



# Auto Part 1

## Basic Licensing Course



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## **BEFORE YOU START**

***Congratulations!*** If you are reading this page, you are starting, or perhaps already on your way, down the path to being a licensed insurance agent or broker in Saskatchewan. What makes a great broker? You truly care about other people, you want to be sure they are well protected, you pay attention to details, and you are willing to ask questions, check out the options, and listen to the answers. If these describe you, you can be a great broker. But first, you have some stuff to learn.

This may be the first course you are taking to meet the requirements of the General Insurance Council of Saskatchewan and become an agent. You will learn lots of terminology and vocabulary, you will gain a solid grasp of basic concepts and legal responsibilities, you will learn some new ways of looking at things, you will know a bit about how auto insurance works throughout Canada and a lot about Saskatchewan plate coverage.

After you successfully complete this Auto Part 1 Basic Course, you need to take the Auto Part 2 Extension Course to learn about the optional 'extension auto' coverages.

Are you already confused? Let's explain a few things to get off on the right foot.

**Agent or Broker:** In Saskatchewan, all insurance salespeople are licensed as 'agents', but many are called 'brokers'. The Insurance Brokers' Association of Saskatchewan (who developed this course) represents insurance people who are not employed by or tied exclusively to one insurance company but rather are independent brokers, so we will use the term 'broker' in this course to mean 'agent and/or broker'. It's shorter than saying agent and/or broker every time!

**General Insurance Council:** Each province has a regulatory body which grants permission or licensing to sell insurance. Ours is the 'General Insurance Council of Saskatchewan' (GICS). The Part 2 Extension course has information about the role and rules of the GICS. 'General' Insurance means all types of insurance other than life, disability, and related insurance products.

**Plate Coverage:** In Saskatchewan, auto insurance comes in two parts. The foundation, the minimum mandatory coverage, is a government program and it's what motorists get from Saskatchewan Government Insurance (SGI) when they register their vehicles. We often call it plate coverage. You do not have to be a licensed insurance broker to handle plate coverage, as it is distributed by 'issuers' under SGI's authority. You do have to know a lot about plate coverage if you are going to sell extension auto policies, so a good chunk of this course will be about what plate coverage includes—and what it doesn't. Plate coverage is a solid foundation, but does not meet the needs of most motorists.

**Extension Auto:** The optional coverage which works with or in addition to the plate coverage is called an 'extension auto policy'. It increases coverage in various ways, or gives coverage to vehicles which do not have plate coverage. Various insurers compete to provide extension auto policies. Most policies require that the plates be valid before they will cover a claim. You will learn about extension auto in the Auto Part 2 Extension Course.



So... remember that for most clients: **PLATE + POLICY = PROTECTION**

Let's get started. After each section are review questions so you know how well you're doing!

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## 2. Auto Insurance in Society

Many brokers start their insurance careers looking after auto insurance. It's a common entry point in the industry. You may be thinking, 'Yay! I bet that's because it's easier!' Sorry, but it's not a simple type of insurance. There is a lot to learn about auto insurance. It's a common starting point because it's... well... common. There are far more auto policies sold than other types of general insurance. Most people have cars.

### a. **Mandatory**

And cars have to have auto insurance. It's the only major type of insurance that is mandatory. People have to buy it. Throughout Canada, the US, and most other countries it's illegal to operate an auto without required insurance, except for rare situations.

### b. **Accidents happen...frequently**

People are more likely to have an auto claim than other types of claims. In your lifetime, the risk you'll be in an auto accident is greater than the chance of a house fire, theft, wind claim or other personal property damage. Insurance people call this a 'high claims frequency'.

### c. **Auto claims can be huge**

Damages and liability from a major accident can be in the millions of dollars, and certainly higher than most people's assets or ability to pay. People who are responsible for major injuries without enough insurance may end up paying the shortfall for the rest of their lives. Insurance people call this a 'high claims severity'.

### d. **Major role in the insurance business**

Auto insurance made up 42% of all general insurance premiums paid in Canada in 2016, at over \$21,000,000,000. It's about double the volume of personal property premiums (home, tenant, condo, etc.). Auto insurance is a big deal.

### e. **Autos are dangerous**

There's another reason auto insurance is important, which goes back to the horse and buggy days. When motor cars started to show up on the roads, many people were frightened and nervous. Cars were dangerous, with internal combustion and explosive fuels. By 1927, Ford's Model T could go up to 72km/hr. People got hurt and killed, cars ran into buildings and bridges. Laws were soon passed by cities, provinces and states, restricting the use of automobiles, registering them to collect taxes and then requiring insurance protection in case of injury, death or damage. Governments did this to ensure that people were protected from the risk associated with autos.

**Sidenote:** One thing you'll learn about insurance is that many 'rules' have exceptions. So when you read 'except for...' you can expect to see details of the exceptions a bit later on.

**Sidenote:** Actual policies always refer to 'injury or death' but for this course, 'injury' will include death unless coverage relates specifically to one or the other.



**f. Most people have cars**

Saskatchewan has 71 cars for every 100 inhabitants, considerably higher than the national average of 58.<sup>1</sup> Transportation is essential to most people's lifestyle and vehicle traffic is certainly essential to trade and movement of goods throughout North America.

**g. Autos move across borders**

Vehicles move between jurisdictions and it would be a mess if people had to buy different insurance policies to drive their car across every border. Although insurance is regulated by provinces in Canada and by states in the US and varies a lot from one jurisdiction to another, governments got together to coordinate insurance and registration requirements to some extent. There are different ways of handling auto insurance and different coverages required, but in any province or state the objective is that every auto on the road has at least minimum coverage, for the protection of other drivers, passengers, pedestrians, and property owners. Because your clients may have an accident in a different province or state, or be involved in an accident in Saskatchewan with an out-of-province driver, you need to know a little about the insurance requirements and coverages elsewhere.

**Sidenote:** When we refer to 'provinces' in this course, we mean all 10 Canadian provinces and 3 territories.

**h. Public and political issue**

The affordability of auto insurance is a major public issue, because auto insurance premiums are a big expense for people, and because this expense is not optional. Provinces have dealt with this either through setting up public insurance programs, as in Quebec, Manitoba, Saskatchewan and British Columbia, or by establishing rate review programs where insurers have to have rates approved by the government. Insurers are not allowed to deviate from approved rating in certain discriminatory ways. Coverages and policy wordings are set by legislation or regulations. There is a great deal of government involvement in auto insurance, even in private auto provinces.



To recap, auto insurance is very important because:

- it is mandatory (required by law)
- high claims frequency
- potential high claims severity
- auto is a large proportion of insurance business
- autos are inherently dangerous
- many people have automobiles
- autos move across jurisdictions
- auto insurance is a major expense and a public issue

**Sidenote:** Mandatory, compulsory, obligatory... which is the right word? There are some fine legal differences which are not important for this course. So we'll use these terms interchangeably, meaning 'mandated' or required by law.

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<sup>1</sup>Stats Canada 2005



### So, have you got that?

It's time for review. Check out the review questions for the Introduction and Chapter 2 on page 62.

### 3. Auto Insurance Legislation

In Canada, provinces and territories have **jurisdiction** over insurance. That means they make and enforce the laws about how insurance is provided, what insurance is necessary, and who is allowed to engage in the insurance business. Similarly, in the US, it is the states, not the federal government, who have jurisdiction. In Saskatchewan, there are several different laws, or Acts of the Legislature of the Province of Saskatchewan, which you need to know about in order to advise clients on their auto insurance. The main ones are:

**a. Auto Accident Insurance Act (AAIA for short):**

establishes the coverage for all vehicles under 'Plate Insurance' and how the mandatory insurance and claims process operates. SGI administers the AAIA.

**b. Traffic Safety Act:**

governs how drivers and vehicles are licensed, including classes of registration, premium determination, surcharges and discounts. SGI administers the Traffic Safety Act.

**c. Insurance Act:**

governs the operations and licensing of insurance companies, agents (brokers), and adjusters. It establishes the authority of the Superintendent of Insurance and Insurance Councils of Saskatchewan and sets out the basic requirements for all types of policies, including extension auto policies. The Insurance Act does not apply to the AAIA or plate coverage.

**d. Highways and Transportation Safety Act:**

details requirements for driver and vehicle safety and design and use of the highways, including large transport trucks and traffic laws from speeding to parking.

**e. All Terrain Vehicles Act:**

outlines rules and restrictions for all terrain vehicles (ATV's), including use, helmets and training for young operators. All Terrain Vehicles do not fall under the AAIA.

**f. Snowmobile Act:**

contains rules and restrictions for snowmobiles, including use, helmets, trail permits and training for young operators. Snowmobiles do fall under the AAIA but with special coverage restrictions.

**g. Worker's Compensation:**

covers workers injured on the job or as a result of their work. If a person is injured in an auto accident while on the job, the entire injury claim shifts

**Sidenote:** You may have noticed this course uses 'auto', 'vehicle' and 'automobile', and so do the legislation and insurance policies you'll be dealing with. For now, assume all these terms mean the same thing. Autos include everything from motorcycles to highway transport trucks. Don't worry about any distinction, the terms will be defined later and in the Auto Part 2 Extension Course.

**Sidenote:** In addition, there is a **Federal Insurance Companies Act** which is similar to provincial Insurance Acts but regulates insurance companies which are licensed on a Canada-wide basis. More information on how insurers are licensed is in the Auto Part 2 course, since that course deals with the policies offered by those insurers. There is also the **Saskatchewan Government Insurance Act** which established SGI as a Crown Corporation and lays out its powers and structure.

from the auto coverage to Worker's Compensation, so they receive the same benefits as they would if injured in the work place. Auto coverage excludes any injury or death covered by Worker's Compensation.

**h. Acts and Regulations**

An 'Act' is a law passed by the provincial Legislature or federal Parliament. Acts generally contain the overall rules or principles and give power to enforce them to a government body or Minister. Acts also allow the government to pass Regulations. Regulations contain the details and are more easily changed, since they require approval by the Cabinet rather than review and approval of the Legislature or Parliament.

## 4. Jurisdictions, Pink Cards, Mexico and Facility

### a. Interjurisdictional mobility

To understand auto insurance, you need to know there are agreements between the Canadian Provinces and the 50 US States. This makes sense because automobiles are... well...mobile. Vehicles move across borders and it would be a huge problem for trade and transportation if there were different rules about vehicle safety equipment or driving permissions when you drove from province to province. These agreements try to create reasonable interjurisdictional mobility.

### b. Where the accident happens

A basic concept is that the rules and coverage which apply to an accident are primarily based on where the accident occurred. For example, in Manitoba there is a no fault auto system. If a Saskatchewan auto and a Minnesota auto collide in Manitoba, the Manitoba rules prevail and the claim would be settled on the basis of Manitoba's no fault coverage.

### c. Pink cards

One of the important agreements between jurisdictions is that each one issues a '**pink card**' when minimum auto liability insurance is issued. This is formally called a **Canada/Inter-province Motor Vehicle Liability Insurance Card** but referred to by most people outside Saskatchewan as a 'pink card' as it used to be pink. It is applicable within Canada and the US. The Saskatchewan Certificate of Registration Form has a section which serves as a pink card. No separate proof of minimum liability insurance is needed. Sometimes clients will ask about 'getting a pink card'; they really need to be sure their Saskatchewan registration is in effect. Check the fine print on a Certificate of Registration, even though it may not be pink, for the information and wording of the Canada/Inter-province Motor Vehicle Liability Insurance Card.

### d. Territory

You may have noticed the words 'Canada and the US' a few times in this section. That is because the standard auto insurance policies throughout Canada and the US cover accidents in those two countries (or on ferries between these countries). People sometimes summarize this as 'North America', but that is a dangerous mistake because North America includes Mexico, and the **standard policies do not cover accidents in Mexico**. If your client is driving in or to Mexico, they need to buy auto coverage which meets Mexican government requirements, usually from a Mexican insurer.

**Sidenote:** You may be more familiar with the term 'insurance company', but in this course we use the term 'insurer', simply because it's shorter. The two mean the same.

### e. Facility

In Quebec, Manitoba, Saskatchewan and British Columbia, the basic mandatory auto insurance is provided by public insurers. In the rest of Canada, private companies compete to write automobile insurance. Naturally, their goal is to generate profitable business for their owners and shareholders and they may not want to cover higher-risk autos and drivers. For example, new or young drivers, people who have had a couple of accidents or several traffic tickets, motorcycles or sports cars may have trouble getting coverage.

Provinces where auto insurance is provided through a competitive private insurance market therefore usually have a '**Facility**', which provides the basic mandatory coverage for motorists who cannot get insurance otherwise. All insurers in the province share in this higher-risk Facility business with the same proportion as they write of non-Facility business in the province. Saskatchewan, as a public insurance province, does not have a Facility as SGI insures all drivers and auto owners, even those who are higher risk. It's important, though, that you understand the concept behind Facility so you understand the situation if people insured through Facility move to Saskatchewan, for example. It is essentially a pool created so everyone can at least get the mandatory auto insurance and all insurers share in the less-desirable business.

**f. Proof of Financial Responsibility**

There is one exception to the law that everyone must buy auto insurance. In some jurisdictions, auto owners may post a bond or put up security to guarantee that they have the money to pay at least the minimum liability coverage amount in the event that they are responsible for damages. This is not often used, but it is possible, and some people may say that technically, auto insurance is not mandatory because you can provide Proof of Financial Responsibility instead. And technically, they are right.



**So, have you got that?**

It's time for review. Check out the review questions for Chapters 3 and 4 on page 63.

## 5. Liability, Negligence and Damages

Liability insurance pays as imposed by law subject to subrogation when one or more persons who may be jointly negligent commit a tort (excluding intentional acts) to a third party which results in pecuniary or non-pecuniary damages for bodily injury or property damage. Make sense? Or incomprehensible jargon?

Let's start over...

### a. Liability Defined

Liability in the insurance world means being **legally responsible to someone else** for some kind of damage, injury, or cost. It is essential to understand the concepts of liability when dealing with any kind of insurance, from auto to malpractice, from home to commercial. Below are some essential principles and concepts you need to know.

