



QUÉBEC'S PUBLIC AUTOMOBILE  
INSURANCE PLAN



For a  
**Sustainable and  
 Equitable Plan**

DISCUSSION DOCUMENT ON THE  
 PROPOSAL CONTAINED IN THE  
 DRAFT REGULATION RESPECTING  
 INSURANCE CONTRIBUTIONS



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This document has been prepared by the Société de l'assurance automobile du Québec.

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In this document, use of the masculine is generic and applies to both men and women.

## MESSAGE FROM THE CHAIRMAN OF THE BOARD

Dear Sir or Madam,

This document contains an analysis of the financial situation of the Fonds d'assurance automobile du Québec conducted by SAAQ's staff and members of the Board of Directors.

This situation is of concern. The government is keenly aware of it and has already implemented important corrective measures. Other remedial actions have been taken by the SAAQ, but all these efforts will not be enough to enable the Fonds to regain the sound financial footing it needs to honour its responsibilities to victims of road accidents. Given the situation, an increase in insurance contributions turns out to be inevitable.

We will begin with a review of some of the benefits our automobile insurance plan has to offer. Our plan is simple: the only criterion necessary to be eligible for compensation benefits is to establish a connection between bodily injuries and a motor vehicle accident. Our plan is universal: everyone is eligible, regardless of fault. Our plan is efficient: we immediately take charge of accident victims and remain with them, if need be, throughout their entire life. Our plan is also extremely cost-effective: insurance contributions are by far the lowest in Canada and even if they were to be increased as proposed in this document, they would still be among the lowest in the country.

To restore the financial situation of the Fonds, the SAAQ proposes gradual increases to insurance contributions that reflect the plan's financial needs and that are equitable for all categories of contributors.

The public consultation that is beginning regarding this proposal will be spearheaded by a panel of experts that will be making its recommendations to us in late spring. We should therefore be able to implement the anticipated changes as early as 2007.

On behalf of the Board of Directors, I can assure you that your comments and suggestions will be examined closely.



JOHN HARBOUR, FCA  
Chairman of the Board of Directors and CEO

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## INTRODUCTION

*This discussion document briefly outlines Québec's public automobile insurance plan (Chapter One) and describes its current financial status of concern (Chapter Two). It then highlights the actions already taken to partially remedy the situation (Chapter Three) and presents the different options for increasing insurance contributions (Chapter Four). The last chapter focuses on the SAAQ's proposed solution for the different categories of vehicles (Chapter Five).*

### **A UNIQUE PLAN**

In 1978, the province of Québec introduced a public automobile insurance plan with the creation of the Régie de l'assurance automobile du Québec, which in June 1990 went on to become the Société de l'assurance automobile du Québec (SAAQ).

The mission of the SAAQ is to protect individuals against the risks of road accidents, based on a model that is unique in the world and which encompasses accident prevention, highway enforcement and compensation. This model allows Quebecers to benefit from a very advantageous public insurance plan.

### **A DISCONCERTING FINANCIAL SITUATION**

Since the plan was first established, insurance contributions have remained low, considering the insurance coverage the plan provides. Contributions are at the level they were at in 1985, despite the fact that inflation was 70% over the same period. Indemnities awarded to victims, however, have been indexed each year, but contributions have not, with the result that over the last 20 years the plan has been under-financed. In other words, revenues in any given year do not cover costs related to accidents that occur during the same year. Over the years, this shortfall has grown significantly and was an estimated \$450 million in 2004.

Despite this recurrent annual financing gap, a series of circumstances enabled the SAAQ to avoid, at least until 2000, sinking into a series of successive deficits. These circumstances were essentially as follows: higher than anticipated investment earnings, fewer road accidents and lower than anticipated costs for compensation benefits.

**INTRODUCTION  
OF BILL 55**

To take on this issue, the government of Québec's first course of action was to pass in December 2004, the *Act to amend the Act respecting the Société de l'assurance automobile du Québec* (Bill 55) to create a social trust called the "Fonds d'assurance automobile du Québec" (the Fonds).

With the creation of this fund, insurance contributions became a patrimony trust distinct from other SAAQ and government activities. Therefore, since January 1, 2004, the Fonds has been devoted exclusively to the compensation of accident victims and to road safety promotion.

Bill 55 also makes provisions for the SAAQ to gradually rectify the Fonds' financial situation. It grants the SAAQ's Board of Directors more independence from the government and more responsibilities, particularly the responsibility for determining automobile insurance contributions, based on the recommendations of a panel of experts, which is required to hold a public consultation and submit its recommendations. It is this process that the SAAQ is currently embarking upon.

## CHAPTER 1

### A public automobile insurance plan to be preserved

#### BACKGROUND

In 1971 the government of Québec established a committee to examine Québec's automobile insurance situation. The committee concluded that the scheme at the time was seriously flawed:

- not all victims were eligible for compensation benefits;
- liability was difficult to establish;
- settlements took too long;
- injury and losses were poorly compensated;
- lump-sum payments were ineffective;
- the scheme was too expensive.

Based on these findings, the committee recommended major changes in compensation for victims who had sustained bodily injury, including:

- complete abolition of the right to claim damages based on liability;
- mandatory basic insurance for all vehicles registered, providing coverage for any individual involved in an automobile accident in Québec or elsewhere around the world;
- payment of indexed indemnities to replace economic loss;
- payment of lump-sum indemnities for non-pecuniary damage.

These recommendations were the basis of the *Automobile Insurance Act*, passed by the National Assembly on December 22, 1977, which came into force on March 1, 1978.

#### FUNDAMENTAL PRINCIPLES

The Act created the Régie de l'assurance automobile du Québec, which became responsible for running the plan based on the following principles:

- a universal plan that ensures the right to compensation benefits for all victims of road accidents, regardless of age or occupation;
- a no-fault plan that provides compensation benefits for bodily injuries;
- compensation benefits for economic loss due to a road accident;
- full indexation of compensation each year.

These key courses of action, on which the Québec automobile insurance plan was based, are still being pursued some 25 years after the plan was created. The administrative framework and legal status of the agency responsible for the plan has undergone a number of changes over the years, but its fundamental mission remains the same: to ensure that any Quebecer who sustains injury in an automobile accident is entitled to compensation benefits, regardless of fault, whether or not the road accident occurs in Québec or elsewhere.

The purpose of the plan is to compensate victims for actual or potential economic loss due to an accident, up to the maximum amounts prescribed under the *Automobile Insurance Act* and its attendant regulations. Victims are also entitled to compensation benefits for non-pecuniary damage, such as a diminished quality of life due to an accident. The SAAQ takes the measures necessary to contribute to the rehabilitation of an accident victim to ensure a return to daily activities and the labour force.

**Appendix A** lists the compensation benefits available to road accident victims.

**AN ADVANTAGEOUS  
PLAN FOR QUÉBEC**

Compensation plans vary significantly from province to province (**Appendix B** contains a comparison of provincial insurance plans). Comparisons between these different plans must therefore be interpreted on the basis of the varied differences between these plans, which include type of plan (public or private), legal context (with or without liability, the latter commonly called *no-fault*) or level of compensation provided. Other more technical aspects also come into play including traffic density, weather patterns, road infrastructure, state of the roadway and number of vehicles in use.

Total cost of  
road accidents  
causing **bodily  
injury** and  
**property losses**

The Canadian Institute of Actuaries conducted a Canada-wide comparison of the total cost of road accidents causing bodily injury and property losses. The findings in the following table are telling.

The cost includes payments to victims, costs of defending the insured against third-party claims, payment of these claims and the administrative costs of handling all claims.

In the case of Québec, the claim cost is 40% lower than that of the two provinces that border it, Ontario and New Brunswick. These statistics show that provinces with a no-fault plan are among those with the lowest costs in Canada.

