

TRANSPORTATION INSIGHTS

LloydSadd
INSURANCE BROKERS



DCPD Coverage is Introduced to Alberta's Standard Auto Policy

The Alberta Government has introduced changes to the Standard Owner's Automobile Insurance Policy ("SPF-1"), effective January 1, 2022. The most significant changes focus on the move from the current compensation distribution system to a Direct Compensation for Property Damage ("DCPD") system.

CURRENT SYSTEM:

In a vehicle collision, fault is generally determined according to the Fault Determination Section of the Alberta Insurance Act and the proportion of damage for which an insured is at-fault is covered by their Collision coverage (if purchased) and subject to a deductible

The proportion of damage for which an insured is not-at-fault is recoverable from the at-fault party, either:

- Directly from the at-fault party and paid by their Third Party Liability coverage,
- From the not-at-fault party's own insurer under their Collision which is then recovered via subrogation from the at-fault party (or their insurer)

HOW DOES DCPD IMPACT AN AUTO CLAIM:

Under DCPD, if you get into an automobile accident, your own insurer pays for the portion of **your vehicle's** damage for which you are **not-at-fault as well** as the portion of your vehicle damage for which you are at-fault if you have collision coverage. One advantage of a DCPD system is there is less administration and quicker claim settlements it is only your insurer involved in the claims process.

DCPD EXAMPLE:

Driver A is in an accident and their vehicle has suffered a total of \$60,000 in damage. It is determined they are 25% at-fault for the accident. In the new DCPD system their damages would be covered as follows:

- **At-fault:** 25% of total damage (\$15,000) would be paid by Driver A's policy under Collision, subject to 25% of their \$1000 deductible (net claim \$15,000 - \$250 = \$14,750)
- **Not-at-fault:** 75% of total damage (\$45,000) would now also be paid by **Driver A's policy under DCPD**. Subrogation is no longer required as the insured's damage loss is not shared.

This shift to a DCPD system is primarily being made to control auto insurance costs, but what the actual impact will be on your auto premiums remains to be seen. At-fault determination will continue to play a significant role in rating so we encourage all businesses to actively practice risk management and pro-active risk management training for their drivers.

If you have any questions or would like more information on how we can help you manage your fleet risk please reach out to one of our advisors today.

LET US HELP YOU MANAGE YOUR RISK

LOCATIONS

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