### b. Negligence

Negligence means that a person is at fault or in the wrong. It is defined as 'doing something a reasonable and prudent person would not do, or failing to do something a reasonable and prudent person would do'. It is determined by what is normal or reasonable in the circumstances. Under normal circumstances, a person who left the security door wide open while leaving an apartment building might be negligent. However, if the building is on fire and the person is running to escape, leaving the door open would be a normal action and not a negligent one.

### c. Tort

This means 'wrong', and is specifically a legal or civil wrong. This means something has happened which is contrary to the law or contrary to basic principle of civil justice. When people sue someone, they allege that a tort has occurred.

There are two basic types of liability, tort liability and contract liability. A person may sign a contract accepting liability for an action or failure to act, but that is not a tort, and is not insured on auto liability policies. Auto policies cover tort liability.

'Tort' is also used to describe an auto insurance system where injured parties are compensated based on suing someone responsible, and that concept will be explored further in the chapter on Tort and No Fault.

### d. Accidental and intentional

Insurance policies nearly all exclude intentional damage or injury. If a person sets out to cause damage or injury on purpose, they certainly are responsible and have committed a tort, but their liability will not be insured.

### e. Damages

Even if someone did a terrible thing, there is no liability unless there are damages. The other party must have suffered something, and the damages need to be quantifiable. That is, an amount of money needs to be claimed and proven. Damages can be **pecuniary** which means they are based on a specific economic loss such as lost wages or the cost to repair something or get



medical treatment. **Non-pecuniary** damages are an attempt to put a dollar value on non-economic losses such as loss of reputation or pain and suffering.

**f. Third Party**

Liability is often referred to as 'third party' or a 'third party coverage'. To understand this, you need to know that the 'first party' in an insurance policy is the insured, the client. The second party is the insurer. The third party is anyone and everyone else who is involved. In a situation where many people are injured, there are multiple third parties. Liability insurance does not compensate the insured for his or her damage or injury; it is intended to compensate someone else who is not insured under the policy...the third party.

**g. Moral Responsibility vs. Legally Liable**

Sometimes a person feels responsible, but is not legally obligated and is not negligent. For example, if a person driving with normal caution hits a small child who runs between two parked cars into the street, even though the child may have dreadful injuries and it is a tragedy, there is probably no negligence and no tort as the accident was not foreseeable or reasonably avoided. The child or parents are unlikely to succeed in a lawsuit. Although the driver may wish to pay for the child's injuries, no claim would be payable on the auto liability policy.

**h. Illegal vs. liable**

If a person does something illegal, there is a good chance they were negligent and may be liable, but the two concepts are not tied directly together. It is not necessary to be convicted of a traffic offence to be considered negligent or responsible, and sometimes one person in an accident receives a traffic ticket and the other person is determined to be responsible or negligent.

**i. Criminally negligent**

Sometimes negligence is so severe that it is considered 'willful or wanton' and shows a disregard for others. This includes actions that are calculated to result in injury and will result in criminal charges as well as responsibility as negligent acts.

**j. Bodily Injury and Property Damage**

These are the two most common types of 'damages' that are covered on liability insurance in general, and automobile liability particularly. Bodily injury includes injury and death, as well as economic loss caused by injuries such as lost wages, childcare, housekeeping assistance, medical treatment and funeral expenses. Property damage is damage to property belonging to third parties, and includes such things as buildings, bridges, railway cars, and other autos. Because liability is a third party coverage, damage to property of the insured, or property in the insured's control, is excluded. Insureds are expected to obtain property insurance on their own property or items in their possession.

**k. Joint liability**

Sometimes, more than one person contributed to an accident. If two cars side-swipe each other on a narrow road, it may be that both drivers were equally responsible. If a repair garage worked on the brakes on a car, the garage will probably be liable if the brakes fail the next day. If the driver also knew the brakes still weren't working well and didn't slow down or go straight back to the repair garage, both the garage and the driver may be liable. Courts will sometimes assign proportions of liability. For example, an auto that went through a stop sign may be 80%

responsible for someone's injuries, but the injured party may be 20% responsible because she wasn't wearing a seatbelt. It is also possible that a person who doesn't cooperate with medical treatment and rehabilitation may be partially liable for lost wages or ongoing disability due to a slow recovery.

Sometimes two or more parties are jointly liable and one can't pay its share, because they don't have enough insurance or assets, or because they breached their insurance conditions and have no coverage. In this case, the party with adequate insurance (or more money) normally has to pay the entire amount and then try to recover from the one who couldn't pay. The injured person still recovers 100%, and the two 'at fault' parties have to sort out who owes what between them.

### 1. Subrogation

Big word, but a simple concept based on fairness. This means the substitution of someone into the shoes of the person with a claim. If you have insurance coverage on something and it gets damaged because of a third party, you will probably report the claim to your insurer rather than go to the trouble, delay and cost of suing the third party. Once it pays your claim, your insurer is subrogated into your rights, or steps into your shoes, and has the legal right to go after the third party. When insureds sign a claim proof of loss, they normally agree to subrogation. If they paid a deductible or had uncovered losses, the insurer will try to collect all the damages and reimburse the claimant if they succeed.

### m. Owners and drivers

Under auto liability laws, the owner is primarily responsible for the safe operation of his or her auto. That goes back to the idea that autos are inherently dangerous, so anyone who owns one must make sure it is used safely. It is up to the owner to be sure any driver who is given permission to drive the auto is safe, competent and properly licensed. In some situations, the owner and driver may be jointly liable.

If the driver does not have consent from the owner to use the auto, such as when the auto is stolen, the owner will usually not be liable for any damages. However, if the owner does loan a car to someone, the owner will be responsible not only for injury or property damage to third parties but also perhaps for injuries to the borrower of the car and its passengers.



**Incomprehensible jargon?** Go back to the beginning of this section and see if the first paragraph makes sense now! See, that wasn't so bad.



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 5 on page 64.

## 6. Some Basics about the AAIA

### a. Valid Plates are essential



Although accident benefits coverage may apply regardless of whether the injury occurred because of or in a vehicle without valid licence plates, in general, an 'in force' vehicle registration is essential for AAIA coverage to apply. If the registration isn't valid, as when it has expired and not been renewed or payments have been refused as NSF, it is as if there is no policy in effect.

### b. Common Exclusions for all coverages

Although the wording may vary somewhat depending on the coverage and there are details in each coverage chapter of this course, claims for property damage, injury, and physical damage are denied coverage in most situations:

- covered by Worker's Compensation benefits, including injury to people in the business of repairing or driving autos, who should be covered by Workers' Compensation
- during a race or test of speed, endurance, skill or power, not on a normal highway
- during loading or unloading of an auto
- cargo and personal contents in the owner's custody
- nuclear energy hazard or radioactive material
- caused by the operation of attached equipment, unless the auto is in otherwise in motion
- operation of the vehicle by owner or with owner's knowledge/permission, while
  - under the influence of or impaired by alcohol or drugs
  - not authorized or qualified to drive (not excluded for No Fault Accident Benefits)
  - evading police
  - in a race or test of speed

### c. Definitions

**Attached Equipment** is machinery or equipment that is mounted on the auto and not required for the safe operation of the auto, however, the following are not considered attached equipment under the AAIA:

- snow clearing, sweeping, sanding or grading equipment for streets or highways
- side or rear-mounted power-operated platforms
- anything attached to an auto for pleasure purposes
- equipment used for a wrecker, dump truck, garbage truck, forklift, front-end loader or backhoe

**Qualified or Authorized** to drive means that the driver has not:

- had their ability to have a licence cancelled or suspended for criminal code violations
- been disqualified, or
- failed to renew his or her licence and owes SGI money for a surcharge or a subrogated claim payment

## **7. Four Auto Coverages: Liability, Accident Benefits, Physical Damage to the Auto and Uninsured/Unidentified Automobiles**

Most Canadian auto insurance policies have four basic coverages. What varies from province to province is the extent of each coverage and how each is provided.

### **a. Third Party Liability**

This covers liability imposed by law upon the insured for bodily injury or death or damage to property of a third party arising from the ownership, use or operation of an auto. The coverage extends, in addition to the amount of insurance, to cover the cost to investigate, negotiate, settle and defend claim. As liability coverage, it is 'tort' coverage, based on the injured party suing the 'at fault' or negligent party.

This is a mandatory coverage, and each jurisdiction specifies the minimum amount of liability insurance that is acceptable. Coverage is per accident, not per person injured. Most jurisdictions specify a split between the coverage set aside for injuries and the amount for property damage, called 'priority of payments'. Canadian provinces and territories require minimum auto liability ranging from \$200,000 to \$500,000. Generally US states require much lower limits, with \$30,000 per accident in some states.

### **b. Accident Benefits**

This is a no fault coverage for costs arising from injury or death to anyone in the auto, as well as insured persons who are injured as pedestrians. 'No Fault' means it doesn't matter who did what to whom, benefits are paid, except for suicide or impaired driving situations. Medical, rehabilitation, funeral, death, disability, and permanent impairment benefits are included in most plans. Unlike 'third party' liability coverage, this is a 'first party' coverage, where each person's auto policy will respond to the injury or death of the person in that auto.

Accident Benefits are mandatory in all Canadian provinces. The mandatory coverage varies greatly between provinces, and some provinces have optional 'top up' coverage available. There are complicated limits, deductibles, and waiting periods for lost income (disability) coverage. Even with a permanent injury, lost income benefits in some provinces may apply for only one or two years whereas other provinces may pay lifetime benefits.

### **c. Physical Damage to the Auto**

This compensates for damage or destruction of the insured auto. Coverage may apply for 'All Perils' or various itemized causes of loss, or perils, including collision, fire, theft, vandalism, hail, flood, etc. Although you may recover collision damages arising an accident from an 'at fault' party under their property damage liability, this coverage applies regardless of fault and is a first party coverage. That means each party claims their vehicle damage on their own policy.

In most provinces this coverage is optional, since it is not of great concern to society as a whole whether you are compensated if your auto is damaged or given reimbursement for its value if it's destroyed. In Saskatchewan and Manitoba, however, physical damage is mandatory (except for

some trailers); those who created the AAIA coverage felt uninsured autos would frequently go unrepaired and be unsafe.

This coverage most often has a deductible, which is the amount the insured must pay towards the repair or the amount deducted off any payment for the value of the vehicle if it is a total loss. Like property damage liability, the coverage is usually on an 'actual cash value' basis, paying depreciated rather than new value. That is important because autos depreciate quickly. Options are available for indirect damage to cover the cost for replacement transportation such as a rental vehicle.

**d. Uninsured and Unidentified Automobile**

Uninsured automobiles are autos without valid coverage, because the owner did not purchase or renew insurance, or because the auto is stolen or operated in any situation where coverage is excluded, such as by an impaired driver.

Unidentified automobiles are essentially a 'hit and run' situation. The third party auto involved in an accident is unknown.

In some provinces, standard policies must include coverage if the insured suffers injury or damage to the insured auto because of an uninsured motorist (including an impaired driver) or an unidentified motorist (hit and run). The concept is that you would normally have the right to recover that injury or damage from the third party, but since that person doesn't have insurance or can't be tracked down, you would be out of luck without this coverage. Your own insurer steps in to provide the minimum mandatory coverage which would have applied if the person at fault were identified and insured. Because of Saskatchewan's mandatory auto plan and extensive accident benefits, this coverage is not part of Saskatchewan's plate coverage.



**So, have you got that?**

It's time for review. Check out the review questions for Chapters 6 and 7 on page 65.

## 8. Fault, No Fault, At Fault, Not at Fault in Saskatchewan

These terms cause a lot of confusion. Many people think Saskatchewan has a 'no fault' system, and are upset when they are found 'at fault' in an accident. Some people think they don't need liability insurance because if you're 'in No Fault' you can't be sued—which is absolutely not true!

Before we get into the details of Saskatchewan's auto coverage under the AAIA (Automobile Accident Insurance Act, in case you've forgotten that by now), let's shed some light on the question of 'fault'.

### a. All Provinces have a mixture of 'fault' and 'no fault' auto insurance

Accident benefits, regardless of fault, apply in every province. Some provinces, like Quebec, Manitoba and Saskatchewan, have broad accident benefits and limited rights to sue.

All provinces require some level of third party liability coverage, although in Quebec it is only applicable for property damage or out of province claims. Most provinces allow insureds to choose whether to insure Physical Damage to their own autos, but Saskatchewan and Manitoba have mandatory physical damage on a partial no fault basis (subject to deductibles).

### b. 'Sue' and 'No Sue' would be a better description

The biggest difference between 'fault' and 'no fault' provinces is what an injured party can or must sue to collect. In most 'no fault' provinces, you can sue for economic loss but not for pain and suffering. In Saskatchewan, you can sue for economic loss, property damage, and if the at fault party is convicted of impairment or criminal actions related to the accident. In Quebec you can only sue for property damage. In Ontario you can sue for economic loss and pain and suffering from death and 'permanent and serious disfigurement or impairment' of major function.

### c. 'At fault' still matters even in a 'no fault' system

Even where some or most insurance benefits are not dependent on fault, insurers (whether government-owned or private) use accident history to determine premiums. In Saskatchewan, there are surcharges for at fault accidents which apply if a driver is 50% or more at fault and discounts for safe drivers who don't have at fault accidents or traffic tickets. In order to determine who is penalized and who is innocent of causing an accident, adjusters or claims investigators assign fault based on

**Sidenote:** It's a good idea to pay close attention to the Saskatchewan information here. The other provinces are mentioned because you will have clients who move from other places and you need a basic understanding of how coverages vary from one province to another. If you need details on current coverage applicable outside Saskatchewan, please check online with the provincial authority or see a great little document called 'IBC Fact Book' which is published every year.

You will not be tested on details from provinces other than Saskatchewan.

**Sidenote:** To help you understand and learn this material, in this course 'tort' and 'no fault' refer to the general concepts. When the terms are capitalized as 'Tort' and 'No Fault' they refer to the specific Saskatchewan injury choices as defined in the AAIA.

the parties' statements and police reports (if the accident was reported to the police). There are options for appealing the determination of fault in an accident and it is often worth doing, as there are big differences in policy costs based on driving history in Saskatchewan and elsewhere.

