

BASIC INSURANCE PART 7 BENEFITS

The Basic insurance program benefits are specified in the Insurance (Motor Vehicle) Act and regulations. The benefits for income replacement, medical and rehabilitation, homemaker services, and death benefits are known as Part 7 benefits. Pain and suffering (non-pecuniary) damages are not covered by the specified benefits.

The Part 7 benefit maximum levels were last changed in 1990 and 1991. From 1991 to 2014 (23 years), the BC CPI has risen approximately 44%, while from 1997 to 2014 (17 years) the average weekly income has risen by 44%.¹ The not-at-fault party can sue for amounts beyond the Basic maximums, as well as for pain and suffering. Most of the BC at fault vehicle owners buy Optional insurance for the additional financial protection, and the vast majority buy the ICBC Optional insurance.

In September 2007 the BC Coalition of People with Disabilities prepared a report which provides more detail, and advocated an increase to the benefit levels.



<http--www.disabilityalliancebc.org-docs-part7nov07update.pdf.url>

SUMMARY PART 7 CURRENT AND PROPOSED

	BASIC LIMITS	2007 PROPOSED	2015 with CPI
Income Replace	\$300/week (after tax)	\$413/week	\$450/week
Med. Rehab.	\$150,000/year	\$300,000/year	\$327,000/year
Homecare	\$145/week	\$225/week	\$245/week

Due to the effects of inflation, by 2015 the purchasing power of the 1990/91 limits have been eroded by some 45%.

The limitation on the maximums acts as a spur to responsible drivers to purchase ICBC's profitable Optional insurance. The main loss in purchasing power is to the at fault drivers/owners.

¹ BC Government, "2015 Financial and Economic review," July. 2015.

BENEFIT MAXIMUMS OTHER INSURERS

Work Safe BC Income replacement, using the average annual income of \$49,000, the benefit is \$410/week after tax.

Employment Insurance pays a maximum of \$574/week, based on 55% of maximum earnings of \$48,500.

Saskatchewan Auto Fund has a maximum of 90% of **net** income (maximum **gross** of \$86,400/year). The medical/rehab. limit is \$6.4 million under the no-fault option. The few who chose the tort option are limited to \$25,000. Cannot sue for pain and suffering.

Manitoba Public Insurance has a maximum of 90% of **net** income (maximum **gross** of \$87,000/year). The medical/rehab. is unlimited. Cannot sue for pain and suffering.

Quebec pays income replacement at 90% of **net** income with a **gross** maximum of \$67,500. Cannot sue for pain and suffering.

Ontario has a \$400/week maximum of income replacement. Cannot sue for pain and suffering unless judged catastrophic.

Doug Allen, in his 1997 "Automobile Insurance Review," recommended that:

- Pain and suffering awards have a \$35,000 deductible
- Income replacement increase to \$400/week
- No limit on medical/rehab. expenses

The report noted that of the bodily injury claims filed with ICBC (2015?), 80% were for soft tissue injuries.

Of the bodily injury claims filed, 92% were for temporary injuries and 8% were for permanent injuries.

FORECAST FOR POLICY YEAR 2014²

	<u>Claims</u>	<u>Expenditures</u>	<u>Expend./Claim</u>
Medical/Rehabilitation	63,500	\$ 127 million	\$ 2,000
Income Replacement	8,800	\$ 45 million	\$ 5,114
Death Benefits	265	\$ 2 million	\$ 7,547

² Compiled from BCUC, ICBC Rate Requirements 2015, October 2015.

I compiled most of this data about a year ago, but I suspect that little has changed.

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The writer is a retired senior BC government public servant who's paper on the 40-year financial history of ICBC was published by *BC Studies* in 2013. The same academic journal will be publishing his paper describing the BC government's manipulation of the finances of BC Hydro from 2008 to 2014 in the fall. He has been an intervener in the BC Utilities Commission's 2014 and 2015 reviews of ICBC's rate requests.