**TABLE 1.1 Changes in the Average Claim Cost over Five Years (1998-2002)  
(passenger vehicles only)**

Province	Average claim cost per vehicle (1998-2002)	Claim cost per vehicle in 2002 (\$)	Average yearly increase in cost (%)
Québec (Public/private; no-fault/tort)	505	515	2.2
Saskatchewan (Public; no-fault)	525	575	5.7
Prince Edward Island (Private; tort)	572	572	4.0
Manitoba (Public; no-fault)	588	714	10.2
Newfoundland and Labrador	661	657	4.4
Nova Scotia (Private; tort)	666	688	5.6
Alberta (Private; tort)	727	761	2.4
Ontario (Private; hybrid no-fault/tort)	822	928	8.2
New Brunswick (Private; tort)	843	842	2.8

Source: *Report of the Task Force on Automobile Insurance Issues* - CIA, March 2005.

Comparison of insurance contributions for **bodily injuries only**

At the request of the SAAQ, an actuarial consulting firm<sup>1</sup> analyzed the level of the average premiums paid for coverage for bodily injuries in automobile insurance across Canada.

The study arrived at two main conclusions:

1. Of all of the systems studied, public plans were found to benefit victims most and were the least costly. The authors of the report indicate the following: “Our analysis shows that a no-fault compensation plan, where the right to sue does not exist, compensates victims more generously and is the least expensive.” (SAAQ translation) Such plans are in effect in Québec, Manitoba and Saskatchewan.
2. The firm also found that «Québec is the province with the lowest premiums.» (SAAQ translation)

The tables that follow show a comparison between four realistic cases of drivers of a passenger vehicle (cases 1 and 2) or a motorcycle (cases 3 and 4). **Appendix C** gives a summary table of the data.

Note that in all cases, Quebecers pay less for their insurance contribution. The differences are much more pronounced for motorcycles than for passenger vehicles.

When it comes to motorcycles, it would appear that in provinces where the insurance industry is run by the private sector, major insurers sometimes refuse to insure certain high-risk motorcycle drivers such as young males who own a sport motorcycle.

1. Source: *Rapport sur les primes d'assurance automobile pour l'indemnisation des blessures au Canada*, Eckler associés ltée, July 2005.

Furthermore, where such motorcyclists do manage to find an insurer, the cost is so high that they are forced to enter into a contract that essentially reduces their personal protection. Motorcyclists therefore receive minimal compensation benefits-for single-vehicle accidents or two-vehicle accidents for which they are responsible. It is only in two-vehicle accidents for which they are not deemed responsible that they can, by exercising their right to sue, receive full compensation.

**PASSENGER VEHICLES**

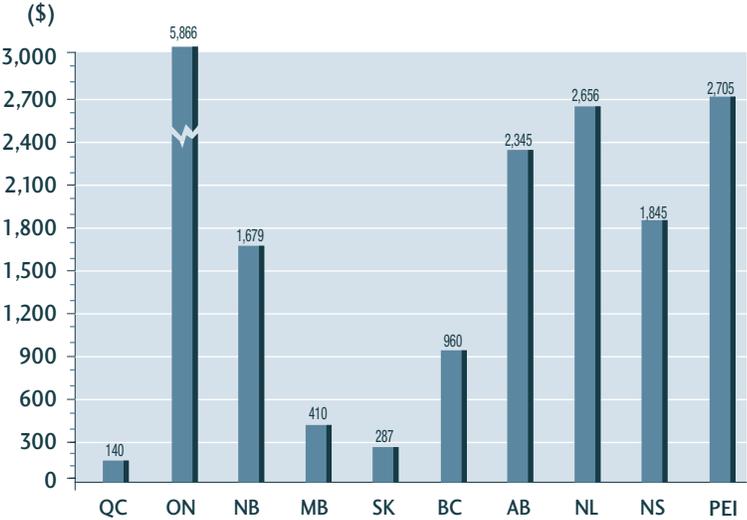
- **CASE 1** •  
Male age 42

**Male age 42, licence holder for 24 years.**  
A single passenger vehicle, no claim.  
No Highway Safety Code violation within last 5 years.  
Vehicle used to drive to work.



- **CASE 2** •  
Male age 18

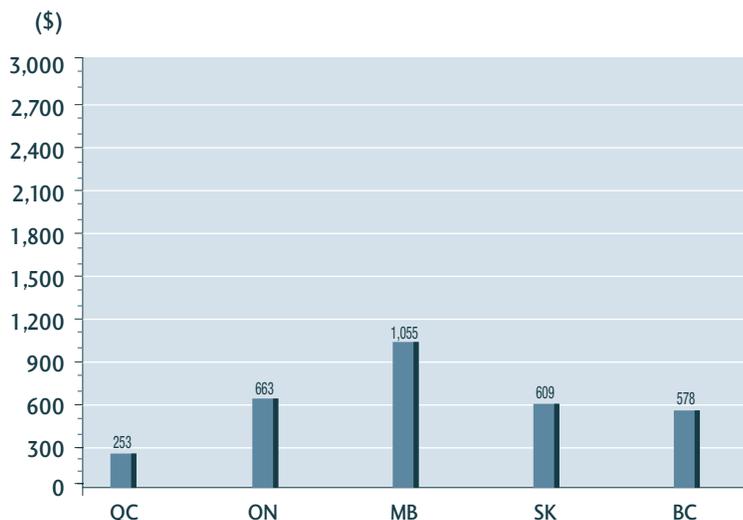
**Male age 18, no experience.**  
A single passenger vehicle, no claim.  
Vehicle used to drive to work.



**MOTORCYCLES**

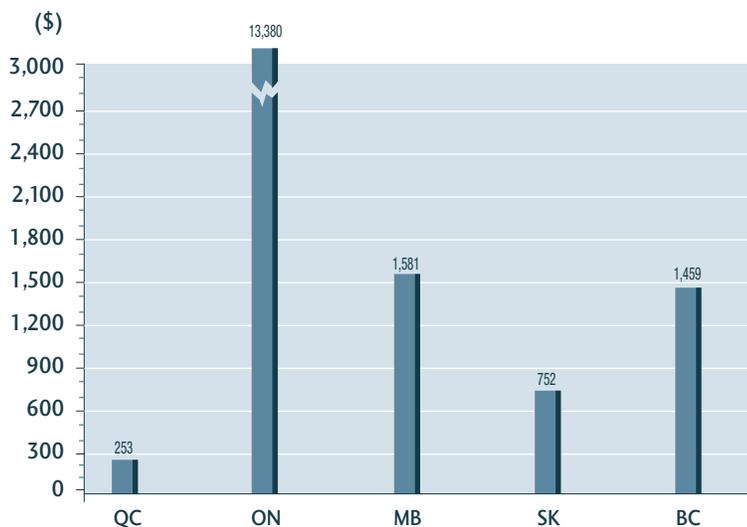
- **CASE 3** •  
Male age 42

Male age 42, licence holder for 24 years.  
A single 750 cc regular motorcycle, no claim.  
No Highway Safety Code violation within last 5 years.  
Vehicle used to drive to work.



- **CASE 4** •  
Male age 21

Licence holder male age 21, no experience.  
A single 750 cc sport motorcycle, no claim.  
Vehicle used to drive to work.



**A PLAN WORTH  
PRESERVING**

Based on these comparisons and on the benefits offered, it is clear that Québec's plan is one of the best in Canada.

Indeed, even factoring in the proposed insurance contribution increases, the contributions Quebecers will be paying are still lower than those in other Canadian provinces.

Given this situation, there is no doubt that our public automobile insurance plan must be preserved. The manner in which the plan is financed, however, must be reviewed in order to restore the financial equilibrium required to fulfill its mission, for the sake of equity among all categories of insured persons and generations.

## CHAPTER 2

### A disconcerting financial situation

Each year, Quebecers pay insurance contributions to finance compensation for bodily injuries sustained in road accidents and the promotion of road safety. These contributions are collected upon payment of driver's licence and motor vehicle registration fees.

