

Understanding why B.C. needs a limit on pain and suffering for minor injuries



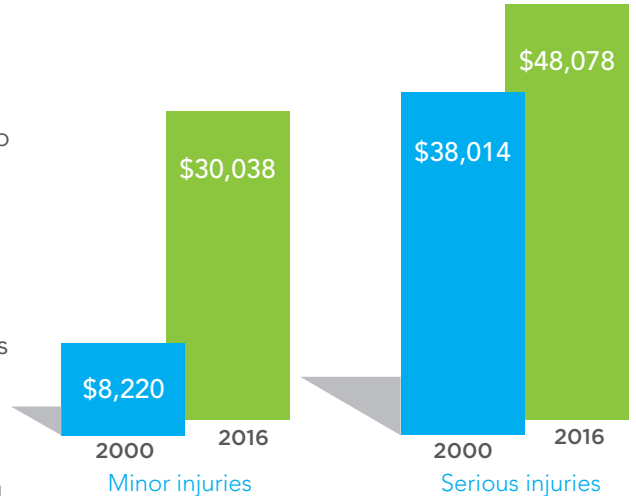
Auto insurance in B.C. is facing a serious problem. A major factor is the record number and higher cost of injury claims.

The average cost of minor injury claims — such as sprains and strains, mild whiplash, aches and pains — has risen from \$8,000 to \$30,000, a 265% increase since 2000.

While serious injuries — like fractures, broken bones and life-changing injuries — have risen by only 26.5 per cent (\$38,000 to \$48,000 since 2000).

The system isn't working when total payouts for minor and serious injuries are not drastically different. The hard reality is that all B.C. drivers are paying more for their insurance premiums every year, in part to fund the ever-increasing payouts for minor injury claims.

In order to control rates and create a sustainable insurance model for all British Columbians, changes are coming in April 2019. This includes introducing a \$5,500 limit on payouts for pain and suffering on minor injuries so more money can go into treatment and care for people injured in a crash.



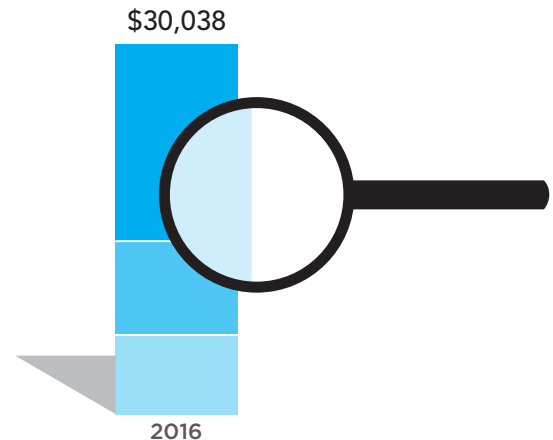
What is pain and suffering?

As part of your insurance claim, you can get compensated to recognize the inconvenience and emotional distress of being in a crash – this is called pain and suffering. It's just one small part of your claim, and totally separate from your medical treatments and benefits to help you get better which are covered by ICBC's accident benefits.

Breakdown of an average claim

The average claim paid for a minor injury is approximately \$30,000, which breaks down as follows:

- \$16,500 for pain and suffering.
- \$7,500 for additional wage loss and medical care. The limit does not apply to this category.
- Approximately \$6,000 to legal costs, including expert reports.



Customers are receiving only half of their settlement

Today, the average claim paid for a minor injury is approximately \$30,000, however, the reality is that the full amount is not going to the injured customer because legal costs and lawyer contingency fees must be taken out.

When everything is settled, the injured customer will actually only receive about \$16,000, on top of their accident benefits like medical treatments and recovery expenses. This is because:

- Approximately \$6,000 has to be retained by ICBC to cover our legal costs.
- Out of the remaining \$24,000, the customer's lawyer would take as much as 33 per cent for contingency fees — which would be about \$8,000.

Which means only half the settlement is going to the person who needs it most.

As you can see, our current system does not do a good enough job of looking after the injured customer.

B.C. is the last province in Canada with an unrestricted litigation-based insurance model — a full tort system with no restriction on what you can sue for no matter how small your injury.

Today, legal costs, including contingency fees charged by lawyers, account for 24 per cent of ICBC's total annual costs — this is greater than the cost of running ICBC plus the cost of accident benefits received by customers for minor and major injuries.

Starting April 1, 2019, there will be a limit of \$5,500 on pain and suffering on minor injuries. This would allow us to shift focus away from maximizing payouts to a care-based system that better supports the recovery of the injured. Introducing a limit like this is comparable to other provinces. In fact, B.C. is the last province to implement this type of change to control the escalating cost of minor injury claims.

British Columbians are paying more for their auto insurance every year, while ICBC suffered a \$1.3 billion loss last year — this is not sustainable for anyone. Changes are necessary to provide better care for the injured and more affordable insurance rates for all drivers.

