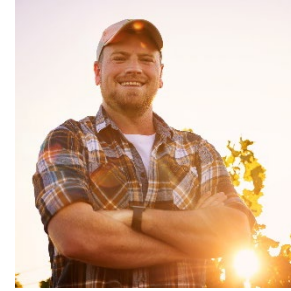


# Direct Compensation for Property Damage

Junaid Akram M.Eng. FCIP, CRM  
Sr. Director, Underwriting & Brokerage Operations

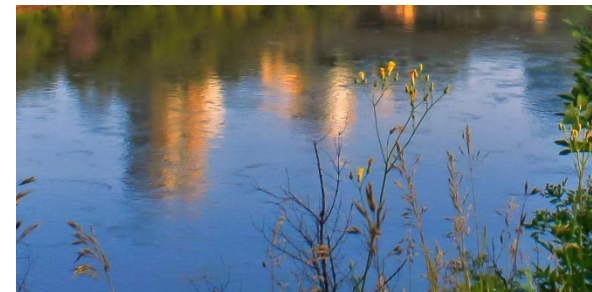
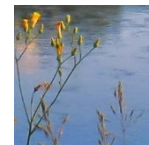
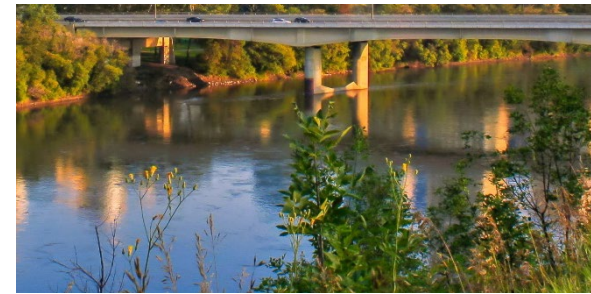
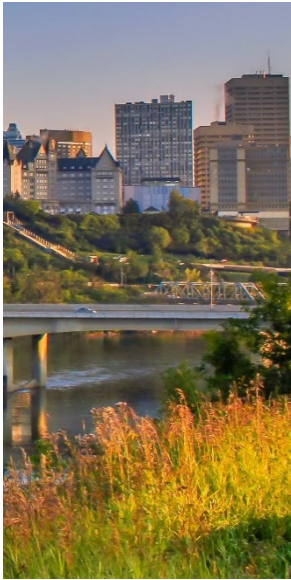
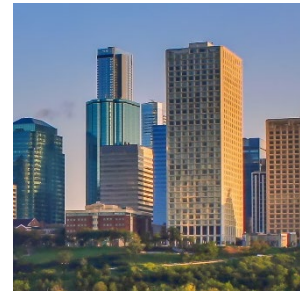
Date



# Discussion

- Introduction to your Automobile insurance policy
- Introduction to DCPD – What it is and what it does not do
- Changes to the auto policy
- Highlight changes in Alberta Insurance Act and DCPD Regulation
- Scope of coverage under DCPD
- Benefits of DCPD and where to claim coverage
- Effects on Rate Grid and rate impact projection
- Deductibles under DCPD
- Introduction of fault charts i.e. fault determination scenarios
- Applicability of fault charts vs. ordinary rules of the road
- Discuss new fault charts for common accident situations under DCPD
- Q&A

# The Automobile Insurance Policy



# Your Automobile Policy

Part 1 – Third Party Liability (section A)

Part 2 – Accident Benefits (section B)

- Medical Payments
- Death and Total Disability

Part 3 – Damage to your vehicle (section C)

- All Perils
- Collision
- Comprehensive
- Specified Perils

# Optional vs. Mandatory coverages

Part 1 – Third Party Liability (section A)

Part 2 – Accident Benefits (section B)

- Medical Payments
- Death and Total Disability

Part 3 – Damage to your vehicle (section C)

- All Perils
- Collision
- Comprehensive
- Specified Perils

- Only section C is optional
- \$200K min statutory liability limit
- Deductibles only to section C
- Policy is legislated, changes through approved endorsements only. Some exceptions apply.

