

RIDE-SHARE AUTO INSURANCE OPTIONS

The business model of ride-share¹ companies such as Uber and Lyft rely on part-time non-professional drivers who are covered by third party liability insurance under a “blanket” policy, or flex insurance, purchased by the ride-share company. This form of insurance provides the flexibility required by the companies, as their drivers are spared the effort to purchase individual insurance for the period that they are waiting for rides, or are transporting the clients.

This blanket ride-share endorsement is offered by Intact Financial Services, for example, for Uber in Alberta, Ontario and Quebec.² The company is insured for a given number of full-time equivalent (FTE) vehicles with a set liability limit, and the insurer will adjust the premium based on actual usage and crash claim data.

Saskatchewan

In May 2018 Saskatchewan passed the Vehicles for Hire Act to enable a ride-hailing scheme in that province. The Saskatchewan Government Insurance (SGI) will sell additional insurance via the ride-hailing companies based on when the application is active (the FTE number of vehicles) and some calculation of kilometers driven. Drivers must possess a class 4 license and pass medical and criminal record check, which is the same as the current requirement for taxi drivers.

“We want to make sure that one, we get the right insurance rates for everybody and we’re trying to make the playing field as level as possible for the taxi association and for the ride share people,” minister responsible Joe Hargrave said.³

Lyft is objecting to the requirement at all for hire drivers must possess a class 4 driver’s licence, rather than the standard class 5 licence. Lyft stated that over 90% of its drivers in North America are “everyday people” who drive less than 20 hours per week.⁴

The government noted that smaller ride-hailing companies are willing to operate with the class 4 license requirement, and Uber is operating in Alberta with the taxi type class 4 driver license.

¹ Also called Transportation Network Companies (TNC).

² See the testimony of the Insurance Bureau of Canada to the B.C. legislative committee inquiring into ride-hailing; <https://www.leg.bc.ca/content/HansardCommittee/41st2nd/cc/20180109am-CrownCorporations-Vancouver-n4.pdf> p. 65.

³ <https://globalnews.ca/news/4240746/insurance-pit-stops-still-exist-on-road-to-sask-ride-sharing/>

⁴ <https://globalnews.ca/news/4328306/rideshare-company-lyft-says-sask-license-requirements-make-operations-nearly-impossible/>

The government and the Saskatchewan Government Insurance (SGI) are still developing the licensing and insurance regulations.

Manitoba

In November 2017 the Manitoba government passed the legislation that allowed ride-hailing in that province. The first ride-hailing companies started in March 2018 in Winnipeg.⁵

The legislation sets certain provincial standards (such as insurance), but abolished the provincial taxi regulator and allowed municipalities to set their own specific for-hire requirements.⁶

Uber and Lyft are not operating in Winnipeg because the Manitoba model requires drivers to pay insurance based on hours worked instead of a blanket policy which would allow drivers more flexibility.⁷ The Manitoba Government Insurance (MPI) requires drivers to purchase a form of ride-hailing endorsement based on the time of day when the driver chooses to be connected to the ride-hailing application.

The two ride-hailing multinationals disagreed with the rules, reasoning that their drivers often change their operations hours, and thus cannot purchase insurance that is fixed to certain “time bands.”⁸ Despite the boycott the Manitoba government said that the new rules provide a reasonable licensing and insurance plan that fits both the needs of the public and the need to ensure public safety.⁹

Quebec

Quebec has a public system for the compulsory third-party liability auto insurance.

When Uber began operations in the Montreal and Quebec City markets without the proper taxi permits the Quebec government passed legislation in 2016 to ensure standard safety and criminal record checks and to require a taxi license. It appears that a satisfactory arrangement was developed, particularly respecting the ability of the ride-hailing companies to adopt a blanket insurance system.

The ride-hailing companies such as Uber have a form of blanket insurance purchased from private insurers to increase the coverage protection when the ride-hailing application is activated.

⁵ <https://globalnews.ca/news/4182021/winnipeggers-still-catching-on-to-new-ride-sharing-services-survey/>

⁶ <https://globalnews.ca/news/3957727/uber-threatens-to-avoid-winnipeg-because-of-mpi-regulations/>

⁷ Ibid.

⁸ <https://www.insurancebusinessmag.com/ca/news/auto/ridesharing-company-launches-in-manitoba-despite-mpis-rules-92808.aspx>

⁹ <https://www.insurancebusinessmag.com/ca/news/auto/uber-calls-for-blanket-insurance-model-in-manitoba--report-105701.aspx>

The new ride-hailing service resulted in a drop in the value of taxi licenses. In August 2018 the provincial government announced a plan to compensate approximately 7,600 taxi license holders by \$1,000 to a maximum of \$46,700 for Montreal.

The taxi license owners are suing to for compensation, and their lawyer estimates that the government may face a total compensation cost of \$1 billion if the owners are successful.¹⁰

Summary

The introduction of Uber, Lyft and other ride-hailing companies into the B.C. market is not as simple as some people imagine. There are many policy aspects that involve public safety, availability and issues about encouraging well-paid employment that are being debated.

Uber and Lyft have been generally successful in forging a licencing and insurance product that meets their business model in most of the major urban centres in Canada.

Saskatchewan and Manitoba have developed licencing and insurance schemes to allow a part-time commercial for-hire model, but Uber and Lyft are not satisfied that these schemes allow them the required operating flexibility.

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¹⁰ https://www.timescolonist.com/taxi-drivers-seek-up-to-1b-from-quebec-for-allowing-uber-to-operate-1.23483604?utm_campaign=magnet&utm_source=article_page&utm_medium=related_articles