



Consultation Paper on Public Auto Insurance in New Brunswick



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The Government of New Brunswick is committed to making private passenger automobile insurance more affordable, fair, and accessible for New Brunswickers. In support of this commitment, the provincial government agreed to take a closer look at public automobile insurance.

On August 5, 2003, Premier Bernard Lord announced the creation of a Select Committee on Public Automobile Insurance. The committee has been asked to study the existing provincial public automobile insurance models, seek the views of New Brunswickers, answer some complex questions and recommend a possible public model for our province.

The chair of the select committee is Elizabeth Weir (MLA-Saint John Harbour) and the vice-chair is Wally Stiles (MLA-Petitcodiac). The remaining select committee members are: Cy LeBlanc, Milt Sherwood, Kirk MacDonald, Claude Williams, John Betts, Michael Malley, T. J. Burke, Roland Haché, Rick Doucet, and Bernard Richard.

Mandate of the Select Committee on Public Automobile Insurance

The select committee has a mandate to look at the various models and options of public automobile insurance across Canada and identify the most suitable model of public automobile insurance to ensure fair, accessible, and affordable automobile insurance for all New Brunswickers in the event a decision is made to move to a publicly owned system.

The committee is to make recommendations on the key elements of a potential public automobile insurance system for New Brunswick, such as:

- the type of system – tort, full no-fault or partial no-fault, choice or hybrid;
- the types of coverages and benefits that should be offered;
- a proper risk rating system for establishing premiums;
- the method of selling and distributing insurance (such as through private brokers or government); and
- the types of insurers allowed to operate within a public model (such as the private sector and government).

As part of its mandate, the committee has been asked to report on the legal, trade and cost implications of putting the proposed model in place. The committee will also examine the benefits of a common regional interprovincial approach to public automobile insurance from a New Brunswick perspective.

This discussion paper has been prepared to provide an overview of the basic terms and key issues related to automobile insurance, as well as a summary of the existing provincial public insurance systems currently operating in Canada. The purpose of the paper is to provide basic information to all citizens in order to allow for an informed debate and help focus the discussions on this important issue. It has also been prepared in order to get input from the citizens of this province on what a potential public automobile insurance system should look like for New Brunswick.

What is automobile insurance?

Insurance can be defined as the pooling of risk. In the event of an automobile accident for which you are at fault, claims for bodily injury and property damage arising from that accident may be filed against you. You could face the possibility of a lawsuit and your assets could be jeopardized, leading to financial disaster for you or your family. In order to avoid such a financial risk, each person (“insured”) contributes an amount of money (“premiums”) in a common pool that is managed by an insurance company (“insurer”) in return for coverage against loss.

Automobile insurance is a contract whereby you get nothing in return other than protection in exchange for a premium. The contract (“insurance policy”) covers the risk for a specified period of time. Until and unless you have an accident, you will never see the benefits of the product. Unlike some life insurance products, it is not an investment.

Predicting the future is impossible. We purchase automobile insurance hoping that we will never be in an accident or have to make or pay a claim. Generally speaking, the amount of money paid into the pool must be equal to or greater than the amount of money paid out in claims. If we cause an automobile accident, the insurance coverage is there to provide financial protection to pay the claim of the injured person. If we are the innocent injured party, the coverage is there to help repair property, get medical attention, maintain the household, and in some systems, provide financial compensation for pain and suffering.

Automobile Insurance in New Brunswick Today

Presently in New Brunswick, we have a privately run automobile insurance system that uses a tort or fault-based approach to resolving claims and compensating victims of automobile accidents. “Privately run” means that it is not a government owned and operated program, but that the system is delivered through private sector insurance companies. In our tort-based system, the amount of compensation is determined by a judge, or settled between the injured party and the insurance company for the party at fault. Until the introduction of a monetary cap on minor personal injuries, there were no limits on the amount of compensation an injured party could receive.

