

# Alberta Auto Insurance Update



On November 21, 2024 the Alberta Government announced automobile insurance reform in response to some challenges the industry has been facing.

## BACKGROUND

In the early 2000's automobile insurance rates were skyrocketing due to the amount of injury claims. In response, a personal injury reform was introduced in 2003 with a heavy focus on items such as soft tissue injuries. While not originally well received, the new limitations proved to be very fair for insurance companies.

However, in 2012, the Court of Kings Bench released a decision that temporomandibular joint dysfunction (TMJ) did not fall under the minor injury regulations. The last ten years has lead to an extremely litigious environment in Alberta and companies have been paying out more claims while the Alberta Automobile Insurance Rate Board has more or less frozen rates. Lawsuits related to automobile collisions have nearly doubled between 2018-2022 and some insurance companies have started taking drastic measures to limit their exposure.

## COVERAGE RESTRICTIONS

Many companies have tightened their underwriting guidelines with respect to offering Section C: Physical Damage coverage, for both new and renewal policies. Some companies have also started removing their replacement Cost endorsement on renewal,

which provides full replacement cost of the vehicle to the policyholder in the event of total loss rather than the depreciated value.

## GOVERNMENT REFORM

In response to the current issues, the Alberta Government announced upcoming reforms in hopes of reducing the overall cost of insurance for consumers.

**1) Care First Model:** starting January 2027, Alberta will move to a Care First model which means drivers will receive compensation from their own policy and will not be able to sue a third party for pain and suffering. They will retain the ability to sue in certain situations including where the at-fault driver is convicted of a criminal offence.

**2) Rate Cap Removed:** the rate cap will increase to 7.5% for good drivers starting January 2025 to account for the increased claims arising from catastrophic weather events such as hail.

## NEXT STEPS

We expect insurance companies will continue to make changes to their underwriting guidelines as things progress and we aim to keep our clients informed with any new updates as they are announced. We'll reach out to any clients who will be directly effected by any changes or restrictions and will discuss potential solutions. For any questions or concerns please don't hesitate to reach out to your broker directly.

LET US HELP YOU MANAGE YOUR RISK

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