# Understand section A - TPL

TPL apply due to fault of responsible 3<sup>rd</sup> Party

No financial hardship to innocent 3<sup>rd</sup> party

Subrogate / recover from responsible party

Recovery process / subrogation can be long and may require court intervention

All is good when all drivers / vehicle owners carry TPL

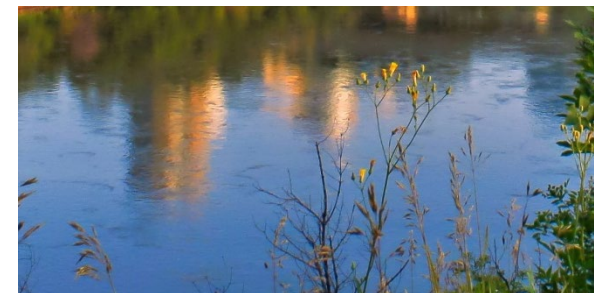
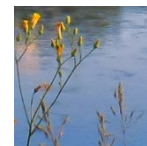
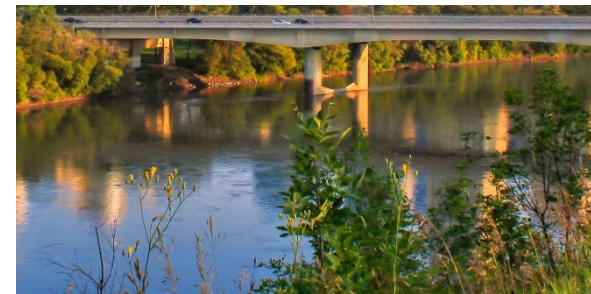
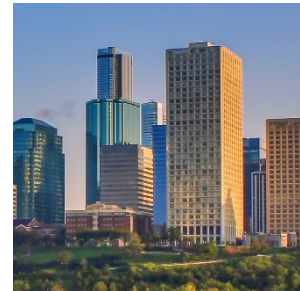
What-if responsible party has no TPL / no insurance

- Innocent party recovers from own insurance (if Comp/Coll was purchased)

- No personal damage coverage = financial disadvantage

Spoiler alert: Change happened here..... more on next slides

# The Change - DCPD



# What changed?

Introduction of DCPD (Direct Compensation for Property Damage)

Applies only to **not-at-fault collisions**

Becomes part of the mandatory automobile coverage in Alberta

Effective Jan 1, 2022 – regardless of automobile policy effective date

Applies to all Alberta automobiles policies:

- underwritten by licensed insurers in Alberta, and

- to all Canadian registered vehicles if collision happens in Alberta

Introduced by change in Alberta Insurance Act and new DCPD Regulation



# The twist !

DCPD introduced as subsection A.1 under revised SPF1 – Now a mandatory coverage

No change to automobile insurance

Change = who pays for collision damage

Claimant works with own insurer for portion of loss **not-at-fault**

Work with own insurer when 0% at fault

Other insurer is involved when claimant shares fault

Confusion – lay person to determine where to claim if there is no collision coverage

Driver who has collision cover sees no change in how they are compensated

Includes Loss of use which is also part of Sec C coverage (remember % not-at-fault)

# DCPD Regulation (Geek info)

Part of Provincial Government's Automobile Insurance Reforms process

Bill 41: The Insurance (Enhancing Driver Affordability and Care) Amendment Act, 2020

Received royal assent on Dec 9, 2020

Primary purpose:

- Reduce cost of claims and speed up resolution

- Prejudgement interest rate floating on pain & suffering damages

DCPD

Where are the changes

- Section 585.1 Alberta Insurance Act

- DCPD regulation

- Amended SPF1, SAF1 – Introduction of section A.1

# Scope of “Property Damage” under DCPD

## SECTION A.1 – DIRECT COMPENSATION FOR PROPERTY DAMAGE

Where section 585.1 of the Insurance Act applies, the Insurer agrees to indemnify the Insured under this section as though the Insured were a third party for loss of or damage to the automobile owned by the Insured, its equipment, and its contents if not carried for reward, and for loss of use of the automobile, equipment and contents in accordance with the Insurance Act and regulations made under the Insurance Act.

- Damage to automobile, including loss of use, to the extent driver is **not-at-fault** subject to any deductible
- Damage to contents while in the vehicle (permanently attached), during collision
- “Contents” do not include items carried for reward / compensation

# DCPD will reduce overall claim cost

Advocates for DCPD believe:

It's about consumer choice allowing consumers to continue giving them choice of coverage and insurer they want; and giving policy holders better minimum coverage

It's a streamlined process for consumers as they will be dealing with an ally – their own insurer who will work towards better customer service when driver not-at-fault

Quicker and efficient settlement of claim – reduced costs

# What about Tort Liability of others?

Policy holders can still bring a suit against responsible party, but only for:

Bodily injury

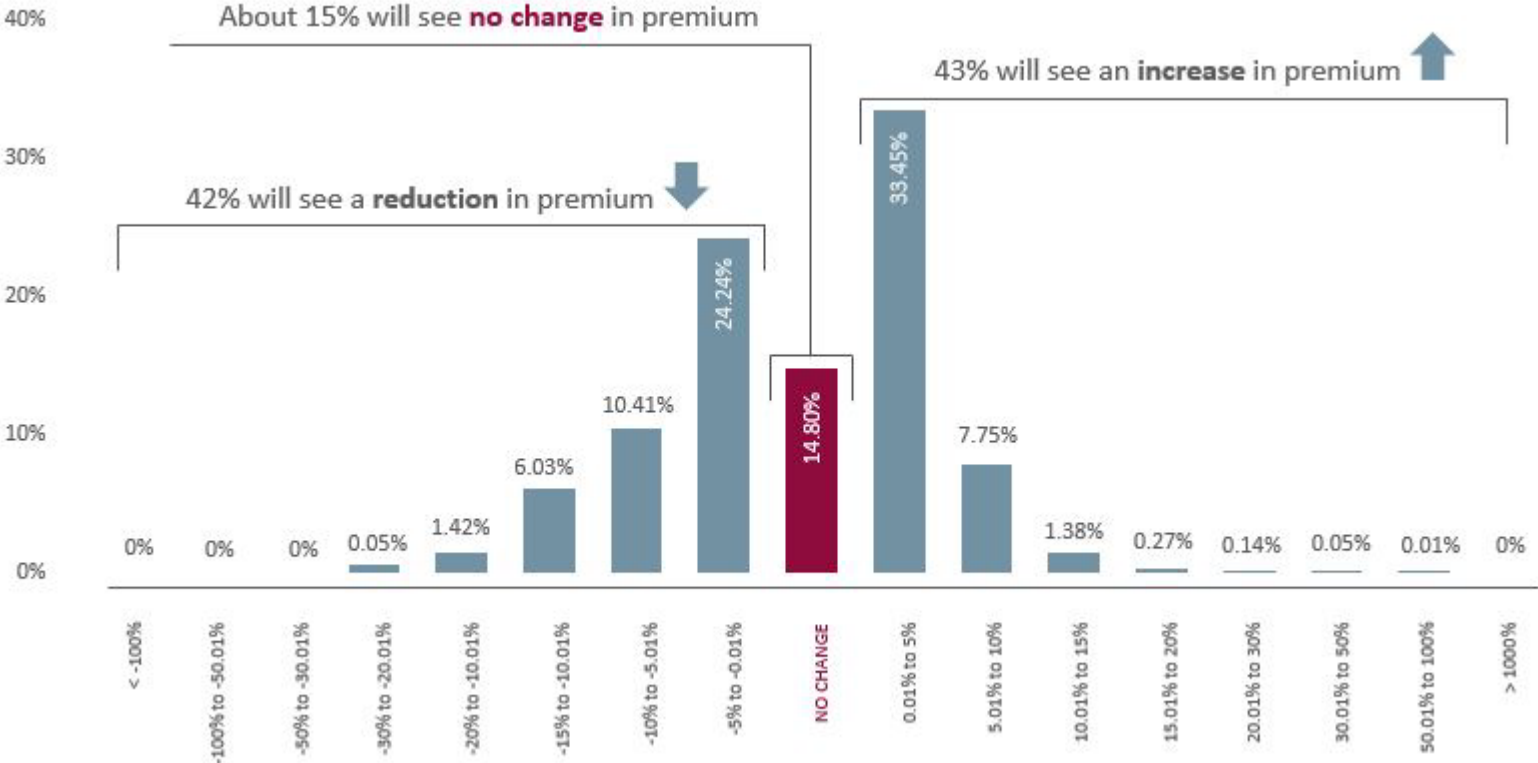
Loss of wages

Damage to property not attached to vehicle

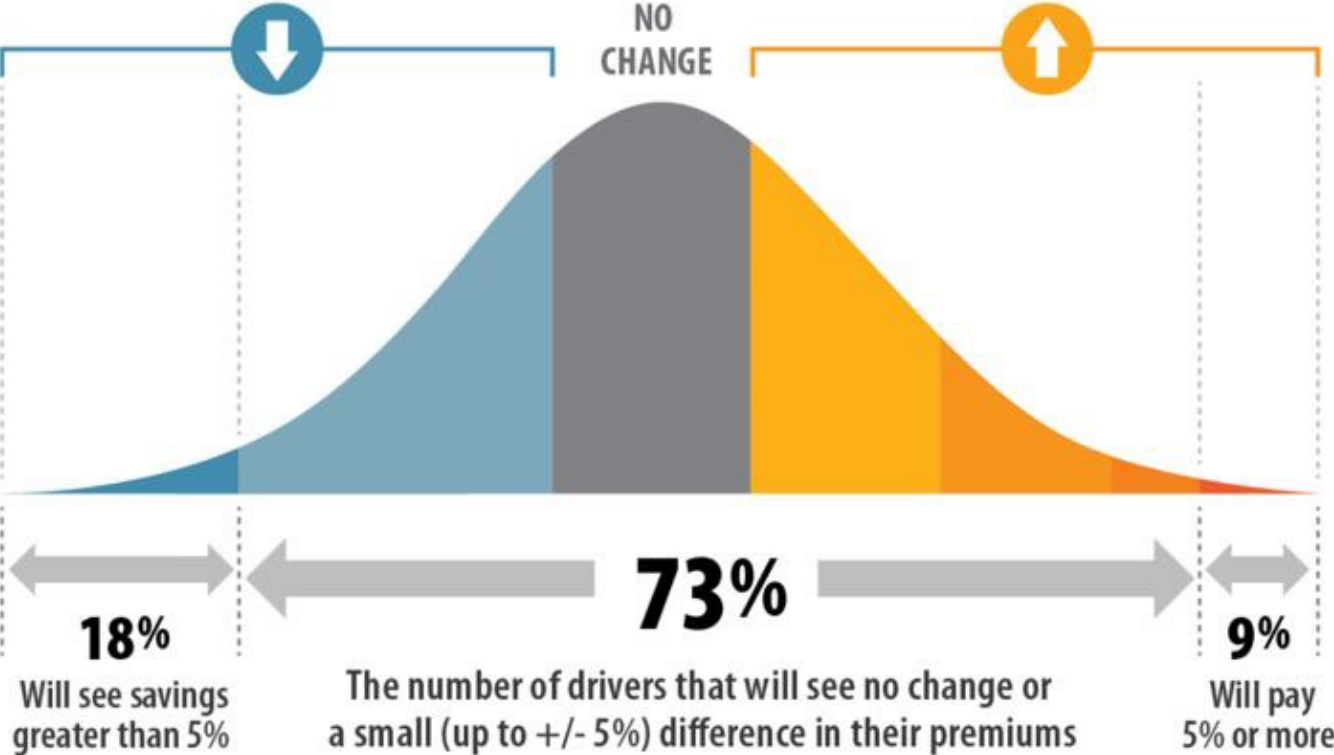
Loss of vehicle selling value etc.

Portion of any loss not covered under DCPD

# Premium impact (as per AIRB)



# Premium impact distribution



# DCPD for out of Province vehicles / drivers

DCPD applies to licensed auto insurers doing business in Alberta

Insurer of out of Province insured vehicle / driver bound by DCPD regulation

Insurers not underwriting auto in Alberta are not bound by DCPD for their insured vehicles. Standard rules apply.

Alberta Superintendent of Insurance plans to work with Out of Province automobile insurers (not writing business in Alberta) and hoping to sign them up for DCPD for collisions involving their out of province vehicles involved in collision in Alberta e.g. ICBC



