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Ms. Barbara Jones-Gordon
Department of Environment and Labour
5151 Terminal Road
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October 13, 2003

Dear Barb:

In our July 23, 2003 Final Report, “Impact of Proposed Reforms for Nova Scotia Private Passenger Automobile”, we calculate the indicated change from projected current average street premium. (See Exhibit I, Sheets 1a and 1b, Line (5).) The indicated change in our report was based on the following definition of the threshold:

“minor injury” means a personal injury that does not result in:

- (i) permanent serious disfigurement,
- (ii) a permanent serious impairment of an important bodily function caused by continuing injury which is physical in nature; and

“serious impairment” means an impairment that causes substantial interference with a person’s ability to perform their usual daily activities or their regular employment.

Per your request, we calculated the indicated change in required premium under alternative definition of the threshold:

- Alternative A: “minor injury” means a whiplash associated disorder which results in soft-tissue injuries to the neck or back which resolve within 18 months post injury and which include one or all of the following: tenderness, decreased range of motion, decreased deep tendon reflexes, muscle or tendon weakness, or sensory deficits.

- Alternative B: “minor injury” means a personal injury that does not result in:
- (i) permanent serious disfigurement,
 - (ii) a permanent serious impairment of an important bodily function caused by continuing injury which is physical in nature; or
 - (iii) **a resolution within 18 months following the accident that continues** to result in decreased range of motion, muscle or tendon weakness or sensory deficits.

Distribution and Use

This letter is provided to the Department for your internal use in analyzing the impact of Tort Reform and other requested changes on private passenger automobile insurance. It is not intended or necessarily suitable for any other purpose.

Reliances and Limitations

All reliances and limitations outlined in our final report dated July 23, 2003 are applicable to this letter. It is critical that the Department understand the limitations underlying our actuarial analysis.

We provide a complete description of our methodology and assumptions to calculate the impact of the verbal threshold and other proposed changes in our final report dated July 23, 2003.

Findings

In the following table, we summarize the revised indicated change from the current average street premium at both 5% ROE and 10% ROE. It is important to note that we start with the revised indicated change – assuming 100% net as previously discussed with you.

Indicated Change from Projected Current Average Street Premium	10% ROE	5% ROE
Revised – assuming 100% of net	-21.9%	-26.5%
(A) Minor injury – Whiplash only	-11.4%	-16.6%
(A) Minor injury – Whiplash, minor and other	-15.4%	-20.4%
(B) Minor injury as defined under alternative B above	-18.8%	-23.6%

The indicated changes shown above include the impact of all the proposed changes:

- \$2,500 limits on pain and suffering damages for claims falling below the verbal threshold
- Change from gross income to net income
- Elimination of collateral source rule (with respect to bodily injury losses)
- Change in discount rate from 2.5% to 3.5

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In our original analysis, we assumed the following injury categories would remain below the threshold:

- Amputation/loss other than major member
- Fracture, weight bearing
- Other fracture
- Neck sprain/strain
- Back sprain/strain
- Other sprain/strain
- Fibromyalgia/chronic pain
- Concussion
- Minor
- Other

We have no data to estimate the impact of the 18 months time limitation in the definition. The closed claims data provides no information as to the duration of an injury; therefore, to estimate the impact, we assume that all claimants, for injuries remaining under the threshold, meet the 18 months resolution of the injury.

Alternative A appears to restrict losses falling below the threshold to whiplash only. So we first calculate the indicated change by keeping **sprain/strain only** types injuries under the threshold. We also calculate the impact by assuming **sprain/strain injuries** as well as **minor and other** injury categories. The impact of adding the injury categories - minor and other – is 4 percentage points. This is significant, however we do not have sufficient information on what is included in these two injury categories to know whether or not, they would remain under the threshold if minor injury means “whiplash associated disorder...”

We assume that claimants with fibromyalgia/chronic pain are likely to meet the threshold under the Alternative B definition. Therefore we exclude these claims from under the threshold to calculate the impact.

Please call me if you have any questions or comments.

Yours very truly,



Claudette Cantin, FCAS, FCIA, MAAA
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