

Questions and Answers for Consumers

Automobile Insurance Reform: Phase 2

General Questions about Phase 2 Reforms

Why is the government so interested in reforming auto insurance?

Auto insurance had not had a comprehensive review for several years. Consumers raised several concerns regarding automobile insurance that we believed needed to be reviewed and addressed.

What are the major reforms planned for Phase 2?

The second phase of reforms includes:

- Direct Compensation for Property Damage, sometimes referred to as DCPD (means that individuals may recover property damages from their own insurer)
- Limited liability and new priority of pay rules for rental companies
- No-Fault diagnostic and treatment protocols for minor injuries

When will the Phase 2 reforms become effective?

All Phase 2 reforms will be effective on April 1, 2013.

Will this current set of reforms (phase two) mean my premium rates will go up?

Consumers should not see significant increases as a result of the auto reforms we are introducing. We are confident that the reforms strike the appropriate balance between fairness, affordability and stability.

What about the phase one reforms?

Rates have not increased as a result of phase 1 reforms and consumers should not see significant increases as a result of those reforms.

Who will these reforms benefit?

Anyone who has auto insurance in Nova Scotia and who has been involved in an automobile accident.

What is the auto insurance industry worth (approx.)?

This is a \$549,221million dollar industry in Nova Scotia.

Where can I find out more about the reforms to automobile insurance?

You can ask your broker or insurance company representative for information about the reforms and what they mean for your policy. Some general information, including links to the applicable legislation and regulations, can be found at

www.novascotia.ca/finance/en/home/insurance.

Are more reforms coming?

No further reforms are contemplated at this time. The next mandated seven year review of automobile legislation will be conducted in 2018.

Direct Compensation for Property Damage (DCPD)

What does Direct Compensation for Property Damage mean?

Direct Compensation for Property Damage will allow insured drivers to be compensated by their own insurer for property damages resulting from an automobile collision caused by another party. Introducing DCPD will not change a consumer's right to sue for other damages, for example, damages relating to injuries resulting from an automobile accident.

What is the benefit of Direct Compensation for Property Damage?

Direct Compensation for Property Damage means that drivers will work with their own insurer to complete the claims process for property damage, rather than dealing with the at-fault party's insurer. This is a more streamlined process for consumers, who will have the advantage of dealing with a representative of a familiar insurance company to process their claim. It should allow the claims process to function more efficiently, resulting in claimants receiving appropriate compensation more quickly.

How does my insurer re-coup its costs under DCPD? By raising premium rates for me even if the accident wasn't my fault?

No- Companies are prohibited from using a 'not at fault accident' as a rating variable, so individual premiums will not increase for this reason. DCPD is expected to be cost neutral overall – previously, an insurer would be responsible for paying for damages of the not at fault party if their own insured driver caused an accident. Under DCPD, these damages will now be the responsibility of the not at fault party's own insurer.

Will I be charged a deductible or any fees at all?

Your deductible under collision coverage will be applied to the percentage you are at fault for the accident. DCPD applies to not at fault accidents. Typically, insurers do not charge deductibles if their own drivers are not at fault. If you are at fault you still must carry collision coverage to have your vehicle repaired.

Limited Liability and new Priority of Pay Rules for Rental Companies

Whose liability will be limited under these changes?

The liability for companies that rent motor vehicles, as well as leasing companies that do not offer the option to purchase the vehicle at the end of the lease, will be limited to damages of up to \$1 million. Damages above \$1 million will be the responsibility of the individual at fault. The individual who rents the vehicle is the primary person responsible. The rental company only responds if the renter does not have underlying coverage.

What happened before?

Previously the rental/leasing companies were responsible for the damage caused as they were the vehicle owner. The renter and/or driver were only responsible for damage to the rented vehicle.

Will this change mean I'll pay more to rent a car or lease a vehicle?

No. These changes should result in a cost saving for the car rental companies, which should help to keep rental prices competitive in Nova Scotia.

Why aren't all leased vehicles subject to the new limitation?

In Nova Scotia, leased vehicles whose leases offer the option to purchase the vehicle at the end of the lease are not currently liable for damages. The lease to own option is considered more of a financing agreement than a traditional lease. This is not being affected by the reform coming into effect on April 1, which is intended to address the unfairness faced by car rental companies which are currently held responsible for drivers over whom they have no control and whom they cannot rate accurately from an insurance perspective.

What are the new priority of pay rules?

Under new priority of pay rules, if a rental vehicle is at fault in an accident, insurance held by the person renting the vehicle will respond first, followed by that of the driver (if the driver is not the same person who rented the vehicle), followed by the car rental company's insurance (up to a total of \$1 million). For damages beyond \$1 million, that are not covered by insurance, the person renting the vehicle and the driver would be personally liable.

What if I rented a car, was in a car accident that was my fault and I had \$1 million of liability coverage with my own auto insurer. Does that mean the car rental company's insurance would not kick in at all?

Yes. In this situation, your own insurance would cover damages up to \$1 million. You would be personally liable for any damages exceeding \$1 million.

What if I am driving a rental vehicle as part of my job?

If you were driving a rental vehicle in connection with your employment and were at fault for an accident, and if you are named in your employer's standard automobile policy, then your employer's policy would respond first. If that policy does not fully cover damages, your own automobile policy would respond, and then the car rental company's policy up to a total of \$1 million.

What was happening before the reforms were introduced?

The car rental company, as the owner of the vehicle, was responsible for 100% of the damages resulting from an at-fault accident.

