Auto Part 2
Extension Licensing Course

IBAS
Insurance Brokers' Association of Saskatchewan

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BEFORE YOU START

Thank you for choosing the **Auto Part 2 Extension Licensing Course** provided by the Insurance Brokers Association of Saskatchewan (IBAS).

Once you've successfully completed the General Insurance Council Bylaws Exam, the Auto Part 1 Basic Licensing Course (or SGI's New Issuer Training) and this course you may apply for a 'Restricted Auto Agent Licence' from the General Insurance Council of Saskatchewan. This licence will allow you to sell private passenger auto insurance policies. These courses also fulfill the auto insurance qualifications needed for a Level 1 Agent Licence.

This course builds on the knowledge you gain from the Auto Part 1 Basic course or the SGI New Issuer Training and one of those courses should be successfully completed prior to starting this course.

The intent of this course is to 'extend' your knowledge of compulsory or 'plate' insurance to the auto insurance policy itself.

As you are aware, **auto insurance in Saskatchewan comes in two parts.**

The **first part is compulsory and comes with your vehicle licence plate.** It provides the minimum amount of insurance protection required by Law.

The **second part comes in the form of an auto insurance policy.** It 'extends' your insurance protection to more fully meet your individual needs.

In 2016 about fifty percent of the motor vehicles licensed in Saskatchewan were only protected by compulsory or 'plate' insurance coverage. This means customers may not have had full protection they needed.

Successfully completing this training course will help you to more fully understand auto insurance and allow you to assist your customers with obtaining the protection they need.

Auto insurance policies are provided by a variety of insurance companies so you will want to become familiar with each of them and the products they offer.

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Chapter 1

What you should know about being an Insurance Agent/Broker in Saskatchewan

Introduction

The **Saskatchewan Insurance Act (SIA)** requires all insurance companies, agents, brokers, adjusters and agencies to be properly licensed and regulated.

In this chapter, you will learn how various government authorities' work together to regulate the insurance marketplace and maintain a high level of public confidence in how it operates.

For the purpose of this course the terms 'agent' and 'broker' may be used interchangeably.

Objective

By the end of this chapter you will be able to:

- Understand the role of various regulatory authorities.
- Understand where to find information about agent licensing and rules of conduct.
- Understand the importance of ethics and managing conflicts of interest.
- Understand the importance of professional liability insurance.
- Understand the importance of confidentiality when handling customer information.

Who's Who in Insurance Regulation

The business of general insurance in Canada is closely regulated by federal and provincial laws and their corresponding authorities.

Role of the Federal Government

Most insurance companies that operate in Canada are federally licensed. A licence is granted to those companies that meet the strict financial standards established by the Office of the Superintendent of Financial Institutions (OSFI) on behalf of the federal government. OSFI's authority is granted under ***The Insurance Companies Act of Canada.***

Once a licence has been granted by OSFI, the insurance company is closely monitored to ensure that solvency and financial stability are maintained.

This type of stringent regulatory oversight is important because the business of insurance is based on a "promise to pay claims tomorrow" in return for the "payment of premiums today".

In short, the role of the Federal Superintendent of Insurance is to:

- Ensure federally licensed insurance companies are financially solvent and able to pay claims today and into the future.
- Ensure insurance contracts provide fair and reasonable protection to consumers.

Role of the Provincial Government

Some insurance companies are only licensed on a provincial basis which means they fall directly under the jurisdiction of the **Superintendent of Insurance** for the province in which they operate.

The provincial Superintendent of Insurance has similar powers to the federal Superintendent of Insurance in exercising control over provincially licensed insurance companies. In Saskatchewan, the Superintendent of Insurance is granted authority under the ***Saskatchewan Insurance Act (SIA)***.

The **SIA** also authorizes the Superintendent of Insurance to license and regulate insurance agents and adjusters in Saskatchewan. An insurance agent is anyone who serves as an intermediary between the insurance company and the insurance customer. **In Saskatchewan both 'agents' and 'brokers' are referred to as agents under the SIA.**

In short, the responsibility of the provincial Superintendent of Insurance is to:

- Monitor the solvency of provincially licensed insurance companies.
- License and regulate insurance agents, brokers, adjusters and agencies.
- Supervise the terms and conditions of insurance contracts.

Role of the General Insurance Council of Saskatchewan

The **General Insurance Council of Saskatchewan** (Council) is a regulatory body that operates under a delegated authority from the Superintendent of Insurance.

The Council has been granted a specific responsibility to license and regulate the conduct of general insurance agents (including 'restricted' insurance agents), agencies and adjusters. The Council sets the standards for training, education, conduct, competence and proficiency in order to promote professionalism, competence and integrity within the insurance industry.

The Council also investigates the conduct of insurance agents and adjusters in response to complaints and determines whether a breach of *The Saskatchewan Insurance Act, The Saskatchewan Insurance Council's Regulations* or the Insurance Council Bylaws has occurred.

The Council can take appropriate disciplinary action where an allegation of misconduct has been substantiated through established rules of due process.

In short, the role of the General Insurance Council is to:

- Establish acceptable standards and practices of marketplace conduct.
- Investigate complaints about the conduct of agents, brokers, adjusters or agencies.
- Impose disciplinary penalties where misconduct has been found to have occurred.

Agent licensing and rules of conduct

The requirements for obtaining (and maintaining) an agent licence and the rules for agent conduct are outlined in the **Bylaws** of the General Insurance Council of Saskatchewan.

A copy of the current Council Bylaws can be obtained from the Council office or its website. The rules of conduct must be clearly understood and carefully followed by brokers and agents.

Restricted Agent Licence

For the purposes of this course a **Restricted Agent Licence s**pecifically relates to the sale of private passenger automobile insurance. An applicant for this licence will generally have undertaken the following steps; (1)Successful completion of the SGI Issuer Training Program; (2)Successful completion of one of the approved auto insurance training courses specified in the Council Bylaws; (3) Successful completion of the General Insurance Council's Bylaws exam.

Individuals who have previous experience as a motor licence issuer should inquire about the need to assess their issuer skills and knowledge before selecting one of the approved auto insurance training courses.

Obtaining a Restricted Agent Licence will allow you to sell an auto insurance policy in addition to fulfilling your duties as a motor vehicle licence issuer.

A Level 1 agent's licence, which allows you to sell and service personal lines insurance, now requires the same qualifications in automobile insurance as the Restricted Auto Licence, in addition to courses in other type or personal lines insurance.

Rules of conduct for insurance agent/ brokers

All licensed insurance agent/ brokers in Saskatchewan are subject to the rules of conduct outlined in the Council Bylaws.

It is important to become familiar with these rules and to conduct yourself accordingly to better protect yourself, your brokerage and the general insurance public.

The business of insurance is highly dependent on integrity and good faith; therefore familiarity with the Council Bylaws will be important to establishing and maintaining that environment.

Ethics

Ethical behaviour and managing conflicts of interest

The first priority of an agent/ broker is to the customer. As an agent/ broker your responsibility is always to recommend the most suitable product for your client's needs.

Imagine however that you deal with an insurer that will give you a $10 gift card (or some other incentive) if you sell an auto policy for that insurer. You may realize however that a different insurer has a product that may better suit your client's situation. To act in a fully ethical manner, you must offer your client the policy that better suits his/her needs.

In the example above, if you did find yourself motivated to sell the product with the $10 gift card you could be seen as having had a 'conflict of interest'. If you truly believed however that the insurer with the gift card was indeed a good choice for your client, it would be advisable to disclose your conflict of interest about the gift card, and explain why you felt the product was a good choice for your client. In this way, you will have given your client the information they need to make a fully-informed decision about which product they prefer, and will have fulfilled your obligation to serve the client's interest.

In a different example, there might be some question as to whether your client should, or should not, buy 'Loss of Use' coverage for their vehicle. You may have assumed that your client would prefer getting a lower premium (and you may be right) however you should first determine whether your client needs the coverage and might be willing to pay more for in additional premium. By asking the simple question, "Would you be greatly inconvenienced if your car was in an accident and couldn't be used for several days?" you can ascertain the possible need for this coverage, establish proper business practice, and fulfill your duty to your client. In fact, if you failed to do this you could expose yourself to a possible errors and omissions action that would be best to avoid.

You must also understand that there's an important balance between your duty to your client and your obligation to be fair and honest with the insurance company.

For example, you may have knowledge about your client's situation that's at odds with what they communicated to the insurer. Imagine that you have a friend (Joe), who was convicted of driving while under the influence of alcohol (DUI)about four years ago. You haven't seen Joe for a couple of years, but one day he comes into your office to buy an auto policy on his new Honda. You ask him all of the standard questions and then realize that he hasn't disclosed his DUI conviction, only a speeding ticket that he got last year. What should you do?

The insurer is deemed to know everything that you, as the agent, know about your client, so if you know something, you have a duty to communicate it to the insurer.

In the above example, it's possible that the DUI conviction simply slipped Joe's mind, but it's also possible that he knows it will affect his insurance premium and he'd rather pay the lower rate he'd get if he hadn't had the conviction.

You must handle this conflict by respecting your client's interest and fulfilling your obligation to the insurer. You should tell Joe that you remember his DUI conviction (which should be done in a private way), and advise him that he can expect his rates to drop at some point because of the age of his conviction; or you might suggest some deductible or coverage options that better fit his budget. Whatever you do, you must inform him that failing to provide accurate information to the insurance company could lead to his insurance coverage being declared invalid.

Utmost good faith

The courts have recognized that insurance is unique among legal contracts. One of its unique characteristics is the principle of *uberrima fides* or utmost good faith. In short, it means that the insured and insurer have a special relationship that's built on mutual trust. Insurers must treat the insured fairly; and the insured must provide any information that would affect the insurer's decision about accepting them as a risk. These dynamics are vital to the coverage offered and the premium charged.

For example, if Insurer A restricted your client (Jane's) policy at the time of renewal, you could not simply remarket her policy to another Insurer B without first advising Insurer B of any claims or convictions that Jane incurred during the period Insurer B would want to consider for underwriting purposes (usually five years for an auto policy). Neither could Jane go to another broker without being obligated to fully disclose her situation to the insurance company as a matter of acting in utmost good faith.

Importance of absolute honesty

Why is honesty so important? The insurance industry simply couldn't work without it.

The insurance company relies on honesty because they set their rates based on the client's specific situation. If the client provides inaccurate information, the premium may be too low and eventually will drive up the premiums for all clients, even those with better histories.

The insured requires honesty because insurance can be a very complex product. Clients don't necessarily understand that coverage for say 'road hazard glass' is not included in a standard auto policy. As the agent/broker you are responsible for providing as much information as the client needs to make a fully informed decision about an auto policy and the coverage it includes.

Professional Liability Insurance/Errors and Omissions

As a licensed insurance agent/broker, your job is to provide advice and make recommendations that meet the insurance needs of your client, and to carry out their instructions. You are like many other professional groups such as Lawyers, Accountants, Engineers, Realtors, and Appraisers. A mistake by anyone in these professional groups can result in financial loss to their client and lead to a legal responsibility for any loss that occurs.