**d. No Fault/Tort Choice**

Saskatchewan residents are automatically in the 'No Fault' system but can choose 'Tort' coverage. In reality, all 'No Fault' motorists have some no fault and some tort coverages, and all 'Tort' motorists have some no fault and some tort coverage. The difference is in the relative proportion of each coverage and specific limits, as well as what an injured party is allowed to sue for. There is a separate chapter on this topic later.



## 9. A short history of Saskatchewan Plate coverage and SGI

SGI was established in 1945 as the first publicly owned (crown corporation) insurance entity in Canada, set up to sell all types of General Insurance. The AAIA followed soon after in 1946, providing a compulsory and automatic package of basic auto coverage to any Saskatchewan resident who registered a vehicle. In the early years, coverage was similar to that provided by auto policies in other provinces, but physical damage to the vehicle, optional elsewhere, was part of the mandatory package from the beginning. Over several decades, both the deductible for physical damage and the liability coverage limits increased.

In the early 1970's, Manitoba (MPI) and British Columbia (ICBC) established similar crown corporations to provide auto insurance and, initially, other types of insurance. Quebec set up its 'Regie', now called the SAAQ, to provide injury protection for auto accidents. SGI is now the only one of the four entities to write business other than auto insurance.

In 1995, the AAIA was amended to eliminate the ability to sue for most injury damages and increase the No Fault accident benefits dramatically. Accident benefits limits were indexed for inflation, but the ability to sue for pain and suffering was removed. In 2003, an 'injury choice' system was introduced which allows Saskatchewan residents to choose between the previous, primarily no fault system and a primarily tort-based system with lower accident benefits but the ability to sue for pain and suffering.

In 2016 a 'Reduced No Fault' option was introduced for motorcyclists.

**Sidenote:** If you don't remember what any initials or acronyms mean, check back in the text to where the term is first used. Or, you'll find a useful glossary of terms including acronyms at the end of this course. The glossary is also a good review tool to be sure you understand the insurance vocabulary you're learning!



### So, have you got that?

It's time for review. Check out the review questions for Chapters 8 and 9 on page 66.

## 10. Who is Covered on Plate Insurance and How

SGI's AAIA coverage is intended to protect **Saskatchewan residents**. This normally means people who live and work in the province. As mentioned earlier, the owner of an auto is primarily responsible for that auto. As in other jurisdictions, most Saskatchewan auto insurance is purchased by the auto's owner but rather than an 'owner's policy' coverage is provided by AAIA plate insurance through the vehicle registration. Nonetheless, **insurance goes with the vehicle**. Anyone who drives the auto is covered on the owner's registration, provided the owner has given permission and the driver is properly licensed. However, there are several different ways to get coverage under the AAIA:

### a. If you own a vehicle:

When you register your car and get your Saskatchewan license plates, you also purchase the basic plate insurance. You pay a registration fee and an insurance charge. The registration fee gives you permission to drive the auto on a public highway or road. The insurance charge covers the person named on the registration certificate and anyone who drives the auto with that person's permission. Certain vehicles are not required to be registered, and others need registration but do not get all or any of the usual plate insurance coverages. More information on these special situations is below and in the Chapter on Registration Classes.

**Sidenote:** 'Licensed' and 'registered' mean the same thing in this course: having a valid and accurate registration certificate.

Similarly, people tend to use the term 'plated' to mean the same as 'registered'.

Registration and insurance can be purchased for a year or for shorter periods, or can be done through automatic bank withdrawals. Short-term permits are also available which give the same coverage and permission to operate the auto as a registration.

If your registration/plates have expired and you don't renew them, you have no coverage. **There is no grace period. It doesn't matter if you did or didn't get a renewal notice or a cancellation notice. Unlicensed vehicles are not covered under the AAIA.**

The description of the vehicle and its use as specified on the registration, including things such as commercial use, number of passengers, type of goods hauled, distance of hauling, gross vehicle weight and others are all critical to plate coverage. This means if the auto is being used in a way not allowed under its registration, the AAIA coverage will be invalid.

### b. If you own a vehicle but are out of province:

If you are travelling on vacation for short periods outside Saskatchewan, but in Canada and the US, your AAIA auto coverage remains valid. If you are vacationing for a longer period, such as 3 months or more, you may need to obtain special permission from SGI and should speak to your Licence Issuer to be sure coverage is fine. Coverage depends on whether you remain a 'Saskatchewan resident' and that can depend on many factors and the exact situation.

If you are working outside the province, even for short periods, you should check with SGI. You may need to obtain coverage in the jurisdiction where you are working. Most commercial vehicles are only insured in Saskatchewan, unless specifically registered for inter-provincial use.

Saskatchewan residents who are full-time students outside the province can maintain their Saskatchewan driver's and vehicle licences as long as they are not working and they comply with the rules of the jurisdiction where they are studying.

If you move from Saskatchewan, you can maintain your Saskatchewan registration (and driver's licence) for up to 90 days or until the new jurisdiction requires you to be registered there, whichever is sooner. For example, if you work or own or lease property in California, you must immediately obtain California insurance, plates, and driver's licence. In that case, your Saskatchewan coverage would cease 'immediately'.

**c. If you don't own a vehicle but have a driver's licence**

If you have permission to drive another person's vehicle and believe in good faith that the vehicle is licensed, but it is not, your Saskatchewan driver's licence will step in and provide coverage as if the auto had been properly licensed.

If you are driving your own vehicle and the registration is expired, this provision doesn't help you, as you are responsible to renew your registration. It's intended to protect the person who had no way of knowing the owner's registration had expired.

**d. If you are a visitor to Saskatchewan**

If a non-resident is injured in a collision in Saskatchewan, they will normally get No Fault accident benefits, but if they are at fault, they can be sued for both economic and non-economic (pain and suffering) losses. One exception is for people in the province for business, such as long-haul truckers. If visitors are not at fault, they can sue like a Saskatchewan resident can for economic loss, as well as specific lawsuits allowed against impaired drivers, those doing deliberate harm, etc. There are exceptions for Manitoba residents, who will get Manitoba Public Insurance benefits instead of AAIA benefits, and Alberta residents, who will receive benefits from their Alberta insurer, because of an agreement between Alberta, Saskatchewan, and Manitoba.

New Saskatchewan residents can maintain their prior auto coverage for up to 90 days or until the prior jurisdiction requires they switch. After that time, they may need to obtain Saskatchewan driver licence and registration. Students can keep their out-of-province home coverage for the duration of their studies as long as Saskatchewan is not their principal residence and they still meet the requirements of their home jurisdiction.

**e. Pedestrians**

Pedestrians in Saskatchewan receive injury benefits if injured by a motor vehicle, the same as if they were injured while in an auto. Saskatchewan residents who are injured outside the province by an auto, including as a pedestrian, also receive injury benefits. The benefits in either case depend on whether the pedestrian is in the No Fault or Tort system. Pedestrians also have the

ability to sue for damages beyond the injury benefits on the same basis as injured passengers in an auto.

**f. Cyclists**

Bicycles are not a motor vehicle under the definitions of the Traffic Safety Act or AAIA, so a bicyclist injured by a moving auto would have the same injury protection and right to sue, if any, as a pedestrian. However, if a bicyclist is injured hitting a stationary auto, or any other way, they will not have any coverage under the AAIA. Although it is a complicated legal question, in many cases when a bicycle hits a car door that is being opened, the person who opened the door will probably be responsible for the accident and the door considered as damage arising from a vehicle 'in motion'.

**g. Trailers**

Trailers are considered a motor vehicle and must be licensed, although licensing of light bumper-hitch type farm trailers used to haul the farmer's own goods or supplies is optional.

Trailer owners can choose to register their trailers annually, and receive physical damage insurance, or on a perpetual registration which provides no insurance but allows the trailer to be used on the highway as long as the owner has it.

**h. Snowmobiles**

Licensing is required for any snowmobile which is used on public property, highway or right of way (ditch). Snowmobile plates cover liability only, with no physical damage and no accident benefits.



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 10 on page 67.

## 11. Tort- No Fault Choice

As noted in the little history of the AAIA, Saskatchewan residents were given the ability to choose between 'No Fault' and 'Tort' personal injury coverage in 2003. All residents and visitors are automatically in the No Fault system unless they choose Tort. Every resident over 18 years old can choose Tort if they wish, and parents or guardians can make the choice for their dependents (defined as under 18 or incapacitated). The choice is not related to whether you own an auto or have a driver's licence, as it applies even if you are a pedestrian or a passenger in an auto you do not own. There is no difference in cost between the two options on registration or on drivers' licenses, but there may be differences on extension policies, which are covered in the Part 2 Extension course.

### a. Details of coverage differences

SGI motor licence issuers have brochures and booklets with the details of coverage comparing each option. More information about the differences also follows in the chapters on accident benefits (injury) coverage.

### b. Tort benefits and No Fault benefits can apply in one accident

Each injured person's benefits will depend on his or her choice of injury coverage. Residents who have not chosen Tort, including all non-residents, will automatically have No Fault benefits for any collision in Saskatchewan. For example, if a 'Tort' driver in one vehicle has 2 No Fault passengers and runs into a vehicle with three No Fault passengers and all are injured, there will be 5 No Fault and 1 Tort claimant from that accident. It doesn't matter what the driver chose; it doesn't matter what the auto's owner chose, each injured person is entitled to the coverage he or she chose. Motorcycles may be an exception to this principle; keep reading...

### a. Motorcyclists can choose a third option, Reduced No Fault

This coverage applies to the motorcycle, not the individual driver, and is a kind of hybrid between Tort and No Fault. There is information on this in a separate chapter of this course.

### b. Both Tort and No Fault motorists can sue for some things

In either case, if an injured party has higher expenses or lost income than is covered by their accident benefits, they may sue to recover economic loss. No Fault motorists can also sue if the person responsible was convicted of being impaired, being criminally negligent, doing deliberate harm, or the injury was caused by a third party such as a repair garage.

### c. Tort allows you to sue for more things

Tort motorists can sue for pain and suffering as well as economic loss.

### d. No Fault accident benefits are much better

Accident benefits, which you receive without suing and usually fairly quickly, are more generous across the board for No Fault motorists. For working people, the biggest difference may be loss of income, which continues until normal retirement if you aren't able to work. However, if you are retired or have generous disability benefits from your employer, this may not be an advantage.

**e. Tort ability to sue is only of value if someone else is at fault**

In a single-vehicle accident, or an accident where responsibility is shared or the injured person was at fault, the ability to sue is of no value. You cannot sue snowy highways, a deer or yourself. Many people who choose Tort believe they are unlikely to have an accident where they are at fault as they are safe drivers. However, a Tort motorist can be sued by another Tort motorist for pain and suffering.

**f. Ability to sue is only of value if the at fault person has adequate insurance or money**

If you sue and are awarded a large settlement, you may not be able to collect, particularly if the at fault party has only plate insurance (\$200,000 liability) and no major assets. You may be able to collect over time or garnishee wages, and certain types of extension coverage which you can purchase may cover the shortfall.

**g. Other insurance important**

Some people have other insurance, such as medical benefits or disability, which duplicates the No Fault benefits to some extent, so Tort may be more attractive to them. Retired people who don't need to worry about lost income may prefer Tort, although many older people do not have adequate medical coverage for rehabilitation or nursing care. Because your injury choice affects what you can be sued for, it is also important that Tort motorists have good liability coverage on their auto extension policies.

**h. An insurance broker should never recommend**



As an aspiring broker it is important that you know and can explain some of the factors and considerations above, but it is not appropriate to recommend one choice or the other. The client must choose what they believe is best. You cannot foresee the future, and in any given accident situation one choice or the other may give higher benefits. SGI produces a brochure annually called 'Guide to Choosing Personal Auto Injury Insurance' which can be useful.



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 11 on page 68.

## 12. AAIA Liability Coverage

### a. Coverage in brief

- limit of liability is \$200,000. That limit applies per accident, regardless of the number of people injured
- extends to the person on the registration (the owner of the auto) and anyone who drives the vehicle with the owner's consent
- valid in the US and Canada and vessels (ferries) between the two
- if the claim is over \$200,000, priority of payments reserves \$190,000 for bodily injury and up to \$10,000 for any property damage
- the cost of defending a lawsuit, including investigation and legal fees, is covered in addition to the \$200,000 limit
- pain and suffering settlements for a Tort driver are subject to \$5,000 deductible
- a trailer is considered part of the towing vehicle for liability purposes. The truck's liability extends to cover the trailer, even if the trailer becomes detached from the truck, but not if the claim involves no vehicle in motion
- there is no coverage for attached equipment such as a welder, cement mixer, etc. on a commercial vehicle. Certain equipment is covered, such as snowplows, platform lifts for loading cargo, tow truck equipment, front-end loaders, etc.
- if the negligent party is denied coverage because of a breach (such as impaired driving, racing, violation of vehicle weight or use), SGI will pay damages to the innocent party and then recover from the negligent party
- remember, the accuracy of registration is critical to valid plate coverage. If the use of the auto and registration don't match, there may be no liability coverage

**Sidenote:** The registration must be based on accurate information about the use of an auto, since the use affects the risk of a claim. Changes to this information are called 'Material change in risk' and will void, or eliminate coverage. Errors initially may be 'Misrepresentation' which also voids coverage. This is discussed further in the Part 2 Extension Auto course.

### b. Liability coverage out of province

One of the agreements between jurisdictions requires the 'home' insurer for an auto to increase its liability coverage to the minimum required where an accident occurs. For example, Nova Scotia requires \$500,000 auto liability coverage. If a Saskatchewan auto is responsible for an accident in Nova Scotia, SGI agrees to provide \$500,000 liability protection under the basic plate coverage rather than the \$200,000 specified in the AAIA. Similarly, if an auto from Montana has the \$25,000 per person minimum limit for injury and causes injury in an accident in Saskatchewan, the Montana insurer must provide \$200,000, which is Saskatchewan's minimum total limit. If the Montana auto has extra coverage for a total of \$1,000,000, then of course the insurer must cover up to the \$1,000,000 limit on their client's policy. Insurance limits must be bumped up to comply with another jurisdiction's requirement, but may not be reduced below that on the policy.

