by reason of the operation
of any motor vehicle."¹ Because this is a statutory requirement, the Commission cannot
grant the Company an exemption from the obligation to purchase its insurance from a
company licensed in Washington. The Office of the Insurance Commissioner authorizes
insurance companies to write insurance in Washington. RCW 48.15.040 allows surplus
lines coverage under certain conditions if insurance from authorized insurers cannot be
procured. The licensing requirements for surplus line brokers are found in RCW
48.15.070.

8 Heffernan Insurance Brokers (Heffernan) is a broker registered with the Office of the
Insurance Commissioner and is authorized to write surplus lines insurance on behalf of
General Star. Zum Services has secured a firm quote for \$3,000,000 in liability from
General Star through Heffernan.

9 Commission staff (Staff) supports the Company's Petition. The Federal Motor Carrier
Safety Administration (FMCSA) accepts surplus lines insurance (CFR Title 49 Part
387/315) and is expected to accept the Company's filing with General Star. Staff is
willing to recommend the use of surplus lines insurance for the remaining \$3,000,000
portion of the legal requirement, subject to the condition that the Company buys
insurance from a highly rated surplus lines company (A.M. Best A- or above rating)

¹ Revised Code of Washington (RCW) 81.80.190.

that meets the surplus lines company requirements set out in RCW 48.15.070. General Star possesses an A.M. Best financial strength credit rating of “A++” (superior), and its long-term issuer credit rating is A++ (also superior).

DISCUSSION

10 We grant the Company’s Petition subject to the condition that Staff recommends. Per WAC 480-07-110(1), the Commission may grant an exemption from any of its rules if doing so is consistent with the public interest, the purposes underlying regulation, and applicable statutes. We find that the Company’s Petition meets this standard subject to the condition that the Company buys insurance from a highly rated surplus lines company (A.M. Best A- or above rating) that meets the surplus lines company requirements set out in RCW 48.15.070. The purpose of the insurance rule is to protect the public from loss or damage caused by the Company while providing service. Surplus lines insurance responds to that need and is a viable option for high-risk or unique lines of business where risk is less certain. In addition, the FMCSA accepts surplus lines insurance and is expected to accept the Company’s filing with General Star. Accordingly, we find that the Petition for exemption is consistent with the public interest, the purposes underlying regulation, and applicable statutes, and conclude that it should be granted.

FINDINGS AND CONCLUSIONS

- 11 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rules, regulations, and practices, accounts, and affiliated interests of public service companies, including common carrier companies.
- 12 (2) Zum Services is an applicant for charter/excursion authority in the state of Washington and, once authorized, will be a charter/excursion company and a public service company subject to Commission jurisdiction.
- 13 (3) This matter came before the Commission at its regularly scheduled meeting on September 15, 2022.
- 14 (4) Pursuant to WAC 480-07-110(1), the Commission may grant an exemption from any of its rules if doing so is consistent with the public interest, the purposes underlying regulation, and applicable statutes.
- 15 (5) After reviewing Zum Services’ Petition and giving due consideration to all relevant matters and for good cause shown, the Commission finds that granting

exemption from WAC 480-30-191(1)(a) and WAC 480-30-191(2) meets this standard subject to the condition that the Company buy insurance from a highly-rated surplus lines company (A.M. Best A- or above rating) that meets the surplus lines company requirements set out in RCW 48.15.070 and at the levels listed within the Company's Petition.

ORDER

THE COMMISSION ORDERS:

- 16 (1) Zum Services Inc.'s Petition from WAC 480-30-191(1)(a) and WAC 480-30-191(2) is granted subject to the condition that the Zum Services Inc. buys the remaining \$3,000,000 of required insurance from a highly rated surplus lines company (A.M. Best A- or above rating) that meets the surplus lines company requirements set out in RCW 48.15.070 and at the levels listed within the Company's petition.
- 17 (2) The Commission retains jurisdiction over the subject matter Zum Services, Inc., to effectuate the terms of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective September 15, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL
Executive Director and Secretary