As professionals, insurance agents/brokers owe a "standard of care" to their clients. If this standard is not met, the agent can be found legally liable for a negligent act, error, or omission they might commit. The courts have determined that this "standard of care" is that which can be expected from a reasonable and informed agent or broker in a similar circumstance.

From the perspective of auto insurance there are a number of ways an agent or broker can fail to meet the "standard of care". These include:

- Failing to obtain enough information from the client to properly assess the client's needs
- Failing to ensure that the client's vehicle is properly registered for the use identified by the client, particularly in the case of farm or commercial vehicles
- Failing to recommend adequate Liability Insurance and Uninsured Motorist coverage limits
- Cancelling or amending the insurance coverage on the wrong vehicle

Insurance is a dynamic and evolving industry therefore agents/brokers must keep abreast of the changes in insurance products, pertinent regulations, policy coverage, and clearly understand their client's needs and expectations.

In many cases, it's not sufficient to simply act on your client's instructions. You are expected to ascertain all pertinent information about your client, assess foreseeable risks, make recommendations, secure appropriate insurance coverage according to the needs of your client, and to act on their instructions.

Preventing/reducing the risk of an E & O lawsuit

In most provinces, including Saskatchewan, insurance regulators require insurance agents and brokers to obtain Errors & Omissions (E&O) insurance as a prerequisite to obtaining a licence.

E&O insurance can protect the licensed agent/broker from financial loss that may be incurred as a result of a negligent act, error or omission in the course of rendering their professional services.

Typically, the policy applies to claims first made against the agent/broker and reported to the Insurer during the E&O insurance policy period. Expenses related to the defense of a covered claim are generally provided in addition to the policy limit.

Errors and mistakes by an insurance agent/broker do unfortunately happen from time to time and can lead to an E&O claim. These claims tend to occur because of the following:

- Inadequate training and product education;
- Poor risk identification and analysis;
- Lack of uniform office practices and procedures;
- Time constraints, heavy workloads, backlogs and lack of follow-up;
- Poor or lack of documentation regarding client requests, broker recommendations, and decisions made by the client.

It will be helpful to put standardized procedures into place, including the use of checklists, to minimize mistakes and serve as valuable evidence in defending you and your brokerage, in the event of a claim.

Documentation

As an agent/broker you must properly and thoroughly document your files. You must accurately and consistently document all recommended coverage, limits, deductibles and any other pertinent information that you discuss with your client. You must send written confirmation to your client of any rejected coverage and/or recommendation(s) that you may have made, including any specific coverage limitations/warranties or policy conditions.

The need for proper documentation also applies to the insurer. All pertinent underwriting information and risk particulars must be passed on to the insurer. Requests for quotations and binding of coverage should always be confirmed in writing. You must check policies closely for accuracy and ensure all coverage and limits are correct before sending the policy to your client along with a request that the client review the policy issued to confirm that it is consistent with their expectations.

The documentation you produce is often the difference between winning and losing an E&O claim made against you. Legible, complete, and consistent documentation will often result in a successful defense.

E&O Claim

A claim or potential claim against an agent/broker or the brokerage must be immediately reported to your Errors and Omissions insurer. Failure to do so could result in a denial of Errors and Omissions coverage by the E &O insurer.

Claims include actual notices of claim, such as a verbal or a written demand, as well as any legal document that may have been served on the agent/broker or the brokerage.

Potential claims include the knowledge of any circumstance that could lead to a claim against the agent/broker or the brokerage.

An agent/broker should report all claims and potential claims to their brokerage management immediately. In no event should an agent/broker ever try to deal with a claim on their own.

Binding authority

When binding insurance coverage, an agent/ broker must comply with the rules of the insurer. This includes staying within the binding authority provided by the insurer, providing proper notification to the insurer, and providing proper confirmation to the client. The rules outlining proper binding authority can be found in your agency/brokerage contract with the insurer, or by looking at the insurer's procedure manual.

Chapter 2

Basics of Insurance and Canadian Auto Insurance Law

Introduction

Automobile insurance is required by law in every part of Canada. In this chapter you will learn about the legal requirements and the terms and conditions required for a contract of insurance; become familiar with who buys and who sells automobile insurance, their respective roles and the distribution models used in the marketplace.

Objective

By the end of this chapter you will be able to:

- Identify the parties to a contract of auto insurance
- Identify the different types of insurance companies
- Identify the roles and responsibilities of agents, brokers, insurers, lenders, leasing companies, adjusters, appraisers
- Understand the basic requirements for a contract of insurance
- Understand the different distribution models used in the sale of auto insurance.
- Identify the elements of a legal contract.
- Understand how auto insurance may differ across Canada.

Parties to a contract of insurance

Insured=first party
This is the party that is protected by the policy

Insurer=second party
This is the company that provides the insurance

Others=third party (ies)
This refers to anyone else involved in a motor vehicle accident. There can be multiple third parties involved in an accident/claim. i.e. Pedestrians, passengers, etc.

Types of Insurance Companies

There are many different types of insurers. The differences arise mainly from their ownership or organizational structure. Some of the various types are:

Co-operative Organizations

These companies are owned by their members and were originally set up with the objective of being a mutual benefit to the members. There was no specific desire to make a profit.

Mutual Companies

A mutual company is a corporation owned by its policyholders. The original purpose of the mutual was to provide insurance at a low cost. The strengths of the mutual company lie in its community involvement and low operating costs.

Stock Companies

Stock companies are limited liability organizations. The capital invested by the shareholders is put to work in the business of insurance. The main purpose is making a profit for the shareholders.

Government Insurers

Government insurance usually takes the form of a government department or crown corporation. Examples of a Government insurer are: Worker's Compensation boards, Provincial medical plans, Unemployment Insurance Plan, Automobile insurance plans found in some provinces such as Manitoba Public Insurance, SGI, Insurance Corporation of British Columbia.

Intermediaries/Insurers/Others- Role, Responsibility and Rights of:

Note to students: In Saskatchewan, both brokers and agents are referred to as "agents" in insurance legislation and licensing regulations, but many people make a distinction between agents and brokers as follows:

Agent

An agent serves as an intermediary between the client and an insurer**.** They may be an independent business person with a contract to transact business with only one insurance company or they can be an employee of an insurance company hired to sell and service its products only (direct).

Role: The agent is contracted to solicit and service insurance on behalf of the company he/she has a contract with. The agent is appointed by the principal (company) and is given the authority to bind the company into contracts of insurance with third parties (customers). The function of an agent is to provide advice to the customer and assist in the completion and service of insurance contracts.

Responsibilities: The Agent is responsible under the Agency contract to follow the Binding authority as expressly laid out and to collect and remit premium to the company as stated under the contract. The contract will detail the commissions payable to the agent according to the class of business. The agent is required to promptly notify the insurer of all claims reported to the agent. They must not act negligently or delegate their authority.

Broker

Unlike an agent, the broker is the agent of the ***insured*** and acts as the representative of the insured in securing insurance. A broker is usually an independent business person and can place risks with one or more insurance companies.

Role: Similar to the agent, the broker's role is to provide advice and assist in the completion and service of insurance contracts. The difference is that the broker acts on behalf of their client whereas the agent acts as a representative of the insurer. A broker who has access to more than one market, can offer more choice to the customer and tailor insurance to their needs.

Responsibilities: The broker must act within the terms of their Broker contract with an insurer and must follow their instructions as to type of business written. They must collect certain premiums and hold them in a trust account and remit them within certain time limits. They must advise the insurer of business written in accordance with the agreement. Like an agent, they must promptly notify the insurer of claims. They must exercise care and not act negligently or delegate their authority as stated within the insurer agreement.

All provinces require individuals who act as insurance broker or agent to be licensed. Once licensed, they must abide by the requirements of their provincial insurance Act.

Insurer

Role: Insurance companies serve two main objectives. They need to meet the needs of their policyholders and make a profit for their owners. There are many forms of insurance companies and they may have differing geographic boundaries, they may be licensed provincially or federally, they may specialize in one class of insurance or many. Regardless of their structure, they all operate to achieve the two primary objectives.

Protecting the Public

Insurers are required to be licensed either federally or provincially depending on where they choose to operate. This requirement exists because customers pay premiums in advance for protection against an event that causes a claim in the future. If the Insurer were to go bankrupt, the customer might not be able to recover amounts due from the insurer. For this reason, federal and provincial oversight is provided to insurance companies to ensure they are well managed so as to remain solvent and able to pay losses in the future. This same oversight applies to foreign insurers operating in Canada.

Lenders

Role: Lenders have an interest in insurance contracts. Where they lend money to their customers to purchase an asset, i.e. car, house, farm equipment, they will want to see those items insured so that their loan is not prejudiced in the event of a loss. Accordingly, they will ask for evidence that insurance has been placed on the asset and ask for their name to be added as a "Loss Payable" under the insurance contract. In the event the asset suffers a loss, the claim will be paid jointly to the insured and the lender to satisfy their loan.

Responsibilities: The lender's responsibility to the insurance company varies according to the asset insured.

For mobile assets like cars, boats, etc. (called chattel property), there is no obligation on the lender and the insurer will pay any loss jointly to the lender and the insured. The insurer will also give notice of cancellation to the lender by regular mail.

For real property (real estate), insurers and lenders have agreed to the "Standard Mortgage Clause" which spells out rights and responsibilities for both parties.

<u>Some</u> of these are as follows:

1) Insurance with respect to the mortgagee's interest shall be in full force and effect regardless of any act, neglect, omission, vacancy or non-occupancy provided always that the mortgagee shall notify the insurer of any vacancy or non-occupancy that comes to his knowledge and shall pay any additional premium on reasonable demand from the date of such increased hazard.
2) The mortgagee can provide notice of loss if the insured is unable or refuses.
3) If the insurer elects to cancel the policy, they must provide "registered" notice to the mortgagee as well.

Leasing Companies

Leasing companies differ from lenders in that the lender lends you money to purchase an asset you own and insure. The leasing company continues to own the asset and you simply make payments to use that asset under a leasing contract. At law, the leasing company can in some cases be sued for any damage caused to others because they own the asset. An example is a car leased by an auto manufacturer. If the brakes fail on that vehicle which causes an accident and injures others outside of the vehicle, the auto manufacturer can be sued by the injured parties for their negligence. For this reason, an auto insurance policy issued to someone who leases a vehicle will require that the leasing company also be named as an insured under the policy. Thiswill allow the insurance policy to protect the leasing company as if they purchased a policy themselves.

Adjusters/Appraisers

Appraisers are people who estimate either the damage to a vehicle and/or the value of the vehicle. Typically, they have specialized training in auto body repair to help them estimate the parts that need replacing and the cost of labour required to recondition the vehicle. They could be insurance company employees or independent appraisers.

Adjusters are trained to handle the claims of their customers and third parties in a fair and prompt manner.

The best adjusters have some of the following traits:

- Strong interpersonal skills
- Solid investigative abilities
- Keen observer
- Tough but fair negotiator
- Scrupulously honest

Adjusters commonly adjust losses of two types:

- "First party" claims where the items damaged are insured under the policy
- "Third party" claims where the claim arises out of the insured's responsibility to others at law i.e. you drive through a STOP sign and hit someone and cause damage or injuries.