### c. Hit and run accidents

If there is property damage or injury and the driver is unknown, and the other auto's owner is unknown or the auto was being used without permission, the injured party can sue SGI in lieu of



the responsible driver/owner. Such claims must be reported as soon as possible (see details in the Claims chapter of this course) and definitely within 28 days. There is no coverage for the first \$700 of property damage in such a lawsuit.

#### d. **Liability exclusions**

The AAIA excludes claims for the items noted under common exclusions in Chapter 6 and:

- driving an auto in violation of its registration (wrong registration class, too much weight, wrong cargo, etc.) including renting or leasing a car without permission on the registration

#### e. **What can you be sued for?**



Saskatchewan motorists in the **No Fault system** (who haven't chosen the Tort option) can be sued if they are responsible for damages in any of the following situations:

- an accident out of province, especially in areas with a primarily tort auto insurance system, such as BC, Alberta, Ontario, the Maritimes, and most of the US
- property damage of any kind. This includes damage to expensive vehicles from out of province, highway transport trucks and trailers and their cargo, buildings, bridges or guardrails, and (the most costly) trains and their tracks
- economic loss over the No Fault benefit limits. This often applies when an injured person was earning more than the maximum insurable earnings (\$94,587 in 2017 and indexed for inflation). It is important to remember that a bad accident often injures several people so the \$200,000 plate liability limit can be exhausted quickly.
- all types of damage including pain and suffering if the at fault driver was convicted of impaired driving, criminal negligence or various other criminal charges
- injury to a Tort driver including pain and suffering, except that SGI steps in and is sued on your behalf, and pays any claim as long as the at fault party was not in breach of the AAIA coverage

Saskatchewan motorists who have chosen Tort coverage can be sued, in addition to the situations above, if they are responsible for damages:

- suffered by another Tort motorist, for non-economic loss (pain and suffering)

#### f. **Limitation period**

The limitation period for a lawsuit is the time deadline for filing the suit, or 'Statement of Claim' after an accident or event which causes injury or damage. For auto liability claims, the limitation period is 2 years, unless minors are involved. Minors have 2 years from the date of majority to sue.

#### g. **Basis of property damage valuation**

Even though some other insurance may be on a replacement cost basis, for property damage liability the property owner is entitled to the actual value of the property, based on the condition it was in immediately prior to the loss. This is called 'Actual Cash Value'. For example, the owner who sues for damage to 100 feet of 20-year old plywood fence is not going to get a brand new fence, but rather the depreciated value of the actual old fence—which may be minimal.

**h. Sample Saskatchewan liability claims**

- property damage to semi truck and trailer carrying race horses \$2,500,000
- collision causing severe brain injury \$5,000,000+
- family of 4 injured in Alberta \$2,200,000
- injury to young professional; loss of income in excess of No Fault benefits \$1,000,000
- property damage to train engine, cars, and track (pending) \$3,500,000 estimated
- property damage to rail cars \$650,000



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 12 on page 69.

### 13. Accident Benefits No Fault

#### a. Coverage in brief

- covers injury while a vehicle is **in motion**, not while parked or stopped. If a person were injured while camping when the stove in their motorhome exploded, no accident benefits would be paid since no moving vehicle was involved
- accident benefits are not taxable
- all benefit amounts are **indexed**, which means the limits are adjusted annually to keep up with inflation. For example, the maximum annual income benefit was \$50,000 in 2002 when the program was established, and 15 years later is \$94,587
- **income benefits (for lost wages)** begin after a 7-day waiting period following the accident
- income benefits are based on **90% of net income** (after tax, EI, and CPP) earned before the collision
- for the first two years, benefits apply if you can't do your previous job. After that period, benefits apply if you can't do any work but will also top up the difference in compensation between the work you can do now and your previous job
- there are special provisions for students who have not yet started in their 'future career' and for unemployed or part-time employed people. Calculations using average wages as well as prior earnings will try to determine what is fair compensation for what they 'would have earned' if the accident hadn't happened.
- special benefits apply for self-employed or family businesses (including farmers) who may need to hire a substitute worker, for non-earning caregivers, and for students who must suspend their studies
- **rehabilitation and medical expenses** benefits are in excess of (over and above) provincial health coverage to pay treatments needed to assist recovery as assessed by SGI and medical professionals. They include living assistance, travel for medical treatment, counseling, etc. The No Fault rehabilitation limit is very high, nearly \$7,000,000 in 2017
- the **permanent impairment payment** is in lieu of any kind of 'pain and suffering' award, and is a one-time lump sum one year after the accident based on the % of impairment applied to the current amount in the benefits schedule for a catastrophic injury such as quadriplegia or severe brain injury
- **death benefits** are dependent on the number of dependents the deceased person had (spouse, children, or disabled) and incorporate an income benefit for ongoing support. There are funds for spouse education to assist the spouse in establishing a career
- if there are no dependents, the death benefit is low. Similarly, the death benefit for a deceased child is low, since normally no one depends on a child for financial support and death benefits are to compensate for economic loss, not mental anguish
- funeral benefits apply for any deceased person
- 2017 benefits are shown in the table which follows

**Sidenote:** Accident Benefits are complicated. Benefit amounts change annually. You don't need to memorize the amount of each benefit. You do need to understand the purpose of each coverage and the basic rules outlined above. SGI publishes 'Your Guide to No Fault Coverage' each year which you should refer to when clients have questions.

b. No Fault Table of Benefits

# Table of benefits

To determine the amount of the benefit you may be entitled to receive, refer to the appropriate section of this guide.

	Line	Benefit	Amount
Income Benefits	1	Maximum insurable earnings	\$94,587 annual income
	2	Industrial average wage	\$51,143 annual income
	3	Substitute worker	\$44,668 maximum per year
	4	Caregivers Full Reduced	\$859 maximum per week \$431 maximum per week
	5	Loss of studies for students Elementary Secondary Post-secondary	\$5,465 maximum per year \$10,154 maximum per year \$20,308 maximum per year
Medical and rehabilitation	6	Medical and rehabilitation costs	\$6,813,680 maximum
	7	Living assistance Functional Cognitive	\$859 maximum per week \$431 maximum per week
Permanent impairment	8	Catastrophic injuries	\$238,479 maximum
	9	Other permanent injuries	\$195,257 maximum
Expenses	10	Meal allowance Breakfast Lunch Dinner	\$9.40 per day \$13.35 per day \$16.35 per day
	11	Private accommodation	\$23 per day
	12	Travel by automobile	\$0.41 per kilometre
	13	Clean, repair, replace clothing	\$1,564 maximum
	14	Counselling expenses	\$5,000 maximum
	15	Critical care	\$30,000 maximum
	16	Non-refundable expenses	\$2,500 maximum
	17	Financial counselling	\$1,362 maximum
Death benefits	18	Spouse/dependants	\$70,293 minimum
	19	No dependants	\$15,620 maximum per survivor/estate \$70,293 maximum total payable
	20	Less than 21 years old no dependants	\$31,240
	21	Funeral benefit	\$10,219 maximum
	22	Spouse education	\$46,862 maximum
	23	Vocational counselling	\$680 maximum

**c. Exclusions for No Fault accident benefits**

Some benefits are intended to compensate family members, such as death benefits for a spouse and dependent children. Other benefits such as rehabilitation expenses are intended to help an injured person get back to independent life. These types of benefits may be paid even when the injured person was impaired or engaged in criminal activity. So certain exclusions apply only to specific benefits. In addition to the common AAIA exclusions in Chapter 6, injured parties will not receive benefits if they were:

- injured by agricultural equipment, wheelchairs, road construction equipment, snowmobiles, ATVs, or animals being hauled, all unless there is an auto in motion involved
- convicted of stealing a vehicle or possession of a stolen vehicle involved in a collision
- in a stolen auto
- committed or attempting suicide
- at fault in the accident and convicted of impaired driving, criminal negligence or deliberate harm →no permanent impairment benefit
- repeat offender for impaired driving or criminal negligence→no income benefit or permanent impairment benefit



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 13 on page 70.

## 14. Accident Benefits Tort

### a. Coverage in brief

- covers injury while a vehicle is **in motion**, not while parked or stopped. If a person were injured while camping when the stove exploded in their motorhome, but no moving vehicle was involved, no accident benefits would be available (Same as No Fault)
- accident benefits are not taxable (Same as No Fault)
- most benefit amounts are **indexed** (Same as No Fault)
- **income benefits (for lost wages)** apply if you were employed at the time of the collision and are disabled within 20 days following the accident
- income benefits are a fixed weekly amount, not dependent on your prior earnings, but are reduced to ½ of the weekly amount for part time workers or those able to do part of their previous duties. The full time total disability benefit for 2017 works out to \$22,308 per year
- for the first two years, benefits apply if you can't do your previous job. After that period, benefits apply if it's determined you can't ever do any kind of work
- for students and for unemployed people who have not worked in the prior 12 months, income benefits are provided only if you are confined to a hospital, bed or wheelchair and only for one year
- there is a weekly benefit for up to 2 years for homemakers
- **medical and rehabilitation expenses** benefits are excess of (over and above) provincial health coverage to pay treatments needed to assist recovery as assessed by SGI and medical professionals. They include living assistance, travel for medical treatment, medical equipment, etc. The limit is \$200,000 for catastrophic injury and \$26,667 for other injuries
- the **permanent impairment payment** is a one-time lump sum one year after the accident based on the % of impairment. the maximum for catastrophic injury is \$173,333 and for other injury \$13,333
- **death benefits** are based on the deceased's net income (up to a maximum) and the number of dependents (spouse, children, or disabled) and paid for the lifetime of the spouse or disabled person or to age 21 for children. For unemployed or low-income earners, there is a minimum death benefit where there is a spouse or dependent
- funeral benefits apply for any deceased person
- 2017 benefits are shown in the table which follows.

**Sidenote:** Accident Benefits are complicated. Benefit amounts change annually. You don't need to remember the amount of each benefit. You do need to understand the purpose of each coverage and the basic rules outlined above. SGI publishes 'Your Guide to Tort Coverage' each year which you should refer to when clients have questions.

b. Tort Table of benefits

## Table of benefits

To determine the amount of the benefit you may be entitled to receive, refer to the appropriate section of this guide.

	Line	Benefit	Amount
Income Benefits	1	Employed – totally disabled	\$429 per week up to two years
	2	Employed – totally disabled, unable to return to any job	\$429 per week for life
	3	Employed – partially disabled	\$214 per week up to two years
	4	Homemaker – totally disabled	\$429 per week up to two years
	5	Homemaker – partially disabled	\$214 per week up to two years
	6	Unemployed/worked six months or more in year prior to collision – totally disabled	\$429 per week up to two years
	7	Unemployed/worked six months or more in year prior to collision – totally disabled, unable to return to any job	\$429 per week for life
	8	Unemployed/worked six months or more in year prior to collision – partially disabled	\$214 per week up to two years
	9	Unemployed/worked less than six months in year prior to collision – totally disabled	\$214 maximum per week up to two years
	10	Unemployed/worked less than six months in year prior to collision – partially disabled	\$107 maximum per week up to two years
	11	Unemployed in year prior to collision/confined to hospital, bed or wheelchair	\$214 per week up to one year
Medical and rehabilitation	12	Catastrophic injuries	\$200,000 maximum
	13	Non-catastrophic injuries	\$26,667 maximum
Permanent impairment	14	Catastrophic injuries	\$173,333 maximum
	15	Non-catastrophic injuries	\$13,333 maximum
Death benefits	16	Maximum insurable earnings	\$94,587 annual income
	17	Spouse/dependants	\$60,000 minimum
	18	No dependants	\$13,333
	19	Funeral benefit	\$6,667

c. Exclusions for Tort accident benefits

Like No Fault, some of the exclusions for Tort benefits apply to certain coverages only. In addition to the common exclusions, unless shown otherwise below, injured parties will not receive benefits if they were:

- in a vehicle with expired plates
- injured by agricultural equipment, wheelchairs, road construction equipment, snowmobiles, ATVs, or animals being hauled, all unless there is an auto in motion involved



- convicted of stealing a vehicle or possession of a stolen vehicle involved in a collision
- in a stolen auto
- committing or attempting suicide
- convicted of impaired driving, criminal negligence or deliberate harm, regardless of fault in the accident → no permanent impairment
- convicted of criminal negligence → no permanent impairment benefit
- repeat offender for impaired or criminal negligence → no permanent impairment or income benefit



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 14 on page 71.

## 15. Reduced No Fault Injury Benefits for Motorcycles

### a. Coverage in brief

This new option provides lower-cost premiums for motorcyclists who are willing to have reduced coverage for injuries if they are at fault, in a single-vehicle accident or one with an unknown or unidentified driver. People who have chosen Tort coverage cannot choose this motorcycle option. This option is a kind of hybrid coverage, since motorcyclists who are injured when an identified party is fault will receive the benefits of No Fault motorists, but if they are at fault, reduced benefits (similar to Tort coverage) will apply. Motorcyclists can sue for economic loss and for pain and suffering caused by an impaired driver and other situations outlined for No Fault coverage, but not for pain and suffering in all situations like Tort motorists.

### b. Reduced No Fault for Motorcyclists Table of Benefits

## Table of benefits

To determine the amount of the benefit you may be entitled to receive, refer to the appropriate section of this guide.

	Line	Benefit	Amount
Income benefits	1	Employed – totally disabled	\$429 per week up to two years
	2	Employed – totally disabled, unable to return to any job	\$429 per week for life
	3	Employed – partially disabled	\$214 per week up to two years
	4	Homemaker – totally disabled	\$429 per week up to two years
	5	Homemaker – partially disabled	\$214 per week up to two years
	6	Unemployed/worked six months or more in year prior to collision – totally disabled	\$429 per week up to two years
	7	Unemployed/worked six months or more in year prior to collision – totally disabled, unable to return to any job	\$429 per week for life
	8	Unemployed/worked six months or more in year prior to collision – partially disabled	\$214 per week up to two years
	9	Unemployed/worked less than six months in year prior to collision – totally disabled	\$214 maximum per week up to two years
	10	Unemployed/worked less than six months in year prior to collision – partially disabled	\$107 maximum per week up to two years
	11	Unemployed in year prior to collision/confined to hospital, bed or wheelchair	\$214 per week up to one year
Medical and rehabilitation	12	Catastrophic injuries	\$200,000 maximum
	13	Non-catastrophic injuries	\$26,667 maximum
Permanent impairment	14	Catastrophic injuries	\$173,333 maximum
	15	Non-catastrophic injuries	\$13,333 maximum
Death benefits	16	Maximum insurable earnings	\$94,587 annual income
	17	Spouse/dependants	\$60,000 minimum
	18	No dependants	\$13,333
	19	Funeral benefit	\$6,667

## 16. Physical Damage to the Insured Auto

Nearly all Saskatchewan vehicles and their equipment are insured automatically as part of the plate coverage for direct and accidental loss or damage, including collision and comprehensive perils. This is effectively 'all risk' coverage subject to the exclusions shown below.

