C14 Automobile Insurance—Part 1
(British Columbia)
Addendum—February 2010 Revised

(To be used with 2008 edition of the textbook.)

Study 2, page 2 – Inverse liability coverage has been added to the Contents as follows:

- Newly acquired substitute automobile
- Exclusions
- Forfeiture of claims
- Coverage lost due to breach of conditions
- Limitation on recovery for acts of violence
- Inverse liability
- Optional third party liability coverage
- Priorities of payments
- Review questions

Study 2, page 7– Case 2—1D has been changed to the following:

Case 2 – 1D

If Paul does not have his own automobile insurance policy, for example he does not own a vehicle (which is why he is borrowing his brother's vehicle); Marie will look to the vehicle owner's policy to recover. This is because both the vehicle owner and the driver can be held liable. In this case, Marie will look to Mike's policy to recover since Mike owns the vehicle.

If Marie chooses to recover from her own insurer, it can subrogate against Mike's insurer.

Study 2, page 11 – replace the paragraph below the bullet points opposite the margin heading Compulsory Autoplan as follows:

These basic compulsory coverages can only be written with ICBC. Third Party Liability **extension insurance** is available from ICBC and private insurers. It is optional insurance that can be used to provide higher limits, and lower deductibles, among other things. Third Party Liability extension insurance written by ICBC is subject to the *Act* and *Regulations* the same as basic coverage is.

Example

Mary and Larry are involved in an accident in British Columbia. Larry is found 100% liable for the accident.

Both drivers are insured under basic Autoplan for Accident Benefits and Third Party Liability coverage. Neither driver has purchased optional Own Damage insurance. Damage to Mary's vehicle is $800. Damage to Larry's vehicle is $1,200. Insurance will be respond as follows:

Mary	
Paid by Autoplan under Third Party Liability on behalf of Larry	$800
Larry	
Paid by Autoplan under Third Party Liability (Since he was 100% at fault)	$ 0

Study 2, page 24 – The following section has been inserted before the section entitled **Optional Third Party Liability Coverage**:

Inverse Liability

Inverse Liability coverage is part of basic Autoplan. It is included under First Party Coverage (*Regulations*, Part 10), which also includes Underinsured Motorist coverage. (Underinsured Motorist coverage is discussed in more detail in another study).

Inverse Liability covers B.C. insureds who are involved in collisions in parts of Canada or the U.S.A., where local laws prevent them from seeking compensation from the other (at-fault) driver after the crash—jurisdictions where insureds/their insurers are responsible for paying the costs of repairing their own vehicles.

Inverse Liability covers vehicle damage only. It does not cover any medical or rehabilitation costs, as these would be covered by Accident Benefits.

The amount of coverage provided under Inverse Liability corresponds to the degree of fault assigned to the other driver for the loss.

This means that B.C. insureds who are partially at-fault will be responsible for paying part of their loss. To be fully covered, they would require collision coverage. (Collision coverage is discussed in more detail in another study).

Example
Tim is driving to visit a friend in another province. On the way there, he is hit by Jean while she is changing

lanes. Local laws prevent him from seeking compensation for his vehicle damage from Jean. The damage to Tim’s vehicle will cost $2,000 to repair. If Jean is found 75% liable for the accident, and Tim is found 25% liable, the cost of repairing Tim’s vehicle will be paid as follows: Amount paid by Inverse Liability coverage = $1,500 (2,000 x 75%) If Tim has purchased optional collision coverage, his insurer under that contract would pay for the repair minus Tim’s deductible, which Tim would have to pay. Inverse Liability would reimburse him the percentage of his deductible for which he was not at fault. Tim was 25% at fault, so if Tim had a deductible of $300, Inverse Liability would reimburse him 75% of his $300 deductible = $225.

Study 2, page 25 – The example at the top of the page has been changed to show the corrected outstanding amounts, as follows:

Example Ken has basic Autoplan and extension Third Party Liability coverage totaling $500,000. He loses control of his car and hits a city bus injuring several passengers and extensively damaging the bus. The total damages for bodily injury are $600,000 and the damage to the bus is $100,000. Ken is found 100 percent liable for the accident. In this case his $500,000 limit will be paid out as follows: $450,000 for **bodily injury** $50, 000 for **property damage** This leaves outstanding $150,000 of the BI damages; and $50,000 of the PD damages. In order for the claim to be paid in full under Ken’s policy, he would have needed to purchase a higher limit for Third Party Liability coverage. For instance, an optional limit of $1 million is offered by ICBC and the private sector and would have provided sufficient limits to satisfy Ken’s claim.

Study 3, page 11 - The examples have been replaced with the following:

> **Example**
> Section 43(1) of the *Insurance (Vehicle) Act* titled *"Exemption of Government Motor Vehicles"* provides that vehicles registered in the name of the Government of Canada or in the name of any other government, territory, or state are exempted from Autoplan. However, vehicles belonging to the Government of British Columbia must participate in Autoplan and therefore, occupants of these vehicles would be covered.
>
> However, there are cases where some governments may chose to opt into Autoplan in accordance with permission granted in Section 43 (2) of the *Insurance (Vehicle) Act* which states:
>
> *(2) Despite subsection (1), the corporation may negotiate and conclude an agreement with a government excluded under that subsection to bring any and all vehicles owned, leased or operated by that government in British Columbia within the operation of this Act.*
>
> In the event of such an agreement being reached, occupants of these vehicles would also be covered.