Adjusters fall into various groups depending on the strategy of the insurer.

- Telephone adjusters are often salaried employees of an insurer who adjust large volumes of simple claims that do not require face-to-face interviews. This is a cost effective way to handle high volumes of simple claims.
- Staff adjusters are salaried employees of an insurer who investigate, negotiate and settle claims on behalf of their employer. They have authority to commit the insurer up to a certain dollar limit.
- Independent adjusters are independent business people. They accept work from many insurers. They require a licence in each province they operate and charge fees based on time spent at a rate per hour plus expenses.

The basic process for the sale of Auto Insurance in Saskatchewan

In Saskatchewan, auto insurance is sold in two parts. The first is the compulsory insurance provided under the *Automobile Accident Insurance Act* commonly described as "Plate" insurance and sold only through SGI. The second is an automobile policy that extends above or in some cases below the compulsory coverage. This policy is optional, although highly recommended, and available from various insurers.

The process involves a customer with a new vehicle attending an issuer's office and completing an application for a new vehicle registration. Once done, a registration card will be produced and a licence plate will be provided to be attached to the vehicle. Payment is collected to complete the first part of the process.

The second part requires a more intimate knowledge of the customer and their needs and risks.

- Get to know the client
- Assess their needs and risks
- Explain the risks and options of coverage
- Obtain premium quotes
- Get decision to buy

- Complete insurance application and collect premium
- Submit application, etc. to insurer

Basic process to submit a claim

When something happens that the client thinks might be a claim, the client normally calls the agent or broker. The broker will verify the coverage details and collect the basic facts of what happened, and report the potential claim directly to the insurer. The insurer will "adjust" the claim, which means to investigate and determine what the amount of the claim is, and if coverage is in effect. They will pay the insured or pay for the repair or replacement to a repairer on behalf of the insured. The broker does not pay the claim and in most cases does not get involved in adjusting the loss.

Distribution models-How are insurance products sold?

There are a number of different ways that insurance products are sold. In some cases, an insurer may use more than one method to ensure they respond to the preferences of the marketplace.

Generally, there are three types of delivery systems used to sell insurance:

- The Independent Agency/Brokerage system- Many large insurance companies market their policies through the independent brokerage system. They appoint independent brokers to be their sales force and to bring them clients. For this, they pay a commission for each policy issued. The client list belongs to the broker, not to the insurer.
- Exclusive Agency Company-Market their policies through exclusive agents who represent only one company. They are not employees of the company. They are paid a commission and must pay their own expenses. In most instances, the client list belongs to the company not the agent. State Farm is an example of a company operating on the exclusive agent plan.
- Direct Writing Company-Deal directly with the public. In practice they will employ a force of producers to sell policies to prospective insured's. Such producers are employees who are paid a salary, and often a bonus based on sales. The business belongs to the insurer. Allstate is an example of a direct writer.

New ways of Direct Writing

With the increasing use of the internet and on-line applications some companies have elected to avoid a sales force altogether and instead sell their policies directly over the internet or through a telephone call center. This reduces their salary cost, which in turn, is often expended on advertising their brand instead. Examples of companies employing this form of distribution are RBC Insurance and TD Bank.

Basic requirements of an Insurance Contract

Definition of a Contract: **"A contract is a deliberate engagement between competent parties upon a legal consideration to do or abstain from doing some act".**

In order for a contract to be legally binding, it must contain five essential elements:

1. **Offer and acceptance(agreement)**
2. **Capacity of the parties to contract**
3. **Consideration**
4. **Genuine intention**
5. **Legality of object**

Contracts may be oral, or in writing. Both are binding if they contain the necessary elements. It is more difficult to prove the validity of an oral contract therefore it is wise to have a well-drafted written agreement.

Offer and Acceptance

To establish a contract, an offer must be made and it must be accepted. The offer must be communicated. This may be done orally, or, in writing, by implication or some other recognized gesture, such as holding up a hand at an auction in response to a price called by the auctioneer.

When an offer is made, the person making it must be ready to undertake the obligations of the agreement once the offer is accepted.

Lapse and Revocation of Offer

An offer may lapse for any of the following reasons:

- The offer is not accepted within the time specified in the offer.
- The offer is not accepted within a reasonable time if a time limit is not specified.
- The offer is not accepted before either of the parties dies or becomes mentally incapacitated.
- An offer can be revoked (or withdrawn) by the offeror at any time before acceptance but must be communicated before it is effective.

Acceptance of an offer must be definite and communicated. It must correspond to the terms of the offer. If a new term is introduced, it becomes a counter-offer which may be accepted or declined by the originating party.

Capacity to Contract

Under the common law certain classes of people lack the ability, competence or capacity in certain respects to enter into contracts that bind them.

Minors (or infants): This refers to individuals under the age of majority, 18 in most provinces. Contracts are generally not enforceable against minors. They can contract for the necessaries of life (food, lodging, and clothing) or when a contact is for their benefit. Minors may void a contract at their option but the person with whom the contract was made does not have the same right. These rules are in place to protect minors so others will not take advantage of their youth and inexperience.

Other persons of diminished contractual capacity:

Persons of unsound mind or incapacitated through alcohol or drugs are protected the same way as minors. All contracts except for necessaries are voidable at such person's option but enforceable by them against the other contracting party.

Corporations

Corporations have the same capacity to contract as natural persons. It is important to contract with individuals having the capacity to contract or with legal entities only. A contract may be made with Joseph Smith, owner/operator of Joe's Garage, and not with Joe's Garage. Joseph Smith is a legal person and has the ability to contract; Joe's Garage is a trade name only and has no legal standing. If Joe's Garage was incorporated and displayed Inc. after the name, it will have legal status, the same as a person.

Native Peoples

The capacity to contract of Native Indians living on a reserve is limited as set out under the Indian Act. Indians who have left the reserve have the same contractual capacity as any other citizen.

Consideration

Consideration is that which one party gives or promises to give in exchange for the act or promise of the other party. The giving of consideration is the evidence that the parties intend to be bound by the contract.

Examples:

Martin pays Suzie $200 to cut his grass once a week during the month of May.

Martin agrees to fix a flat tire on Suzie's car in return for her cutting his grass once a week during the month of May.

Consideration must have monetary value as shown above. In the first example it is money, in the second one it is a service. In the case of insurance contracts, consideration is the premium paid, or promised to be paid by the insured.

Genuine Intention

Where agreement and consideration exist, there is still no contract unless it is the intention of the parties to create a legally binding agreement.

In commercial agreements, the law presumes that a legally binding contract has been made if the overt behavior of the parties shows a serious intention to enter into a legally binding agreement.

Legality of Object

If the object of a contract is to commit an act that violates either common law or statute law, the court will rule it void and possibly illegal.

Example:

Some provinces have statutes which specifically provide that all types of bets are void. Betting is not a criminal offense, nor are penalties prescribed for those who bet. The statutes merely make it impossible for a winner to collect through the courts. Betting agreements or contracts are therefore void.

Illegal contracts

Illegal contracts may include an agreement to commit a crime, a tort or a fraud on a third party. The court will not assist an individual who has agreed to an illegal object.

"Additional" Requirements of a Contract of Insurance

In addition to the five requirements necessary for all commercial contracts the very nature of insurance requires an additional three requirements before a contract of insurance can exist. The law requires the presence of:

- Insurable interest
- A risk and promise of indemnity
- Utmost good faith

Insurable Interest

Property (or Automobile)

You have an insurable interest in a property (or Auto) when you stand in such a legal relationship to it that you will be financially prejudiced by its loss or damage and financially benefited by its continued existence. Many different individuals could have an insurable interest in a property (or Auto).

Examples:

Owners, lessees, tenants, lienholders, mortgagees, custodians

Liability

You also have an insurable interest in your potential capability to pay damages in the event that you are found responsible (legally liable) for having caused injuries to others or damage to their property.

Example:

As an Automobile owner, you have an insurable interest in insuring your capability to pay in case you, or individuals you allow to drive your vehicle, are found liable for causing bodily injury to others while operating your vehicle.

Indemnity (no profit)

To **indemnify** is to place someone back in the same financial position that they were in immediately prior to the loss. The principle of indemnity provides that insured's are to collect the amount of their financial loss-no more and no less, subject to such other provisions as deductibles and policy limits.

Indemnity can include different "basis of loss settlement" i.e.

- Actual cash value
- Contracts of compensation
- Valued contracts
- Replacement cost contracts

Actual Cash Value- is defined as the value of an equivalent piece of property of the same age and condition and subject to the same wear and tear as the property that was lost or destroyed.

Contracts of Compensation-a contract of compensation specifies that a stated amount is payable on the occurrence of the event insured against. Life insurance contracts are contracts of compensation.

Valued Contracts-Valued contracts are generally used when insuring items where it would be difficult to determine the true value after a loss occurred. Often these contracts require a specialized appraisal prior to agreement on the amount of insurance. Examples: Antique cars, jewellery, paintings, works of historic value, antiques, stamp and coin collections, etc.

Replacement Cost Contracts (no depreciation deducted)-This means the damaged or destroyed property will be valued on the basis of the cost to repair or replace(whichever costs less) it with property of like kind and quality, without any deduction for depreciation.

> The above basis of loss settlements may lead one to believe they offend the principle of "indemnity". It can be argued, however, that they are priced differently and do not offend the principle of indemnity.

Utmost Good Faith

With respect to insurance contracts one party (the insured) is in a much superior position of knowledge; only an applicant or insured has knowledge of all material facts relating to the risk. The law imposes a duty to disclose any information that is basic to the acceptance of the risk or the terms of the policy. It requires that the insured act with a high standard of honesty or **utmost good faith**.

A **material fact** is a fact that would influence a prudent underwriter in setting the premium or determining whether to accept or reject the risk.

Failing to disclose material facts is a type of **misrepresentation** and is known as **non-disclosure** or **concealment.**

If an insurer discovers that a contract has been obtained by non-disclosure or misrepresentation, the contract is voidable at the option of the insurer. The insurer may choose to continue the contract, in effect overlook the misrepresentation or treat the contract as void with a full return of any premium paid.

Void and Voidable Contracts

"Void' means treated as if no contract ever existed.

Reasons for voiding a contract:
- Mistake
- Misrepresentation
- Undue influence
- Duress

A **mistake** about the terms of a contract could result from a simple typo, misunderstanding of certain terms used in a contract or a mistake made in quoting a price so out of line that no reasonable person would be expected to rely on such an offer. A court will generally rule against the person attempting to enforce such a contract.

Example:

Marie responds to an ad offering a house for sale for $20,000. She is informed that the price quoted was a mistake and is instead $200,000. She sues to enforce the contract. She would fail because no reasonable person would believe this was the intended price.

A **misrepresentation** may be either **innocent** or **fraudulent**. A **fraudulent** misrepresentation is a false statement made deliberately or knowingly or with reckless disregard for the truth. The remedy of the court is rescission of the contract plus an award of damages to the injured party. An **innocent** misrepresentation is an incorrect statement made innocently about material facts which influences the other party to enter into the contract. The contract is voidable at the option of the party that relied on the representation.