### a. Deductibles

For the majority of vehicles, physical damage coverage has a \$700 deductible, which is the amount which the insured pays before the insurer's obligation begins. Trailers have lower deductibles (\$400 to \$500) and large commercial trucks may have a deductible as high as \$2,500.

As far as the plate insurance goes, the deductible applies to any damage to the vehicle. If the cause of loss is collision and there is an at fault party, the at fault party's liability insurance will pay the deductible. If the loss is due to hit and run or comprehensive perils such as wind, hail, theft, vandalism, etc. the claim payment due will be reduced by the deductible amount.

**Sidenote:** The AAIA calls the coverage on the vehicle 'Comprehensive Insurance'. In most parts of North America, and among insurers who offer the extension policies in Saskatchewan, 'comprehensive' describes coverage on the auto for damage other than collision and upset. Therefore, to avoid confusion, in this course we'll call the AAIA coverage 'physical damage'.

### b. Basis of claim

Damage to the auto will be paid on an actual cash value, which means depreciation is deducted to determine the value of the auto. This also means that used parts can be used to repair the vehicle since the insured is entitled to 'like kind and quality' and the auto's parts were used, not new, at the time of the accident. If damage occurs to parts of an auto that wear out quickly, like tires, as part of the claim, depreciation may be deducted from the repair cost to allow for the fact that there has been 'betterment', since the vehicle now has improved, new parts. SGI will pay the cost of repair or the value of the vehicle, whichever is less.

Essential costs to repair or protect the auto such as customs duties if repairs were done in the US or firefighting costs are included in the claim settlement.

### c. Special limits on plate coverage for some autos

Certain types of autos have limited physical damage coverage under the AAIA Coverage. Additional coverage can be purchased on an extension policy. Special limits include:

- antique plated vehicles limited to \$800
- motor dealer vehicles, on which a dealer plate gives temporary permission for a customer to test-drive an auto owned by an auto dealer, and provides collision coverage but not comprehensive
- trailers with perpetual plates, which give a continuous registration but do not include any physical damage coverage

Coverage is also limited and can be provided as an additional declared value on the plates or outside the AAIA on an extension policy for:

- commercial trucks over \$15,000

There is no physical damage coverage on **snowmobiles**.

After-market sound and communication equipment in an auto, such as computer devices, stereos or audiovisual equipment is limited to \$1,500.

**d. Equipment of the auto**

This term is normally defined as items which were supplied with the auto by the manufacturer or items essential to the operation of the automobile. Equipment includes spare tires, jacks, floor mats, and similar items. It does not include personal contents or things being transported in the auto. Contents are excluded under auto physical damage coverage.

**e. Exclusions on physical damage coverage**

Like all types of insurance, the AAIA intends to cover sudden, accidental, and unexpected events. Normal things that happen to an auto are excluded, including

- tire damage that doesn't happen as part of other damage
- mechanical failure
- freezing
- wear and tear
- rust and corrosion
- explosion within the combustion chamber (cylinders of engine/backfiring)

In addition, there is no coverage for

- falsification of title or fraud on sale or purchase of auto, theft by someone with possession of the car, someone in same household or working in repair or service of the auto
- driving an auto in violation of its registration (wrong registration class, too much weight, wrong cargo, etc.) including renting or leasing a car without permission on the registration
- damage due to war or insurrection
- radar detectors



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 15 and 16 on page 72.

## 17. Registration Classes: Personal, Commercial and Farm

The AAIA establishes many categories of vehicles. Each has complicated licensing rules and requirements, including vehicle size, weight, passengers, where the vehicle can go, what cargo it can haul, whether money may be charged for the use of the auto and in some cases what coverage it has. As noted in the chapter on physical damage coverage, there are different deductibles and limits for commercial vehicles.

### a. The plate classes are:

- LV - light vehicles, including cars, vans, motorcycles, 3-wheeled vehicles
- A - commercial vehicle, no restriction on distance or goods
- C - commercial vehicle with restrictions on distance and goods
- D - commercial vehicle with restrictions on goods
- F - farm plates
- GC - Government of Canada
- L - dealer plates – motor vehicle, motorcycle, snowmobile
- LT – dealer plate - trailer
- MT - snowmobile
- PC - transport passengers for hire within city
- PB - transport passengers for hire (public bus)
- PS - school buses
- PT - taxi
- PV - heavy private passenger vehicles
- T - private use trailers
- TS - commercial use trailers

**Sidenote:** This course does not teach you to identify the proper class of plate for a vehicle based on its style, size and use. That is the job of license issuers. This course also does not qualify you to handle commercial auto insurance, but it is important that you understand what vehicles need commercial auto insurance and why. Be sure clients are properly registered by referring them to a licensing expert when the use of an auto changes, or if you are not sure the auto is properly registered.

### b. Private Passenger vehicles

Autos used for personal purposes, including driving to and from work, are considered Private Passenger vehicles. In Saskatchewan, these are all in classes LV, MT, PV and T. Commercial vehicles include and all the other classes and some LV vans and trucks. Autos owned and used by farmers can be LV (light vehicles) or F (farm). Farm class includes heavy trucks, heavy vans, power units and trailers.

### c. Gross Vehicle Weight

'Light' and 'heavy' refer to the Gross Vehicle Weight (GVW) of the vehicle. This is the total weight on the road of the vehicle and its contents, cargo and passengers including any trailers. The maximum GVW allowed for a vehicle is determined by the size of the vehicles' tires and the manufacturer's limits. The GVW is shown on the registration in kilograms (KG). Normal passenger vans and cars (LV class) are limited to 5,000 KG GVW.

**d. Use restricted to registered class and weight**

As noted in the coverage chapters, claims will be excluded for vehicles not used as allowed by their registration. Some situations which cause a change in class and may invalidate coverage are:

- The owner of an LV half-ton private or farm truck charges to help a friend move → Commercial
- A farmer hauls grain for a neighbour with a farm truck → Commercial
- A farmer is retiring and leases his land out → Personal or Commercial
- A business owner uses his half-ton truck to haul a new 5<sup>th</sup> wheel RV → change of GVW
- A tradesman who normally works locally gets a contract to work in Manitoba → extra-provincial permission
- A gravel-hauler can make big bucks hauling beer to a local country music festival → change of commercial class
- Owner of a beautiful 1938 Chrysler is offered \$500 to drive a bridal party to the wedding and back → Carrying passengers for compensation, change from Private to Taxi or Limo

## 18. Impaired Driving and Auto Insurance

Throughout the chapters you've read so far on AAIA coverage, there was information on exclusions for impaired driving, or convictions of impaired driving. In this course, when 'impaired' is mentioned, it refers to impairment either due to alcohol or drugs. There are actually several different concepts with respect to impaired driving that you need to understand:

### a. Criminal Code Conviction

This is based on the Federal Criminal Code and includes a blood alcohol concentration or breath alcohol concentration of 0.08% or more, as well as similar impairment due to drugs or refusal to provide a breath sample. In addition to voiding liability, physical damage, and some injury coverage, this conviction carries penalties of up to \$5,000 and 6 months in jail and results in lengthy suspension of driver's and vehicle licences.

### b. Insurance restriction on impaired

This is based on a different definition than the Criminal Code uses. Insurance policies often define 'impaired' as is to be 'under the influence of alcohol or drugs to such an extent that the driver was incapable of proper control of the vehicle'. In this course, 'impaired' follows this meaning. Many insurance policies exclude coverage if the driver is either 'impaired' under this definition or is convicted of a Criminal Code offence.

### c. SGI Traffic Safety Initiatives

Drunk driving prevention programs impose additional consequences for impairment, including penalties for blood alcohol content lower than the 0.08% in the Criminal Code and for drug impairment. Vehicles can be impounded if an experienced driver is at 0.04%, for new and young drivers there is no 'allowed' blood alcohol content so consequences start with any blood alcohol reading over 0.00% and licenses are suspended for 60 days. In addition, many impaired drivers are required to obtain and use ignition interlock systems after a licence is regained following impaired driving.

### d. AAIA Exclusions

Just as a review of AAIA coverage outlined in previous chapters, impaired situations which affect coverage are:

If Impaired or Convicted	no Physical Damage coverage if owner operating or allowed someone to operate auto
	no Tort Accident Benefits if insured at fault
	no Permanent Impairment under No Fault or Reduced No Fault Motorcycle option
	No Fault motorists can be sued by Tort motorists if death occurs
If Convicted	No Fault motorists can be sued by Tort motorists including for non-economic losses
	No Fault motorists can sue for non-economic losses
	no permanent impairment benefits for No Fault injured parties
If Convicted	no Weekly (loss of income) benefits under Tort or Reduced No Fault



Twice	Motorcycle if at fault
	no income replacement benefits for No Fault injured parties

It is not necessary to memorize these scenarios, but you do need to know what types of claims are affected if the driver or injured party is impaired. If clients are in these situations, they very likely need legal advice which is far outside your knowledge or role as an insurance broker.



### So, have you got that?

It's time for review. Check out the review questions for Chapter 17 and 18 on page 73.

## 19. Rating of Saskatchewan Plates

### a. Insurance and Registration Fee

The cost of licence plates in Saskatchewan (or actually, the cost of the registration) includes a registration fee and an insurance premium. The registration fee is based on the class of vehicle and in the case of heavy vehicles, the GVW. The registration fee goes to the provincial government. SGI keeps the insurance premium portion to pay its administrative costs, issuer fees, and claims. The registration fee for an ordinary private passenger LV class vehicle was \$68 in 2017, and for an interprovincial class A trucks ranged up to \$4,140 for the maximum 63,500 GVW.

### b. Rating Basics

Determining an annual insurance premium is, in general, an attempt to predict the cost of claims to come in that year and the cost of writing or renewing and administering the business. For private insurance policies, the premium must also allow for some profit to reimburse shareholders for their investment, and perhaps to allow for expansion of the enterprise. SGI attempts to run a 'break-even' rating system, so tries to collect enough premium to adjust and pay claims, pay for staff, buildings, computer systems, safety advertising, and other costs it considers essential, and pay premium taxes and issuing fees.

Predicting claims is a huge challenge. Auto coverage includes wind and hail, so is subject to catastrophe storms, and is also dependent on changing costs ranging from auto body work to medical treatment. Claims depend on both the size of any one claim (cost or severity) and how many claims there are (frequency) Some of the factors that auto premiums take into account are:

- Vehicle value (for total losses)
- Vehicle susceptibility to damage, reparability and costs
- Vehicle safety for occupants
- Vehicle equipment which increases or reduces claims (ex: alarm systems)
- Use of vehicle
- Distance driven
- Skill and attitude of driver

### c. CLEAR vehicle rating

Most insurers, including SGI, have adopted rates based on the Canadian Loss Experience Automobile Rating (CLEAR) system, which uses claims costs and frequency data from all across Canada. Statistics show that this information reflects all the vehicle factors listed above, plus the fact that some vehicles are more likely to be chosen by higher-risk drivers. Each vehicle year, make and model is put into a rate group, and the class of registration (vehicle use) and CLEAR rate group determine the basic insurance premium for that vehicle. Then, that number is adjusted for the factors relating to the driver through the Safe Driver Rating (SDR) system.

### d. Safe Driver Recognition and Safety Rating Assessment

The insurance premium portion of the cost of plates depends on the owner's driving record. Motorists 50% or more at fault in accidents in which \$700 or more is paid out and people with traffic convictions are assessed penalties on a Safety Rating Scale. Those without either accidents or traffic convictions receive discounts. Accidents and convictions cause you to move

down the scale, losing all or part of your discount or incurring a penalty, and 'clean' years allow you to move up the scale to higher discounts. Some convictions, such as exceeding the speed limit by a small amount, do not count as convictions in the Safe Driver Recognition program.

If penalties are not paid promptly, the driver will be denied renewal of their vehicle registration, or registration may be cancelled. You may recall (hopefully you do!) that the definition of 'qualified and authorized' to drive, on which the AAIA coverage depends, excludes coverage if a driver in an accident doesn't have a valid licence and owes SGI money, and that money includes safety rating penalties.

Beyond those for 'ordinary' traffic violations There are substantially higher penalties for Criminal Code convictions such as impaired driving,. Also, any penalty under this program is in addition to any traffic violation fines. Clients can appeal penalties and point losses on their safety rating scale. This appeal is strictly for the safety rating and does not affect the determination of fault for the claims process, deductible, or other coverage related to an accident. There is also a Business Recognition program which applies to commercial vehicles

This program changes frequently. The following details of how it worked in 2017 are provided as an example, but the important thing is to understand the concepts and not the exact figures.

- the maximum discount is reached with 25 'clean' or safe years and is 25%
- penalties are a one-time flat charge of between \$50 and \$500
- a discount applies on vehicle registrations; the penalty is a separate billing to the driver
- new drivers start at 0 so there is no surcharge in Saskatchewan's basic insurance regime for safe young drivers or safe new drivers
- to move back to the base premium from a penalty, you have to be accident-free and conviction-free
- you move by one point per year, but after 3 years as a safe driver, you jump back to the base premium and can start earning a discount after your 4<sup>th</sup> safe year.
- typically, an at fault accident results in a 6 point penalty. If there is a related ticket, such as failure to stop at a stop sign, which is 4 points, the total penalty would be 10 points
- if your record was clean for 10 years before getting a 10 point penalty, you lose 10 points and go down the scale to the base premium, losing a 20% discount
- if you were a new driver or were already at the base premium you would be charged a penalty of \$500 for the 10 points

## 20. Short-term plates and Cancellations

### a. Annual term and short-term

Registration can be purchased or renewed for a year, for any time between 28 days and one year, or be paid monthly by automatic bank withdrawal through an AutoPay system. Terms shorter than a year have significant administration fees added, and monthly automatic bank withdrawals also have a small fee added.