Are any rental vehicles excluded from the new limit on liability?

Yes. The *Non-Owned Automobile Insurance Liability Regulations* contain an exemption for all public passenger vehicles (ie: taxis, buses, etc).

What is the relationship of the new priority of pay rules for rental vehicles and Direct Compensation for Property Damage?

The priority of pay rules for rental situations and DCPD should not be in conflict because the rules for rental situations relate to situations where the insured is at-fault, whereas DCPD relates to situations where the insured is not at-fault.

In order to ensure there are no conflicts between the two, the *Non-Owned Automobile Insurance Liability Regulations* contain a provision that states that the priority of pay rules that apply to rental vehicles do not apply to an insured's right of recovery for direct compensation for property damage.

The car rental contract I signed when I rented a car stated that I was responsible for damage to the rental vehicle. I was hit by another vehicle while driving and don't have insurance. Do I have to pay for the damage of the car to myself?

The legislation sets out those situations where DCPD would apply. Contracts cannot override legislative provisions. You may wish to seek legal advice to determine whether or not you are responsible for the damage, or contact the Office of the Superintendent of Insurance for assistance.

Diagnostic and Treatment Protocols for Minor Injuries

Why are diagnostic and treatment protocols for minor injuries being implemented?

The introduction of diagnostic and treatment protocols for minor injuries will mean Nova Scotians who are injured in an automobile collision will have direct access to physiotherapy and chiropractic treatment without waiting for approval from an insurer or a physician's referral.

This reform is patient-focused and delivers better care sooner in order to promote healthier outcomes for automobile accident victims. Diagnostic and treatment protocols will promote consistency and quality of care for minor injuries.

What about other alternative care providers, such as massage therapists? Will the new protocols cover those groups?

Under the protocols, treatment can be provided by a massage therapist, an acupuncturist, or an occupational therapist if it is authorized by the physiotherapist, chiropractor or doctor delivering care to the patient.

It may be possible for a patient to access alternative therapies, such as osteopathy, through employment benefits or through their no-fault "Section B" benefits of their automobile insurance policy. However, treatment under Section B benefits would need to be pre-approved by their insurance company.

What is a minor injury?

A minor injury includes strains, sprains and certain types of whiplash injury (mild to moderate). These terms are defined in the *Automobile Insurance Diagnostic and Treatment Protocols Regulations*. Please see the regulations for the precise definitions.

Are the treatments provided under the *Automobile Insurance Diagnostic and Treatment Protocols Regulations* in addition to the \$50,000 no-fault benefits available for medical and rehabilitation expenses under Section B of automobile insurance policies?

No, the treatment provided under the protocols regulations comes out of the \$50,000 in no-fault Section B benefits that are available. It is important to note that for the purposes of the protocols, the order in which insurance policies respond has been amended. While the public health plan (MSI) continues to respond first, for the purposes of the protocols automobile insurance will respond next. Any privately-held insurance (eg through employment health benefits) would need to be accessed once treatment under the protocols regulations is completed.

Historically the public health plan (MSI) would respond first, followed by your private benefit plan, if you have one, and then the no-fault benefits under “Section B” of your automobile insurance would respond. Should you choose not to follow the protocols, your private plan, if any, will continue to respond, followed by your Section B benefits in your automobile policy. Should you exhaust your treatments and still require therapy, the same would apply - you would have access to coverage under your private benefit plan, followed by your auto policy.

What is the maximum number of treatments I’m allowed? Has it increased under these new reforms?

A maximum of 10 or 21 treatments are standard depending on the severity of injury. The protocols regulations provide detailed guidance on this.

The majority of minor injuries are expected to resolve within these treatment limits. If your injury is not resolved after the treatment limits are reached, you may access any coverage provided through privately-held insurance (eg through employment health benefits) or, if none is available, request that your automobile insurer provide further coverage through your no-fault “Section B” medical and rehabilitation benefits.

Will it matter which provider I choose? Is there an approved list of providers (How much choice do I really have?)

You may choose your own provider. Your provider must be licensed to practice in Nova Scotia.

Will the maximum number of treatments be the same no matter where I go?

Yes, the maximum number of treatments remains the same regardless of which health care practitioner is providing treatments.

If I’m not “better” at the end of my maximum number of treatments but still need more treatments, is that the moment when my own insurance kicks in?

The majority of minor injuries are expected to resolve within the treatment limits provided under the protocols regulations. If your injury is not resolved after the treatment limits are reached, you may access any coverage provided through privately-held insurance (eg through employment health benefits) or, if none is available, request that your automobile insurer provide further coverage through your no-fault "Section B" medical and rehabilitation benefits.

How much will my treatment under the protocols cost me?

You should not have to pay out of pocket for your treatment under the protocol regulations. In general, cost of treatments provided under the diagnostic and treatment protocols may not exceed maximum limits set by the Superintendent of Insurance.

These limits can be found at

www.novascotia.ca/finance/en/home/insurance/bulletins.aspx

and will be billed directly to your automobile insurer.

Optional Full-Tort

Will the optional full-tort product proceed?

We have decided to defer implementation of the optional full-tort product. Both industry and consumers will be seeing significant changes in the automobile insurance product as a result of the other reforms we are implementing and we recognize that the timing is not ideal to introduce additional complexity.

We are not setting a target for implementation at this time. We recognize that industry would need 9 to 12 months of lead time to implement the product and will ensure that, if the deferral is lifted, industry has the time it needs for a smooth introduction of the product.