# Understand how DCPD deductible works

Insurers permitted to offer deductibles under DCPD

Insurers **MUST** offer ZERO deductible option

DCPD deductible is not recoverable from at-fault party

Deductible will be 100%, if 100% not-at-fault

Deductible prorated based on degree of fault

if driver is 25% not at fault and has Collision coverage,

25% of DCPD deductible apply (for 25% of loss)

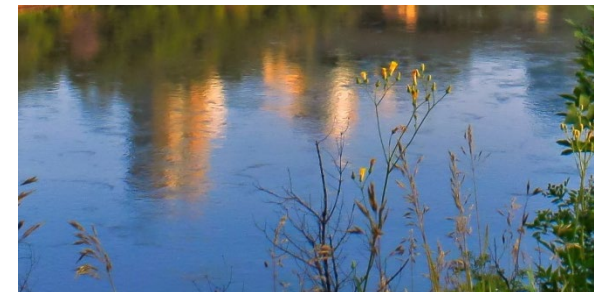
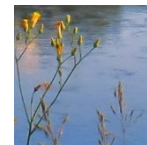
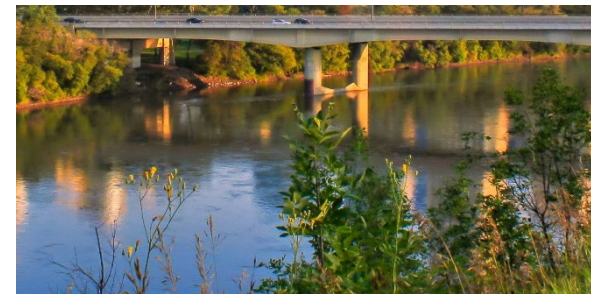
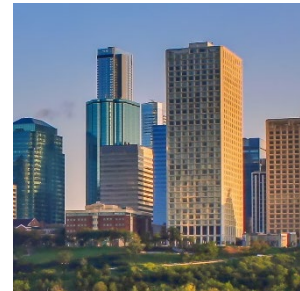
75% of Section Collision deductible apply (for 75% of loss)

if driver is 25% not at fault and no Collision coverage

Only 25% of DCPD deductible to apply (for 25% of loss)