The basic AAIA insurance is cancelled when the licence plates or registration are cancelled. The registered owner or someone with written authorization from the owner can cancel the registration at a licence issuer, or cancellation can be done on SGI's website. In addition, if automatic monthly payments for the plate cannot be processed (due to NSF or other reasons), the registration will be cancelled by SGI.

### b. Refunds for Cancellation

Assuming the premium has been paid, the registered owner will receive a refund of any premium paid over and above the proportion of the premium earned up to the date of cancellation, less a retention fee (administration charge) of \$25.

### c. No insurance

Cancellation takes effect immediately. There is no insurance on the vehicle unless the owner has an extension policy which covers the auto while in storage. Many clients think that their house insurance will cover an auto stored in their garage or driveway, but it will not. All personal property policies exclude motor vehicles. There are many excellent reasons why clients need an extension policy, and seasonal storage is one of them.



### So, have you got that?

It's time for review. Check out the review questions for Chapter 19 and 20 on page 74.

## 21. Claims

Most claims under the AAIA are reported, either by phone or online, to SGI directly. However, it is important for brokers to understand their role in a claim and be able to help if a client has questions or concerns. Information about dealing with auto claims which involve an extension policy is found in the Part 2 Extension course, but the following information applies to auto claims which are either strictly under the AAIA coverage or which involve both plates and policy.

### a. Immediate advice

Clients may call you right away when they are in an accident, or may ask in advance what they should do.

- First, always, and most important: **get out of harm's way** and
- **Get care for any injured person**
- Take photos of autos, licence plates and intersection or area if possible
- Move vehicles to a safe place if they are drivable
- Go with other driver to a safe place
- Exchange information including name, address, driver licence number (SGI customer number), plate number. If possible, take photo of the other driver's licence and registration
- Do not inform the other driver whether you do or don't have extension insurance. It's none of their business
- Obtain names and addresses of any witnesses
- Call the police if any of the following apply:
  - any injury or death
  - hit and run, unidentified driver or vehicle
  - a driver is suspected of impairment
  - driver doesn't have driver's licence to produce immediately
  - registration is expired
  - out of province vehicle
  - any vehicle requires towing from the scene of the accident
- If the police cannot attend the scene, a police report may be filed later at the police station in the above circumstances. In addition, a police report must be filed for claims due to
  - vandalism
  - theft or attempted theft of the vehicle or parts of the vehicle

### b. Report to SGI

A broker should advise clients to report the claim to SGI as soon as possible, and certainly within 48 hours. The AAIA says vehicle damage shall be reported 'forthwith'; there are other provisions for injury claims which reflect the fact that an injured person may not be able to report immediately. An adjuster will be assigned and if the car is drivable, an appointment made to bring the auto to SGI's claim centre for appraisal of damage. In rural or remote areas, an adjuster may visit to inspect vehicles.

### **c. Injury**

SGI has specific adjusters or injury representatives who deal with injury claims and will explain what the insured is entitled to. For Accident Benefits, which is the main injury compensation for No Fault motorists, the adjusters are obligated to assist as much as possible and help fill out forms, identify benefits which the injured person may be entitled to, and provide fair settlement. Very rarely are lawyers or others required for No Fault injury claims. There are appeal provisions for disputed claims. Each type of accident benefits coverage has different deadlines for reports and for claims payment.

### **d. Determining Fault**

After taking statements and where possible, getting a police report, the adjuster will determine who was at fault in the accident. This is best described as the person who could have most readily avoided the accident. In many cases, the fault is 50/50, so each party has responsibility. Each party would thus pay their own deductible, as there is no one else who is primarily responsible against whom the deductible or other costs can be claimed. In addition, each party would be affected by loss of discounts on the Safe Driver Recognition program and possibly assessed penalties.

Motorists can appeal the adjuster's decision on fault, and the adjuster should give information on how to do so. Brokers should ensure that clients are aware of their options to best protect their insurance and driving record.

### **e. Vehicle Repair**

SGI will estimate repair costs and the insured can take the auto to a repair shop or auto body shop of his or her choice. In some cases there is hidden damage, and the adjuster must approve additional costs beyond the original estimate. The body shop will normally arrange for this. It is important to remember that the coverage is actual cash value, not replacement cost, so used parts or depreciation may apply.

### **f. Vehicle Total Loss**

If the repair cost plus salvage value of an auto is higher than the actual cash value, or market value, of the auto, the vehicle will likely be declared a total loss. In that case, SGI will offer a cash payout for the auto, which the insured can hopefully use to buy a comparable used vehicle. SGI then keeps the damaged vehicle as salvage. There can be substantial negotiation between a client and SGI on what is a fair value of the vehicle.

Clients may have the option of buying the salvage back from SGI if they wish to arrange for repairs on their own, but should be aware that total loss vehicles must be inspected to be sure they are repaired, safe and road-worthy before they can be licensed.

### **g. Arbitration**

If the client and adjuster can't agree on the extent of repairs, the adequacy of repairs, or the value of a total loss vehicle, the client can request arbitration. Each party chooses (and pays for) an appraiser and the 2 appraisers choose an umpire. The decision of any two of the three is binding on both SGI and the insured, and the costs of the umpire are shared equally.

#### **h. Out of Province Claims**

SGI has a unit which deals with accidents and other claims outside the province, and they should be contacted as soon as possible. Depending on the situation, SGI may appoint an adjuster where the accident happened, provide authorization for repairs in order for the insured to get the auto back home, or guarantee payment for emergency treatment to a hospital

#### **i. Plate and Extension Policy**

The client may have an extension policy with SGI or with another insurer. It is important to ask any client whether they have a policy, even if it may not be with your brokerage, so the claim can be properly reported from the beginning. More information about claims handling on extension policies is in the Part 2 Extension course.



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 21 on page 75.



## 22. Privacy and Safeguarding Client Information



Clients share a great deal of information with their broker, and brokers and insurers need to know a great deal about their client in order to do a good job of providing insurance and advice. One of the most important things you need to learn at the beginning of your career as an insurance broker is your moral, professional, and legal obligation to protect your client's privacy. Every client, from a person who comes to you with a question about an auto claim to an insured with a huge farm or factory, deserves absolute respect for their personal information.

### a. All information a client shares is confidential

Only those who are directly involved in serving the client or arranging the insurance in question can receive information. This includes the insurance company, but does not normally include your co-workers, family, or other friends. You may think that a client won't mind if you tell someone she has bought a new car, or had an accident, but it isn't up to you to think that. If the client wants people to know about their personal business or actions, they can tell people. Telling funny or amazing stories about your clients shows disrespect for them as well as breaching privacy laws.

### b. People have the right to know what information is needed and how it will be used

Information a client gives you for arranging auto insurance cannot be used to try to sell the person any other product including house or life insurance. Personal information cannot be given to other businesses or used for other purposes.

Insurers and insurance brokerages have Privacy Consent Forms which explain the use of the client's personal information and promise that it will be safeguarded. The forms are essential to verify that the client agreed to the use of their information. Clients need to consent to the collection and use of their personal information in order to obtain insurance quotes and products. Clients can decline to provide information, but if the information is important to the risk or the coverage, it's possible you can't serve them as a broker. In that case, you are again best advised to refer the situation to a manager.

If a client asks 'why do you need to know that' or 'where does all this information go', they are entitled to a serious and full answer. In most cases, the information is needed in order for you to advise them on the type of insurance they need, in order for the insurer to evaluate the risk, and to be sure they receive appropriate rating and discounts. Some information is essential and some, like credit ratings, may be optional. If you don't know why some information is requested or required, find out or refer the question to a supervisor or manager.

### c. Personal Information Protection and Electronic Documents Act (PIPEDA)

This is a federal law which governs the collection and use of personal information. It applies to individuals, not corporations, but professional brokers treat corporate information with just as much respect as PIPEDA requires for individuals.

**d. Freedom of Information and Protection of Privacy Act (FOIPPA)**

This is a Saskatchewan law which allows any person whose privacy has been violated the right to sue and allows individuals access to information held about them by a corporation.

**e. Legal requirements of PIPEDA and FOIPPA**

Some key provisions of these two Acts:

- information collected must be relevant to the client's purpose
- all information must be kept strictly confidential
- information gathered for one purpose can't be used for another without permission
- there are serious consequences for a breach, including up to 1 year in jail and \$50,000 fine
- clients are entitled to know about any privacy breach
- an accidental privacy breach is still a breach and contrary to the laws
- organizations must have a Privacy Officer to is responsible for compliance with the laws and for handling and reporting any breach
- clients must sign a consent form before we collect or distribute any information
- exceptions apply if you are required by law to disclose information, for example to a court or law enforcement officer

**f. Respect for Privacy in Action**

In addition to being always cautious and diligent about avoiding gossip, 'interesting stories' about your day at work, and other improper disclosures of someone's personal information, your brokerage probably has many procedures and rules to ensure that all staff meet the privacy expectations of clients and of the law. Three key areas are:

- Safeguard client records by following all procedures which protect client's information:
  - computer passwords, email, use of websites, computer security and virus protection
  - promptly logging out of databases or websites not immediately in use, where client information may be accessed, including your broker management system, SGI's SAM database, etc.
  - using only your own password and user ID and keeping it confidential
  - not leaving files or computer screens visible to anyone but the client in question
  - securing files in cabinets when the office is closed
  - removing confidential information promptly from photocopiers, printers and fax machines
  - shredding confidential information as directed by office procedures
  - safeguarding credit card numbers and other sensitive information, being aware that others nearby may hear phone and in-person conversations
  - following brokerage procedures with respect to storage of computer backups and use of a laptop, phone, or other device which may contain client information
  - using only devices or programs to communicate with clients which are approved and appropriately secure
  - remembering that phone messages and emails may not be secure, and clients must consent to these forms of communication before you use them for anything but a simple, non-confidential message

- Obtain consent for the use of client's information on Privacy Consent Forms:
  - understand privacy disclosure and consent forms
  - take the time to review these forms with the client and ensure they are signed
  - note any concerns expressed by clients about privacy or use of their information
  - ask only for the information relevant to the client's needs or request
- Respond immediately and properly to any breach or allegation of a breach:
  - know who is the privacy officer in your brokerage and what the brokerage's procedures are
  - report any suspected breach, even if you are not sure there is a problem, to your manager or the privacy officer
  - do what you can immediately to contain the breach and reduce harm to clients
  - document the situation

**g. SGI SAM data**

If you are an issuer, you will have received substantial training about SGI's privacy requirements and the use of the SAM computer system. You will know that you are not allowed to look up information about people who are not in the office or on the phone asking you to do a licence issuing transaction, even for family or personal friends.

If you are not an issuer, you are not allowed to access any SAM information, ever. It is still important that you know that no one is allowed to access a customer's vehicle or driving information except at the specific request of that customer.

Brokers cannot use the SAM system to obtain information for the sale or servicing of an insurance policy, without the express written consent of the client.



**So, have you got that?**

It's time for review. Check out the review questions for Chapter 22 on page 76.

## **23. Glossary and Acronyms**

AAIA	Automobile Accident Insurance Act
AB	Accident Benefits
Absolute Liability	Liability that occurs where one has a duty to fill no matter what the circumstances may be. Absolute Liability is often found in cases involving explosives and in many automobile laws. An insured or an insurance company may be responsible to a third party irrespective of any statutory faults, negligence or breaches on the part of the insured.
ACV Actual Cash Value	The fair market value of property taking into account factors that might augment or reduce the value of the property in question.
Agent	An individual authorized by an insurance company to create, modify, and terminate contracts of insurance or to arrange to do so or to advise on contracts of insurance.
Applicant	The person or firm requesting insurance.
Application	A request for insurance. This may be done verbally, in writing or by using a printed form. In Saskatchewan, an application must be written and signed in accordance with the Insurance Act.
Appraisal	A valuation or an estimation of the value of property usually done by an expert in that field who has no personal interest in the property.
Auto Insurance	Insurance coverage that provides indemnity and/or compensation for injury or physical damage which ensues from the ownership, use or operation of an automobile.
Automobile Accident Insurance Act	The Act outlines the general rules regarding basic compulsory automobile insurance and associated regulations, including setting out benefit entitlements and coverage limits for individuals injured in a collision. Payment options, customer discount plans and property benefits are also detailed in the Act.
Binder	The confirmation that insurance coverage is in effect.
Binding Authority	The authority given by the insurer to the broker in order to allow the broker to bind specified coverages without first submitting an application.
Broker	An insurance broker sells insurance for more than one company.

**AUTO PART 1 BASIC COURSE BY THE INSURANCE BROKERS' ASSOCIATION OF SASKATCHEWAN**  
**GLOSSARY AND ACRONYMS**

Canadian Loss Experience Auto Rating	CLEAR is the Canadian Loss Experience Automobile Rating. This is a method for classifying different models of cars for insurance purposes by using historical claims data, including Collision, Comprehensive, Direct Compensation - Property Damage, and Accident Benefits coverages. CLEAR is used by many insurance companies across the country.
Cancellation	During the policy period, either the insurer or the customer may terminate coverage according to provisions in the contract.
Capacity	The amount of capital available to an insurance company, or to the industry as a whole, for underwriting insurance coverage or coverage for specific perils.
Certification of Insurance	Written document stating that insurance is in effect. Includes general statement of policy's coverage.
Contract	An agreement between legally capable parties for a consideration demonstrating intent to do something which is legal.
Comprehensive Personal Liability	A form of liability insurance for individuals which insures the policyholder in the event he has become liable to pay money for damage or injury he has caused to others. This form does not include automobile liability, but does cover almost every activity of the policyholder except those which arise from the operations of a business. Hence "Personal" Liability.
Coverage	What the insurance contract covers.
Declaration	Statement, signed by the insured, warranting that information given by him is true.
Deductible	An agreed specified sum to be deducted from the amount of loss and assumed by the insured.
Direct Loss	Damage to or loss of the insured property itself. It does not include consequential loss or expenses incurred as an indirect result of the damage, such as the cost of renting replacement items while the originals are being repaired.
DWI	Driving Without Impairment
Effective Date	The date on which an insurance policy or bond goes into effect, and from which protection is furnished.
Endorsement	An amendment added to a written document, particularly an agreement between parties, altering its provisions.