### FINANCING OF THE FONDS

Below is a payment notice for a driver's licence holder who has no demerit points on his driving record. This invoice is payable every two years.

**TABLE 2.1 Driver's Licence Payment Notice**

DEMERIT POINTS									
REFERENCE PERIOD	FROM	2003 06 08	TO	2005 06 07					
OFFENCE	RECORDED		DESCRIPTION	POINTS	OFFENCE	RECORDED	DESCRIPTION	POINTS	
AMOUNT PAYABLE DETAILS									
GOUVERNEMENT DU QUÉBEC ▶	LICENCE FEE	32,00	+	TAX ON INSURANCE	4,13	=	36,13		
SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC ▶	INSURANCE PREMIUM	45,87	+	ADMINISTRATIVE CHARGE	4,00	=	49,87		
							PREVIOUS BALANCE ▶	0,00	
ADD \$3 IF PAYING THROUGH AN OUTLET OFFERING SOCIÉTÉ SERVICES.								AMOUNT PAYABLE	86,00

Below is a payment notice for registration of a passenger vehicle. This invoice is payable each year.

**TABLE 2.2 Payment Notice for Registration of a Passenger Vehicle**

AMOUNT PAYABLE DETAILS									
LICENCE PLATE NO.	UNIT NO.	NOTICE NO.	ISSUE DATE	2005 07 20	DUE DATE	2005 08 31			
GOUVERNEMENT DU QUÉBEC ▶	REGISTRATION FEE	104,00	+	ADD. REGISTRATION FEE PUBLIC TRANSIT	30,00	+	0,00	143,67	
	TAX ON INSURANCE	9,67					TAXI FEE	0,00	
SAAQ ▶	INSURANCE PREMIUM	107,35	+	ADMINISTRATIVE CHARGE	4,00			111,33	
							PREVIOUS BALANCE ▶	0,00	
ADD \$ 3,00 IF PAYING THROUGH AN OUTLET OFFERING SOCIÉTÉ SERVICES.								AMOUNT PAYABLE	255,00

**TWO COMPONENTS INVOLVED IN THE FINANCIAL SITUATION OF THE FONDS**

To grasp the financial situation of the Fonds, it is necessary to look at two distinct components.

**Component 1** involves the financing of compensation benefits payable to the victims of road accident over a year.

**Component 2** involves the funding of compensation benefits to be paid to all victims in the years to come.

**COMPONENT 1: FINANCING**

For accidents that occurred in 2004, the Fonds recorded a deficit of \$448 million. Its revenues were \$743 million while the expenditures related to the accidents represented \$1.191 billion. Therefore, each year, the accidents that occur generate expenditures that exceed the Fonds' revenues.

**TABLE 2.3 Financing Deficit of the Fonds, Accidents That Occurred in 2004 (\$M)**

Revenues	743
Expenditures	1,191
Deficit	(448)

As previously mentioned, under-financing of the Fonds is attributable to the fact that insurance contributions are virtually the same as they were 20 years ago while the compensation benefits paid to road accident victims are indexed each year.

In comparison, premiums collected by private automobile insurers to cover property damage increased by some 70% during the past 20 years.<sup>2</sup>

Table 2.4 shows the insurance contributions for a licence holder, owner of a passenger vehicle, and the contributions that drivers would have paid had contributions increased at the same rate as inflation.

**TABLE 2.4 Changes in Insurance Contributions for a Licence Holder<sup>3</sup> Who Owns a Passenger Vehicle, 1978 - 2004, Compared to an Indexed Contribution**

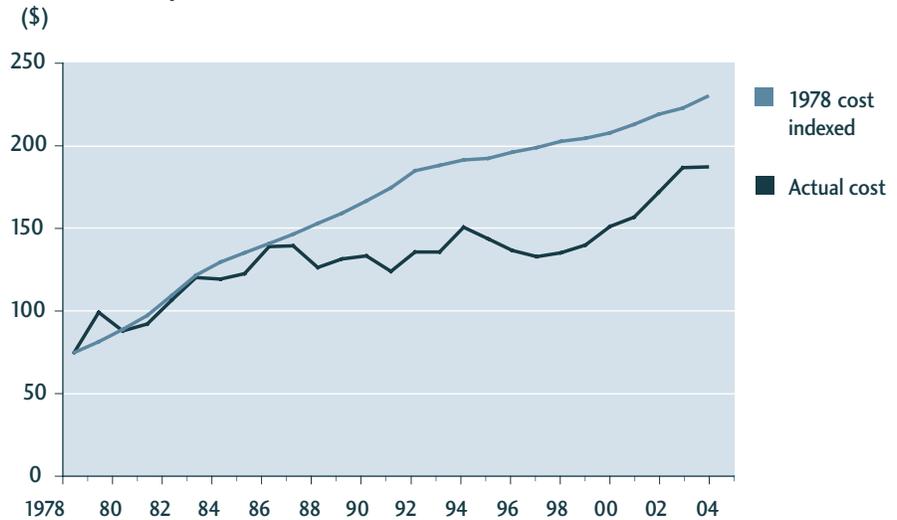


2. Source : Groupement des assureurs automobiles

3. Holder of a driver's licence who has no demerit points.

If we look at the actual compensation costs of that same driver since 1978, we can see that the rise in costs did not keep pace with inflation, due to major improvements in the road safety record. Until recently, those improvements had helped relieve some pressure on the rising costs of the plan.

**TABLE 2.5 Changes in the Actual Claim Cost (passenger vehicles only)<sup>4</sup> 1978-2004, Compared to an Indexed Contribution**



Since 2000, however, the situation is very different: the annual cost of the plan is increasing. The accident toll has increased; there are consequently more victims to care for and more indemnities to be paid, along with rising health care and rehabilitation costs and longer disability periods.

Furthermore, as mentioned above, the SAAQ indexes almost all of the indemnities paid to accident victims in accordance with the rate of inflation.

Between 2000 and 2004, the cost of the plan increased by some \$300 million. The impact of the plan's under-financing is far-reaching: because expenditures year after year have grown faster than revenues, the financing deficit is increasing in scale. Table 2.6 shows the extent of the disparity.

**TABLE 2.6 Gap Between Plan Revenues and Expenditures Between 1978 and 2004<sup>5</sup>, by Year of Accident (\$M)**



4. Holder of a driver's licence who has no demerit points.

5. Up to the year 2004, the data are with respect to the SAAQ as a whole whereas, for 2004, they are for the Fonds only.

If nothing is done, under-financing will only continue to escalate and the SAAQ forecasts that it will reach some \$500 million in 2006.<sup>6</sup>

To establish the expenditures relating to accidents in the years to come, an assumption is made as to the expected change in the road safety record, i.e. the number of victims. The assumption corresponds to the experience of 2004: a similar number of accident victims per 10,000 vehicles. The number of victims according to this projection is lower than the trend suggests. If this trend continues, the projected deficit for 2006 could be greater than projected.

**COMPONENT 2:  
FUNDING**

The following table shows the under-funded status of the Fonds on December 31, 2004.

**TABLE 2.7 Under-Funded Status of the Fonds as at December 31, 2004 (\$M)**

Fonds liabilities	7,560
Fonds assets	6,943
<b>Total deficit</b>	<b>(617)</b>
<b>Funding rate</b>	<b>92%</b>

On December 31, 2004, for the first time since the public automobile insurance plan was created, the plan was under-funded. A total deficit of \$617 million was posted by the Fonds. The total deficit corresponds to the difference between assets and liabilities.

A funding rate of 92% means that Fonds assets represent a reserve to cover slightly more than nine-tenths of what is owed to road accident victims.

The actuarial liability represents the amount the Fonds must post at a given date to ensure the payment of future compensation benefits to the victims whose accident has occurred by that date. It represents almost all of the Fonds' liability and was close to \$7 billion on December 31, 2004.

Actuarial liability is established according to recognized actuarial practices which require making assumptions about the anticipated real rates of return (after inflation), the length of time victims will receive compensation benefits and the expenses involved in their health care.

