financialpost.infomart.ca

CALGARY HERALD

Making it all add up: Lower insurance premiums are possible without capping compensation for pain

The Calgary Herald
Wed 29 Oct 2003
Page: A10
Section: Opinion
Byline:
Source: Calgary Herald

The latest stab at overhauling Alberta's private insurance system was a false start, but the race to reform isn't over.

On Monday, the Tory caucus rendered its judgment on MLA Rob Renner's plan by voting 17-16 against the proposal, which would have greatly reduced premiums for inexperienced and senior drivers, and paid for $250 million in lost insurance industry profits by capping pain and suffering compensation.

Despite the best efforts of the insurance implementation committee to convince MLAs only "minor strains and sprains" would be subject to the $4,000 cap, the majority of caucus refused to believe it without seeing the fine print. They sent the committee back to the drawing board to define exactly what injuries would be deemed minor, and how that determination would be made.

Now, the committee is in a bind. According to personal injury lawyer Mark McCourt, who has more than 12 years experience in litigation, the savings from capping payouts for minor injuries would be tiny. Under the current tort system, victims who recover within two or three months are unlikely to see pain and suffering compensation of more than $2,500. So, the only way to get $214 million in savings, the amount the committee pegged necessary to make the plan work, is to deny compensation for more serious injuries, too.

But, if the definition of minor injuries is narrowed to the point where it is politically palatable, the government will have to find more than $200-million worth of savings elsewhere. Fortunately, McCourt's group, the Accident Victims /Insurance Policyholders Advocate, has several ideas on how this can be done.

1. Changes to the Survival of Actions Act, the new graduated licensing system and increased traffic fines are all expected to reduce claims and collisions substantially. Savings: $75 million.

2. Renner's committee suggested increasing the mandatory medical benefits coverage from $10,000 to $50,000. But less than five per cent of accident victims exceed $10,000 in medical expenses currently, which makes this change unnecessary. Make enhanced medical coverage optional. Savings: $27 million.

3. Allow insurers to pay out long-term settlements on an annuity basis, instead of a grossed-up lump sum. Savings: $10 million.

4. Eliminate the province's three per cent premium tax. Savings: $60 million.

5. The industry pays a health recovery assessment, to offset the amount motor vehicle accidents cost the health-care system each year. Eliminate this tax. Savings: $60 million.

6. Pain and suffering losses assessed at the date of judgment include an inflation adjustment to account for the time between the accident and the date of settlement. Yet, the Judgment Interest Act allows the victim to be paid this inflation adjustment twice. Eliminate this source of overcompensation. Savings: $35 million.

7. Victims pay for their own medical treatment out-of-pocket and then get reimbursed by their insurance

company, which prolongs treatment and recovery. If the insurance company paid medical practitioners directly, it would reduce treatment time. Savings: $20 million.

8. Finally, a comprehensive campaign to educate motorists on safe driving would pay enormous dividends. In B.C., every $1 spent on driver education saved about $5 in collision costs; in Victoria, Australia, each $1 saved $11. Spending $20 million more per year on driver awareness campaigns in Alberta could reduce costs through fewer traffic accidents, injuries and deaths. Savings: $100 million to $220 million.

In total, these recommendations offer savings of $387 million to $500 million a year, without capping pain and suffering payouts. The government could also restrict contingency fees paid to trial lawyers, and save even more. If the province wants an even easier route, the $250-million shortfall could be recovered by asking every Alberta driver to pay an extra $120 a year, or $10 more per month.

Whatever they decide, the new objective must be to introduce a system of entry-level premiums without forcing victims to pay the price in reduced compensation for pain and suffering. The Tory caucus should not approve any plan unless it meets both of these criteria.

Edition: Final
Story Type: Business
Length: 659 words