**AUTO PART 1 BASIC COURSE BY THE INSURANCE BROKERS' ASSOCIATION OF SASKATCHEWAN**  
**GLOSSARY AND ACRONYMS**

E & O Errors and Omissions	1) Insurance covering the legal liability of professionals not usually involved with the care of the human body such as architects, engineers, accountants, or insurance brokers. This insurance reimburses clients and others who relied on the advice or expertise of the professional. 2) Making a mistake which puts a client at risk of financial loss. 3) A clause in certain policies whereby the insurer agrees to waive its defenses when an honest error has been committed provided it is corrected when discovered.
Estoppel	Is a doctrine of law which precludes a person from denying the truth of a statement formerly made by him or the existence of a series of facts which has caused someone to draw a certain logical conclusion. It can be created by conduct as well.
Excess Insurance	Insurance which does not participate until all other similar insurance on the same subject is exhausted, or until the loss exceeds a previously agreed upon amount. Where there are two policies on a risk and both contain a provision that they are "excess to all other insurance," the problem is resolved by the general "guiding principles." This is usually interpreted so that each insurer contributes pro rata to the loss.
Expiry	End of the policy period.
Facility Association	The organization that ensures that anyone who is required to have car insurance has access to it.
Fleet	A fleet is generally considered as a certain number of vehicles that are grouped by usage. Typically this is done for commercial use vehicles.
Good Faith	Most ordinary contracts are good faith contracts. Insurance contracts are agreements made in the utmost good faith. This implies a standard of honesty greater than that usually required in most ordinary commercial contracts.
GVW Gross Vehicle Weight	Combined weight of vehicle, trailer, and load. May be required at time of registration.
HTB	Highway Traffic Board
Indemnity	A contract, express or implied, to repay in the event of a loss. Insured neither gains nor loses.
Indirect Loss	Loss resulting from a peril, but not caused directly or immediately by the peril. For example, loss of property due to fire is a direct loss, while the loss of rental income as the result of the fire would be an indirect loss.

**AUTO PART 1 BASIC COURSE BY THE INSURANCE BROKERS' ASSOCIATION OF SASKATCHEWAN**  
**GLOSSARY AND ACRONYMS**

Inspection	Independent checking of facts about an applicant or claimant, usually by a commercial inspection agency.
Insurable Interest	An interest which the insured must have in the subject matter of the insurance he buys so that if the event insured against occurs, the insured will suffer a pecuniary loss.
Insurance	A contract between an insurance company and its customer for a specific period of time. It protects the customer financially against a loss. Insurance is also a mechanism for dispersing risk, because it shares the losses of the few among the many.
Insured	The entity (individual or otherwise) whose risk of financial loss from an insured peril is protected by the insurance policy.
Insurer	The company providing the insurance coverage.
IRE	Inter-Provincial Record Exchange
Lapse	An insurance policy which, having reached its expiry date, is not renewed or extended is said to have lapsed.
Lessee	The person to whom a lease is granted. A less e of real property is commonly called the "tenant."
Legal Liability	Liability imposed by law on individuals or corporations to pay for harm done to others.
Lessor	The person granting a lease.
Liability	This is a legally enforceable obligation. Liability insurance pays for the damages or losses suffered by others for which the insured person is legally responsible.
Loss	A word often used in place of the word "claim." It refers to the amount an insurer must pay because one of the possibilities of loss insured against under a policy has happened.
Loss Payee	In the event of loss payment shall be made jointly, to the insured and party with a financial interest in the vehicle. E.g.
LOU	Loss of Use
LV	Light Vehicle, under 5000 kg GVW
Material Fact	Information about the subject of insurance, insured risk, that, if known, would change the underwriting basis of the insurance, and which could cause the insurer to refuse th application or charge a higher rate.
Material Misrepresentation	When a policyholder or applicant makes a false statement of material (important) fact on the application, he or she has committed a material misrepresentation, which may result in loss of coverage.
MGVW	Maximum Gross Vehicle Weight (as set by the vehicle's manufacturer)



**AUTO PART 1 BASIC COURSE BY THE INSURANCE BROKERS' ASSOCIATION OF SASKATCHEWAN**  
**GLOSSARY AND ACRONYMS**

Misrepresentation	An incorrect statement which may convince a party to enter into a contract.
MVD	Motor Vehicle Division (of SGI)
Named Insured	The person in whose name the policy is issued. Technically, he or she would be the first party to the contract, the second party being the insurance company that issues the policy.
Negligence	To fail to do what a reasonable and prudent person would do (or to do what such a person would not do); this can result in property damage, injury or death.
NOA	Non owned Auto
No-Fault	This type of automobile insurance provides some compensation for personal injury and death arising out of a motor vehicle accident, with payments made regardless of who caused the loss. However, it does matter who caused the accident; if found to be at fault, a driver may experience an increase in future premiums.
Non-disclosure	Silence where there exists an obligation to speak.
NSC	National Safety Code
NSF	Non-Sufficient Funds
NVIS	New Vehicle Information Sheet
OAP	Owner's Auto Policy
Operator	One who operates (drives) a vehicle.
PAC	Pre-Authorized Chequing
Pain and Suffering	A non-economic loss for which recovery may be available against the wrongdoer in a lawsuit.
Pecuniary	With respect to financial/money. A pecuniary loss is a financial loss.
Perils	This is the cause of loss or damage. A homeowner's policy, for example, insures against perils like windstorms, fire and theft.
Physical Damage Coverage	The section of an automobile policy that provides coverage for damage to the insured vehicle. It may cover all perils, collision or upset, all perils other than collision or upset (comprehensive) or specified perils.

**AUTO PART 1 BASIC COURSE BY THE INSURANCE BROKERS' ASSOCIATION OF SASKATCHEWAN**  
**GLOSSARY AND ACRONYMS**

Physical Injury (also known as Bodily Injury)	A term, mostly used in automobile insurance, meaning physical injury as a result of a car collision.
Pink Card	Motor vehicle liability insurance cards designed to serve as evidence of automobile third party liability insurance.
PIPEDA	Personal Information Protection and Electronics Documents Act
PIPP	Personal Injury Protection Plan, the AAIA Accident Benefits coverage
Pleasure Use	A vehicle that is used exclusively for personal purposes, including driving to and from work.
PR	Pro Rata, to calculate the number of days used in an insurance term as a proportion of the year.
Premium	An insurance premium is the money the policyholder pays to the insurer for financial protection against specific risks for a specific time-span. Unlike the premiums for many forms of life insurance, general insurance premiums are not intended to produce a reward other than financial peace of mind.
Principal Operator	An individual who is listed on the policy who drives the vehicle regularly.
Pro-rating	The adjustment of policy benefits due to a change of exposure or existence of "other insurance, so that each insurer or coverage pays its portion.
PST	Provincial Sales Tax
Quote	An estimate of the cost of insurance, based on information supplied to the insurance company.
Rate	The amount, established or reviewed by government, used to calculate premiums to be paid on an auto insurance policy.
RC	Replacement Cost
Renewal	A certificate which attests to the fact that an insurance policy has been extended for another term.
Registration Fees	Fee collected by SGI on behalf of the Government of Saskatchewan to have a vehicle on public roadways.
Replacement Cost	The cost of replacing property without deduction for depreciation.

**AUTO PART 1 BASIC COURSE BY THE INSURANCE BROKERS' ASSOCIATION OF SASKATCHEWAN**  
**GLOSSARY AND ACRONYMS**

Revision	Any change to the existing policy whether it is a change to the insurable object, the insured's information or the amendment, addition or deletion of a coverage item.
RHG	Road Hazard Glass
Risk	The possibility of loss.
Salvage	On paying for a total loss of property, an insurance company takes title to what remains of or what is recovered of the property. This is a right of salvage.
SAM	SGI Auto Mate, the motor vehicle and driver licensing computer system
SDR	Safe Driver Recognition
SGI	Saskatchewan Government Insurance
SR	Short Rate
Statutory Condition	Special prescribed and standardized conditions that the Provincial Insurance Acts require to be included in fire, automobile and accident and sickness policies.
Subrogation	Once a company has paid a loss for which someone other than the policyholder is responsible, it may have the right to recover this loss from the guilty party. This right is called subrogation.
Term	The period of time from the inception to the termination of an insurance policy or bond.
Third Party Liability	Covers an insured if his or her car injures someone else or damages property and he or she is held legally responsible.
TLV	Total Loss Vehicle
Total Loss	Loss of all the insured property. Also a loss involving the maximum amount for which a policy is liable.
Tort	A tort is a wrongful and harmful action addressable by some appropriate legal remedy.
TPL	Third Party Liability

**AUTO PART 1 BASIC COURSE BY THE INSURANCE BROKERS' ASSOCIATION OF SASKATCHEWAN**  
**GLOSSARY AND ACRONYMS**

Traffic Safety Act	The Traffic Safety Act provides the framework for the regulation of driver's licensing and motor vehicle operation in Saskatchewan.
TSA	Traffic Safety Act
Underinsured Motorist	A form of insurance that pays for the bodily injury or property damage caused by the owner or operator of an inadequately insured automobile.
Unidentified Motorist	Motorist responsible for the damage cannot be identified.
Uninsured Motorist	A form of insurance that pays for the bodily injury or property damage caused by the owner or operator of an uninsured automobile. In some parts of the country, this is referred to as "Section D."
Utmost Good Faith	A phrase in a legal document calling for the highest standards of integrity on the part of the insured and the insurer.
Valid	Legally binding
VICC	Vehicle Information Center of Canada
VIN	Vehicle Identification Number (serial number)
Void	1) Invalid, not legally binding. 2) An insurance contract that is prohibited by law and thus cannot be held to be a valid contract.

## So, have you got that?

Review questions are an essential part of this course. They help you focus your learning on the important topics, and tell you whether you should review a chapter before moving on, or whether you've got it. It is recommended that you review when shown in the text and then again after you've read through the whole course. If you know the answers, then move ahead. If not, it's best to go back and re-read the chapters since the material in later chapters builds on what is covered in the earlier sections.

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

## Introduction and Chapter 2

1.	What is the name of the regulatory body which gives permission or licensing to agents to allow them to sell insurance?	General Insurance Council of Saskatchewan
2.	True or False: Motorists in Saskatchewan need either plate insurance or an extension policy in order to be properly covered.	FALSE Motorists nearly always need both.
3.	Extension policies generally A. require that plates be valid B. increase coverage beyond what the plates give C. give coverage to vehicles not covered by plates D. all of the above	D
4.	In Saskatchewan,  _____ + POLICY = PROTECTION	PLATE
5.	There is a potential for high claims severity in auto insurance. This means _____.	Any one claim can be very large, millions of dollars, higher than most people can afford to pay.
6.	Governments passed laws requiring auto insurance in the early days of automobiles to be sure A. they could collect taxes B. premiums would stay affordable C. people were protected from the risks of autos D. auto premiums are affordable	C
7.	List at least 6 reasons why auto insurance is very important:	Mandatory, high claims frequency, high claims severity, large proportion of insurance business, autos are dangerous, most people have autos, autos move across provinces, major expense to people, public/political issue

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 3 and 4**

8.	True or False: The Government of Canada and the US Federal Government regulate auto insurance.	FALSE Provinces and states regulate insurance, including auto
9.	Which Saskatchewan Act establishes the coverage provided by plate insurance? A. Insurance Act B. Automobile Dealer's Act C. Traffic Safety Act D. Automobile Accident Insurance Act	D
10.	Coverage for workers who are injured in an auto accident is provided by A. Worker's Compensation B. Automobile Accident Insurance Act C. Highway and Transportation Safety Act D. Labour Standards Act	A
11.	In Manitoba, Quebec, BC and Saskatchewan, mandatory auto insurance is provided by A. Private insurers B. Facility C. Public insurers D. Interjurisdictional agreement	C
12.	Are the rules and coverage that apply to an accident based on where the accident occurs or where the vehicles are registered?	Where the accident occurs
13.	Auto insurance covers accidents only in: A. The owner's home province B. North America C. Canada D. Canada and the US	D
14.	In Saskatchewan, a Facility is not needed because _____	SGI covers all drivers, even those who are higher risk

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 5**

15.	Which of the following is NOT a key aspect of liability: A. Negligence B. Moral Responsibility C. Damages D. Third Party	B
16.	Define negligence	Doing something a reasonable and prudent person would not do, or not doing something that person would do
17.	Pecuniary means A. Punitive B. Non-economic loss C. A legal or civil wrong D. Economic loss	D
18.	The insured on an insurance policy is the A. First Party B. Second Party C. Third Party D. None of the above	A
19.	What are the two most common types of damages covered on liability insurance? _____ and _____	Bodily Injury and Property Damage
20.	True or False: An injured person who sues someone else may be jointly liable for their injuries.	True
21.	Is auto liability intended to cover torts or contractual liability?	Torts
22.	Which of the following are true (choose any number) A. The driver is primarily responsible for the safe operation of an auto B. The owner is primarily responsible for the safe operation of an auto C. The driver and owner may be jointly liable for injuries or damages D. If an owner loans an auto to someone, the owner will not be liable for its operation	B and C



**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 6 and 7**

23.	True or False: Valid plates are essential for AAIA coverage to apply	True
24.	True or False: If an auto owner knowingly lets an impaired person drive, the driver has no coverage but the owner is covered by the AAIA.	False. Allowing operation by someone impaired excludes the owner from AAIA coverage.
25.	Although the operation of most attached equipment is excluded from AAIA coverage unless the vehicle is in motion, which of the following are covered (choose all that apply) A. snowplows B. oil drilling rigs C. fork lifts D. truck-mounted welding apparatus	A and C
26.	List three things that mean a driver is considered NOT authorized or qualified to drive:	Licence cancelled or suspended for criminal code conviction Disqualified Failed to renew while owing SGI money
27.	True or False: The AAIA will cover damages during an auto race as long as it's not on a public highway	False. There is no coverage during racing.
28.	Which of the following is NOT true of Accident Benefits: A. Third Party coverage B. Regardless of fault C. Mandatory in all Canadian provinces D. Pay for injury or death	A. They are first party coverage. A person's injuries are covered on their own insurance policy.
29.	True or False: Liability coverage covers the cost to investigate, negotiate, and defend a lawsuit as part of the limit of liability	False This is covered but in addition to the liability limit.
30.	Physical damage coverage is (choose all that apply): A. Mandatory in all Canadian provinces B. On a replacement cost basis C. For collisions only	

