

RECENT CHANGES TO ALBERTA'S Auto Insurance System

FREQUENTLY ASKED QUESTIONS

Alberta's government made changes to the auto insurance system in 2020 to address issues that were negatively impacting Alberta's 3 million drivers.

Here are 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 were designed to reduce red tape, increase medical care, expand options for drivers, and make auto insurance more affordable. This includes 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 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%, 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 has reduced claims costs and has helped to stabilize premiums.

Q. How have these changes helped consumers save money?

A: Rapidly rising claims costs, particularly costs for settling claims associated with minor injuries after a collision, was one of the biggest factors driving premium increases for Alberta drivers.

The minor injury definition and interest paid on pain and suffering awards 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 reforms that were introduced in late 2020 has stabilized auto premiums and, since that time, rates have increased just 2.8% according to the Alberta Insurance Regulatory Board.

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, the reforms introduced in 2020 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. The money and resources used in this portion of the system did not go toward helping drivers recover.

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

A: Before reforms were implemented in 2020, the average size of a bodily injury claim had gone up by approximately 80% since 2011. As claims payouts increased, insurance premiums had to go up to cover those additional claims costs.

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/