The law in New Brunswick requires all registered vehicles to maintain a mandatory minimum level of automobile insurance in order to ensure that all members of the public will be fairly and adequately compensated and protected if they are involved in an automobile accident.

What Insurance Coverage is required (mandatory) in New Brunswick?

In New Brunswick, every automobile used on public roadways must be insured. You must have liability coverage, accident benefits, and uninsured and unidentified automobile coverage.

Liability insurance (Section A) covers you if you injure someone or damage someone else’s property with your automobile.

In New Brunswick, you must have at least \$200,000 of liability coverage.

The liability coverage of your insurance policy covers the property damage and personal injury claims of the innocent parties up to the limit of your policy.

Accident benefits (Section B) covers you, passengers in your automobile and family members in another vehicle whether or not you are at fault for the accident. These benefits include medical and rehabilitation expenses, death benefits, funeral expense benefits, and loss of income benefits. Because fault does not determine the availability of these benefits, these benefits are sometimes referred to as no-fault benefits.

Uninsured and unidentified (Section D) automobile insurance covers you if you are involved in an accident with an uninsured or unidentified automobile.

What coverage is optional in New Brunswick?

The optional coverages include collision, comprehensive, specified perils and/or all perils. The most common are collision and comprehensive (**Section C**).

Collision insurance covers damage to your vehicle caused by collision or upset regardless of fault, less the amount of your deductible.

Comprehensive insurance covers loss or damage to your vehicle through theft, vandalism, or fire. Loss caused by theft and fire is not subject to a deductible.

Both collision and comprehensive insurance coverage have deductible amounts that you must pay when you make a claim.

Where to purchase insurance?

In New Brunswick, private insurance companies offer standard automobile insurance that is sold through brokers, agents and service representatives. Some automobile insurers also sell automobile insurance policies over the phone, through telemarketers.

What are premiums based on?

Premiums are the price you pay for your insurance policy or contract, based on your risk assessment. In New Brunswick as in many other North American jurisdictions, to assess your risk, or underwrite your insurance policy, the insurance company looks at your personal characteristics such as:

- age;
- sex;
- marital status;
- where you live;
- how you use your vehicle;
- who else is driving the vehicle;
- driving record and accident claim history of all drivers; and
- value of your vehicle.

Premiums are also based on the specific coverages and deductible amounts you choose on your policy.

Do you have the right to sue?

New Brunswick's current tort-based system allows a party injured in an automobile accident to sue the party at fault for compensation for pain and suffering and economic loss. Compensation for pain and suffering resulting from minor injuries was recently capped at \$2500. Innocent injured persons can still sue for the full amount of their economic loss. There are no legislated limits or caps on compensation levels for pain and suffering for serious injuries in New Brunswick.

Automobile Insurance in Canada

Although having automobile insurance on a registered vehicle is required by law in each province and territory, the system and the product varies from one jurisdiction to the other. Each province or territory is responsible for defining the system that it has in place. In Canada, four provinces (British Columbia, Saskatchewan, Manitoba and Quebec) have public mandatory automobile insurance systems. In these provinces, mandatory automobile insurance is provided by a crown corporation while optional coverage is provided by private sector companies (Quebec) or by both the Crown corporation and private insurance companies. In the remaining provinces, namely Alberta, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, and the territories, private insurance companies provide both the mandatory and optional automobile insurance coverages.

Provincial systems also differ in how accident claims are processed and paid. Some provinces have implemented a no-fault system (Quebec and Manitoba); others have a tort-based, or fault-based system (British-Columbia, Alberta, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and the territories). Saskatchewan currently provides a choice of no-fault or tort-based mandatory automobile insurance products.

What is a tort-based system?