No coverage / no deductible for 75% of loss

# DCPD Fault Charts



# DCPD: Definitions & Fault Charts

Chain Reaction

Feeder Lane / thoroughfare

Parkin place

Pile-up

Private road or driveway

Many more outlined in the DCPD Regulation

**WARNING:**

Fault determined based on the chart most applicable to collision

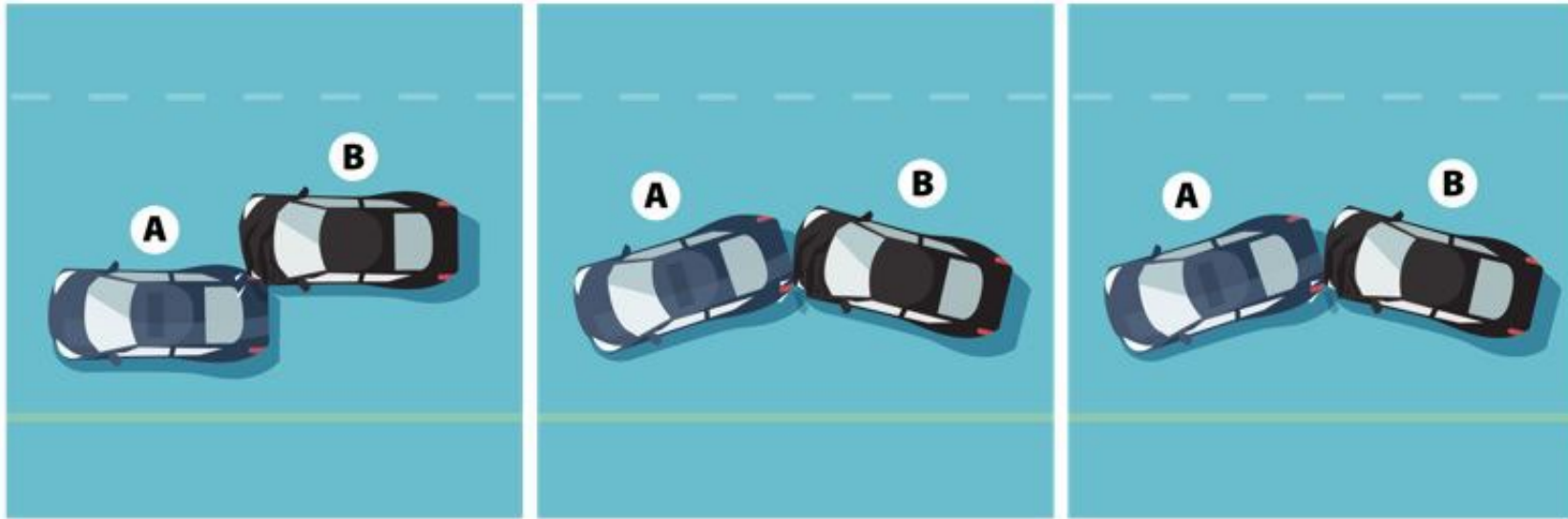
Other variables not a factor in fault determination

*(DCPD Regulation S.2)*

# Fault chart: Travelling in same direction

Automobiles travelling in same direction and same lane (DCPD Regulation s.5 (1) & (2))

- A collision where A is struck from the rear by B while both are travelling in the same direction and in the same lane.
- If A is stopped or is in forward motion - the driver of automobile A is not at fault for the collision, and the driver of automobile B is 100% at fault for the collision.



# Fault chart: Turning into side road

Turning into side road or driveway (DCPD Regulation s.5 (3))

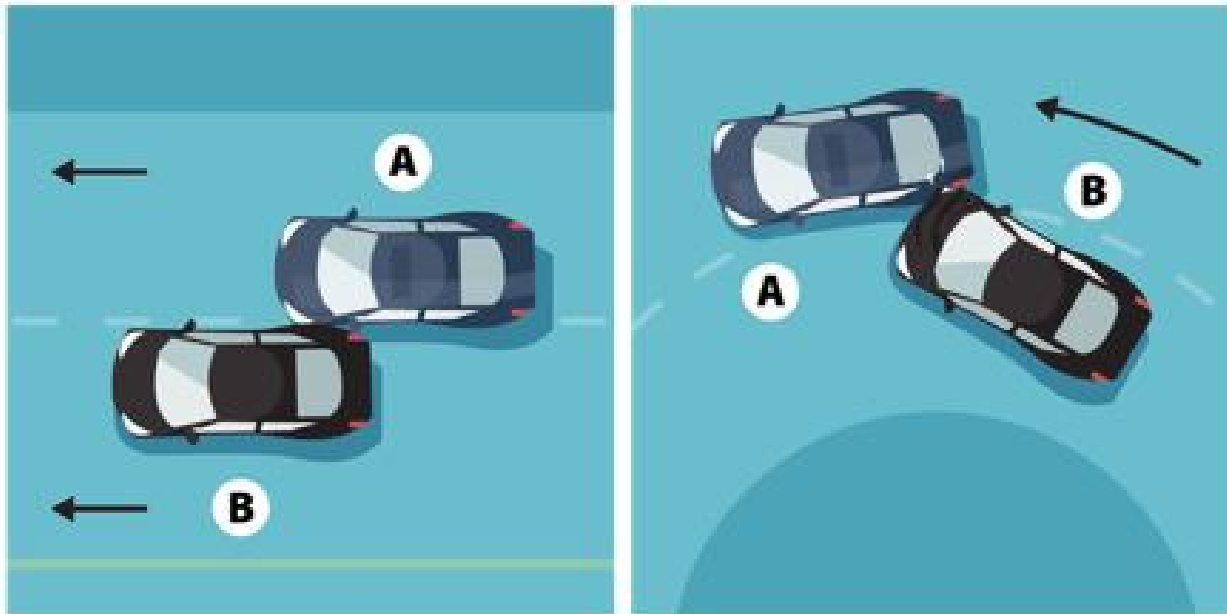
- When automobile A is turning, to the right or to the left in order to enter a side road or private road or driveway.
- The driver of automobile A is not at fault for the collision, and the driver of automobile B is 100% at fault for the collision.