In this process, an assumption was made by the SAAQ's actuaries involving the anticipated real rates of return. This assumption is fixed over a long term and, at 3.75%, is similar to that of the liability valuations of other plans offering comparable benefits (e.g. Canadian occupational health and safety boards).

As shown in Table 2.8, the real rates of return obtained have fluctuated a great deal over the years and differences have been noted in relation to the assumption. However, the SAAQ's actuaries consider that, in a long-term perspective, the assumption used is adequate.

6. All projections are based on the assumptions shown in **Appendix D**.

**TABLE 2.8 Real Rate of Return (after inflation) Since 2000**

	2000	2001	2002	2003	2004	2005
Rate of return	5.50%	-5.80%	-10.80%	15.10%	14.60%	17.90%
Inflation	1.60%	2.50%	3.00%	1.60%	3.20%	1.70%
Real rate of return (after inflation)	3.90%	-8.30%	-13.80%	13.50%	11.40%	16.20%

For the other assumptions, although they are validated year after year to ensure they reflect trends observed, differences compared to the plan's actual experience have been noted.

All differences, whether economic or otherwise, give rise to gains or losses that affect the total deficit of the Fonds.

**NEED TO REDRESS THE FINANCIAL SITUATION**

The following table shows the extent of the current imbalance and the need to act now. It illustrates the accumulation of projected deficits in the years to come if the situation remains unchanged.

**TABLE 2.9 Projected Total Deficit of the Fonds, 2004-2018**



If nothing is done, the total deficit could reach \$15 billion by 2018, at which point the Fonds would be depleted.

The financial health of the Fonds must be restored, in a two-stage process:

1. Eliminate the problem of under-funding by restoring each year's financial equilibrium to limit the accumulation of future deficits;
2. Restore full funding of the insurance plan, that is, bring the financing rate back up to 100% by offsetting the total deficit, thus guaranteeing the payment of present and future indemnities to victims of road accidents.

The longer it takes to restore the Fonds' financial balance, the heavier will be the financial burden that is handed down to future generations.



## CHAPTER 3

### Actions Already Taken

Actions have already been taken by the government and the SAAQ. They are a step in the right direction to reduce expenses.

However, these efforts will not be enough to allow the SAAQ to respect its commitments toward road accident victims. An increase in insurance contributions is inevitable.

### INTRODUCTION OF BILL 55

As previously mentioned, the government of Québec took a first course of action in 2004. By passing Bill 55, it created a social trust called the “Fonds d’assurance automobile du Québec” (the Fonds).

With the creation of this fund, insurance contributions became a patrimony trust distinct from other SAAQ and government activities.

Bill 55 also makes provisions for the SAAQ to gradually rectify the Fonds’ financial situation. It therefore has until December 31, 2015 to fully fund the costs of accidents for a year (revenues = expenditures).

As for the under-financing of the Fonds, the SAAQ has 15 years to eliminate any deficit recorded in a given year.

### REDUCTION OF EXPENDITURES BY \$100 MILLION

The government has assumed major expenditures that, up until now, were paid by the SAAQ. This is the case for contributions that go towards ambulance transportation, funding of the vehicle adaptation and parking permit program for the disabled, as well as some administrative expenditures related to accessing the road network, responsibilities that represented a recurring annual sum of over \$100 million.

Note that those expenditures were not directly related to SAAQ’s basic mission, i.e. the compensation of accident victims and the promotion of road safety.

### CREATION OF THE QUÉBEC ROAD SAFETY COMMITTEE

Road safety has a direct and immediate impact on the costs of the plan and, unfortunately, the road safety record in Québec has deteriorated in recent years.

The Transport Minister announced the creation of the *Québec Road Safety Committee*. Several countries have improved their safety record in recent years due to concerted action in this area. Given this context, while it is premature to count on short-term benefits for the Fonds, the future does hold promise.

<p><b>CONTROL OF THE PLAN'S COSTS</b></p>	<p>To better control the plan's costs, the SAAQ is currently looking into practices involving claims, use of new technologies and expenditures related to plan operations.</p> <p>The working groups on "technologies" and the "budget" have already recommended a freeze on expenditures for the coming years. As for the practices involving claim, the SAAQ's Board of Directors is currently examining different courses of action, which are consistent with the fundamental objective of providing victims with fair and reasonable compensation, at the best possible cost to contributors.</p>
<p><b>REVIEW OF LEGISLATION AND REGULATIONS</b></p>	<p>Another avenue for reducing plan costs is to clarify the Act and regulations involving compensation paid to victims of road accidents.</p> <p>The legislation provides coverage for any individual involved in an automobile accident in Québec or elsewhere around the world. The definition of an «automobile accident», which may appear simple, has been applied to an array of situations over the years, such that it now covers a range of applications that give rise to questions.</p> <p>In this context, the SAAQ intends to propose corrective measures for the plan. Such measures could affect, for example, eligibility, the scope or review of certain compensation benefits. In short, the SAAQ's fundamental mission, that of ensuring fair, efficient and sensitive handling of claims for road accident victims, must be upheld.</p>

## CHAPTER 4

### Options Studied

To restore the plan's sound financial footing, different possibilities are open to the SAAQ; legislation, however, imposes two guidelines.

The first requires the SAAQ to restore financial health to the Fonds by 2015. However, the faster it acts, the sooner it will ensure equity among contributor categories and fairness among generations. The plan's costs then will be paid by those who generate them. Faced with this legislation, the real question is at what pace the SAAQ will be able to restore financial equilibrium for each category of contributor.

The second guideline is that all deficits recorded must be eliminated over a maximum period of fifteen years. When choosing the pace at which financial equilibrium should be restored, the amount of the resulting total deficit must be taken into account.

### OPTION OF INCREASING CONTRIBUTIONS ALL AT ONCE

A possible option is to increase insurance contributions all at once to redress the financial situation as soon as possible.

This option has the benefit of immediately restoring equity among categories of contributors to the plan and limiting as much as possible the financial burden handed down to future generations.

According to this option, it would be necessary to increase the insurance contribution of drivers of passenger vehicles to \$65 on average starting with 2006. In the case of motorcyclists, this increase would reach approximately \$800.

To maintain full funding of the plan, the SAAQ would then index insurance contributions to the cost of living.

As a result, once financial health is restored, the total deficit in the Fonds would be around \$1 billion.

### OPTION 2015

Since, according to legislation in effect, the SAAQ has until December 31, 2015 to fully fund the costs of accidents for a year (revenues = expenditures), it could provide gradual annual increases for the entire period.

This option limits the amount of annual increases but adds to the financial burden that will be handed down to future generations. Furthermore, equity among contributors would not be remedied until 2015.

For drivers of passenger vehicles, the needed increase of \$65 would be distributed over ten years and indexed to the cost of living.

However, in 2015, once financial health is restored, the total deficit in the Fonds would reach over \$5 billion. One thing is obvious: what is not paid today must be paid later, with added interest.

**SAAQ'S OPTION**

The SAAQ's option for restoring the financial health of the Fonds would be to take a middle ground drawing upon both of the above-mentioned options. It consists of restoring full financing over a four-year period starting in 2007.

This option provides a compromise in terms of, on the one hand, the pace for restoring financial health and equity and, on the other, the desire to lighten the deficit burden handed down to future generations.

The proposed increases for 2007 and 2008 will nevertheless still fall short of correcting the current under-funding. The SAAQ will need to take stock of the situation again in a few years to assess such things as the impact of the different measures, the road safety record and the economic conditions that will have prevailed during the period. The SAAQ may then need to impose new rates and take steps to correct any under-funding observed at the time.

## CHAPTER 5

### SAAQ's Proposed Solution

The SAAQ wants insurance contributions to be fair, reasonable and equitable. It is, therefore, proposing new insurance contributions for 2007 and 2008 based on actuarial valuations and principles. The proposal also takes into account administrative constraints. The principles, stemming from legislation or derived from standard insurance practices, are outlined below.