A "tort" is a wrong or an injustice committed by one person against another. In a tort-based system, a "wronged" party, being someone injured in an automobile accident caused by someone else's fault or negligence, can bring legal action for recovery of damages against the person who caused the accident. The claim for recovery of damages generally would include a demand for money to replace lost wages, out-of-pocket expenses, medical expenses, damage to the vehicle, and a claim for pain and suffering arising from the injuries sustained as a result of the accident. If the injured party and the party at fault cannot agree on the amount of compensation, the matter eventually may go to court. Once the amount of an award is determined, the insurer for the party ("policyholder") that caused the accident will pay the claim of the injured party up to the limits of the policy. An at-fault driver, if injured, must rely on optional first party benefits purchased from their own insurer.

One limitation of a pure fault-based system is that compensation depends upon the injured person proving fault and upon the defendant having sufficient funds to pay the damages. Given the nature of automobile accidents, fault is often difficult, time consuming and expensive to prove. Significant delays between the occurrence of the accident and the recovery of damages can impede the speedy rehabilitation of the injured party in some cases.

British Columbia, Alberta, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador have tort-based systems. Recently, New Brunswick, Nova Scotia and Prince Edward Island have implemented or are in the process of implementing a \$2500 cap on compensation for pain and suffering related to minor personal injuries. The introduction of the cap places a restriction on an individual's right to sue in certain circumstances within the existing tort-based system.

Tort-based systems tend to focus on compensation and not rehabilitation.

What is a no-fault system?

In a full no-fault system, your own insurance company pays, regardless of fault. Even though fault is not required for the insurance company to process your claim, fault is still determined for driving record purposes, which can affect premiums of the at-fault driver, similar to a tort-based system. In providing benefits, the insurance company would refer to a list of "prescribed benefits" that had been determined in advance. Most no-fault systems pay for property damage, lost wages, rehabilitation and medical expenses, and permanent impairment up to pre-determined limits. In some instances there are no pre-determined limits such as for medical expenses in Manitoba and Quebec. In a no-fault system your right to sue is restricted, if not eliminated.

A pure no-fault system compensates all victims and can reduce the costs associated with the settlement of claims but does not fully compensate all victims in every circumstance. It also does not fully distinguish among victims in assessing compensation for permanent impairment.

Quebec and Manitoba are the only provinces with pure no-fault automobile insurance systems. In lieu of the right to sue, each provides benefits for economic loss and a high level of benefits for rehabilitation costs. Benefits are indexed to increase automatically with inflation.

No-fault systems tend to focus on rehabilitation rather than compensation.

What is a hybrid system?

Some private automobile insurance systems in Canada, such as in Ontario, have a modified no-fault system or hybrid system. Typically, the hybrid approach combines higher accident benefit levels (no-fault) while limiting the right of not-at-fault drivers to sue for full compensation depending on the severity of the accident and resulting injuries.

What is a choice system?

In January 2003, Saskatchewan introduced changes to their mandatory automobile insurance program, provided through their crown corporation (SGI), that allows Saskatchewan residents to choose between a no-fault based automobile insurance product or a new, tort-based automobile insurance product. The tort-based product allows the purchaser to choose an option that includes the right to sue for damages. However, compensation for pain and suffering under the new tort-based product is subject to a \$5000 deductible.

What coverage is included in a standard automobile insurance policy?

Automobile insurance is a contract required by law to cover you if you have an accident. The standard automobile insurance policy has four sections. In most provinces that have a privately run insurance system, three of these sections are mandatory, which means you must have them to drive in that province.

Currently in New Brunswick a standard automobile insurance policy includes the following mandatory and optional coverage levels.

Section A. (MANDATORY)

Third party liability insurance protects you if you injure a person or property with your automobile. Presently in New Brunswick, you must have a minimum of \$200,000 in insurance to drive, but most New Brunswick drivers have coverage of \$500,000 or \$1,000,000 for this type of insurance.

In New Brunswick, **Section A** coverage represents about 50 per cent of the cost of your average total premium.

