Glossary of Terms

Insurance

There are two types of insurance as defined by the Insurance Act– life and other than life. Within the other than life category, property and casualty insurers offer automobile insurance. Many insurers not only offer automobile insurance, but also offer homeowners policies and other types of insurance.

Insurance is essentially the pooling of risk. When consumers pay insurance premiums they are putting our money in a pool with others. This pool is then used to meet the claims of those who, in the case of automobile insurance, have been involved in an accident and who have suffered a loss.

Standard Automobile Policy

The laws of the Province currently require that vehicles registered and driven in New Brunswick must be insured to minimum levels and provide minimum coverage for consumers. The coverage includes:

Liability Insurance: Sometimes called PLPD or Section “A” Coverage, this covers you as a vehicle owner and as a driver if you injure someone or damage someone else’s vehicle or property with your car. The minimum requirement in New Brunswick is $200,000, although many New Brunswick consumers choose to carry additional coverage.

Accident Benefits: This is also referred to as Section “B” coverage. This is a “no fault benefit” that provides medical and rehabilitation expenses, funeral benefits, death benefits, and loss of income benefits. Because it is a “no-fault”coverage, it is payable by your own insurer and is payable even if you are at fault for the accident.

Uninsured and Unidentified Insurance: Also know as Section “D” coverage, this coverage protects individuals in the event that you as a driver are involved in an accident with an uninsured driver or in a hit-and-run accident where the automobile or driver cannot be identified.

In addition to these mandatory coverages, there are optional insurance coverages (Section “C” coverage) that many choose to purchase. These include:

Collision or Upset Insurance: This covers damage to your own vehicle, regardless of who is at fault – that is it is payable even if you are at fault. There is usually a deductible by which any claim is reduced. The amount of the deductible affects the rate of the coverage.

Comprehensive Insurance: This covers such risks as damage to your own vehicle caused by theft, vandalism, or fire. There is also a deductible for this coverage, except for theft or fire.

Insurance Premium

The money that is paid for insurance is called a premium, and premium amounts are based on the type of coverage and the amounts of coverage that you have. The actual amount that is paid is based on an insurance company's assessment of the risk the company must assume to insure your vehicle.

In assessing this risk companies use various factors including your age, sex, marital status, where you live, the type of vehicle, the age of the vehicle, what you use the vehicle for, how many kilometers you drive in a year, your driving record and that of anyone else on the policy, if you have had claims on you policy, etc.

Tort

A "tort" is a wrong or an injustice committed by one person against another. Tort law is an area of legal practice where a "wronged" party sues the party that it views responsible for the wrong. Under a tort-based automobile insurance system, it is the responsibility of the party at fault to recompense the innocent party and to place the innocent party as close to a position as possible before the accident. Under a tort system, individuals have the right to sue for both economic loss and for pain and suffering.

Facility Association

Because automobile insurance is compulsory for all drivers in New Brunswick, there must be access to insurance for all drivers, including high-risk drivers. For those drivers who are not able to buy insurance through a regular market insurance company, there is access to coverage from the "Facility Association" or "FA". The Facility Association is a not-for-profit group of insurance companies that pool resources through which they insure high-risk clients.

Underwriting Guidelines

The determination of whether or not an insurer will accept a risk is based on its underwriting practices. Different insurers can and do concentrate on different risks to determine its market. Generally speaking, those insurers that are willing to tolerate more risk would respond by charging higher rates.

To permit agents and brokers to determine if companies are willing to accept risks, companies develop underwriting guidelines. Underwriting guidelines are not currently regulated in New Brunswick. Common underwriting guidelines include factors such as the age, sex, marital status, how the vehicle is used, your driving record and accident record and that of anyone who regularly uses your vehicle and the type of vehicle and value of the vehicle.