Undue influence occurs when one of the parties to the contract can demonstrate that the contract was signed because of the overpowering influence of another person. The contract is voidable at the option of the victim provided they act promptly after being freed from the domination.

Duress is when a party to a contract is induced to enter a contract by the use of violence or threat, the contract is said to have been obtained under duress. The contract is voidable at the option of the victim.

Statutory Conditions

The insurance acts require that the rules governing the rights and responsibilities of all parties to the contract be part of every such contract. These rules are required to be printed on every policy under the heading of "Statutory Conditions". With respect to Automobile insurance policies, there are nine (9) Statutory Conditions. The attached is an abbreviated explanation of the Statutory Conditions.

1. **Material Change in Risk**-Generally, if there is any change in the insurable interest which might cause the insurer to withdraw coverage or charge an additional premium, it must be made known to the insurer promptly.

2. **(i) Prohibited Use by Insured**-insured's are prohibited from driving unless they actually hold a valid driver's licence or permit or can prove themselves qualified to drive. Insured's are also prohibited to drive or operate a vehicle while his licence is suspended or while his right to obtain a licence is suspended, or while he is prohibited under order of a court. He shall not drive while under the age of 16 or such other age at which a licence or permit may be issued. He shall not drive or operate the vehicle for any illicit or prohibited trade or transportation, nor shall the vehicle be operated in any race or speed test.

   (ii) Prohibited Use by Others-under this condition, there is no coverage when any member of the insured's household drives or operates the vehicle while their licence is suspended or while they are prohibited under order of any court. Coverage would be provided when the driver is not a member of the insured's household and the insured did not know that such person did not hold a valid driver's licence.

3. **(i) Requirements where Loss or Damage to Persons or Property-**When there is bodily injury or property damage to others, the insured shall:

   (a) Promptly give notice to the insurer of the accident.
   (b) Verify by statutory declaration that the claim arose out of the use or operation of the automobile and that the person involved is an insured under the policy.
   (c) Forward immediately any letters, documents, advice or writ received by him from or on behalf of the claimant.
   (d) Assist the insurer in securing information and evidence and co-operate except financially in the defence or subsequent prosecution of any appeal.

   (ii) The insured shall not:

   (a) Voluntarily assume liability or settle any claim except at his/her own cost.
   (b) Interfere in any negotiations for settlement or in any legal proceeding.

4. **Requirements Where Loss or Damage to the Automobile-**if the damage is covered by this policy, the insured shall:

(a) Promptly report the details of the loss to the insurer in writing
(b) Protect the auto from further loss-any cost borne by insurer
(c) Within 90 days provide a statutory declaration of the loss details
(d) If the insured fails to protect the auto from further loss such further damage is not covered.
(e) No repairs are permitted except those for the protection of the auto, nor removal of physical evidence without consent of insurer, until the insurer has reasonable time to complete an examination of the auto/damage.
(f) The insured shall submit to an examination under oath and produce all documents with respect to the matters in question
(g) Loss or damage shall be ascertained according to actual cash value with proper deduction for depreciation
(h) The insurer instead of paying for damage in cash, may repair, rebuild, or replace the damaged property
(i) The insured cannot abandon the auto to the insurer without the insurers consent
(j) In case of disagreement as to the nature and extent of the repairs and replacements required or the amounts payable, the Insurance Acts provide that these questions be determined by "Appraisal" provided there has been a demand for same in writing and a proof of loss has been delivered to the insurer.

5. **Inspection of Automobile-**The insured shall permit the insurer at all reasonable times to inspect the automobile and its equipment

6. **Time and Manner of Payment of Insurance Money**

(a) Payments shall be made within 60 days after the proof of loss is received or, within 15 days after the award is rendered by the appraisers.
(b) The insured is prohibited from taking legal action against the insurer for recovery of any claim until all requirements regarding Notice (Statutory Conditions 3 & 4) have been met or the amount of the loss has been determined in accordance with the rules established by the insurer.
(c) Any action against the insurer must be commenced within 2 years of the happening of the loss (this can vary by province)

7. **Who May give Notice and Proofs of Claim**
The insured, if unable to give Notice and Proof of Loss may appoint an agent on their behalf to do these things. If the insured refuses to do such things but are able to, a mortgagee or other party of interest is entitled to make a claim under the policy.

8. **Termination-This contract can be terminated:**

(a) By the insurer giving 15 days notice by registered mail or 5 days written notice if personally delivered.
(b) By the insured at any time on request.
(c) If terminated by the insurer, the refund shall be calculated on a pro-rata basis subject to any minimum retained premium

(d) The refund shall accompany the notice unless it is subject to adjustment and if so must be made as soon as practical
(e) If the contract is terminated by the insured, the refund is calculated on a short rate basis subject to any minimum retained premium.
(f) The fifteen days notice required of the insurer commences to run on the day following the receipt of the registered letter at the post office to which it is addressed.

9. Notice-Any written notice to the insurer may be sent by registered mail to the chief agency or head office of the insurer.

Any written notice may be given to the insured by letter personally delivered or by registered mail at his latest post office address.

Binding Authority

Binding authority is the authority given by an insurer to a broker to allow the broker to bind certain insurance coverage without first submitting an application to the insurer for approval. The binder which can be oral or written is confirmation that insurance coverage is in effect.

Typically, binding authority will be outlined in the agency agreement and/or in the company rate manual.

Sample criteria for binding

The following are examples of where a broker's binding authority may be limited.

a) 2 or more accidents or claims within the past 3 years
b) A suspended or revoked driver's licence within the past 5 years
c) Auto insurance has been previously cancelled or declined by any insurance company.

Examples of where a broker may not have the authority to bind at all.

a) Any risk where coverage and/or rates are not shown in the company rate manual.
b) Any custom built/home built vehicle, snowmobile or motorcycle
c) Autos insured for Stated Values

Many insurance companies require notification within a specified number of working days from the date the application was written up and the signed application must follow within a specified number of days. A renewal of a binder is typically not permitted.

Standard Auto Policy

Today, there is no true Canadian standard automobile policy. Although each province has legislated its standard automobile policy wording and the purchase of automobile insurance is compulsory, policies vary from province to province, however many provisions are similar.

Wordings for automobile insurance in Canada are governed by each province. Coverage granted by the approved standard policy forms may only be varied by the use of approved "standard endorsement" forms. For the most part, "standard policy forms" approved for use in Canada are prefixed with S.P.F – such as the S.P.F. 1 – Owner's Policy and S.E.F. for the Standard Endorsement Forms.

In Saskatchewan, Manitoba and B.C. crown corporations operate to provide the basic compulsory automobile coverage through the registration and licensing of vehicles and through the drivers licence. No policy card is issued. The licence registration certificate serves as the certificate of insurance.

Additional coverage may be purchased through the crown corporation or through private insurance companies. Extension insurance policies are similar to standard auto policies in the non-government provinces.

There are four types of insurance coverage provided with a standard automobile policy.

1. Third Party Liability coverage
2. Accident Benefits coverage
3. Physical Damage coverage
4. Uninsured Motorist coverage

Third Party Liability (TPL) coverage

All automobile policies provide "third party liability coverage". Automobile third party liability insurance is designed to provide financial protection against the liability imposed upon the insured by law for bodily injury or death of any persons or damage to their property arising out of ownership, use or operation of an automobile.

In insurance terminology the insured is referred to as the first party, the insurer is the second party and a claimant against the insured is the third party.

Accident Benefits coverage

Accident Benefits coverage provides a measure of compensation as defined amounts to persons injured or the dependants of persons killed in a motor vehicle accident, regardless of fault.

Physical Damage coverage

Physical damage coverage provides insurance against the possibility of damage to one's own vehicle. The damage to one's vehicle can be the result of one's own negligence (sliding in snow and hits another vehicle), from such things as vandalism or theft and from natural causes including hail, lightening etc.

Uninsured Motorist coverage

Not all accidents are caused by motorists who are insured or by motorists who are identified – example Hit & Run accidents. If victims of such accidents had no way of protecting themselves, they could suffer serious financial loss because of lost income, the cost of medical care and rehabilitation and vehicle damage.

Since automobile insurance is under provincial jurisdiction in Canada, how coverage is provided to victims of uninsured or underinsured motorists varies from province to province. However, each province has a plan in place to provide such coverage.

In provinces where government, crown insurers, provide basic coverage and no policy is issued, Uninsured Motorist coverage is described in legislation. In Saskatchewan, victims who suffer bodily injury or property damage caused by uninsured motorists are protected by uninsured motorist benefits described in *The Automobile Accident Insurance Act.* – AAIA. However, it is important to note, these benefits only apply to accidents occurring in the province, or when Saskatchewan residents are involved in an accident with an uninsured motorist in another province.

Application for extension insurance

The signed application allows the insurer to carry out numerous underwriting checks and ensures the applicant meets its underwriting criteria. Therefore, by signing the application, the applicant is acknowledging the information provided is true and correct. If any information provided is found to be incorrect to the determinant of the insurer, it may be grounds to void the contract. **Applications are extremely important and form a part of every policy and must therefore be signed by the insured**.

Chapter 3

Extension Insurance Coverage

Introduction

In this chapter you will gain an understanding of the basic concepts of automobile extension coverage, the reasons why automobile extension coverage is recommended; the coverage and protection provided beyond the compulsory insurance that comes with your licence plate; optional coverage available; applicable exclusions; and any general conditions that may apply.

Objective

By the end of this module you will be able:

- Explain the difference between compulsory licence plate insurance and auto extension policies
- Explain why auto policies are recommended for improved protection.
- Describe the need for and requirements of the Statutory Conditions
- Explain automobile extension coverage and exclusions

Concepts of Auto Extension Policy

Saskatchewan operates a mandatory vehicle registration and insurance program. Every licensed vehicle in the province is covered by ***The Automobile Accident Insurance Act,*** **(AAIA)** which provides a "basic" program of insurance which is often referred to as "licenceor plate" insurance. All licensed autos in the province are insured with the mandatory insurance coverage through Saskatchewan Government Insurance (SGI) Auto Fund.

The mandatory minimum amounts of insurance are legislated, and in almost all cases, additional auto insurance is highly recommended for improved protection. To augment the coverage provided under the licence plate insurance, an auto policy extends the coverage and benefits that are available. The auto extension policy is optional, and is a separate insurance contract from the compulsory licence insurance program. An auto policy may also have a different expiry date from the vehicle registration. Consumers apply for, and require a different application and separate payment to purchase an auto extension policy which is available from various insurance companies operating in Saskatchewan. All of the insurance companies offering extension auto insurance in Saskatchewan operate in a competitive marketplace and their auto products may have different coverages, exclusions, added features, and pricing. Vehicle owners should be aware that motorized vehicles such as cars, ski-doos, motorcycles, etc. are not protected or covered under homeowners, tenants or condo insurance. In many cases these risks require an automobile policy to protect them.

A quick recap of what the Saskatchewan licence insurance provides is as follows;

1) $200,000 third party liability protection covers the cost of damages resulting from a vehicle accident, including;

   - damage to other driver's vehicle
   - damage to any property, and
   - any medical expense, or income loss resulting from injuries to others (vehicle occupants, pedestrians, etc.) that is over what the person's personal injury coverage pays.