Section B. (MANDATORY)

Accident Benefits protect you, passengers in your automobile, pedestrians and cyclists, to cover the costs of medical or rehabilitation benefits, funeral expenses, death benefits and loss of income.

In New Brunswick, **Section B** coverage represents about 12 per cent of the cost of your average total premium.

Section C. (OPTIONAL)

Loss of or Damage to Vehicle includes comprehensive, collision and specified perils and all perils and covers loss or damage to your automobile.

Most leasing and financing companies require their customers to carry **Section C** coverage on their vehicles.

The cost of **Section C** coverage is directly tied to the type of the automobile you drive. In New Brunswick, **Section C** coverage represents about 37 per cent of your average total premium.

Section D. (MANDATORY)

Uninsured and Unidentified Automobile Coverage protects you if you are in an accident with an uninsured driver or an unidentified automobile.

The cost of **Section D** coverage in New Brunswick is very low and represents about one per cent of your average total premium.

Mandatory coverage levels (A, B, and D) required by provincial law vary significantly between jurisdictions. Provincial mandatory coverage levels or benefits are outlined in Appendix 1. Mandatory coverage levels tend to be higher in jurisdictions that have a no-fault automobile insurance system in lieu of the not-at-fault driver having the right to sue.

How are premiums set?

Premiums, or the price you pay for your automobile insurance policy, are determined based on two main factors:

1. The probability or risk that you will be involved in an accident and make a claim on your policy; and
2. The level of benefits you are entitled to receive under your policy.

Generally speaking, the higher the risk you present to the insurance company, the more you will have to pay for insurance coverage. Additionally, you will pay more in order to have access to higher and additional benefits and/or lower deductibles. As outlined in Appendix 1, minimum or mandatory coverage/benefit levels vary significantly across the country from one jurisdiction to the next and from one system to the other. These differences make it difficult, if not impossible, to directly compare premiums between jurisdictions.

There are many different ways to determine what risk level – or potential future cost – you and your automobile present to the automobile insurance company selling you your policy. However, the two most common approaches to rating policies for automobile insurance in Canada typically reflect the essential objective of the company providing the insurance policies as well as the prevailing legal system (tort or no-fault) governing automobile insurance in the province.

Rating Risk

One of the most common methods used by automobile insurance companies to determine the risk level of a potential customer is called underwriting.

Private sector insurance companies use underwriting rules to assess the risk level of an individual in order to apportion the appropriate cost or price to the individual policyholder. Standard industry underwriting rules or guidelines are based on years of past claims experience, literally hundreds of thousands of cases, to predict risk levels by identifying high-risk categories of clients. In turn each new client is assessed against the higher or lower risk categories in determining their premium levels. Some of these have to do with the individual's driving record or particular circumstances. Others have to do with that person's intended use of their automobile, how much they use their automobile and where they do most of their driving.

Included in these considerations are such factors as: age, sex, marital status, where you live, how you use your automobile, who else is regularly using your automobile, your driving record and accident claim history. In order to assess the risk, the insurance companies rely on actuaries, experts who calculate probabilities based on statistical trends.

Private sector insurers operating in jurisdictions with tort-based systems have traditionally relied on underwriting guidelines to assess risk and set premium levels for their clients in order to ensure their profitability. Currently, Ontario, New Brunswick and Nova Scotia have begun to regulate underwriting rules for automobile insurance in order to ensure fairness for consumers.

Public automobile insurance companies in Canada have tended to apply a blended approach to rating the risk of their customers and setting premiums for mandatory coverage levels. Typically, they do not rely on age, gender or marital status to set premium levels. Rather they use a rating system that looks at a variety of factors:

where you live (traffic levels and weather-based road conditions), what kind of automobile you drive, what you use it for, and your driving or accident record. Generally – although public systems are not identical – these rating systems tend to share some of the risk amongst all policy holders, i.e., if you are a new young driver your total potential risk will not be fully reflected in your initial premium level, with a portion of the risk being shared by all drivers in the system. However, once you have demonstrated either good or bad driving habits your premium levels will go up or down accordingly.

