

CONSULTATION PAPER

Automobile Insurance Reforms

Scope and Purpose

The scope and purpose of this consultation is to seek input concerning two proposed automobile insurance reforms:

- Increase the Cap on court awards for pain and suffering for “minor personal injuries” from \$2,500 to \$7,500, and amend the “minor personal injury” definition.
- Increase the amounts for the automobile policy no-fault Accident Benefits.

Synopsis of Proposed Reforms

These reforms have been implemented in Nova Scotia and New Brunswick and have been received as favourable to consumers. Below is a synopsis of each proposed reform:

Cap on Court Awards for “Minor Personal Injuries”

- On April 1, 2004, the province enacted legislation which limited court awards for non-pecuniary (pain and suffering) damages to \$2,500 where the injury was deemed a “minor personal injury” that did not result in either a permanent serious disfigurement or impairment. Also around 2004, both Nova Scotia and New Brunswick set a similar Cap with similar minor personal injury definitions.
- In 2010, Nova Scotia increased its Cap to \$7,500 (indexed annually by CPI) and amended its definition of minor personal injury to clarify that it was limited to “strains, sprains and whiplash-associated disorders” that did not result in a serious impairment. This reduced the number of injury awards restricted by the Cap. Effective July 1, 2013, New Brunswick also increased its Cap amount to \$7,500 (indexed annually by CPI) and made a very similar change to its definition.
- We are now proposing to increase our Cap to \$7,500 (indexed annually by CPI) and adopt the Nova Scotia definition.

Automobile Policy No-Fault Accident Benefits

- Accident Benefits were introduced by the Maritime Provinces in the 1980s as mandatory no-fault coverages under automobile insurance policies. While our benefit levels have remained unchanged, New Brunswick increased their levels in the 1990s and Nova Scotia made similar changes in 2012.

- We are now proposing to enhance our benefit levels to New Brunswick levels as follows:

No-Fault Accident Benefits

| Benefit Category | Current | Proposed |
|-----------------------------------|------------|------------|
| Medical & Rehabilitation Expenses | \$25,000 | \$50,000 |
| Funeral Expenses | \$1,000 | \$2,500 |
| Death Benefits | | |
| - Head of Household | \$10,000 | \$50,000 |
| - Spouse of Head of Household | \$10,000 | \$25,000 |
| - Dependent | \$2000 | \$5,000 |
| Loss of Income | \$140/week | \$250/week |
| Principal Unpaid Housekeeper | \$70/week | \$100/week |

Costs of the Reforms

- The reforms to the Cap and Accident Benefits would theoretically add costs to a policy. However these reforms were implemented in Nova Scotia and New Brunswick under their existing rates.
- Government has worked with industry to ensure that will also be the case for Prince Edward Island.

We Want to Hear from You

- Government would like to hear from stakeholders concerning whether you are in favour of implementing either or both of the reforms. Government welcomes all feedback.
- Submissions concerning this topic should be made in writing by December 2, 2013.
- Submissions may be made electronically to:

jccallbeck@gov.pe.ca

or delivered to:

Department of Environment, Labour and Justice
 Attention: Insurance Consultation
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