2) Basic personal injury coverage – provides a comprehensive package of benefits (indexed for inflation) that covers expenses for injury or death caused by a collision, regardless of fault. In Saskatchewan all residents have a choice in personal auto injury between no fault and tort coverage. Less than 1% of the population currently choose the tort option.

3) Physical damage coverage for autos – The AAIA has a variety of deductibles for physical damage for various classes of autos, example, farm and light trucks, and private passenger vehicles. In this course however, we will be referring to light vehicle class, farm and leased autos. These classes for the most part have a $700 mandatory deductible. The Auto Fund deductible for motorcycles is $700. There is no physical damage cover for snowmobiles under the Auto Fund, therefore, no deductible.

As cited previously, licence insurance is the minimum insurance coverage required by law in Saskatchewan; however, motorists are strongly encouraged to consider buying insurance protection provided by an auto extension policy.

The benefits of an automobile policy beyond the minimum coverage required by law are the "top up" protection. For example, increased liability protection beyond the basic $200,000 limit is available starting at $1 million and available up to $5 million. In addition, "drop down" coverage is available which allows the insured to lower their deductible from the basic $700 for an additional premium. Deductibles can typically be lowered anywhere from $700 down to $50 depending on the coverage.

The auto extension policy is insurance against accidental loss that may not be covered by basic plate insurance. Having additional auto insurance can have a number of benefits, including;

- increased protection when travelling outside of Saskatchewan
- more protection in the event injury occurs from an auto accident
- increased financial protection for you and your family in the event that someone else is injured or property damage is caused by the vehicle

- a lower deductible from the mandatory $700 deductible
- typically no deductible for wildlife collisions, fire and theft and
- coverage to replace a brand new vehicle, without depreciation
- storage coverage for lay-up periods
- Family Security provides protection if you and your family are injured by an underinsured or uninsured motorist

Coverage for the auto policy includes Canada and all of the US, but not Mexico, as insurance must be purchased when entering Mexico.

Auto Policy is "Excess" to compulsory licence insurance

The automobile policy is designed to be excess to valid and collectable insurance from the Auto Fund. Because of this feature, auto extension insurance is priced quite modestly. It does not replace your Auto Fund protection and, in fact, requires you to have valid Auto Fund coverage in place before the auto policy responds. There are situations that could arise that would nullify coverage under the Auto Fund such as impairment by drugs or alcohol, some commercial use of a private vehicle, hence the term it is excess to valid and collectable insurance. The extension policy does not drop down in these cases.

The All Terrain Vehicle Act

Most private insurers in Saskatchewan provide coverage for all terrain vehicles, mini bikes, restricted use motorcycles, etc, under their automobile extension programs. However, some Saskatchewan companies such as SGI CANADA define any auto which falls under the definition of ATV's under *The All Terrain Vehicle Act,* and insure these types of autos on the client's homeowner policy. This removes the "Absolute Liability" coverage.

Automobiles defined and covered

The automobile extension policy includes coverage for autos you own. The policy typically covers the automobile registered to the plate number shown or the vehicle described on the policy cover page. If a new vehicle is acquired, the insurer must be notified within 14 days to amend the cover page.

Additional or newly acquired autos are covered provided the insurer is notified with 14 days of the autos delivery to the insured. The following conditions apply:

- All of the insured's vehicles must be properly registered in Saskatchewan
- The vehicles must be registered in the insured's name only
- There must be no other coverage on the vehicle other than licence insurance
- The insured must not be an auto dealer

Typically, all of the client's autos (including trailers) must be insured with the same insurer.

The extension policy automatically allows coverage for a temporary replacement automobile. This coverage is to indemnify the insured and any other person who personally drives a temporary substitute automobile. This coverage is for direct and accidental physical loss or damage to the automobile arising from the care, custody and control of the insured or any other person operating the vehicle with permission. The physical damage coverage, liability and all added coverages carry forward to a substitute automobile as long as the insured auto is not operational due to repairs or breakdown.

Non-owned automobile coverage allows for coverage to extend off of the extension policy when the insured uses or borrows an auto they do not own with permission. Coverage also extends to a vehicle that the insured is contractually liable for while being driven by someone else, with permission. The auto you do not own must be of the similar type to the one shown on the cover page.

An example of this coverage is - the insured is borrowing a vehicle from a neighbour. The extension policy will allow for the policy coverages to extend to the borrowed vehicle. Another example of this coverage is the insured and his spouse is leaving on a vacation and intends to rent a vehicle. The extension policy provides coverage for the rented automobile based on the coverage limits and deductible shown on the policy cover page.

Typical exclusions include:

a) Autos owned or regularly used by yourself or by somebody who lives in the same household. This exclusion removes the possibility of insuring only one car, but receiving a benefit because the client owns two.

b) Autos owned, rented or leased by your employer or by the employer of somebody who lives in your home. The exclusion removes coverage from any vehicle that is defined as a "company vehicle" the client has in their possession.

c) If the name on the cover page is that of a corporation, partnership, or association, the auto must not be owned, rented or leased or regularly used by an officer, employee, partner or by somebody who lives in their home. This exclusion removes coverage from employees of a business if they are renting a non-owned vehicle. For some companies, the employees must purchase their own auto extension policy to have coverage.

d) Autos used in the business of auto sales, repair, servicing, storing or parking. The exclusion removes coverage from vehicles that are used in the business of automotive sales or the repair business such as a tow truck or a car that a salesman may borrow from his place of employment to drive.

e) Autos used to carry people or goods for a fee. (example) This removes any auto being used in a business such as a taxi or limo service.

Liability "Top Up" Coverage

Description of coverage and exclusions

If licence insurance is valid, the basic liability insurance provided by the Auto Fund is $200,000. This protects the motorist if they are found to be legally liable to someone else for an injury, death or property damage, which was due to the ownership, use or operation of the auto. The $200,000 limit is subject to a **"priority of payments"** requiring that $190,000 is available for any injuries suffered, and $10,000 is available for property damage. However, this is the "minimum" amount of protection required by law to operate your vehicle and for improved protection, it is recommended owners and drivers carry additional "top-up" liability protection as sold by various insurance companies. Third Party extension liability coverage for auto is typically sold in increments starting at $1 million and is generally available up to $5 million on most insurer auto policies. This additional coverage is excess to that given by your licence insurance. Example, if you have $1,000,000 liability on your auto policy and $200,000 on your licence insurance, you really have $1.2 million in coverage protection.

Typically, the types of automobile liability claims which are not covered include the following;

1) Injury or death covered by Workers' Compensation Law
2) Injury or death of employees while they are driving or fixing an auto.
3) Damage to property you own, rent or have in your care.
4) Damage to property carried on or in the auto.
5) Damage, injury or death caused by radioactive material.
6) Damage, injury or death caused by the use of any machinery, including its equipment which is mounted on the auto.
7) Injury or death for which protection is provided under Part VIII of the Automobile Accident Insurance Act.
8) Damage, injury or death arising out of wilfully cause acts or the attempt to cause.

These exclusions exist because they are typically covered under a different type of policy or a government plan such as Workers' Compensation.

Defense Costs

As an added coverage, when a liability claim is made against the insured, the insurance company will investigate all claims and will defend the insured in lawsuits (pay legal costs). The insurance company will pay all reasonable expenses and court cost charged against you. The insurance company may also try to settle the claim out of court if they feel that it is the best thing to do. Potentially this could add up to tens of thousands of dollars in legal costs. Students should note, this coverage is in addition to the policy limits.

Adequate Limits

What is an adequate limit for an individual purchasing third party liability? It is a difficult question to answer. Individual motorists must evaluate the need for increased liability limits based on their individual situation and may wish to consider a worst case scenario in the event they could be sued for severe bodily injury or property damage. One thing is clear; the $200,000 liability limit, which is the minimum limit established in a majority of other provinces is no longer adequate for the best protection in today's environment. One example of having adequate insurance limits involves a case causing a catastrophic injury to a kindergarten child (Saskatchewan's largest award to date- $13.5 million dollars). The child was rendered a quadriplegic from the accident yet may live to an age of 80 years or more. She is dependent on future care providers which may cost thousands of dollars a month for the rest of her life. In this particular case, adequate limits were not immediately available. The best recommendation to an insured is to buy as much coverage as one can reasonably afford.

Out-of-province driving

Higher limits of liability coverage should be of particular concern to those who travel to other jurisdictions within Canada, including B.C., Alberta and Ontario as well as to the United States. The United States is a particularly litigious country where judges are elected and the US medical system operates on a much different basis than Canada. Because of some of these factors, motorists should be strongly encouraged to consider carrying higher liability limits.

Non-Owned Automobile

Non-owned auto coverage is available on auto policies. The policy protects the owner of a vehicle. The policy also protects the people who drive your auto with permission. Coverage is provided for the motorist when driving an auto they do not own with permission. This would include rental vehicles or vehicles borrowed from friends.

Family Protection/Family Security

In Saskatchewan, all residents are covered by no fault coverage or tort coverage, for residents injured in motor vehicle collisions depending upon the choice of the customer. Also, pedestrians are covered if hit by a vehicle.

Family Security coverage offered with the auto policy is first party coverage, that is, cover for the insured, (including all occupants of the vehicle) primarily after a court has rendered a decision against a responsible party and that party is underinsured or has no insurance at all. Once this occurs, the remaining amounts fall under Family Security. In Saskatchewan, your ability to sue under no fault is very limited for economic loss, income and due to intentional injury, manufacturer defects and impaired drivers). Typically, Family Security matches the third party liability choice up to $2,000,000.

Accident Benefits – "Top Up" Coverage

Accident Benefits coverage provides a measure of compensation to persons injured, or to dependents of persons killed in motor vehicle accidents regardless of fault.

When injuries or death arise from an automobile accident, heavy financial burden can result. In the case of fatal injury, these burdens can fall on spouses or dependents left behind. Injured persons can incur medical and rehabilitation expenses, while at the same time, being unable to work and earn an income; dependents that have lost a loved one in the automobile accident may be left with no means of support.

Accident Benefit coverage has evolved over the years to meet the need for enhanced protection as a result of bodily injury or death to drivers and passengers. For many years automobile policies provided only third party liability coverage and coverage for damage to or the total loss of the vehicle.

In the early stages, Accident Benefits were quite similar in all provinces. Modest limits were provided and were immediately available to everyone injured in an auto accident. Seriously injured persons could pursue recovery from at fault third parities through the courts. Over time, provinces have taken different directions and more sophisticated plans have emerged. In some provinces the right to sue has been removed or limited to specific circumstances. To compensate for the loss of the right to sue, coverage has been greatly enhanced and limits increased.

In Saskatchewan, Accident Benefits are included in the basic Auto Fund coverage. Saskatchewan introduced a no fault bodily injury plan in 1995. It permitted legal action in certain circumstances and the right to sue was broadened in 2003. All Saskatchewan residents have No Fault coverage unless they choose Tort Coverage and they file a declaration with SGI. If the resident is under the age of 18, their parents can make the declaration for them.