Mandatory insurance sold by the Société d'Assurance Automobile du Québec deals only with bodily injury coverage and is set at a single rate for all provincial drivers regardless of their age, gender, marital status, or where they live. The rate has remained constant for a number of years and is set in provincial legislation. Additionally, significant surcharges are imposed for an individual's bad driving record. However, private sector insurers in Quebec, who sell all automobile insurance property coverage, use standard industry underwriting guidelines to assess risk and set rates.

Benefit Levels

A general rule of thumb is that if you want higher or better benefit entitlements you have to pay higher premiums. This is why many individuals usually buy additional or extended coverage. In addition, having a low deductible will also increase the price of your policy.

Although mandatory benefit levels are generally higher in a public no-fault system, this is not necessarily reflected in premium levels due to the restricted or elimination of the policyholders' right to sue. The experience in public, no-fault jurisdictions has generally been one of more but smaller claims. As previously stated, tort-based systems tend to focus on compensation of the victim, while no-fault systems tend to focus on rehabilitation.

In a tort-based system, the injured party may have to bring a legal action against the party at fault and prove his or her claim for damages and injuries. An amount of compensation for the injured party will then be determined or agreed to at some point in time. Where there is a claim for future losses, such as future income or future medical expenses, estimates will be made based on the available information, and a lump-sum award will be given to the injured party. The injured party is then responsible for managing the amount awarded and making provisions for the future.

The settlement of a claim is final and the injured party cannot come back against the party at fault for more money if his or her condition deteriorates. While such a system offers a lump-sum award, there is finality in the settlement. The size of the settlement varies from one injured party to another.

In a no-fault system, an initial assessment of the damages and injuries is made by a caseworker in conjunction with your own health care provider. The injured party is then compelled to follow the established rehabilitation treatment plan and, if there is any loss of income, periodic payments are made to the injured party until such time as he or she can return to their previous job. If an injured party discontinues his or her treatment plan, benefits cease. As stated previously, economic benefits in a no-fault system are focused on the rehabilitation of the injured party rather than compensation.

Other Factors

Public automobile insurance companies have identified some of the following reasons for their ability to generally charge lower premiums: increased revenues due to lower levels of uninsured drivers; lower overall administration costs due to economies of scale; no marketing costs; no underwriting costs; and their not-for-profit mandate.

Public Automobile Insurance Models in Canada

Mandatory automobile insurance is administered publicly by Crown corporations in four Canadian provinces:

- Quebec (Société de l'Assurance Automobile du Québec);
- Manitoba (Manitoba Public Insurance);
- Saskatchewan (Saskatchewan Government Insurance); and
- British Columbia (Insurance Corporation of British Columbia)

Although the scope of insurance and other automobile-related services offered varies from one jurisdiction to another, all registered vehicles are insured for the mandatory minimum amount of automobile insurance required by law solely from the Crown corporation.

Public automobile insurance companies have been operating in Canada for over 60 years. The first public automobile insurance plan to be delivered by a Crown corporation was established in Saskatchewan in 1944. The Manitoba "autopac," their compulsory public automobile insurance plan, was first sold in 1971. The Insurance Corporation of British Columbia began operating in 1974, while the Quebec system was introduced in 1978.

These systems have many things in common, e.g., they are the sole insurers for mandatory automobile insurance. However, in British Columbia, the Crown corporation operates within a tort-based system while in the other three provinces the Crown corporations operate primarily within no-fault systems. Each has its

individual characteristics or special products that have evolved over time to meet the needs of their respective clients. The following paragraphs provide the general highlights.

