



Hamilton

INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 3, 2021
SUBJECT/REPORT NO:	Options for Relief from Municipal Charges for the Taxi and Snow Plow Industries (LS21020) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

COUNCIL DIRECTION

That staff be directed to consult with other municipalities to review the current situation with regards to high insurance premiums on the taxi and snow plow industries and report back to the Audit, Finance & Administration Committee with their findings.

INFORMATION

Subsequent to receiving this Council direction on August 13, 2020 Risk Management Services staff have consulted with the following municipalities with respect to this item:

- Regional Municipality of Niagara;
- Waterloo Regional Municipality;
- Regional Municipality of Peel;
- Regional Municipality of Durham;
- Greater Sudbury;
- Town of Milton; and
- Haldimand County.

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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Although staff at all seven municipalities consulted were aware of the insurance difficulties faced by the taxi and snow clearing industries only staff in Waterloo Regional Municipality and Greater Sudbury had been asked to provide commentary to their respective Councils. The following represents an amalgam of the input provided from the consulted municipalities along with insight from Risk Management Services and the City's insurance broker of record, Gallagher Canada.

The taxi industry represents the most severely affected sector in terms of rising automobile insurance premiums. In fact, the issue of rising premiums was affecting the taxi sector a number of years before costs increased across the broader insurance market in 2019. The factors contributing to the dramatic hike in automobile insurance rates across Canada (and particularly in Ontario, which has the highest rates in the country) include:

- Insurance fraud has reached epidemic proportions and is most prevalent in Ontario;
- The cost of repairing vehicles continues to rise, largely due to the advanced technology now found in all vehicles;
- Injury settlements, healthcare expenses and the costs to defend claims continue to rise, also known as litigation inflation;
- Unlike owners and operators, passengers generally do not have access to accident benefit policies – similar issue for transit companies;
- An increase in accidents due to distracted driving;
- Dramatic decrease in market capacity – very few insurers available; and
- Lack of government intervention to control pricing (such as, for example, limiting claims based on joint and several liability).

The cold reality for the taxi industry is that the impact of these factors is exacerbated by the sheer amount of time taxis spend on the road. The likelihood of a taxi, which might spend 16 hours a day on the road, getting into a serious accident is among the highest of all vehicles on the road.

There are a number of best practices taxi companies and individual taxi drivers can incorporate into their operations to keep automobile premiums as low as possible:

- As much as reasonably possible select the least risky vehicle as rated by insurers;
- Hire drivers older than 25 with experience and clean records;
- Utilize telematics (e.g. black box) to prove safety diligence;
- Utilize on board cameras for both exterior and interior views;
- Enforce a policy of minimal interaction with passengers to deter distracted driving;

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- Ensure passengers use seat belts;
- Ensure pick up and drop off locations are safe (avoiding snow banks, puddles, traffic, etc.);
- Increase deductibles as much as reasonably possible;
- Shop the market rigorously and regularly; and
- Make premium payments on time and if possible, in one lump sum for the year.

While these best practices should assist in acquiring the lowest rates possible, the current market itself is predicted to become even more challenging for taxis before any improvement is seen. Significant relief will only come in the form of provincial government intervention.

The premium experience of snow clearing operators is not dissimilar to that of the taxi industry in that many of the factors driving up premiums are the same, namely the issues of fraud, litigation inflation, and the significant decrease in market capacity.

Adherence to best industry practices should serve to reduce premiums to a greater extent for snow removal contractors. A cross-section of best practices is as follows:

- Ensure contracts have very clear specifications for scope of work;
- Ensure contract liability terms are restricted to negligence related to scope of work;
- Set clear communication policies and standards with property owners;
- Utilize the best weather services available;
- Utilize technology to track all operations;
- Establish thorough and well documented employee training programs;
- Establish thorough and well documented employee performance management;
- Keep equipment well maintained;
- Work cooperatively with insurer in the event of a claim;
- Arrange billings by exact services provided (inspections, sand/salt provision, machine clearing, hand clearing, etc.); and
- Shop the insurance market rigorously and regularly.

While the insurance market is unquestionably challenging for snow removal contractors, they do have a much greater ability, relative to those in the taxi industry, to control premiums through a strong commitment to best practices.

APPENDICES AND SCHEDULES ATTACHED

None.