# Fault chart: Same direction, adjacent lanes

Automobiles travelling in same direction and adjacent lanes (DCPD Regulation s.6)

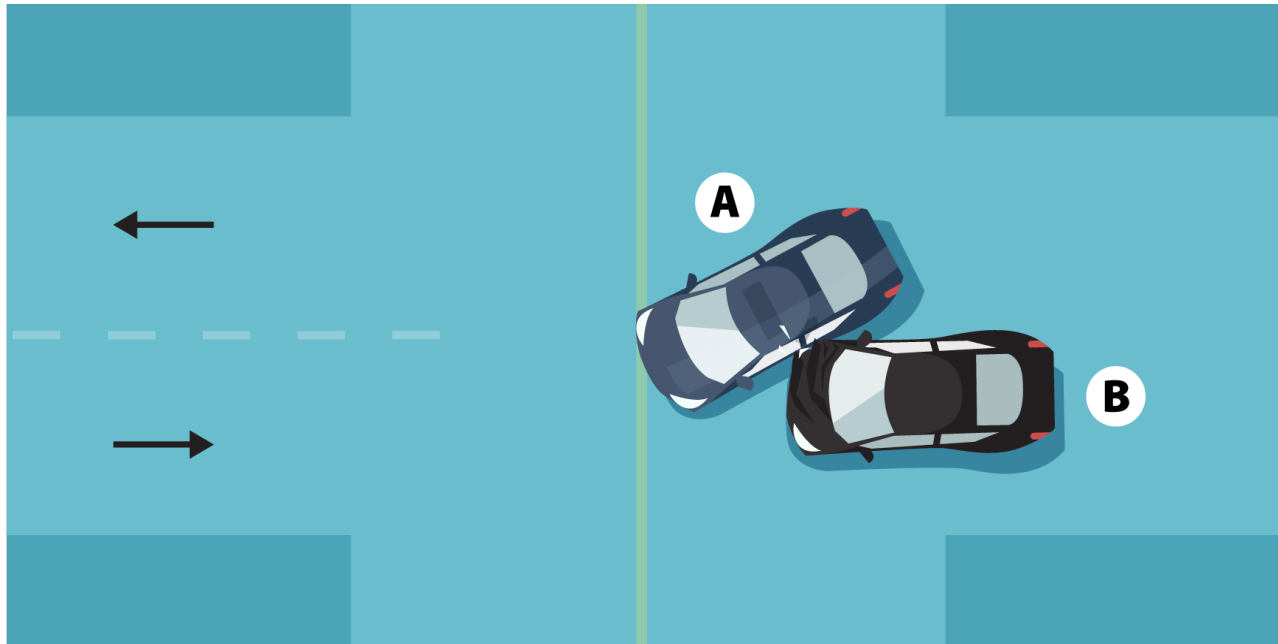
- A collision in which A and B collide while both automobiles are travelling on a highway in the same direction and:
  - in adjacent lanes
  - neither automobile is overtaking or passing the other.
- Where neither A nor B are changing lanes and both automobiles are on or over the centre line when the accident occurs, the driver of each automobile is 50% at fault for the collision.