Saskatchewan

- The Saskatchewan Government Insurance Auto Fund is the sole provider of the basic mandatory automobile insurance package required for all cars registered in the province.
- The Crown corporation competes with the private sector for optional (comprehensive or collision), extension and special coverages.
- The Auto Fund mandatory automobile insurance and optional automobile policies are available for sale from private sector brokers throughout the province.
- Saskatchewan recently moved to a choice automobile insurance system.
- Saskatchewan uses the CLEAR rating system based on vehicle loss experience on a make, model and year basis. How you use your vehicle, as well as your driving record, are also used to determine your premium.

Manitoba

- The Manitoba Public Auto Insurance Corporation is the sole provider of the basic mandatory automobile insurance package required for all cars registered in the province.
- The Crown corporation competes with the private sector for optional (comprehensive or collision), extension and special coverages.
- Both mandatory and optional automobile policies are available for sale from private sector brokers throughout the province.
- Manitoba has a no-fault automobile insurance system.
- Manitoba's rating system uses four criteria to set premiums: vehicle model and year, where you live and how you use your vehicle, and driving record.

British Columbia

- The British Columbia Auto Insurance Corporation is the sole provider of the basic mandatory automobile insurance package required for all cars registered in the province.
- The Crown corporation competes with the private sector for optional (comprehensive or collision), extension and special coverages.
- Both mandatory and optional automobile policies are available for sale from private sector brokers throughout the province.

- British Columbia has a tort-based or fault-based automobile insurance system.
- British Columbia's rating system uses the following criteria to set premiums: vehicle type, age and original value of the vehicle, where you live, and how you use your vehicle, driving record, and costs of prior years' claims by rate class.

Quebec

- The Société d'Assurance Automobile du Québec is the sole provider of the basic mandatory automobile insurance package required for all cars registered in the province.
- The Crown corporation sells mandatory public automobile insurance, which in Quebec is restricted to bodily injuries only, as part of your vehicle registration and drivers' license fees.
- All property coverage (mandatory and optional) is sold by private sector brokers and caisse populaires.
- Quebec has a no-fault automobile insurance system.
- Quebec bodily injury premium rates are set in legislation under the authority of the Transport Minister and Provincial Legislature.
- The private sector use a number of rating criteria including, vehicle type, claim history and other standard underwriting guidelines to set premiums for all property coverage.

Next Steps

The Select Committee on Public Automobile Insurance is looking for input, comments and ideas from the citizens of New Brunswick on what are the critical elements upon which to build a public automobile insurance system in the province.

The select committee will meet with members of the public, stakeholders and experts on public automobile insurance in fall 2003 in order to successfully achieve the committee's mandate.

Dates and locations for public hearings and open house sessions will be announced in advance through local media outlets. A schedule will also be posted on the website of the Legislative Assembly of New Brunswick.

Questions for the Public

The task of the Select Committee on Public Automobile Insurance is to develop the best model for a potential public automobile insurance system for the province of New Brunswick.

In order to design a potential model for public automobile insurance in New Brunswick, one that ensures an optimal balance between fairness, accessibility and affordability, the committee is looking for your input on what are the key elements for a public automobile insurance system in New Brunswick.

To help guide you in providing your views to the Committee, the following questions are offered as basis for discussion:

1. In your view, what form of public automobile insurance system do you believe would best meet the needs of New Brunswickers?
2. In your view, what would be the advantages or disadvantages with a tort-based public automobile insurance system in New Brunswick?
3. In your view, what would be the advantages or disadvantages with a no-fault public automobile insurance system in New Brunswick?
4. In your view, should there be a role for the private sector, such as insurance brokers, agents, adjusters and/or private insurance companies as well as a public automobile insurance corporation, in the delivery of the over all automobile insurance system in New Brunswick?