Study 4, page 4 – The following bullet has been added to the bulleted list beside the marginal heading "Persons covered by UMP:"

- An occupant of a motor vehicle described in the owner's certificate

Study 5, page 3 – The text in the ICBC box has been replaced as follows:

> The ICBC *Regulation* defines "occupant" as a person operating or riding in a vehicle or camper and includes
>
> a) a person entering or alighting from a vehicle or camper; and
>
> b) a person, other than a garage service operator, or an employee of a garage service operator, who is working, or whose dependant is working, in or on a vehicle or camper owned by that person.

Study 5, page 7 – In the ICBC box, the following paragraph appearing beside the marginal heading "Temporary substitute vehicles" has been deleted:

> The *Insurance (Vehicle) Regulation* has a section that extends indemnity under Third Party Liability coverage to an insured operating a motor vehicle not described in an owner's certificate issued to the insured, subject to exclusions including commercial use.

Study 5, page 9 – add paragraph after the third paragraph on the page as follows:

Any physical damage to the *temporary substitute automobile* will be covered by the Additional Agreements of Section C (Loss of or Damage to Insured Automobile) to the extent the insured has coverage and is legally liable for damage to the temporary substitute automobile. However, if the vehicle is *"borrowed"* no physical damage coverage is available.

Study 5, page 9 – in the ICBC box the second paragraph is replaced as follows:

> When an insured is involved in an accident while using or operating a non-owned automobile, such as a temporary substitute or borrowed automobile, the insurance on that vehicle would respond to the loss. If the Third Party Liability limit on the non-owned vehicle is insufficient to cover the damages, the Third Party Liability insurance applicable to the driver's own vehicle would respond up to its limit of insurance.

Study 7, page 3 – The last sentence of the last paragraph on the page has been deleted.

Study 9, page 12 – Prince Edward Island is added to the list of provinces that have established automobile insurance rating boards.

Study 9, page 13 – Prince Edward Island is deleted from the list of provinces that do not have rate boards.

Study 10, Page 7 – replace the first paragraph on the page as follows:

The Ontario Risk Sharing Pool has operated since 1993. Insurers who are members of the pool cede the entire "grey" policies to the pool, but retain 15 percent of the premiums and claims. Insurers share the experience of the transferred risk with the pool in accordance with their share of the market and their usage of the pool. The company which issues the initial policy (the primary writer) remains responsible for servicing the policy including the settlement of any claims which may arise from the policy.

Study 10, Page 7 – replace the last paragraph on the page as follows:

Insurers in Alberta, New Brunswick, and Nova Scotia cede 100 percent of premiums and claims to their various pools, and share the results according to their market share (excluding business submitted to the pools). Nova Scotia has no limit for transferring business to the pool, but limits apply in New Brunswick and Alberta. *All* risk sharing pools have an expense allowance that varies by province.

Study 12, page 6 – replace the first two paragraphs on the page as follows:

Lawsuits are now only allowed for non-economic loss if the injured person dies or sustains “permanent and serious” disfigurement and/or permanent serious impairment of an important physical, mental, or psychological function. And once a claimant establishes that the injury meets this threshold, a deductible is applied to the amount of the damages with respect to each claimant. Insureds have the option of increasing or decreasing this deductible.

Lawsuits to recover health care expenses are only permitted in cases where injuries meet the same threshold as for non-economic losses (described above).

Study 13, page 7 – Fonds d’ indemnisation” (Indemnity Fund), delete the last sentence of paragraph 2 and add as follows:

Payments are limited to $50,000 per accident.

The Société pays compensation up to $10,000 for property damage to a vehicle. All compensation payable for property damage is subject to a $500 deductible set by regulation. For damage caused to a vehicle, the deductible will be the higher of

- $500 for a vehicle valued under $5,000 on the day when the accident occurred; or

- 10% of the worth of a vehicle valued $5,001 or more on the day of the accident.

Study 13, page 8 – replace the third paragraph of bullet point (a) as follows:

> The purpose of the PRR is similar to the Risk Sharing Pools managed by the Facility Association in other provinces. Both allow participating insurers to share the underwriting profit or loss and administrative costs of the pooled risks.

However, in Quebec, insurers may transfer any risk they have accepted through the regular market that *does not* meet their minimum underwriting standards. In other provinces, insurers transfer risks that meet their underwriting rules, but present higher than average risk of loss. (This topic is discussed in more detail in another study.)

Study 13, page 8 – replace bullet point (b) as follows:

(b) To oversee collision repair appraisal.

Under the *Automobile Insurance Act*, the GAA has created a network of appraisal centres, which are subject to its standards, procedures, and regulatory measures. The goal is to keep premiums reasonable, and to minimize compensation costs by using precise and professional appraisal techniques.