For a comprehensive review of the Auto Fund coverages and benefits available for either No Fault or Tort Coverage it is suggested students refer to *"Your Guide to No Fault Coverage Personal Auto Injury*, and *"Your Guide to Tort Coverage – Personal Auto Injury"* as well as *"Your Guide to Choosing Personal Auto Insurance"* available in hard copy from SGI Auto Fund or available on the SGI website at www.sgi.sk.ca – Personal auto injury – complete guide to no fault or tort injury.

Saskatchewan motorists who seek greater Accident Benefits protection than that provided by the Auto Fund have the option of buying extension insurance through various insurers. The optional protection available from these insurers increases or adds to the amounts given by the licence insurance.

Below is a brief summary of the coverage and additional benefits provided by an automobile extension policy for accident benefits. Differences may vary by insurer.

Injury Payments are provided to cover the insured if an auto accident causes bodily injury or death. This coverage adds to that given by your licence insurance. Typically, insurers limit the amount paid for any occurrence under this part to the lesser of the amount shown on your cover page for Part IV liability or $2,000,000.

Income Replacement – The personal Injury Benefits of the licence insurance pays an income replacement benefit while the insured is totally or partially disabled, insurers typically pay an additional amount required to cover your loss of net income.

Indemnity Benefits – When Part II – Bodily Injury Benefits of the licence insurance pays you a weekly indemnity benefit, insurers pay an additional 25% of that amount.

Death Benefits – When Part VIII Personal Injury Benefits of your licence insurance makes a death benefit to the surviving spouse, the insurance company will pay any additional amount required to bring coverage up to 50% of the loss of net income. In certain circumstances, Part VIII plate insurance will pay benefits to a dependent child on the same basis as they would pay a surviving spouse. When this happens, the insurer will pay any additional amount required to bring coverage up to 50% of the loss of net income.

Education Benefits – When Part VIII Personal Injury Benefits of your licence insurance makes a payment for educational benefits to a surviving spouse, insurers will pay up to an additional 50% of that amount. The insurer will only pay when the insured has used all educational benefits available to them under the licence insurance or from any other coverage they may have. The insurer will only pay for actual and reasonable costs incurred for the education of the surviving spouse.

Funeral Expenses – When your licence insurance makes a payment for funeral expenses, the insurer will pay up to an additional 50% of that amount. The insurer will only pay when the insured has used all of their funeral expense payments coverage from their licence insurance or from other coverage they may have. The insurance company will only pay for actual and reasonable costs incurred by the deceased victim's estate for the deceased victim's funeral.

Tort motorists are not entitled to the Education Benefits under Part II.

See Chart below for comparison of benefits of the Auto Fund Plate insurance and a typical auto extension policy top up.

No Fault Coverage Comparison

No Fault Coverage	Basic plate coverage	Auto Coverage
Income benefits	Pays 90% of a formula net income, subject to a maximum gross income of $86,463 (2013), which is indexed.	Pays the 10% of net income not covered under licence plate insurance, plus a formula net income in excess of licence plate insurance.
Death benefits	Pays 50% of the income benefit the deceased would have been entitled had they lived, plus 5% for each dependant under age 21. Benefit paid to spouse.	Pays any additional amounts required to bring spouse's payments up to 50% of deceased's net income and 5% of net income for each dependant. Matches third-party liability limits to $2 million.
Education allowance	Pays up to $43,893 (2013) education and training for homemaking spouses.	Pays an additional 50% for actual expenses over licence plate insurance amount.
Funeral expenses	Pays $9,573 (2013).	Pays up to an additional 50% for actual expenses over licence plate insurance amount.

Tort Coverage Comparison

Tort Coverage [1]	Basic plate coverage	Auto Coverage
Income benefits	Pays up to $19,552 (2013) annually. Maximum $376 per week for totally disabled and $188 per week for partially disabled. Maximum 104 weeks.	Pays an additional 25% of the weekly income benefit paid by the licence plate insurance amount. Maximum 104 weeks.
Death benefits	Pays 45% of the deceased's net income to spouse, subject to maximum annual income allowed. Plus 5% for each dependant younger than age 21.	Pays any additional amounts required to bring spouse's payments up to 50% of deceased's net income, subject to the maximum annual income allowed. Pays any additional amounts required to cover up to 5% of the deceased's net income for each dependant.
Funeral expenses	Pays $6,239 (2013).	Pays up to an additional 50% for actual expenses over licence plate insurance amount.

Footnotes

[1] Injury payments follow your choice of injury protection under your basic licence plate insurance.

Losses not covered

Following are examples where payment will not be made under Part II.

1) If people deliberately hurt or kill themselves
2) If the injury or death is caused by sickness. But coverage is provided if the sickness was caused by the accident
3) If the people hurt or killed were the occupants of an auto used for any unlawful trade or transportation.
4) If the auto is being used in a race or speed test.
5) If the injury or death is caused by radioactive material. The only exceptions to this are shown in *The Saskatchewan Insurance Act*.
6) If you are entitled to receive benefits from a Workers' Compensation law or plan.
7) If you are driving with a blood alcohol content that exceeds the legal limit or is under the influence of drugs. Conviction for one of these offenses will be considered proof of this.
8) If the people hurt or killed were occupants of a motorcycle or snowmobile.

Physical Damage – "Drop Down" coverage

The benefit of an extension policy is the option to choose lower deductibles and higher limits of liability protection than what is offered through the Auto Fund. With an extension policy, deductibles may range from $50 to $700 depending on the coverage. The Auto Fund deductible can vary by vehicle type but is $700 for private passenger vehicles and the liability limit is $200,000.

Physical damage to your auto may include a deductible drop down – the cover page will show if you have this coverage and the amount of your deductible. Insurer's cover you for accidental damage to the auto and its equipment.

Basic coverages

All Perils - covers the auto from all losses. Road hazard glass protection is not included unless it is shown on the policy cover page.

Collision or upset - covers the auto if it hits, or is hit by another object or the ground, or your vehicle rolls over. There is no protection for road hazard glass unless it is shown on the policy cover page.

Comprehensive coverage - covers your auto from all losses other than collision or upset. Road hazard glass protection is not included unless it is shown on the cover page.

Specified Perils is a specific coverage and covers the auto for any loss caused by:

- Fire

- Lightning
- Theft or attempted theft
- Windstorm or hail
- Earthquake
- Explosion (damage is not covered by explosion that occurs in the combustion chamber)
- Riot or civil unrest
- Falling or forced landing of aircraft or parts of aircraft
- Rising water
- Stranding, sinking, burning, derailment or collision of a vehicle in or upon which your auto is being transported on land or water

A deductible is used for most losses. The deductible amount is shown on your policy cover page. The policy deductible is subtracted from the total amount of a claim. The policy then pays up to the licence insurance deductible. If there is no licence insurance coverage, the policy will pay up to the actual cash value of the automobile. Students should be aware, split deductibles are typically available on auto policies. For example, an individual may wish to have a $200 deductible on collision& upset losses, and a $100 deductible for all comprehensive losses.

There are benefits to the auto extension policy where the deductible is waived. The following outlines the benefits to an auto extension policy including the highest $700 deductible available.

The deductible will not be subtracted from the total amount of a claim for the following:

- Fire or lightning
- Theft of the entire automobile

If your automobile has coverage under Liability Part IV, Injury Payments Part II and Damage to Your Auto Part III (All Perils or Collision and Comprehensive) the deductible is not subtracted from the total amount of the claim if direct damage to your automobile was caused by hitting or is hit by any animal or wildlife depending upon insurer. This applies to snowmobiles and motorcycles as well; the only difference is that injury payments are not mandatory for these automobile types.

Attached equipment that forms part of the automobile and is permanently attached to an automobile is insured with the automobile on an actual cash value basis. An example of this would be a slip tank that is permanently bolted or welded to the box of a farm truck.

A number of optional coverages are also available, including road hazard glass, replacement or repair cost, limited waiver of depreciation endorsement and loss of use coverage. Note, the various insurers operating in the province may use different terms for these coverages.

<u>Road Hazard Glass Coverage</u> is coverage for glass that encloses the passenger compartment of the automobile that has been broken by an object that was thrown up or fell from another automobile. A rock is thrown up from a passing vehicle and smashes out the glass sunroof or any other window; it is covered under this option.

In order to qualify for the glass coverage, the glass must be undamaged. If it is damaged, proof of repair must be provided before the glass coverage is re-added. The deductible amount will apply. If the glass breakage happens due to some other cause for which there is coverage, the deductible applying to that type of loss will be used. For example: a windshield is broken out with a bat by an individual. This type of loss is not covered under Road Hazard Glass, but would be covered under vandalism.

Some companies will waive the glass deductible if the glass is repaired, for example, stone chip repairs.

In some provinces, the road hazard glass coverage is included in the comprehensive coverage.

Replacement or Repair Cost is available on new private passenger cars, private trucks, private vans, SUV's, farm trucks (excluding power units), motor homes and leased vehicles of the same class with Part III collision and comprehensive coverage. This coverage is not available for motorcycles, trailers and snowmobiles. The purchase price must be declared on the application for coverage and the value of the vehicle is determined by the bill of sale for the vehicle including applicable taxes and approved additional amounts. The coverage must be added within 120 days of the date of delivery of the vehicle. Coverage is in place to a maximum of 36 months from the delivery date. Depreciation will be waived on vehicles with replacement cost coverage in the event of a total or partial loss. The deductible is waived in total loss situations providing a replacement vehicle is purchased or leased. Any additional equipment added to the vehicle within120 days of the delivery date will be added to the purchase price and added to the policy. Typically in Saskatchewan, the perils are reduced in year 3 of the coverage.

Limited Waiver of Depreciation endorsement – the coverage waives depreciation on a total loss vehicle where the loss or damage occurs within a specified time period. The insurer liability is typically limited to the lessor of the actual purchase price of the vehicle and its equipment or the manufacturer's suggested list price at the original date or purchase.

Loss of Use coverage is available on private passenger cars, private trucks, and private vans. SUVs', motor homes, farm trucks, private vehicle power units as well as long term leased autos. Coverage is provided for the payment of additional costs that are incurred after your automobile is stolen or damaged. Examples of this may include the rental of a substitute automobile of a similar type, or fares from public transportation. The loss or damage must be due to a cause of loss for which you are covered. Coverage under this feature can be applied to cover "downtime" charges for non-owned automobiles. Coverage limits vary by insurance carriers - e.g. $1,000 and $2,000 limits.

Stated Value coverage is a method of settling a loss on a guaranteed value basis and the policy cover page will indicate this. This coverage is for older vehicles that are considered antique or classic and are used primarily in exhibitions, clubs, parades, and hobby activities. For the most part insurers will require an appraisal from a qualified appraiser to establish the value for insurance.

Stereo equipment is limited under the Auto Fund with a limited cap of coverage. The auto policy typically settles claims on stereo losses on an actual cash value basis.

Contents of a vehicle are typically not covered under the auto policy. Coverage for contents must be arranged through a homeowner policy. An example of this would be clothes and dishes inside a personal cabin trailer.

Physical Damage – coverage for situations where there is no physical damage coverage on the plate.