We want to hear from you

Please send us your ideas, comments and concerns in writing by post, fax or e-mail to:

The Select Committee on Public Automobile Insurance
c/o The Legislative Assembly of New Brunswick
P.O. Box 6000 (706 Queen St.)
Fredericton, New Brunswick
E3B 5H1

Tel: (506) 453-2506

Fax: (506) 453-7154

E-mail: auto.leg@gnb.ca

...or log on to our website at: <http://www.gnb.ca>

Appendix 1

Compulsory Minimum No-Fault Insurance (Accident Benefits /Section B) Comparison Table (2002)

Sask, Alta and Atlantic Provinces allow lawsuits for benefits over and above the no-fault minimums

	BC	Alta	Sask <i>Tort</i>	Sask <i>No-Fault</i>	Man	Ont	Que	NB*	NS	PEI	Nfld & Lab
Admin	Public	Private	Public	Public	Public	Private	Public	Private	Private	Private	Private
Med Payment	\$150K	\$10K	\$20K	\$5 M	No limit	\$100K	No limit	\$50K	\$25K	\$25K	\$25K
Funeral Expenses	\$2,500	\$2,000	\$5,000	\$5,732	\$6,442	\$6,000	\$3,951	\$2,500	\$1,000	\$1,000	\$1,000
Maximum Disability Income											
% of income	75% of gross	80% of gross	\$15.6K for total, \$7.8K for partial	90% of net	90% of net wages index	80% of net	90% of net	N/A	N/A	N/A	N/A
Max/wk	\$300	\$300	N/A	\$58K/yr	\$63K/yr	\$400 max	\$53K/yr	\$250	\$140	\$140	\$140
Home support per week	\$145	\$100	No	No	No	\$185	No	\$100	\$70	\$70	\$70
Min. Liability 3rd Party	\$200K	\$200K	\$200K	\$200K	\$200K	\$200K	\$50K	\$200K	\$200K	\$200K	\$200K
Right to sue	Yes	Yes	Yes (\$5K deduct)	No with few exceptions	No	Yes (if meets threshold)	No	Yes	Yes	Yes	Yes
Average 2001 Benefit Paid	\$2,223	\$6,289	N/A	N/A	\$2,403	\$5,959	N/A	\$5,795	\$5,530	\$3,419	\$6,419

*New Brunswick and Nova Scotia introduced changes that will cap the right to sue for soft tissue injuries in 2003. Manitoba only covers medical expenses not covered by the provincial health insurance program that are approved under the insurance program. The permanent impairment payment went to a maximum of \$118,192 in 2002. British Columbia, Manitoba, Saskatchewan are public with private competition for optional and excess coverage; Quebec is private for property damage.

(Source IBC)

Glossary of terms

All Perils

All perils includes collision, comprehensive and specified perils.

Benchmark System

Until 1997, New Brunswick operated under a “benchmark” system. Under this system, the Public Utilities Board assembled information from industry on premium income, claims, future trends, etc. and established a benchmark rate to be charged by insurers for automobile insurance. If insurers wished to charge rates that fell within five per cent of the benchmark, they could do so. Companies were, however, required to appear before the board, with certain limited exceptions, every two years. If, however, they wished at any time to change rates that were greater or lesser than five per cent of the benchmark figure, they were required to appear before the board.

Facility Association

Because automobile insurance is compulsory for all drivers in New Brunswick, there must be access to insurance for all drivers, including high-risk drivers. For those drivers who are not able to buy insurance through a regular market insurance company, there is access to coverage from the “Facility Association” or “FA.” The Facility association is a not-for-profit group of insurance companies that pool resources through which they insure high-risk clients.

Insurance

There are two types of insurance as defined by the Insurance Act, life and other than life. Within the other than life category, property and casualty insurers offer automobile insurance. Many insurers not only offer automobile insurance, but also offer homeowner policies and other types of insurance.

Insurance is essentially the pooling of risk. When consumers pay insurance premiums they are putting their money in a pool with others. This pool is then used to meet the claims of those who, in the case of automobile insurance, have been involved in an accident and who have suffered a loss.

Insurance Premium

The money that is paid for insurance is called a premium, and premium amounts are based on the type of coverage and the amounts of coverage that you have. The actual amount that is paid is based on an insurance company's assessment of the risk the company must assume to insure your vehicle.