#### THE PRINCIPLES

Application of the *no-fault* principle in rating

The SAAQ will maintain the «no-fault» principle within the rating structure through an equal cost sharing among vehicles involved in an accident.

For example: if an accident involving a passenger vehicle and a motorcycle causes injuries to both drivers resulting in respective costs of \$5,000 (vehicle driver) and \$15,000 (motorcyclist), \$10,000 of the costs are allocated to the passenger vehicle category and \$10,000 of the costs are allocated to the motorcycle category. These costs then serve to establish the applicable insurance contributions for these categories of vehicles.

In their rating structure, private insurers distribute the costs based on the liability of each driver involved in an accident. This method of doing things would require the SAAQ to determine the fault for each accident.

As for Canadian public insurers, they distribute costs based on the category of vehicles occupied by the victims. In the above example, using that method, the SAAQ would attribute \$5,000 to the passenger vehicle category and \$15,000 to the motorcycle category. In this case, the degree of protection afforded by the type of vehicle strongly influences the rating structure. This method of doing things does not reflect the potential impact of the type of vehicle on the injury caused to others.

The allocation principle adopted by the SAAQ offers a compromise between the vehicle's level of protection and its potential impact on other road users.

Financing by users

The SAAQ intends to maintain the notion of financing the plan by users of motor vehicles, drivers and vehicle owners rather than the general population, backed by the principle that risk is generated by the presence of vehicles on the road.

Non-discrimination	The SAAQ intends to maintain a non-discriminatory fee structure on the basis of age, sex and region.																								
Encouragement of safe behaviour	The SAAQ intends to continue encouraging safe driving practices, notably by offering more advantageous rates to drivers who have no demerit points on their record, i.e. some 80% of Québec's drivers.																								
Target equity among different categories of contributors	<p>The SAAQ aims for equity between the categories of contributors. The equity principle supposes that the insurance contributions paid per category of contributor are sufficient to cover the cost of the compensation benefits attributed to the category.</p> <p>The insurance contribution payable by a contributor is equitable if it supports his fair share of all compensation costs.</p> <p>To do that, insurance practice requires classifying insured parties according to the main characteristics of each.</p>																								
<p><b>RATING SHORTFALL</b></p>	<p>The Fonds' financing deficit is a direct result of the rating shortfall of the insurance contributions. If these contributions remained unchanged, the projected 2006 rating shortfall would reach \$501 million. This shortfall is distributed between the different categories of vehicles, as shown in the following table.</p> <p><b>TABLE 5.1 Distribution of the Projected Shortfall, 2006</b></p> <table border="1" data-bbox="539 1024 1531 1339"> <thead> <tr> <th>Category</th> <th>Needs (\$M)</th> <th>Receipts (\$M)</th> <th>Shortfall (\$M)</th> </tr> </thead> <tbody> <tr> <td>Passenger vehicles</td> <td>902</td> <td>568</td> <td>(334)</td> </tr> <tr> <td>Motorcycles</td> <td>144</td> <td>35</td> <td>(109)</td> </tr> <tr> <td>Mopeds and scooters</td> <td>7</td> <td>1</td> <td>(6)</td> </tr> <tr> <td>Commercial vehicles</td> <td>151</td> <td>99</td> <td>(52)</td> </tr> <tr> <td></td> <td><b>1,204</b></td> <td><b>703</b></td> <td><b>(501)</b></td> </tr> </tbody> </table> <p>On the basis of the principles stated and the option chosen, the SAAQ intends to completely offset the rating shortfall by 2010. It is therefore proposing a gradual increase in insurance contributions for 2007 and 2008.</p> <p><b>Appendix E</b> gives an overview of the proposed insurance contributions.</p>	Category	Needs (\$M)	Receipts (\$M)	Shortfall (\$M)	Passenger vehicles	902	568	(334)	Motorcycles	144	35	(109)	Mopeds and scooters	7	1	(6)	Commercial vehicles	151	99	(52)		<b>1,204</b>	<b>703</b>	<b>(501)</b>
Category	Needs (\$M)	Receipts (\$M)	Shortfall (\$M)																						
Passenger vehicles	902	568	(334)																						
Motorcycles	144	35	(109)																						
Mopeds and scooters	7	1	(6)																						
Commercial vehicles	151	99	(52)																						
	<b>1,204</b>	<b>703</b>	<b>(501)</b>																						
<p><b>INDEXATION OF INSURANCE CONTRIBUTIONS</b></p>	<p>Under the <i>Automobile Insurance Act</i>, each year the SAAQ increases compensation benefits awarded to road accident victims to keep pace with inflation, something which has never applied to insurance contributions. The SAAQ thus indexes its expenditures, to the benefit of victims, but not its revenues.</p> <p>Along with the changes proposed in this chapter, the SAAQ is proposing to increase compensation benefits and insurance contributions each year in accordance with the changes in the cost of living, based on official statistics.</p>																								

**RATING SHORTFALL  
FOR PASSENGER  
VEHICLES**

Based on current insurance contributions, the projected 2006 rating shortfall for passenger vehicles is \$334 million. That means the compensation benefits attributed to this category of vehicle will exceed the insurance contributions paid by the drivers and owners of this category of vehicle by \$334 million.

These insufficient contributions come from two subgroups of contributors:

- drivers who do not own vehicles, that is, those who hold a driver's licence but do not have a vehicle registered in their name;
- drivers who own vehicles.

**TABLE 5.1.1 Projected Shortfall in 2006 for Passenger Vehicles**

Passenger vehicles	Number	Needs (\$M)	Receipts (\$M)	Shortfall (\$M)
Holders who do not own a passenger vehicle	1,400,000	136	37	(99)
Holders who own a passenger vehicle	3,700,000	766	531	(235)
	5,100,000	902	568	(334)

As can be seen in this table, the current insurance contributions payable by drivers who own a vehicle and those who do not are not sufficient to cover the costs of compensation that are attributed to them.

**CURRENT  
SITUATION**

The following table shows the current insurance contributions payable for a driver's licence. For driver's licences and probationary licences, the contributions payable are based on the number of demerit points entered on the driving record of licence holders.

**TABLE 5.1.2 Current Insurance Contributions, Licence Authorizing the Holder to Drive a Passenger Vehicle (class 5)**

Licence category	Demerit points (DPs)	Rate for 2 years (\$)
Driver's licence and probationary licence	0 to 3	46
	4 to 7	92
	8 to 11	160
	12 to 14	262
	15 or more	365

For most drivers (those with fewer than four demerit points on their record), the current insurance contribution payable is \$23 per year, and therefore \$46 since the licence is payable every two years.

Along with the contribution for a driver's licence, a driver who owns a passenger vehicle pays an insurance contribution of \$107 upon registration of a passenger vehicle.

**SAAQ'S  
PROPOSAL  
INCREASE THE  
INSURANCE  
CONTRIBUTION ON  
THE LICENCE ONLY**

The shortfall of \$334 million represents an average increase of \$65 in the insurance contribution on the driver's licence or an average increase of around \$80 in the insurance contribution upon registration.

**TABLE 5.1.3 Average Increase Required on the Driver's Licence or Registration in 2006**

Shortfall	(\$334 M)		
	Licence	OR	Registration
Number	5,100,000		4,100,000
Average increase required	\$65		\$80

If the SAAQ decided only to increase the insurance contribution payable upon registration of a vehicle, drivers who are vehicle owners would support more than their fair share of the costs. In addition, the insurance contributions paid by drivers who do not own their vehicles would be lower than the costs attributed to them. The increase of the insurance contribution on licences therefore ensures greater equity.