# Fault chart: Overtaking and Passing

Automobiles travelling in same direction and adjacent lanes — overtaking or passing (DCPD Regulation s.7)

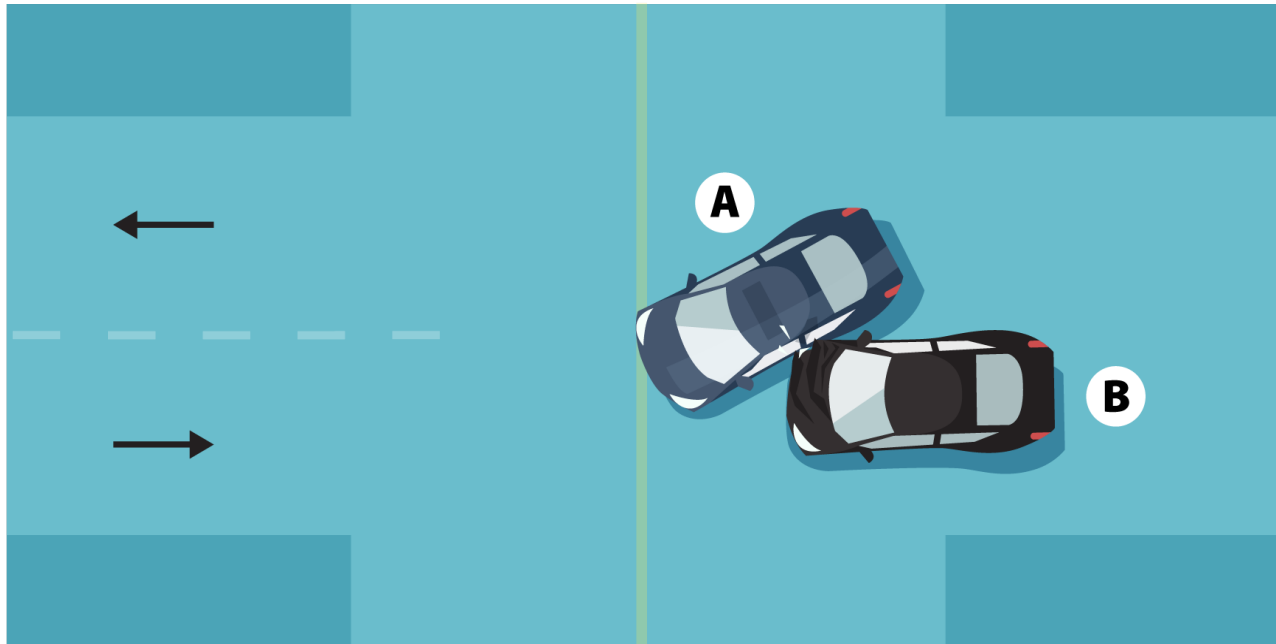
- Where A and B collide while travelling on a highway and automobile B is overtaking or passing automobile A.
- If the collision occurs when A is turning left at an intersection and B is overtaking or passing A,
  - the driver of automobile A is not at fault for the collision, and
  - the driver of automobile B is 100% at fault for the collision.



# Fault chart: Overtaking and Passing

Automobiles travelling in same direction and adjacent lanes — overtaking or passing (DCPD Regulation s.7)

- Where A and B collide while travelling on a highway and automobile B is overtaking or passing automobile A.
- If the collision occurs when A is turning left at an intersection and B is overtaking or passing A,
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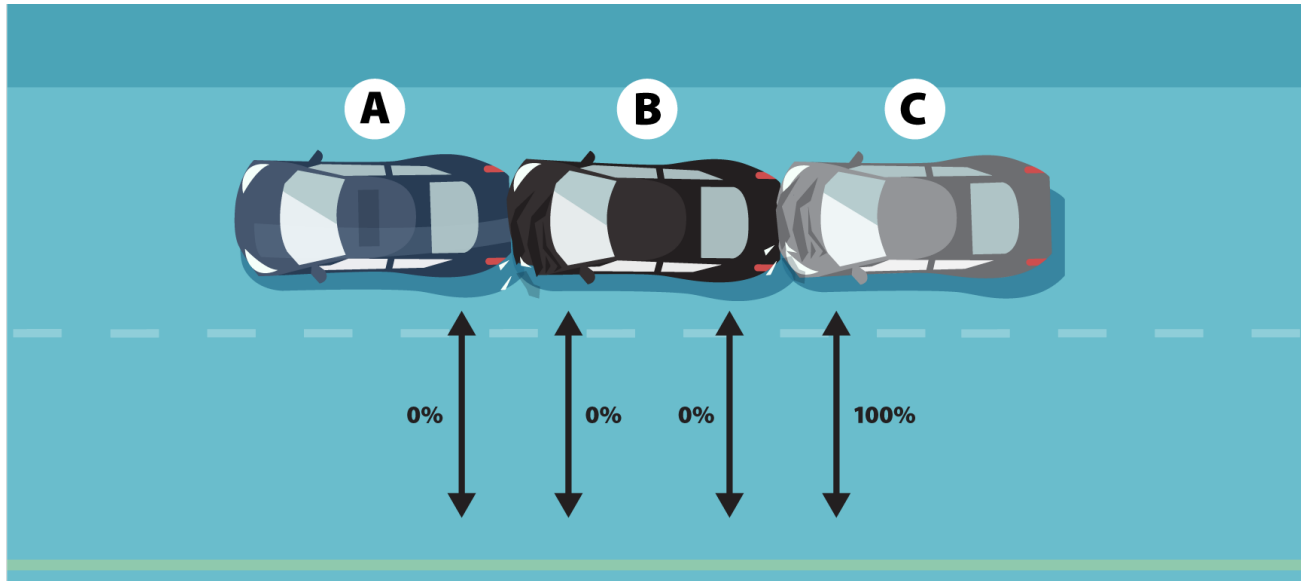




