

Information Available

The Terms of Reference for the review along with all studies and related data is available on the Board's website or by contacting the Board (see below).

Make your voice heard

**Participate in Person:** In St. John's, public sessions will be held daily in the Board's hearing room (Prince Charles Building, 120 Torbay Rd.) beginning on Tuesday, February 15, 2005. Actuarial presentations will be held first, followed by other presentations - including presentations from the Consumer Advocate, industry representatives, other interested groups, and individual consumers. In addition, the Board has scheduled a number of evening sessions as follows:

St. John's	Thursday, Feb. 24	7-9 pm	Holiday Inn, Portugal Cove Rd.
Corner Brook	Monday, Feb. 28	7-9 pm	Glynmill Inn, Cobb Lane
Happy Valley-Goose Bay	Tuesday, March 1	7-9 pm	Hotel North, Loring Drive
Gander	Wednesday, March 2	7-9 pm	Hotel Gander, TCH

If you are unable to participate in person, you may submit your feedback (until March 11, 2005) on the issues via:

**Website:** Complete an online feedback form at [www.pub.nl.ca](http://www.pub.nl.ca)

**Email:** Email your comments to [insurancereview@pub.nl.ca](mailto:insurancereview@pub.nl.ca)

**Telephone:** Leave a voice mail at our toll-free line: 1-866-782-0006

**Mail:** Send in your comments by writing:  
The Public Utilities Board, Auto Insurance Review  
P.O. Box 21040  
St. John's, NL A1A 5B2

**Fax:** Fax your comments to (709) 726-9604

**Consumer Advocate:**  
Contact the Government appointed Consumer Advocate Mr. Thomas Johnson  
P.O. Box 5955  
St. John's, NL A1C 5X4  
[consumeradvocate@groupmail.ca](mailto:consumeradvocate@groupmail.ca)  
1-866-218-4559

Please note: all presentations and comments will become part of the public record.

**Q. What is the difference between a cap and a deductible?**

A. A cap sets the maximum compensation you can receive for pain and suffering if you have a minor injury whereas a deductible reduces every pain and suffering payment regardless of type or extent of injury.

**As an example:**  
If you have a minor injury and are entitled to pain and suffering compensation of \$2,000 then a cap of \$2,500 will not affect you but a deductible of \$2,500 will result in no payment.

Alternatively, if you have a more serious injury and are entitled to pain and suffering compensation of \$80,000 it may be that the cap will not apply because your injury would not be considered minor. However, the deductible may still apply and the \$80,000 would be reduced by the amount of the deductible. In the case of a \$2,500 deductible you would be left with \$77,500.

In the event of an injury which may be considered minor resulting in a pain and suffering entitlement of \$15,000, the cap amount would be the maximum amount you could receive i.e. \$2,500, whereas a deductible would be subtracted from the amount i.e. you would receive \$12,500.

**Q. Will I have a choice?**

A. One of the issues being reviewed by the Board is the impact on consumers of having a choice between an unrestricted right to recover payment for pain and suffering and restricted or reduced payment. Therefore, if a choice system is implemented, the next time you go to renew your coverage your insurance company may present you with **two options:**

- **Either:** Full Liability Coverage with No Restrictions i. e. no cap or deductible.
- **Or:** Restricted Liability Coverage i.e. you may pay a lower premium but the amount of your recovery for pain and suffering will be restricted or reduced by a cap or deductible.

**Q. If the rating systems used by insurance companies are changed to eliminate the use of age, gender and marital status and to allow group rating, how will my rates be affected?**

A. These rating system changes may result in a reduction in rates for some consumers and an increase in rates for others. For example, while rates for certain groups, specifically male drivers under 25 years of age who are unmarried, will generally go down, rates for other classes of drivers may increase. Drivers who currently enjoy a discount based on age may see this discount disappear entirely.

**Q. What is Accident Benefits?**

A. Accident Benefits, also known as Section B coverage on your policy documents, provides reimbursement for expenses which you incur as the result of an automobile accident, regardless of who caused the accident. While under this coverage your insurer will reimburse you immediately for certain expenses, such as physiotherapy costs and some loss of earnings, it will not provide full compensation for all costs and losses.

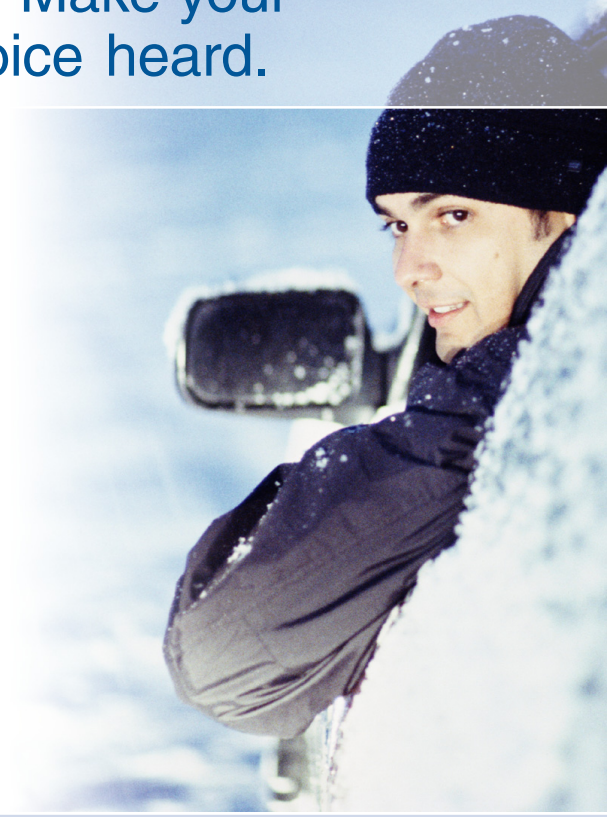
**Q. What will be the impact of making Accident Benefits mandatory?**