**TABLE 5.1.4 Residual Shortfall per Driver Category**

	Number of holders	Number of vehicles	Shortfall (\$M)	Residual shortfall	
				Licences only (\$M)	Registration only (\$M)
Holders who do not own a passenger vehicle	1,400,000	N/A	(99)	(8)	(99)
Holders who own a passenger vehicle	3,700,000	4,100,000	(235)	8	99
Total	5,100,000	4,100,000	(334)	0	0

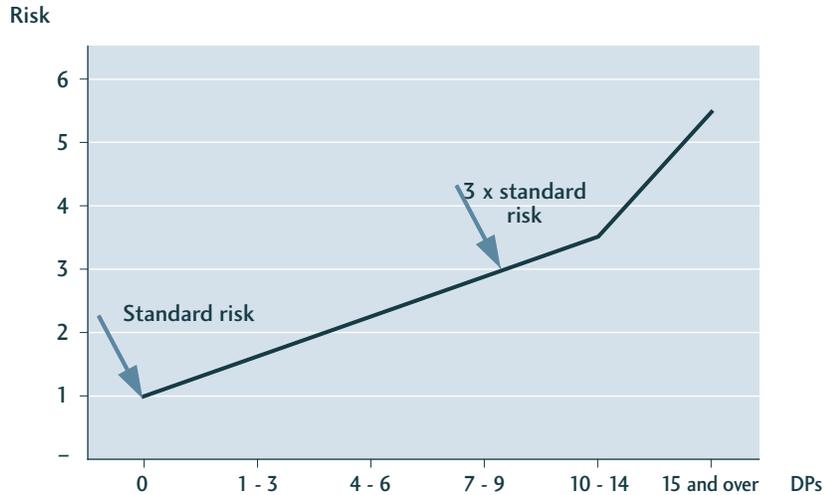
↑  
**Most equitable option  
Licence only**

This method of doing things also has the merit of recognizing risk since the insurance contribution collected on a driver's licence varies according to the number of demerit points entered on the holder's driving record. The SAAQ thereby encourages safe driving practices.

**OTHER CHANGE  
PROPOSED:  
NEW RATING  
STRUCTURE BASED  
ON DEMERIT POINTS**

The insurance contribution collected on a driver's licence varies according to the number of demerit points entered on the holder's driving record. The more demerit points a driver accumulates, the more likely he is to be involved in an accident, as soon as the first demerit point is recorded, as shown in the following table.

**TABLE 5.1.5 Risk of Accident Based on Number of Demerit Points (DPs)**



The SAAQ is proposing a new rate structure based on demerit points that will better reflect risk. Following this assumption, the insurance contribution will increase as soon as one demerit point is entered on a licence holder's driving record. Note that this initiative affects only a small proportion of driver's licence holders since approximately 80% of drivers have no demerit points on their record.

**TABLE 5.1.6 Proposed Insurance Contributions, Licence Authorizing the Holder to Drive a Passenger Vehicle (class 5)**

Demerit points	Contribution proposed for 2007 for two years (\$)	Contribution proposed for 2008 for two years (\$)
0	102	127
1 to 3	149	194
4 to 6	221	278
7 to 9	292	352
10 to 14	401	467
15 and +	597	706

**RATING  
SHORTFALL  
FOR MOTORCYCLES**

Based on current insurance contributions, the projected 2006 rating shortfall for motorcycles is \$109 million. That means the compensation benefits attributed to this category of vehicle will exceed the insurance contributions paid by their owners by \$109 million.

**TABLE 5.2.1 Projected Shortfall in 2006 for Motorcycles**

Number	Needs (\$M)	Receipts (\$M)	Shortfall (\$M)
141,000	144	35	(109)

All things considered, besides mopeds and motorized scooters that we will discuss later in this chapter, motorcycles represent the category of vehicles for which the shortfall is greatest. Motorcycle owners currently assume less than 25% of the costs that are attributed to them.

**CURRENT  
SITUATION**

Currently, insurance contributions for motorcycles are collected when these vehicles are registered.

The insurance contribution payable each year upon registration of a motorcycle varies according to the cylinder size, as the table below illustrates.

**TABLE 5.2.2 Current Annual Insurance Contributions Payable Upon Registration of Motorcycles**

Cylinder size	Current insurance contributions (\$)
less than 50 cc	74
51 to 125 cc	120
126 to 400 cc	189
401 cc and over	253

Today, more than 90% of the motorcycles registered for use on Québec's roads comprise the fourth category of motorcycles, those of 401 cc and over.

Drivers of motorcycles pay an insurance contribution intended to finance passenger vehicles if their licence also bears class 5. Only a minority of drivers pay an insurance contribution for a licence that authorizes them only to operate a motorcycle and that contribution is attributed to financing this type of vehicle.

**SAAQ'S PROPOSAL**

To take into consideration the behaviour of motorcyclists in the rating structure, the SAAQ is proposing to allocate funding of the cost of compensation attributed to motorcycles between a specific insurance contribution on the driver's licence and an insurance contribution payable upon registration. Therefore, 25% of the financing would be obtained through insurance contributions on the licence and 75% by the insurance contributions payable upon registration. This allocation is aimed at taking into account the behaviour of drivers.

**TABLE 5.2.3 Projected Shortfall in 2006 for Motorcycles, Allocated Between Registrations and Licences**

	Needs (\$M)	Receipts (\$M)	Shortfall (\$M)
Registration	108	35	(73)
Licence	36	—	(36)
Total	144	35	(109)

Prior to July 1978, the right to operate a motorcycle was granted automatically to anyone who held a driver's licence, without the need for a road test or other formality. There are therefore 2.2 million «potential» motorcyclists in Québec. At the time insurance contributions are introduced for operating a motorcycle, licence holders will have the choice of relinquishing the right to drive a motorcycle and thereby avoid the new rates.

**REGISTRATION:  
NEW CLASSIFICATION  
OF MOTORCYCLES  
AND CYLINDERS**

For motorcycles over 400 cc, the SAAQ proposes creating two broad classifications: *sport* motorcycles and *regular* motorcycles, and to review the groups representing cylinder size according to the degree of risk observed.

According to studies conducted by the SAAQ, the risk of accident is linked to the cylinder capacity and type of motorcycle driven. For example, *sport* motorcycles are involved in four times more accidents than other types of motorcycles.

There is no national or international procedure for classifying a motorcycle in a *sport* category. SAAQ's experts drew up a list that would be used to identify the motorcycles in question. This list is based on technical and visual characteristics, manufacturer specifications and technical literature.

Approximately 11 % of all motorcycles currently on the road in Québec are considered *sport* motorcycles.

**RECOGNITION  
OF THE LICENCE  
HOLDER'S  
BEHAVIOUR**

As previously mentioned, Québec currently has over two million "potential" motorcycle drivers. It is therefore not possible to determine which licence holders actually operate a motorcycle and are thereby subject to the inherent risks.

However, as is the case with every other vehicle, the driver's behaviour is a determining risk factor and the SAAQ would like to encourage good driving behaviour through its fee structure. This strategy is consistent with Recommendation No. 2 of the report of the advisory committee on motorcycles

(*Rapport de la table de concertation sur la motocyclette*), tabled in 2000. Most of the members of Québec's motorcycle driving population were represented on the committee.<sup>7</sup>

The SAAQ is therefore proposing to require, starting in 2007, payment of a separate insurance contribution upon issue of a driver's licence, for licence holders authorized to operate a motorcycle. This insurance contribution, payable upon issue of a driver's licence, would be in addition to the contribution payable to retain the right to drive a passenger vehicle.

In 2007 and 2008, an additional uniform insurance contribution would be payable for licence holders authorized to drive a passenger vehicle (class 5) and operate a motorcycle (class 6A, 6B or 6C). Holders of a class 6A, 6B or 6C licence would have the choice of retaining or relinquishing the right to operate a motorcycle. Those who relinquish this right but would like to drive a motorcycle at a later date would have to apply for a new licence according to the norms in effect at that time.

Following the introduction of this uniform insurance contribution, drivers wishing to retain the right to operate a motorcycle would be identified and the SAAQ could undertake studies to set that insurance contribution according to the specific risk involved in operating a motorcycle.