# AUTO PART 1 BASIC COURSE BY THE INSURANCE BROKERS' ASSOCIATION OF SASKATCHEWAN REVIEW

	D. Mandatory in Saskatchewan	
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**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

## Chapter 8 and 9

31.	True or False: The biggest difference between 'tort' and 'no fault' provinces is the limits on the size of lawsuits.	False. The main difference is what you can sue for.
32.	True or False: If you are in No Fault in Saskatchewan, you can't be sued.	False. False. False. You can be sued for economic loss, property damage, and other things.
33.	True or False: In a no fault system, fault is determined when an accident happens.	True
34.	Which statements are true (choose as many as apply): A. Saskatchewan residents are automatically in Tort unless they choose No Fault B. Tort motorists have no accident benefits C. Saskatchewan residents are automatically in No Fault unless they choose Tort D. No Fault motorists have no right to sue	C
35.	True or False: The AAIA has always been a No Fault system	False. The No Fault system was introduced in 1995
36.	The system which allows Saskatchewan residents to choose between No Fault and Tort is called: A. Injury choice B. Reduced No Fault Option C. Joint liability D. Facility	A

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 10**

37.	Does auto insurance normally go with the driver or with the auto?	With the auto
38.	True or False: When you register your auto in Saskatchewan, you get permission to drive by paying a registration fee. You then buy a separate extension policy to get insurance.	False. The registration includes payment of an insurance premium and basic plate insurance.
39.	What insurance do you get on a short-term permit?	Same as on a plate
40.	How long is the grace period or notice period giving AAIA coverage after your plates expire?	None, zero days, no coverage!
41.	Saskatchewan residents probably have valid AAIA coverage if they are out of the province (choose all that apply) A. Vacationing, for up to a year B. Working under contract C. Studying full time D. Moving to a new home, for up to 6 months	C
42.	True or False: There is AAIA coverage on your driver's license if you drive someone else's auto and didn't know its plates were expired.	True
43.	True or False: Visitors to Saskatchewan are covered for injuries according to the coverage they have in their home jurisdiction	False They are covered by Saskatchewan's No Fault benefits.
44.	True or False: Bicycles and trailers are treated the same under the AAIA, as non-motorized vehicles.	False Bicycles are not covered under the AAIA and are not a vehicle; trailers are.
45.	True or False: Snowmobiles must be licensed under the AAIA but have no coverage for accident benefits.	True. They have only liability coverage and no physical damage either.

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 11**

46.	List at least 5 benefits of No Fault coverage compared to Tort:	Accident benefit limits are higher; covered for single vehicle accidents, covered if you're at fault, don't have to sue to recover, claims settlement usually faster, loss of income continues until retirement, doesn't matter if the person who hit you is rich or has insurance, if you are responsible to a Tort motorist for pain and suffering they sue SGI, not you.
47.	List at least 5 benefits of Tort coverage compared to No Fault:	May have disability benefits at work and can't collect both, may have medical coverage privately, ability to sue for pain and suffering, may get larger settlements for pain and suffering, option of going to court, some No Fault benefits may not be of value (such as for retired people), feel if good driver will never be at fault.
48.	True or False: Injury choice for Tort or No Fault is for the individual and doesn't 'go with' the auto like other insurance coverage.	True
49.	Which statements are accurate? (choose as many as apply) A. Brokers should provide information on Tort, No Fault and Injury choice. B. Brokers should never provide information on Tort, No Fault and Injury choice. C. Brokers should ask clients about other insurance that may apply such as disability or medical benefits. D. Brokers should recommend No Fault for most clients. E. Brokers should avoid recommending either choice.	A, C, and E

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 12**

50.	With respect to AAIA Liability limits, which statement is false? A. The limit applies per person injured B. The coverage is limited to \$200,000 C. The priority of payments gives \$190,000 for bodily injury and \$10,000 for property damage D. The cost of defending a lawsuit is over and above the limit.	A
51.	True or False: Insurers must increase the liability coverage beyond what is shown on their policy if their insured has an accident in a jurisdiction that has minimum liability requirements higher than the policy limit.	True
52.	True or False: If there is property damage or injury in a hit and run accident, there is no liability insurance as there is no one to sue.	False. SGI steps into the shoes of the unidentified driver/auto and covers the minimum \$200,000.
53.	True or False: If a vehicle is registered as 5000 KG GVW but is actually 6000 KG, there is no liability insurance.	True
54.	List at least 4 different situations in which a Saskatchewan motorist in No Fault can be sued	Out of province accident, property damage, economic loss to high income earner, pain and suffering if convicted of impaired driving or criminal charges
55.	In addition to the situations in the previous question, what can a Tort motorist be sued for?	Pain and suffering suffered by another Tort motorist
56.	True or False: There has never been a liability claim in Saskatchewan over \$1,000,000	False See the 5 examples at the end of Chapter 12
57.	The limitation period for lawsuits arising from an auto accident with no minor children involved is how long?	Two years

**So, have you got that?**

**You're more than half through the review questions! Keep it up!**

### **Chapter 13**

58.	True or False: No Fault accident benefits are paid for any injury which occurs when you are in an auto	False. The auto has to be in motion. There are other exclusions too.
59.	True or False: Benefits are adjusted for inflation.	True. Benefits are indexed.
60.	Which of the following are NOT factors in determining the amount of a No Fault income benefit: (choose all that apply) A. a 7-day waiting period B. the number of dependents C. previous gross income D. previous net income after CPP, EI, and income tax E. whether you were employed full time or part time	B and C
61.	True or False: Students, homemakers, and unemployed people are entitled to no lost income benefits.	False
62.	True or False: The death benefit for a high-earning single person with no dependents will be lower than the benefit for a low-income person with a spouse and 5 young children.	True
63.	Permanent impairment benefits are paid (choose all that apply) A. only for catastrophic injury like quadriplegia B. in lieu of 'pain and suffering' C. in a lump sum one year after the accident D. monthly based on proportion of impairment E. based on proportion of impairment F. except to people convicted of impaired and criminal actions	B, C, E and F
64.	True or False: People injured in a stolen auto don't get accident benefits.	True
65.	True or False: If it is determined that someone was injured while deliberately driving their car off a bridge to commit suicide, they receive no accident benefits.	True

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 14**

66.	Name at least 3 ways that Tort and No Fault accident benefits are the same.	Vehicle must be in motion, benefits are not taxable, most benefits are indexed, rehabilitation and medical benefits are excess of provincial health coverage
67.	True or false: Income benefits are based on earnings prior to the accident in the Tort system.	False. Unlike No Fault, income benefits are a fixed amount for all full time workers.
68.	Which of the following are true for Tort income benefits (choose all that apply) A. Paid until retirement if you can't do your previous job B. Paid for 2 years if you can't do your previous job C. After 2 years are paid if you are unable to do any kind of work D. Paid to students and unemployed people who can't do any kind of work E. Paid if confined to hospital, bed or wheelchair for student or unemployed people	B, C and E
69.	True or False: Death benefits are calculated the same way for Tort as for No Fault	False. They are similar with respect to the number of dependents (spouse, children, and disabled) but are based on the deceased's income.
70.	Which of the following are NOT included in rehabilitation and medical benefits in Tort? A. Assistance with daily living B. Funeral expenses C. Travel for medical treatment D. Physiotherapy, massage therapy, and other treatments E. Medical equipment for care of the injured person F. Nursing home or home nursing care	B Funeral expenses are a separate coverage.
71.	In Tort, no permanent impairment benefits is paid for: A. an at fault party convicted of impaired driving B. anyone convicted of impaired driving regardless of fault	B



**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 15 and 16**

72.	True or False: Motorcyclists choosing Reduced No Fault get the same accident benefits as others if someone else is at fault, but accident benefits similar to Tort if no one else is at fault	True
73.	True or False: Physical Damage to the insured auto is covered for all risks including collision.	True
74.	The deductible for physical damage coverage is: A. \$700 B. range from \$400 to \$2500 with most vehicles \$700 C. \$500	B
75.	The AAIA coverage is for actual cash value with special limits on some vehicles. Name at least 4 types of vehicle that have limited coverage and say what coverage they have.	Antiques \$800; Dealer plates no comprehensive; Perpetually plated trailers no coverage; Commercial vehicles \$15,000 unless more is purchased; Snowmobiles no coverage
76.	Physical damage coverage excludes 'normal' things that are expected to happen to an auto. Name 4 examples.	Tire damage; mechanical failure, freezing, wear and tear, rust and corrosion, explosion in the engine
77.	True or False: If someone in your household steals your car, the AAIA will cover the loss.	False. Excludes theft by anyone with possession of the car, in your household or working in repair or servicing of the auto.
78.	True or False: Personal contents in a private passenger auto are covered under the AAIA but commercial cargo is not.	False. Contents are excluded, other than 'equipment of the auto'.
79.	Which of the following is correct: A. All electronic equipment is excluded B. Electronic equipment including radar detectors is limited to \$1500. C. Electronic equipment is excluded but radar detectors are covered up to \$1500 D. Electronic equipment is covered up to \$1500 but radar detectors are excluded.	D

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 17 and 18**

80.	True or False: Most private passenger vehicle are registered as class PV.	False They are class LV.
81.	Which of the following are included in Gross Vehicle Weight (choose all that apply) A. Contents of the vehicle including passengers B. Weight of the vehicle itself C. Cargo in the vehicle D. Trailer being towed E. Cargo in the vehicle	A, B, C, D, E
82.	Give at least 4 examples of how the use of a vehicle can invalidate its registration and AAIA coverage.	Those on page 40 and similar situations
83.	Define 'impaired' as commonly used in insurance policies.	Under the influence of alcohol or drugs to such an extent that the driver is incapable of proper control of the vehicle
84.	True or False: If you are impaired but not convicted under the Federal Criminal Code, there is no impact on your AAIA coverage.	False Physical Damage, Tort accident benefits, No Fault Permanent Impairment are all excluded.
85.	True or False: All drivers are allowed to have up to .08% blood alcohol level before there are consequences	False. New and young drivers are allowed no alcohol level and vehicles can be impounded from any driver over .04%
86.	A .08% conviction gives you (choose all that apply) A. A criminal record B. Up to 6 months in jail C. A lengthy suspension of driver's and vehicle licences D. No Permanent Impairment benefits if you are injured E. No Permanent Impairment benefits if you injured and in Tort F. No Accident Benefits if you are injured and in Tort	A, B, C, D, F

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 19 and 20**

87.	True or False: The registration fee is based on the year, make and model of the vehicle.	False. It's based on the vehicle class and for heavy vehicles, GVW.
88.	True or False: Saskatchewan uses the CLEAR vehicle rating system which is based on claims data from across Canada.	True
89.	Safe Driver Recognition is intended to: A. Provide incentives for businesses to hire good drivers B. Increase revenue to SGI C. Reward safe drivers and impose extra charges on risky drivers D. Replace traffic fines	C
90.	True or False: If a new driver is in a bad accident and has 10 penalty points, it will take them 10 years to get back to the base premium.	False After 3 safe and 'clean' years, drivers move to the base premium
91.	True or False: Registrations must be purchased for a year at a time.	False Registrations can be done for as little as 28 days and up to a year
92.	True or False: When you cancel your plates, the cancellation takes effect at the end of the month. At that time you have no AAIA insurance.	False Cancellation takes effect, with no AAIA coverage in force, immediately

**So, have you got that?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 21**

93.	List at least 6 situations in which drivers in an accident should call the police.	Any injury or death; hit and run or unidentified vehicle; suspected impairment; expired registration or no driver's licence available, out of province vehicle, vehicle not drivable
94.	True or False: The same adjuster will evaluate vehicle damage, take claim statements and reports, and adjust injury claims.	False. Injury adjusters are separate specialists.
95.	True or False: If an adjuster determines that you are all or partly at fault in an accident, you have the right to appeal that decision.	True
96.	True or False: Insureds can have repairs done at a body shop of their choice.	True
97.	Which of the following factors is NOT a consideration in whether a vehicle is a total loss: A. Which party is at fault in the accident B. Cost to repair the vehicle C. Value of the salvage of the damaged vehicle D. Market value of the vehicle immediately before the accident	A
98.	Arbitration: A. Gives the vehicle owner the right to buy back the salvage of a total loss vehicle B. A process to appeal the adjuster's determination of fault C. Resolves disputes about the value of a car or extent of repairs D. Is used in case of hidden damage not included in the repair estimate	C

**So, have you got the last chapter?**

Cover the right column with a sheet of paper, write your answer on the sheet, and then uncover the answer and explanation to check how you're doing.

**Chapter 22**

99.	True or False: Under privacy laws, it is acceptable to discuss clients' personal business within your organization.	False Only those directly involved in serving the client are allowed to know the client's business
100.	What are three purposes of a Privacy Consent Form?	Explain the use of client's information, promise it will be safeguarded, and document their consent to use that information for insurance purposes.
101.	What are the two main Acts which outline privacy rights and rules in Saskatchewan? A. FOIPPA and AAIA B. AAIA and PIPEDA C. FOIPA and PIPEDA D. PIPEDA and the Criminal Code	C
102.	List at least 5 of the key provisions of the privacy Acts	See top of page 49.
103.	True or False: If a client refuses to consent to use of their personal information or refuses to answer questions related to their auto, you may not be able to serve them and arrange the insurance they need.	True But these situations should always be referred to a manager or senior broker.
104.	Name the three key areas in which you need to be aware of, and carefully follow, your brokerage's procedures and rules.	Safeguard client records, obtain consent for use of information, and respond immediately and properly to any potential breach of privacy
105.	True or False: Anyone in a brokerage which is an SGI issuing office has access to driver and vehicle information on SGI's SAM computer system.	False. Only authorized issuers can access SAM information, and then only in limited situations.