# Fault chart: Chain Reaction Collisions

## Chain reaction collisions (DCPD Regulation s. 11)

- The degree of fault with respect to each collision between 2 automobiles involved in a chain reaction collision must be determined **without reference to any other collisions** in the chain reaction collision.
- Where all automobiles involved in a chain reaction collision are travelling on a highway and in forward motion when the collision occurs,
  - Between A and B, where A is the first vehicle and B is the 2nd vehicle, neither driver is at fault.
  - Between B and C, where B is the 2nd vehicle and C is the 3rd vehicle, the driver of B is not at fault, and the driver of automobile C is 100% at fault.
- This is also the case when both A and B are stopped and C is moving.



# Fault chart: Collision pile-ups

Pile-ups (DCPD Regulation s. 12)

With respect to each collision between 2 automobiles involved in a pile-up, the driver of each automobile involved in the collision is 50% at fault.



# Fault chart: Open Doors

## Open doors (DCPD Regulation s. 20)

- If a collision occurs where automobile A collides with automobile B when the driver or passenger in automobile B opens the automobile door or if the driver or passenger in automobile B leaves the automobile door open:
  - the driver of automobile A is not at fault for the collision,
  - the driver of automobile B is 100% at fault for the collision.
- If a collision occurs where automobile A collides with automobile B when the driver or passenger in automobile B opens the automobile door or leaves the automobile door open in a manner that is **reasonably safe and does not constitute a hazard to moving traffic**:
  - the driver of automobile A is 100% at fault for the collision
  - the driver of automobile B is not at fault for the collision.

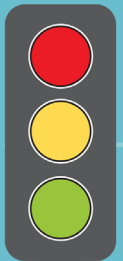


# Fault chart: Traffic control devices

## Intersections with traffic control signals (DCPD Regulation s. 15)

- If the collision occurs when the driver of automobile B fails to obey a traffic control signal
  - the driver of A is not at fault for the collision
  - the driver of automobile B is 100% at fault for the collision.
- Where it cannot be determined whether the driver of A or the driver of B failed to obey a traffic control signal, the driver of each automobile is 50% at fault for the collision.
- Where the traffic control signals at an intersection are inoperative or malfunctioning, fault for a collision must be determined as if the intersection was governed by an all-way stop sign.

Similar regulation addresses Stop Sign, 4-way Stop Sign and other road Signs for traffic control



# Fault chart: Ordinary rules of road

## Ordinary rules of law (DCPD Regulation s.4)

- The degree to which an insured is at-fault for an accident must be determined in accordance with the **ordinary rules of law** rather than this Regulation where:
  - the collision scenario is not described in the Regulation, or
  - there is insufficient information with respect to the collision to determine the degree that the insured is at-fault

Ordinary rules of road apply to situations not addressed in the regulation e.g. traffic circles



Province of Alberta

TRAFFIC SAFETY ACT

**USE OF HIGHWAY AND RULES OF  
THE ROAD REGULATION**

Alberta Regulation 304/2002

With amendments up to and including Alberta Regulation 212/2020

 **Alberta  
Municipalities**  
Strength  
In Members

# Where DCPD does not apply

Vehicles owned by the same insured

Single vehicle collisions

Optional coverages not purchased i.e. loss of use (for at-fault portion)

Collision scenarios not identified in the DCPD regulation

Collision with vehicles where insurers not bound by DCPD

Scenarios with insufficient information to determine fault or degree of fault

Automobile liability claims

Accident benefit claims

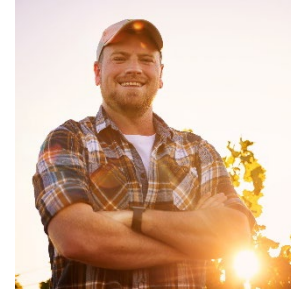
Comprehensive coverage e.g. vandalism, impact of flying object, wind damage, hail, other types of fire etc.

300, 8616 51 Avenue NW  
Edmonton, AB T6E 6E6

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