The following tables show the insurance contributions proposed by the SAAQ for motorcycles, on the driver's licence and payable upon registration.

**TABLE 5.2.4 Proposed Insurance Contributions for Licences to Operate a Motorcycle<sup>8</sup>**

	Contribution every two years 2007 (\$)	Contribution every two years 2008 (\$)
Driver's licence classes 5 and 6A, B or C	102	127

**TABLE 5.2.5 Proposed Insurance Contributions Payable Upon Registration of Motorcycles**

Category	Cylinder size	Proposed contribution for 2007 (\$)	Proposed contribution for 2008 (\$)
Regular	less than 125 cc	156	177
	126 to 400 cc	256	294
	401 to 700 cc	393	470
	701 cc and +	430	527
Sport	401 to 700 cc	735	993
	701 cc and +	957	1,332

7. Source : *Rapport de la Table de concertation sur la motocyclette*, May 15, 2000.

8. Currently and until 2008, licence holders authorized to drive only a motorcycle (classes 6A, B or C only) will be required to pay the same insurance contribution as holders authorized to drive a passenger vehicle.

**RATING  
SHORTFALL FOR  
MOPEDS AND  
SCOOTERS**

Based on current insurance contributions for mopeds and motorized scooters , the projected shortfall for 2006 is \$6 million. That means the compensation benefits attributed to this category of vehicle will exceed the insurance contributions paid by their drivers and owners by \$6 million.

**TABLE 5.3.1 Projected Shortfall in 2006 for Mopeds and Scooters**

Number	Needs (\$M)	Receipts (\$M)	Shortfall (\$M)
26,000	7	1	(6)

**CURRENT  
SITUATION**

Mopeds and scooters are two- or three-wheel passenger vehicles. They have an automatic transmission and a motor of 50 cc or less. To drive this type of vehicle, a licence holder must be at least age 14 and hold a class 6D licence. Licence holders of all other classes of vehicles (except class 8) are authorized to drive a moped or scooter.

No insurance contribution is payable on licences that authorize holders to drive this type of vehicle. Insurance contributions for mopeds and scooters are payable only upon registration.

**SAAQ'S  
PROPOSAL****TABLE 5.3.2 Proposed Insurance Contributions Upon Registration of Mopeds and Scooters**

Current contribution (\$)	Proposed contribution for 2007 (\$)	Proposed contribution for 2008 (\$)
46	140	190

**RATING SHORTFALL FOR COMMERCIAL AND OTHER VEHICLES**

Based on current insurance contributions, the projected 2006 rating shortfall for “commercial and other vehicles” (including trucks, public and private carriers, taxis and farm vehicles, among others) is \$52 million. That means the compensation benefits attributed to this category of vehicle will exceed the insurance contributions paid by their owners by \$52 million.

**TABLE 5.4.1 Projected Shortfall in 2006 for Commercial and Other Vehicles**

Number	Needs (\$M)	Receipts (\$M)	Shortfall (\$M)
759,000	151	99	(52)

**CURRENT SITUATION**

For commercial and other vehicles, the SAAQ collects insurance contributions only when vehicles are registered. By doing so, insurance costs are covered by vehicle owners (fees that are included in the costs of operating a business) and not by workers who use them.

**SAAQ'S PROPOSAL**

The SAAQ is of the opinion that there is a need to examine the classification of commercial vehicles in order to ensure that the classification adequately reflects the levels of risk of each type of vehicle. These studies will be conducted over the next few years in cooperation with the partners and clients of the SAAQ.

**TABLE 5.4.2 Proposed Insurance Contributions Payable Upon Registration of Commercial and Other Vehicles (most popular categories)**

Classes	Plates		Current 2006 (\$)	Proposed contribution for 2007 (\$)	Proposed contribution for 2008 (\$)
Commercial vehicles	F	Farmers	83	109	124
		Others	123	145	158
Restricted circulation vehicles	C	Farm tractors	28	31	33
Trucks	L	2 axles	147	164	174
		3-4 axles	207	238	256
		5 axles and +	349	453	513
Public transport bus	A	10,001 kg and +	528	1,095	1,400
Private transport bus		3,001 kg to 8,000 kg	183	225	248
Taxis	T		337	543	656
Floater plates	X		189	216	231

## CONCLUSION

It is to ensure the future of Québec's public automobile insurance plan and to guarantee full access to future generations that the SAAQ is proposing modifications to insurance contributions.

As was previously stated, our public automobile insurance plan is considered to be one of the most generous in Canada and it must be preserved. The manner in which the plan is financed, however, must be reviewed in order to restore the financial equilibrium required to fulfill its mission, for the sake of fairness among all categories of contributors.

Actions have already been taken by the government and the SAAQ but these efforts will not be enough. Given the situation, the SAAQ's proposal to modify insurance contributions turns out to be a minimal measure that is practically inevitable. The SAAQ will need to take stock of the situation again later and may eventually need to modify insurance contributions a second time.

Although the SAAQ is convinced that the proposal is realistic and fair to all categories of contributors, it remains open to requests for changes and new ideas. Among other things, payment of driver's licence fees every year and staggered payment over several months could be envisaged.

The Board of Directors strongly encourages individuals and groups to participate in this consultation. The important thing to keep in mind is the fundamental objective of this process: to ensure the plan's sustainability for all road users in Québec, those of today and tomorrow.



## APPENDIX A

### Compensation Benefits Available to Victims

#### Benefits payable in 2006

Indemnities	Amounts
Income replacement indemnity <sup>1</sup>	90% of a victim's net income, computed on the basis of a gross annual income, which is limited to a maximum of \$57,000
Care allowance	Weekly maximums of \$490 (varies according to number of dependants)
Lump-sum indemnity for students <sup>2</sup>	→ \$4,309 per school year lost at elementary school level → \$7,904 per school year lost at secondary school level → \$7,904 per lost term at post-secondary school level, up to \$15,807 per year
Lump-sum indemnity for aftereffects of injury, such as loss of enjoyment of life, mental suffering and pain	Maximum of \$201,543
Care expenses	Weekly maximums of \$216 (varies according to number of dependants)
Home care expenses	A maximum of \$719 weekly, for an accident victim whose state of health requires continuous care
Availability allowance	→ \$35 maximum for availability of 4 hours or less → \$70 maximum for availability of more than 4 hours
Medical and paramedical expenses	According to established maximums
<b>Lump-sum death benefit</b>	
Awarded for a victim who has no spouse or dependants	In the case of an accident victim who leaves no spouse or dependants, \$46,068 is paid in equal shares to the father and mother of the victim who was a minor at the time of death, or to the estate if the victim was of age.
Paid to the surviving spouse	The lump-sum death benefit paid to the victim's surviving spouse is established according to the date of death and is based on the victim's gross income, multiplied by a factor varying between 1 to 5, according to age. In no case shall the benefit be less than \$56,185 or more than \$280,000. An additional amount is paid to a disabled surviving spouse under 45 years of age.
Paid to dependants	The amount of lump-sum death benefit paid to the victim's dependants, other than the spouse, is established according to the dependant's age at the time of the victim's death (maximum amount of \$50,294).  If the dependant, other than the spouse, is disabled at the time of the victim's death, that person qualifies for an additional lump-sum benefit of \$23,709. The children of a deceased victim who left no spouse are also paid the death benefit, in equal parts, that would have gone to the spouse.
Indemnity to cover funeral expenses	\$4,309 is paid to the estate of a deceased victim.

1. When an accident victim who is receiving an income replacement indemnity reaches age 65, the indemnity he receives is reduced by 25% on his birthday, by 50% on his 66th birthday, by 75% on his 67th birthday and, effective the date of his 68th birthday, he no longer qualifies for an income replacement indemnity.

2. Beginning at the projected date of the end of studies, students may be eligible to receive an indemnity based on an amount of \$34,700, which corresponds to the average earnings for workers in Québec for the current year.