In assessing this risk companies use various factors including your age, sex, marital status, where you live, the type of vehicle, the age of the vehicle, what you use the vehicle for, how many kilometres you drive in a year, your driving record and that of anyone else on the policy, if you have had claims on your policy, etc.

No-Fault

No-fault is a system whereby all benefits are paid by the insured's own insurance company, that is, your own company pays you regardless of fault. The no-fault system concentrates on rehabilitation of injured parties. It provides no or limited compensation for non-economic loss such as pain and suffering, and there is generally no right to sue. Compensation for property damage and personal injury are made up to pre-determined limits. There are presently two completely no-fault jurisdictions in Canada – Manitoba and Quebec. Until this year Saskatchewan had operated under a full no-fault system. However, that province now has a choice system, whereby consumers may choose to purchase a no-fault policy or a tort policy. It is important to note that even under a no-fault system, fault is still determined for driving record purpose and may affect the premium of the at-fault driver.

Standard Automobile Policy

The laws of the Province currently require that vehicles registered and driven in New Brunswick must be insured to minimum levels and provide minimum coverage for consumers. The coverage includes:

Liability Insurance: Sometimes called PLPD or Section "A" Coverage, this covers you as a vehicle owner and as a driver if you injure someone or damage someone else's vehicle or property with your automobile. The minimum requirement in New Brunswick is \$200,000, although many New Brunswick consumers choose to carry additional coverage.

Accident Benefits: This is also referred to as Section "B" coverage. This is a "no-fault benefit" that provides medical and rehabilitation expenses, funeral benefits, death benefits, and loss of income benefits. Because it is a "no-fault" coverage, it is payable by your own insurer and is payable even if you are at fault for the accident.

Uninsured and Unidentified Insurance: Also known as Section “D” coverage, this coverage protects individuals in the event that you as a driver are involved in an accident with an uninsured driver or in a hit-and-run accident where the automobile or driver cannot be identified.

In addition to these mandatory coverages, there are optional insurance coverages (Section “C” coverage) that many choose to purchase. These include:

Collision or Upset Insurance: This covers damage to your own vehicle, regardless of who is at fault – that is it is payable even if you are at fault. There is usually a deductible by which any claim is reduced. The amount of the deductible affects the rate of the coverage.

Comprehensive Insurance: This covers such risks as damage to your own vehicle caused by theft, vandalism, or fire. There is also a deductible for this coverage, except for theft or fire.

Specified Perils

Specified perils is coverage for specific risks such as fire and theft, lightning, flood or hail.

Territorial Rating

New Brunswick permits territorial rating for all coverages. Territorial rating is premised on the fact that based on the claims experience of the place of residence of the insured, there is a risk to be considered in insurance coverage. This might include such factors as weather conditions, distances normally traveled for work purposes, road conditions, the number of automobile thefts, etc that are applicable to the particular coverage.

Tort

A “tort” is a wrong or an injustice committed by one person against another. Tort law is an area of legal practice where a “wronged” party sues the party that it views responsible for the wrong. Under a tort-based automobile insurance system, it is the responsibility of the party at fault to compensate the innocent party and to place the innocent party as close as possible to their position before the accident. Under a tort system, individuals have the right to sue for both economic loss and for pain and suffering.

Underwriting Guidelines

The determination of whether or not an insurer will accept a risk is based on its underwriting practices. Different insurers can and do concentrate on different risks to determine his market. Generally speaking, those insurers that are willing to tolerate more risk would respond by charging higher rates.

To permit agents and brokers to determine if companies are willing to accept risks, companies develop underwriting guidelines. Common underwriting guidelines include factors such as the age, sex, marital status, how the vehicle is used, your driving record and accident record and that of anyone who regularly uses your vehicle and the type of vehicle and value of the vehicle.