

Superintendent of Insurance

Notice

Notice Number:	03-2021
Title:	Direct Compensation for Property Damage Implementation
Date:	October 18, 2021
To:	Albertans and the Automobile Insurance Industry

Purpose

This Notice is to advise Albertans and the automobile insurance industry in Alberta of the implementation of Direct Compensation for Property Damage (DCPD), effective January 1, 2022.

As part of reforms to Alberta's automobile insurance system, [Bill 41: Insurance \(Enhancing Driver Affordability and Care\) Amendment Act, 2020](#) amended the *Insurance Act* to enable DCPD to come into effect on January 1, 2022. DCPD covers damage to the insured automobile, its loss of use, and contents inside the vehicle when another driver causes the collision.

Questions & Answers

Note: these are for illustrative purposes only. Not all property damaged by other drivers is covered by DCPD coverage. What is covered in specific circumstances is determined by the applicable law, and by the insurance contract.

What is DCPD?

- DCPD means that drivers claim from their own insurer instead of claiming for vehicle damage from the other at-fault driver's insurance.
- DCPD will only cover the damage for which a driver is not at-fault.
 - If a driver is at-fault, they would claim from their own collision coverage (if purchased) for damage to their own vehicle, to the extent they are at-fault.
- If a driver is involved in a collision where they are considered partially at-fault, then their vehicle damage claim will be split between their own DCPD coverage and their collision coverage (if purchased).

For more information, visit insurance.alberta.ca



How do I determine who is at-fault in a collision?

- There are fault determination rules prescribed in the [DCPD Regulation](#) that cover more than 40 accident scenarios.
 - The rules cover most accident situations; and apply regardless of road or weather conditions, visibility, point of impact on the vehicles, or the actions of pedestrians.
 - Fault is allocated to each driver based on which scenario most closely resembles the actual accident situation.
 - If the accident situation was not described by any of the collision scenarios, then fault would be allocated according to the ordinary rules of law as they pertain to negligence.
 - Where the insured driver is 100 per cent not at-fault, the accident will not impact their DCPD insurance rating or premium.
 - The fault determination rules only apply to vehicle damage claims. They do not apply to claims for other types of claims, such as bodily injury.

What kinds of property damage are paid by DCPD?

- Damage to your automobile, including loss of use, to the extent you are not at-fault.
- Damage to your personal property or “belongings”, when your belongings are in your vehicle during an accident, to the extent you are not at-fault.
- DCPD does not cover damage caused by an unidentified or uninsured automobile, but optional loss or damage coverages may be available.

Do I still need to purchase Collision coverage if I have DCPD?

- DCPD provides coverage for damage to your vehicle to the extent you are not at-fault. Collision coverage would be required to cover your vehicle damages to the extent you are at-fault or if the damage is caused by an uninsured vehicle.

Will the at-fault driver be held accountable even though my policy is paying for damage that they caused?

- Yes, the at-fault driver will always be held accountable.
- DCPD does not remove the concept of fault from loss recovery in an automobile accident. There are different degrees drivers can be found at-fault (e.g., 25 per cent, 50 per cent, 75 per cent or 100 per cent).
- Even though your own insurer pays your loss, an at-fault driver is held accountable because an at-fault accident is added to their driving record.

What are the benefits of DCPD?

- DCPD is a more streamlined process for consumers, who will have the advantage of dealing with a representative from their own insurance company to process their claims.
- It should allow the claims process to function more efficiently, resulting in claimants receiving appropriate compensation more quickly from their own insurance provider.

With DCPD, can consumers still sue for damages?

- DCPD only applies to damage to the vehicle and its contents.
- DCPD does not prevent drivers from pursuing legal action for other damages, for example, damages relating to injuries resulting from an automobile accident, or other property damage that is not covered under DCPD.

How will DCPD change my automobile insurance coverage?

- DCPD does not change your automobile coverage; it only changes the way your property damage claim is processed.
- While your own insurer will now cover the cost of damages caused by other drivers, there is no negative impact to you when you are not at-fault for a collision.

Will my rates change under DCPD?

- Vehicle rate groups (make, model, year of vehicle) are one variable insurers will use in determining your DCPD premiums. Depending on the vehicle you drive, you may see a change in your premium.
 - In Canada, data is collected on the various types of automobile claims, including how much the claims cost. This claims data is used to assess the likelihood a vehicle will be involved in a claim, estimate how much that claim will cost, and calculate rating numbers or rate groups based on actual loss experience.
 - Vehicle rate groups consider the year, make and model of your vehicle. To see how the risk varies by vehicle, refer to the Insurance Bureau of Canada's [How Cars Measure Up](#).
 - DCPD deductibles may be an option for drivers. A deductible amount is either paid by you toward the cost of repairs or is deducted from the loss settlement. Higher deductibles will reduce DCPD premiums.

What are DCPD deductibles?

- The DCPD Regulation permits insurers to offer deductibles for DCPD coverage for all classes of vehicles.
 - Insurers are not required by law to offer the option of a deductible to their customers. Some insurers may choose to do so, while others might not.
 - For all customers, insurers must offer a zero dollar deductible option for DCPD coverage.
 - Generally, the larger the deductible, the less premium an insured pays for an insurance policy (and vice versa) because the insured is sharing the risk with their insurer.
 - With a zero dollar deductible option, an insured would pay no deductible when making a claim under DCPD.
 - If you are interested in finding out how a deductible may reduce your premium, you should talk to your agent or broker.
 - Alberta's Superintendent of Insurance and the Alberta Insurance Council have adopted the [CCIR / CISRO Fair Treatment of Customers Guidance](#), which expects that customers receive relevant advice, such as the benefits and risks associated with a DCPD deductible and their options.

If you have any questions regarding this Notice, please contact my office at (780) 643-2237 or tbf.insurance@gov.ab.ca.

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Superintendent of Insurance

Contact Information and Useful Links

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