The SAAQ indexes its compensation benefits on a yearly basis. An updated indemnities table is available at the beginning of each year.

## APPENDIX B

### Comparison of Canadian Insurance Plans

		Québec	Manitoba
<b>SOURCES OF INCOME</b>	Licence Registration Insurance contract	••• •••	••• •••
<b>ACCIDENT INDEMNITIES</b>			
Disability benefits	Partial Total % of salary Maximum/week Waiting period	up to age 68 90% of net \$720 (estim.) 7 days	90% of net \$850 (estim.) 7 days
Death benefits	Time limit Classification Head of household Spouse Dependant	None Age and income \$55,246-275,000 \$55,246-275,000 \$26,240-48,341	None Age and income \$48,899-325,000 \$48,899-325,000 \$23,226-42,787
Permanent disability	Maximum, disabling injury Max. non-disabling injury	\$193,719 \$193,719	\$122,244 \$122,244
Medical expenses	Maximum/person Limited period	Unlimited None	Unlimited None
Funeral expenses		\$4,142	\$6,663
<b>RIGHT TO SUE</b>			
Pain and suffering Over and above no-fault		No No	No No
<b>THIRD PARTY LIABILITY</b>			
Minimum Selected	Per accident Per accident	\$50,000 \$1,000,000	\$200,000 \$200,000
<b>ADMINISTRATION</b>			
Bodily injury Property damage		Gov't Private	Gov't Gov't/private

Source: *Rapport sur les primes d'assurance automobile pour l'indemnisation des blessures au Canada*, Eckler associés ltée, July 2005.

Saskatchewan	British Columbia	Alberta	New Brunswick	Newfoundland	Nova Scotia	Ontario	Prince Edward Island
...	...	...	...	...	...	...	...
Lifetime 90% of net \$785 (estim.) 7 days	104 weeks Lifetime 75% of gross \$300 7 days	104 weeks Lifetime 80% of gross \$300 7 days	104 weeks Lifetime \$250 7 days	104 weeks Lifetime \$140 7 days	104 weeks Lifetime \$140 7 days	104 weeks Lifetime 80% of net \$400 7 days	104 weeks Lifetime - \$140 7 days
\$54,351 \$54,351 \$54,351	None \$5,000 \$2,500 \$1,500	None \$10,000 \$10,000 \$3,000	180 days \$50,000 \$25,000 \$5,000	180 days \$10,000 \$10,000 \$2,000	180 days \$10,000 \$10,000 \$2,000	180 days \$25,000 \$25,000 \$10,000	180 days \$10,000 \$10,000 \$2,000
\$184,396 \$150,947							
\$5,268,450	\$150,000	\$50,000 None	\$50,000 4 years	\$25,000 4 years	\$25,000 4 years	\$100,000	\$25,000 4 years
\$7,903	\$2,500	\$2,000	\$2,500	\$1,000	\$1,000	\$6,000	\$1,000
No Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes
\$200,000 \$200,000	\$200,000 \$1,000,000	\$200,000 \$1,000,000	\$200,000 \$1,000,000	\$200,000 \$1,000,000	\$500,000 \$1,000,000	\$200,000 \$1,000,000	\$200,000 \$1,000,000
Gov't Gov't/private	Gov't Gov't/private	Private Private	Private Private	Private Private	Private Private	Private Private	Private Private

## APPENDIX C

### Summary of Québec/Canada Comparisons, 2005

Case	Québec	ON	NB	MB	SK	BC	AB	NL	NS	PEI
1	140 <sup>1</sup>	1,123	684	294	238	579	516	492	499	468
2	140 <sup>1</sup>	5,866	1,679	410	287	960	2,345	2,656	1,845	2,705
3	253	663		1,055 <sup>2</sup>	609 <sup>3</sup>	578				
4	253	13,380		1,581 <sup>2</sup>	752 <sup>3</sup>	1,459				

For all cases: Benefits and restrictions: the most used in the province.  
Insurer: five insurers who hold a major portion of the province's market, and whose rates are available, or the government agency.

Source: *Rapport sur les primes d'assurance automobile pour l'indemnisation des blessures au Canada*, Eckler associés ltée, July 2005.

1. For comparison purposes of cases 1 and 2, \$10 was added to the contribution payable to the SAAQ for a passenger vehicle (\$130) to reflect the fact that Quebecers must take out liability insurance from a private insurer for coverage outside Québec.

2. In Manitoba, drivers of motorcycles finance approximately 80% of their costs

3. In Saskatchewan, drivers of motorcycles finance approximately 60% of their costs.

## APPENDIX D

<b>Projection Assumptions (annual rates)</b>	RETURN (NET OF FEES) ON ASSETS INVESTED WITH THE CAISSE DE DÉPÔT	6.50 %
	LONG-TERM REAL RATE OF RETURN	3.75 %
	INDEXATION OF COMPENSATION BENEFITS	2.00 %
	INCREASE IN ADMINISTRATIVE EXPENSES	3.20 %
	INCREASE IN NUMBER OF VEHICLES ON THE ROAD	
	PASSENGER VEHICLES	2.50 %
	MOTORCYCLES	5.00 %
	MOPEDS AND SCOOTERS	5.00 %
	COMMERCIAL AND OTHER VEHICLES	1.75 %
	INCREASE IN THE NUMBER OF LICENCE HOLDERS	1.22 %
	ROAD SAFETY RECORD	0.00 % (constant accident toll per 10,000 vehicles)

The 2004 cost has been established using the assumptions that appear in the actuarial liability valuation report on December 31, 2004.

APPENDIX E

**Overview  
of the Proposal to  
Increase Insurance  
Contributions**

LICENCE						
	Classes	Demerit points	Period covered	Current contributions (\$)	Proposed contributions for 2007 (\$)	Proposed contributions for 2008 (\$)
Driver's licence and probationary licence	1 - 5	0	24 months	46	102	127
		1 to 3		46	149	194
		4 to 6		92	221	278
		7 to 9		92 - 160	292	352
		10 to 14		160 - 262	401	467
		15 and over		365	597	706
Learner's licence issued	1 - 5		18 months	15	25	30
Restricted licence			12 months	34	128	131
Driver's licence and probationary	6A, 6B or 6C in addition to class 1 to 5		24 months	0	102	127

VEHICLE REGISTRATION						
			Period covered	Current contributions (\$)	Proposed contributions for 2007 (\$)	Proposed contributions for 2008 (\$)
Passenger vehicles			12 months	107	indexed	indexed
Motorcycles Regular	less than 125 cc			74-120	156	177
	126 to 400 cc			189	256	294
	401 to 700 cc			253	393	470
	701 cc and over			253	430	527
Sport	401 to 700 cc			253	735	993
	701 cc and over			253	957	1,332

**Overview  
of the Proposal to  
Increase Insurance  
Contributions  
(cont)**

VEHICLE REGISTRATION					
		Period covered	Current contributions (\$)	Proposed contributions for 2007 (\$)	Proposed contributions for 2008 (\$)
Mopeds and scooters		12 months	46	140	190
Commercial and other vehicles					
Commercial Agriculture			83	109	124
Other			123	145	158
Restricted use					
Farm tractors			28	31	33
70 km/h zone			34	40	44
Unconnected zone - Other			91	108	117
Trucks	2 axles		147	164	174
	3-4 axles		207	238	256
	5 or more axles		349	453	513
Farmers, governments	2 axles		123	145	158
	3-4 axles		156	183	200
	5 or more axles		183	216	234
Bus	up to 3,000 kg		283	331	360
Public transport	3,001 to 8,000 kg		367	428	466
	8,001 to 10,000 kg		446	520	565
	10,001 kg and over		528	1,095	1,400
Private transport	up to 3,000 kg		123	146	159
	3,001 to 8,000 kg		183	225	248
	8,001 to 10,000 kg		252	295	321
	10,001 kg and over		333	388	420
Taxis			337	543	656
Floater plates			189	216	231





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