

# CHANGES TO ALBERTA'S Auto Insurance System

## FREQUENTLY ASKED QUESTIONS

Alberta's government recently made changes to Alberta's auto insurance system. These changes were made to address issues that were negatively impacting auto insurance for Alberta's 3 million drivers.

We've assembled some common questions and answers Albertans may have about how these changes are beneficial for drivers.

### Q. What changes did the government make to fix the system?

**A:** The Alberta government's changes to auto insurance are designed to reduce red tape, increase medical care, expand options for drivers, and make auto insurance more affordable. They include improving the medical care Albertans receive if they are in a collision and giving drivers more choice by allowing innovative and flexible options such as pay-per-kilometre insurance.

The government made reforms to the minor injury definition in the Minor Injury Regulation so that court settlements for common sprains, strains and whiplash injuries no longer award monetary amounts in line with far more serious injuries. The insurance industry estimates that this action alone will reduce claims costs enough to help stabilize premiums.

The government also adjusted the Prejudgment Interest Rate framework for pain and suffering awards, which is meant to pay interest to claimants based on the length of time between the date of their accident and the date of their settlement. The interest rate is set at a constant 4%, much higher than current interest rates, which contributes to higher claims costs for insurers and higher premiums for drivers. In other provinces, the Prejudgment Interest Rate fluctuates based on current interest rates.

Implementing these small reforms will reduce claims costs enough that the average driver should see premiums stabilize.

### Q. How will the changes the government made help consumers save money?

**A:** Rapidly rising claims costs, particularly costs for settling claims associated with minor injuries after a collision, has been the biggest factor in premium increases for Alberta drivers.

The minor injury definition and interest paid on pain and suffering awards, which had been far above today's interest rates and had been contributing to rising claims costs. To put things into context, between 2011 and 2019 the average size of a bodily injury claim went up by approximately 80%. As claims payouts increased, insurance premiums had to rise to cover those costs.

The insurance industry estimates that reforms put in place by the government should help stabilize premiums.

## Q. How will fewer insurance regulations benefit consumers?

**A:** The insurance industry believes in fair and balanced regulations. In fact, we believe the auto insurance industry should be regulated. Regulations should protect consumers from risk, but not prevent choice, innovation and change.

The right regulations will allow insurers to better serve consumers by making it easier and faster to provide the products and services consumers expect and deserve. It will lead to consumers having more choice and access to innovative products. For example, these reforms now allow insurers to provide consumers with the choice to have their premiums based on how often they use their vehicles and how they behave behind the wheel. This is good for consumers.

Removing and updating outdated and cumbersome regulations is a win for Albertans that will make insurance more affordable and help stabilize the province's insurance market.

## Q. Why did the government have to take an active part in fixing insurance?

**A:** Insurers and insurance intermediaries cannot fix the auto insurance system themselves. The Alberta government sets the rules that insurers must follow, including the prices insurers can charge. Alberta's insurance industry is dedicated to working with the provincial government to make changes that will lead to a healthier, more sustainable insurance market.

## Q. Why focus on settlements for minor injuries and awards given to drivers in court?

**A:** Disproportionate pain and suffering awards for sprains and strains are making insurance unaffordable for everyone.

Regulations that governed awards for minor injuries ultimately impacted every driver. It was where the insurance system saw the largest drain on resources, and also where few consumers actually saw benefit. This money and resources used in this portion of the system does not go toward helping drivers recover.

In fact, since challenges to the Minor Injury Regulation in 2012, claims costs associated with bodily injury increased by nearly 8% per year, going from an average of \$41,169 in 2011 to \$74,258 in 2019. Over that time, insurers paid out considerably more in claims, expenses and premium taxes for every dollar they collected in premiums. As a result, Alberta drivers now pay the third highest premiums in Canada.

## Q. What do bodily injury claims have to do with my insurance premium?

**A:** The average size of a bodily injury claim has gone up by approximately 80% since 2011, which is a staggering increase. As claims payouts increase, insurance premiums go up to cover those additional claims costs.

## Q. Is a cash settlement the best solution for victims injured in a car collision?

**A:** The best solution should be a focus on providing care. We believe that for innocent victims of negligent or impaired drivers, the best solution is to get all of the medical care they need to get better.

**Do you have more questions about the Alberta government's changes to auto insurance and how it benefits consumers?**

**Learn more and visit: [albertaautoinsurancefacts.ca/faq/](http://albertaautoinsurancefacts.ca/faq/)**