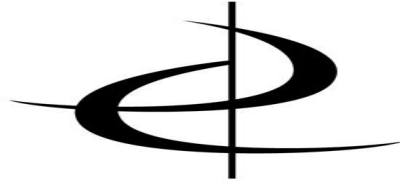


INSURANCE  
BUREAU  
OF CANADA



BUREAU  
D'ASSURANCE  
DU CANADA

**CLAIMS AGREEMENT AMENDMENT  
SUMMARY OF CHANGES**

**May, 2001**

## **CLAIMS AGREEMENT AMENDMENT EXECUTIVE SUMMARY**

### **Introduction**

The Claims Agreement was written in 1984. A review was needed to ensure that it continues to be an effective tool to avoid delays and disputes in the settlement of claims between insurance companies.

### **Purpose of the Claims Agreement**

To define national uniform practices related to claims forms, policy interpretation and rules as to the distribution of liability that signatories to the agreement can mutually accept to avoid delays and disputes in the settlement of claims.

### **Acceptance of the Claims Agreement by the Insurance Industry**

Over 100 insurance companies including non-IBC members are signatories to the Agreement.

### **Committee Mandate**

An Ad Hoc Committee of the Claims Committee was formed in 1998 to review the existing Agreement and make its recommendations.

It identified the following issues:

- . The need to increase dollar limits to reflect inflation on current claims;
- . Enhancement of forms and practices to facilitate subrogation and the quantum of uncontested first party physical damage claims and to speed up the process for settlement between insurance companies;
- . Need to simplify language from the "legalese" so it is better understood by the users;
- . Concerns were brought forward by subscribers that needed to be addressed or clarified;
- . Concerns of non subscribers as to why the Agreement was unacceptable to them needed to be addressed.

### **Claims Committee Approval and Instructions**

The Claims Committee approved the draft Claims Agreement Amendment at its May 15<sup>th</sup>, 2001 meeting and asked that it be sent as an amendment to all subscribers.

Acceptance is required from 80 % of the subscribers before the changes are effective.

### SUMMARY OF CHANGES – CLAIMS AGREEMENT

CURRENT	NEW	REASON
<b>Rule 1</b> - Forms - Use of Standard Claims Forms from Appendix A.	Expanded to include use of insurance company forms.	Provides more flexibility and recognizes that insurance companies have developed individual company forms to address internal claims handling practises.
<b>Rule 3</b> – Interim or status reports every 60 days but was subject to special requirements of insurers during the months of November and December.	Amended to include “unless the insurer directs otherwise”. Also the special requirements of insurers is not restricted to November and December.	Allows more flexibility.
<b>Rule 4</b> – Proof of loss on first party automobile claims was waived on claims not exceeding \$2000.	Limit removed but restricted to repaired vehicles only, supported by documentation.	<ol style="list-style-type: none"> <li>1. To facilitate the settlement of uncontested first party physical damage claims.</li> <li>2. To facilitate subrogation claims between signatory companies.</li> </ol>
<b>Rule 5</b> - Proof of loss on Property Classes of Insurance on claims not exceeding \$2000.	Limit increased to claims not exceeding \$5000. Also the exception was extended to “or at the discretion of the insurers involved”.	<ol style="list-style-type: none"> <li>1. To reflect inflation.</li> <li>2. To facilitate subrogation.</li> <li>3. To reflect current practices of individual insurers.</li> </ol>
<b>Rule 6</b> – Third party releases were waived on claims not exceeding \$2000.	Limit removed between signatory companies unless specifically requested. A note was added; “ the insurer settling with Third Party directly should obtain release for benefit of paying insurer”.	To expedite claims handling between signatory companies.

<p><b>Rule 8</b> – This rule does not apply (except in Quebec) to any accident involving personal injury nor any claim where the total damage to all vehicles or other property exceeds \$15,000.</p>	<p>Exception amended where rule does not apply to claims over \$50,000, unless all parties to a subrogation issue have agreed to waive a limit on the amount of the claim. Also, the following notes were added:</p> <ul style="list-style-type: none"> <li>a) Any vehicle travelling on a portion of a public parking lot designated by the property owners or by its configuration as a “thoroughfare” shall have a right of way over vehicles entering it from another portion of the parking lot that is not so designated.</li> <li>b) If no thoroughfare is designated by the owners as such, or if none is so marked, then Rules Of the Road, as defined in applicable provincial statutes, shall prevail.</li> <li>(c) The Rules of the Road, as defined in applicable provincial statutes, shall govern the movement of vehicles in intersecting “thoroughfares’.</li> <li>(d) Any vehicle exiting from or starting from a parked position is 100% at fault.</li> <li>(e) “Thoroughfare” means any place or structure intended for vehicular or pedestrian traffic on private property providing public access, for example a commercial parking lot. Private property includes government owned public parking lots, for example parking spaces provided at transit sites.</li> </ul>	<p>Old rule did not deal with uncontrolled unmarked lanes in commercial parking lots causing confusion among insurers and claims handlers.</p>
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<p><b>Rule 9</b> – Applied to out – of – court settlement of third party liability claims required that all reasonable effort shall be made to determine the amount being paid for costs and that all releases shall contain a clear statement of the monies being paid for damages and the monies being paid for costs.</p>	<p>Rule deleted.</p>	<p>Simplifies agreement for claims handling purposes.</p>
<p><b>Rule 11-</b> Rule applies where the damage to any vehicle on which subrogation is being exercised does not exceed \$30,000.</p>	<p><b>New Rule 10-</b> Limit increased to \$50,000. , inclusive of applicable taxes, or as agreed by the signatories.</p>	<p>Inflation.</p>
<p><b>Rule 11 (b)</b> Subrogation was on the basis for collision damage and deductible payable.</p>	<p><b>New Rule 10 (b)</b> – Amended to include Loss of use claims paid by each.</p>	<ol style="list-style-type: none"> <li>1. Frequency made it necessary to broaden coverage.</li> <li>2. To reflect the current practice of first party insurers providing loss of use cover.</li> </ol>

<p><b>Notes to Rule 11</b>  <b>1. Insured’s right to seek different basis of settlement for deductible</b></p>	<p><b>Notes to New Rule 10</b>  <b>1. Extended to include uninsured loss</b></p>	<p>Clarification</p>
<p>Notes included 1 to 4</p>	<p><b>Additional Notes to New Rule 10</b>  <b>5. Farm Equipment or Unlicensed Vehicle</b>  <b>6. Stolen Vehicles and Driver Blackouts</b>  <b>7. Uninsured Vehicles</b>  <b>8. Vehicles with PD Deductibles/Emergency Vehicles</b>  <b>9. Multiple Vehicle Accidents – Non –Signatory Companies</b>  <b>10. Damage to Buildings</b>  <b>11. Intersection</b></p>	<p>Issues raised after last agreement were addressed.</p>
<p><b>Special Notes to situations on Chart</b>  <b>(a) , (b) and (c)</b>   <b>(f)</b>  <b>(g)</b>  <b>(h)</b></p>	<p>50% of the paid loss of use added “Parking Lots – Rule #11, where applicable,  Supersedes Rule #8” was deleted  <b>New note (f)</b> added “this includes swerving vehicles where there is no contact”  <b>New note (g)</b></p>	<p>Issues raised after the last agreement were addressed.</p>
<p><b>Rule 11A: Priority of payment of Accident Benefits for Pedestrians</b></p>	<p><b>Now Rule 10A</b></p>	
<p><b>Rule 12: Standing Instructions: Company Adjusters</b></p>		<p>Deleted. The Committee agreed that this instruction should be outside the Agreement.</p>