The auto policy allows for coverage where there is no primary Auto Fund licence insurance. If an auto is declared unlicensed and in storage, the automobile is covered for its actual cash value while the auto is in storage and not used or operated. The automobile must be declared as unlicensed and in storage on the policy cover page, and the value of the vehicle must be indicated. With some insurers, if the auto was insured as a licensed auto and then becomes unlicensed and is temporarily in storage (e.g. for the winter), the ordinary auto policy will continue to cover the auto accordingly to the amount of protection purchased with most insurers. If the automobile needs to be moved in either case, a valid permit must be obtained. This means the auto is then properly registered.

There are some special situations where an ordinary extension policy may not provide adequate coverage. The following are examples of cases where coverage may be available and the insurer's rules and options should be carefully checked.

1. Cabin or tent trailers unlicensed but in use for sleeping etc.
2. Autos being restored.
3. Autos on consignment on a dealers' lot.
4. Snowmobiles or motorcycles unlicensed but used and operated on private land.

Statutory Conditions

Statutory Conditions provide for definitions, rules and regulations that govern automobile insurance contracts in common law provinces. Their intent is to protect the rights of the insured and the insurer by stating what is expected of each in certain circumstances and specifies ways of handling situations that could arise and affect coverage.

As in most provinces, Saskatchewan requires that the Statutory Conditions be printed as a part of every automobile insurance contract and are deemed a part of every contract whether bound orally or part of the issued policy.

Students are referred to Statutory Conditions – Chapter 2 for description and examples of the Automobile Statutory Conditions.

Chapter 4

Rating and Underwriting

Introduction

In this chapter you will learn the basic concepts of automobile insurance underwriting and rate making, learn the general factors that may be used in underwriting and how rating is typically done, including examples; and gain insight into the future of rating and underwriting.

Objectives

By the end of this chapter you will be able to:

- Understand how auto policies are typically underwritten, rated and cancelled.
- Gain knowledge and understanding from specific case studies as provided.

Underwriting

For the purpose of this course, underwriting can be defined as the selection of risks, determination of the appropriate premium charged for those risks, determination of the policy terms and conditions, and the monitoring of decisions to ensure a profitable and growing book of business is maintained.

An insurance company can only fulfill its commitment to the insured, shareholders, employees and the community if it is financially sound. That is, having the ability to pay all claims presented to it. Therefore, underwriting, as one of the major departments of an insurance company must do its part to see that the insurer meets its financial goals.

Spread of risk

Insurance companies seek to achieve an attractive spread of risk when choosing the risks they will insure.

Spread of risk refers to the selling of insurance in multiple geographic areas to multiple policyholders to minimize the danger that all policyholders will have a similar type of loss at the same time. A common explanation for spread of risk is to "share the losses of the few among the premiums of the many".

Companies are more likely to insure risks that offer a good spread of risk, thereby increasing the predictability of losses to match premiums against claims. Flood insurance is an example of a poor spread of risk because the people most likely to buy it are the people close to rivers and other bodies of water that flood.

The insurance company is counting on the fact that with a large number of people buying coverage for the same type of risk, the likelihood of that peril happening to a majority of policyholders is small.

Loss Ratio

The loss ratio for a particular risk, class of business or entire line of business is one of the most common statistics used in underwriting. The most commonly used loss ratio calculation takes incurred losses and divides that number by earned premiums. This is referred to as the incurred to earned loss ratio. Loss ratio then is the relationship between losses incurred and premiums earned over a specific period of time, expressed as a percent or ratio.

Example:

January 1, 2012 to December 31, 2012
Earned premiums: $1,000,000
Incurred losses: $ 650,000

$$\text{Loss ratio} = \frac{\text{Incurred losses}}{\text{Earned premium}} = \frac{\$650{,}000}{\$1{,}000{,}000} \text{ X } 100 = 65\%$$

In the case above, one could say $0.65 cents of every dollar of earned premium was used to pay claims.

Ratesetting

Insurance companies consider a variety of factors when establishing auto rates. Most insurers employ actuaries who analyse factors such as class of auto, (i.e. private passenger vs. commercial vs. public), hazard considerations presented by the risks including territory where the auto is used, and the class of auto, drivers and the automobile itself. Actuaries then attempt through statistical analysis to determine the appropriate rating charge for the various factors in order for the insurer to have adequate revenue to pay claims associated with the class of insurance, essentially matching premiums with all expenses.

The determination of premiums required is an application of the principles derived from the law of averages (also known as the Law of Large Numbers).

The Law of Large Numbers states that the larger the sample of past observations used to predict whether an event will occur in the future, the more accurate the predictions will be.

Large loss databases are used by actuaries to establish the rates for coverage. Final rates are subject to modification based on an insurer's competitive philosophy, the market and possibly political considerations.

The actual determination of ratemaking is beyond the scope of this chapter however students can find additional information in other suitable sources on automobile underwriting and rating.

Rating and underwriting in general

Every company requires a signed application containing the information required to underwrite, rate and issue a policy.

Typically, underwriters rate the risk based on a past 5 year experience for risks having a higher than normal exposure due to usage. Claims frequency regardless of fault and conviction frequency are types of experience which might result in underwriting intervention.

A claim means any payment or reserve under a policy or licence insurance. A chargeable accident means a vehicle accident where the motorist was at fault or partially at fault which resulted in or could have resulted in a payment under the policy for bodily injury, property damage as well as collision.

A non-chargeable accident does not affect the rating, and includes payments for bodily injury and property damage under licence insurance. Hit and run losses, if reported to the police within 24 hours of the accident, and collision losses caused by hitting an animal, bird, or wildlife are examples of non-chargeable accidents.

The underwriter has the right to surcharge the premium, reduce coverage, restrict coverage or cancel coverage if the exposure or risk of loss is not considered average. The experience of both the registered owner and the principal operator are considered in the rating of a policy. Occasional drivers may not be considered in the rating of a risk. Principal operators who are listed on the policy and drive the vehicle 50% or more of the time are typically considered in the rating of a risk.

The age of owners and drivers may be considered by some insurers for rating purposes. For example, clients under the age of 21 or 25 may be rated higher due to their age. Underage operators are considered in the rating of risks, particularly snowmobiles. Operators between the ages of 12 and 16 are restricted to operating snowmobiles up to the maximum of 550cc's. An additional premium is charged to both the collision and liability premiums.

Along with the experience of both the registered owner and the principal operator, are usage tables and rates based on the vehicle being used for personal use, or for business use. Vehicles driven to and from work as well as farming vehicles are considered pleasure use and are rated under the pleasure use tables. Vehicles rated under the business use tables may vary from company to company. The business use definition allows for certain transportation or carriage of items used on the job.

Some accepted business use may include such occupations where books, paperwork, laptop computers, samples, medical bags, and supplies are carried for personal use. Small business owners may haul their own supplies for their own use. Vehicles used for carrying passengers for compensation, transporting goods for compensation and vehicles carry explosives or radioactive material are excluded and must be written in the commercial underwriting department.

Long term leasing over 30 days maybe allowed on private passenger and farm truck type vehicles. Permission to rent or lease must be shown on the cover page. An application is submitted in the name of the registered owner. The name and address of the lesser must also be included. Available options such as road hazard glass coverage, loss of use and replacement or repair cost may be purchased.

Rating and underwriting in the future

The current rating models used by many insurers attempts to provide accuracy and fairness in rating with the use of various rating differentials, underwriting factors, discounts and surcharges. These rating models are relatively simple, and not very predictive of loss. Advances in technology have enabled the development of more sophisticated data analysis, and predictive modeling which uses a variety of extremely complex statistical techniques.

As insurers develop more sophisticated modeling techniques and individualized rating variables, there is an increased awareness of the proprietary nature of these modeling algorithms. To address the increasing complexity of the rating algorithms, many insurers in the US and Canada have moved to what is referred to as "black box" underwriting or "individualized rating methodology". This is where the client and broker enter the data into a complex rating system and a rate is determined based on a number of relativities associated with the risk. Unfortunately, such a rating system may prove to be very difficult for the broker to explain how the final rate was determined.

While a comprehensive discussion of 'black box' underwriting is beyond the scope of this course, the concept has been raised simply to make students aware of possible changes for the auto insurance industry in the future.

Rating and Underwriting – Case Studies

Case Study #1

Name of Insured:	Parker Carr
Address:	2244 Montague St Melville, SK S0P 0A0
Date of Birth:	Mar 21, 1940
Driving History:	10 years, insurance never refused or cancelled, No claims or convictions in past 5 years

The Insured comes into your office asking for an auto policy on his unlicensed cabin trailer.

Please provide the rate for the unlicensed 1988 Rustler Cabin Trailer s/n 105224, value $6,000:

- **Comprehensive - $100 deductible**

Please use the rates on the on the following page to complete this exercise:

UNLICENSED TRAILERS/SEMI-TRAILERS/PERPETUAL PLATE

Part III – Damage to Your Auto	Minimum Premium*	All Values
Collision or Upset – Premium to be calculated on per $100 basis		
$100	$20	.87
200	15	.78
350	10	.69
500	10	.66
700	10	.62

Comprehensive – Premium to be calculated on per $100 basis			
Road Hazard Glass Included	$100	$20	.68
	200	15	.61
	350	10	.54
	500	10	.50
	700	10	.45

Specified Perils – Premium to be calculated on per $100 basis		
$100	10	.36

Part IV – Liability * Does not include Part II Injury Payments or Part V Family Security Coverage		Flat
Limits	$500,000	23
	1,000,000	30
	2,000,000	40

Leased Trailers add 25% to all premiums shown.

If minimum retained as stated above is less than $50, then the policy minimum retained of $50 will apply.

* These Premiums Apply Per Vehicle/Per Coverage.
Premium to be calculated on a per/hundred basis.

Trailers on Consignment or Up for Sale add 25% to above premiums.

Value of vehicle divided by rate per $100 of insurance X manual rate = Premium
$6000/$100 X .068 = $40.80 rounded = $41.00

Answer: $41, so minimum retained $50 applies

Case Study #2

Please provide the rate for the 2005 Oldsmobile Delta 88 Royale Brougham s/n 1G3HY3731GW410360, value $11,000

- **Comprehensive - $100 deductible**

Please use the rates on the on the following page to complete this exercise:

UNLICENSED AND IN STORAGE AUTOS (NOT INCLUDING TRAILERS, SEMI-TRAILERS, MOTORCYLES OR SNOWMOBILES)

- **Unlicensed and in storage, including Consignment, Up for Sale and Unlicensed Farm Trucks.**
- **Consignment Vehicles** – These must be on a dealership property and coverage will apply only while not being used. If the auto is being used on a test drive, coverage **MUST** be arranged through the dealership.
- **Unlicensed Vehicles and Up for Sale** – These must be located on private property and then cannot be used or operated off the premises.
- **Unlicensed farm trucks operated on farm property** - There is no coverage while operated on public roadways, ditches, other highway right of way or crown land.