A. In this Province Accident Benefits coverage is not mandatory, but close to 75% of consumers carry it. If this coverage is mandatory the remaining approximately 25% of consumers who do not currently carry Accident Benefits will have to pay for this coverage.



The review has begun.

Make your voice heard.





## Automobile Insurance Review

The Public Utilities Board has been directed by Government to conduct a review of private passenger and commercial automobile insurance. Government has provided the Board with Terms of Reference setting out the specific issues to be addressed. The Board has completed a series of reports and studies on these issues and is now seeking input from interested parties, including the Government appointed Consumer Advocate, individual consumers and insurance companies. The Board will use this information in compiling its report to Government.

Government has also directed the Board to review and report on a number of issues relating to residential, commercial and marine insurances.

### Q. What issues are being reviewed?

- A. The Board is directed to review and report on the following:
- A limit on pain and suffering payments by the use of a cap or a deductible;
  - A change in the rating systems of insurance companies eliminating the use of age, gender and marital status and to permit group rating;
  - A requirement that all policyholders carry accident benefits coverage; and
  - Additional cost savings measures identified during the review.

The Board is also directed to detail other issues of concern raised by stakeholders participating in the review, including public insurance.

The Board will consider the residential, commercial and marine insurance issues following the automobile insurance review.

### Q. What is involved in the review?

- A. The Board has engaged independent consultants to assist in the process and to collect information and conduct studies. A closed claim study has been completed that examines claims for compensation for injuries suffered in automobile accidents in the Province over the last few years. The study is being used to assess the impact on insurance rates of various changes, including monetary caps and deductibles. Additional studies have also been completed pertaining to other issues under review.

The Board has established several ways for interested persons to provide input. The Board will hold public sessions in various centres in Newfoundland and Labrador. Any interested person can file a report, make a presentation at the sessions or provide comments in a variety of ways.

These reports, presentations, information and comments will form the basis of the Board's report which will be forwarded to Government by the end of March.

[See the back panel for details on how you can make your voice heard.](#)

### Q. What specific cost saving measures are being reviewed?

- A. The Board will report on the impact of implementing a cap or a deductible on compensation paid for pain and suffering to a person injured in an automobile accident. Both caps and deductibles are designed to reduce the amount of compensation paid by insurance companies to injured persons, thereby reducing the cost of third party liability coverage and creating potential savings for consumers.

### Q. What is a cap?

- A. A cap is a maximum amount a person who is injured in an automobile accident will receive as compensation for pain and suffering. The cap will only apply to pain and suffering claims and will not affect other losses such as wages and medical expenses.

### Q. How will a cap affect me?

- A. You will lose your right to recover more than the cap amount if your injury is considered to be a "minor injury". Several definitions describing increasing severity of "minor injury" will be reviewed. For example, one definition applies a cap on temporary neck or back injuries, whereas another definition applies a cap on all injuries that are not both serious and permanent. There are several specific cap amounts under review ranging from \$2,500 to \$15,000.

### Q. Will the use of a cap reduce my insurance rates?

- A. Whether there are rate reductions for individual consumers will depend on the cap amount and definition implemented as well as the individual circumstances of each consumer. Generally it is expected that a lower cap will result in less compensation paid by insurers on each claim, and therefore greater overall savings.

### Q. What is a deductible?

- A. A deductible is an amount of money deducted from pain and suffering compensation. This deduction will only apply to pain and suffering claims and will not affect other losses such as wages and medical expenses.

### Q. How will a deductible affect me?

- A. A deductible will not impact your right to sue for compensation for your injuries, but it will reduce the amount you receive for pain and suffering. Generally, the amount deducted is the same regardless of the extent or type of injury involved. There are several deductible amounts under review ranging from \$2,500 to \$15,000.

### Q. Will a deductible reduce my insurance rates?

- A. In 2004, Government introduced a \$2,500 deductible and mandated a 9% reduction in third party liability rates. Whether there are additional rate reductions for individual consumers with the implementation of a different deductible will depend on the amount of the deductible and the individual circumstances of each policyholder. Generally, it is expected that a higher deductible will result in less being paid out by insurers on each claim, and therefore greater overall savings.

*See pages 5 and 6 for further Questions and Answers...*