Part III – Damage to Your Auto		Minimum Premium*	All Vehicles
All Perils – Premium to be calculated on per $100 basis			
Road Hazard Glass Included	$100	$30	$1.43
	200	25	1.27
	350	20	1.14
	500	15	1.08
	700	15	1.00
Comprehensive – Premium to be calculated on per $100 basis			
Road Hazard Glass Included	$100	25	1.18
	200	20	1.07
	350	15	.95
	500	10	.89
	700	10	.81
Specified Perils – Premium to be calculated on per $100 basis			
	$100	10	.71

Part IV – Liability - Does not include Part II Injury Payments or Part V Family Security Coverage		
Limits	$ 500,000	7
	1,000,000	9
	2,000,000	12

* If minimum retained, as stated above is less than $50, then the minimum retained of $50 will apply. These premiums apply per vehicle per coverage. Premium to be calculated on a per/hundred basis.

Value of vehicle divided by rate per $100 of insurance X manual rate = Premium
$11,000/100 X 1.18 = $129.80 rounded = $130.00

Answer: $130

Case Study #3

Name of Insured:	Dusty Rhodes
Address:	Box 34 Danbury, SK S0A 0P0
Date of Birth:	October 31, 1957
Driving History:	16 years, insurance never refused or cancelled, insured has had 2 glass losses (glass group 2) November 10, 2009 - $580 paid August 5, 2008 - $532 paid

The Insured comes into your office asking for a package policy on his new car. The purchase price is $43,000. The insured is the principal operator of the vehicle.

Please provide the rate for a 2012 Lexus RX, pleasure use, claims free and glass group 2

- **Collision – $200 deductible**
- **Comprehensive - $200 deductible**
- **Glass coverage - $100 deductible**
- **Replacement Cost coverage - $43,000**
- **$2,000,000 Third Part Liability**
- **Loss of Use in the amount of $1600**

Please use the rates on the (**2)**following pages to complete this exercise:

PRIVATE PASSENGER CARS, TRUCKS, VANS AND MOTORHOMES

	Pleasure Use				Business and/or Pleasure Use			
	Claims Free	A+	A	B	Claims Free	A+	A	B
Part III - Damage to Your Auto								
Collision or Upset								
$ 50	111	124	132	---	128	144	153	---
100	97	108	114	220	112	124	132	252
200	80	89	95	178	89	99	105	195
350	64	71	76	141	70	79	84	154
500	52	58	62	117	56	63	67	126
700	44	50	54	100	47	54	58	106
Comprehensive								
$ 50	39	40	45	---	44	47	51	---
100	33	34	39	66	36	39	43	71
200	25	27	30	48	29	31	35	55
350	20	21	24	36	21	22	26	38
500	17	17	20	30	18	19	22	33
700	15	15	18	28	17	17	20	30
Specified Perils								
$100	8	9	9	18	10	10	11	22

Part IV – Liability * Premiums include Part II – Injury Payments & Part V Family Security		
Limits $		
1,000,000	37	41
2,000,000	57	61
3,000,000	91	95

OPTIONAL COVERAGES

Road Hazard Glass

Road Hazard Glass Premiums (excluding Heavy Farm Trucks)		Rate Groups				
		Glass Free	0	1+	1	2
Deductible	$50	68	72	81	99	---
	100	49	52	59	72	148
	200	24	26	29	35	72

Road Hazard Glass Premiums – Heavy Farm Trucks		Rate Groups				
		Glass Free	0	1+	1	2
Deductible	$50	41	43	49	60	---
	100	29	31	35	43	89
	200	14	16	17	21	43

Replacement Cost

Replacement Cost Premium*		
Purchase Price	Up to $20,000	$70
	Each additional $1,000	$1 per $1,000

*Available on private passenger cars, mini and full size vans, private trucks, motorhomes **(excluding light farm trucks and power units).**

Leased Vehicles - Refer to Auto Leasing Long Term

Example 1:
Purchase Price - $18,650
Calculate as follows:
Purchase Price
Up to $20,000 Basic = $70

Example 2:
Purchase Price - $25,430
Calculate as follows:

Basic	$70
plus $1 per 1,000 over $20,000	5
Total Premium =	$75

Loss of Use

Loss of Use Premiums (Incl. Leased)	Claims Free	A+	A	B
$800 limit	35	36	37	62
$1,600 limit	57	60	62	112
Flat Fully Earned Premium				

Method: Collision - $80, Comprehensive - $25, Glass - $148, Replacement cost $70 base +$23, Liability $57 and Loss of use $57 = $460

Answer: $460

Cancellation

Cancellation/termination provisions are specifically outlined in the Statutory Conditions of an auto policy. The Statutory Conditions state who may cancel, the period of notice required, how the notice must be given and how the return premium is to be calculated.

Auto extension policies can be cancelled by the insured immediately at any time during the contract.

When the **insured cancels a policy**, the insurer must either obtain the policy signed off by the insured or obtain their written authorization to cancel. Cancelling a policy by oral instruction is risky as it can be difficult to prove that the insured requested the cancellation. The reason for cancellation will determine whether a pro rata or short rate cancellation calculation is used.

When the **insurer cancels a policy**, it must give the insured notice of the termination in a specific manner, usually 15 days notice by registered mail, or five days written notice of termination when personally delivered. Reasons for an insurer cancelling by registered mail include cancellation for non payment of premium, misrepresentation of the risk, or fraudulent activity in connection to the policy. These are cancelled on a pro rata basis.

Personal auto policies are typically subject to a $50 minimum retained policy premium. Minimum premiums are charged on unlicensed vehicles, as unlicensed vehicle premiums are calculated by value and based on a rate calculation per $100 of insured value. If the minimum premium charged is less than $50, then the policy minimum retained of $50 will apply.

Fully earned premiums typically apply to short term 30 day policies. Trip transit coverage is a 30 day short term insurance policy and is subject to fully earned premiums.

Snowmobiles are typically subject to a cancellation/deletion of coverage endorsement. If insured cancels, or remove their snowmobile or delete any physical damage coverage, insurers will keep a portion of the premium based on seasonal use and calculations based on percentages of time on risk.

When pro-rata cancellation applies and how to calculate

Pro-rata cancellation of a policy is when the return premium paid is the full proportionate part due for the unexpired term. For example, the policy is rewritten with the same company; the vehicle sold, insured is deceased, or has moved or is out of business.

When short rate cancellation applies and why.

Short rate cancellation is applicable when the return premium paid is less than the proportionate or pro rata part or time on risk that is still unearned. The difference between the actual unearned portion and the amount refunded is used to defer administration expenses incurred in the early cancellation. For example, an insured self-insures i.e. - plates only, or rewrites their insurance with another company.

Special cancellation calculations for seasonal vehicles

Seasonal vehicles such as snowmobiles may be subject to a cancellation endorsement charged on a monthly basis due to greater exposure in some months over other months.

Flat cancellations and allowable reasons for flat cancellation

Flat cancellations may be considered on policies depending on the contract with the insurer. For most insurers, if the insured does not accept their renewal the policy may be cancelled flat, that is no penalty for time on risk.

New policies may be considered for flat cancellation depending on the contract with the insurer.

A minimum retained premium may be charged when cancelling a policy.

Dangers of cancelling an auto policy

Cancelling your extension auto policy can potentially leave you at greater financial risk. Plate insurance provides a $700 deductible for collision and comprehensive coverage and $200,000 third party liability coverage. Through the extension insurance you can lower your deductible and increase your liability coverage. Contrary to popular belief, your limit of liability responsibility is not capped based on the liability limit you have. If you are found responsible for a liability loss that exceeds your current limit, you can be held financially responsible for any amount that exceeds your limit.

Non-owned coverage is available on an auto policy. This provides coverage for the insured when driving an auto they do not own with permission. This would include rental vehicles or vehicles borrowed from friends. Some non owned autos may be excluded under the non owned coverage. The insurer can provide these exclusions for the insured through their wording booklets. Cancellation of the contract will also cancel the non owned coverage provided under it.

An important note to students - once an auto policy is in effect, the **policy can only be cancelled by the insured or the insurer.**

Chapter 5

Claims and the Agent/Broker

Introduction

In this chapter you will learn about the role of the agent/broker in the claims process. Assisting customers with their claim is your opportunity to shine! The way your client's claim is handled can have a major impact on their opinion about you as their agent/broker and about the insurer.

Objective

By the end of this chapter you will be able to:

- Understand claims related terminology
- Understand the role of the agent and the adjuster in the claims process
- Assist the client with reporting a loss
- Monitor the progress of the claim
- Understand the appeal process, arbitration and appraisal

Claims terminology

All Perils – Covers your auto for all losses, except road hazard glass

Collision & Upset – Covers your vehicle if it hits or is hit by another object or the ground including roll over

Comprehensive – Covers you for all losses other than collision or upset, and road hazard glass

Deductible – The portion the insured is responsible to pay for a claim

Loss of Use – Covers the loss of use of a vehicle following an insured loss. This coverage reimburses you for the expenses you incur, including the rental of a replacement vehicle, taxi cab, and/or fares from other public transportation

Road Hazard Glass – Covers damage to glass (that encloses the passenger compartment of a vehicle) that has been broken by an object that has been thrown up or fell from another vehicle

Waiver of Deductible (Animal Collision)–Waives the policy deductible if the insured automobile is damaged by hitting, or being hit by an animal or bird

Third Party Liability – Covers the insured if they are found legally liable to someone else for an injury, death, or property damage caused by the use or ownership of your auto

Non-owned Auto – Covers the insured against third party claims arising out of automobiles not owned in whole or in part by, or licensed in the name of the insured

Actual Cash Value – The fair market value of a vehicle taking into account depreciation

Replacement Cost – The cost to replace a total loss vehicle with a brand new auto of the same make and model with similar equipment

Waiver of Depreciation – This coverage waives depreciation on a total loss vehicle where the loss or damage occurs within a specified time period (i.e. 36 months)

Stated Value – Where the insured and the insurer agree to the value of an auto at the time the policy is purchased. The value is usually determined by an appraisal acquired at the insured's expense

Injury Payments/Accident Benefits – Payments for an insured who sustains bodily injury or death by an accident arising out of the use or operation of an automobile. Benefits include income replacement, death benefits, education benefits, and funeral expenses.

Claim process

The role of the broker/agent is to collect information pertaining to the claim, counsel the client on their coverage, report the claim, monitor the progress of the claim and assist the insured with any concerns.

The role of the adjuster is to represent the insurance company and assist the client with the claim process. The adjuster will examine the details of the loss, confirm that the loss has been caused by an insured peril, inspect the loss and negotiate a settlement. If the loss has not been caused by an insured peril, the adjuster will explain why the loss is not covered under the policy.

Police report

Any loss involving bodily injury, death, hit and run, an impaired driver, or vehicles that need to be towed from the scene, must be reported to the police

Claim report

The agent/broker should be prepared when a claim is reported:

- Keep claim report forms handy
- Confirm the identity of the person reporting the claim
- Confirm whether the claim has been reported to the SGI Auto Fund. If not, advise the insured to do so promptly
- Confirm that coverage is in place
- Advise the insured about the coverage they do or do not have, for example loss of use, which would cover the expense of a rental vehicle

- Know the reporting procedures for each insurer you represent
- Collect complete and correct contact information from the insured
- Take a brief description of the details of the loss
- Explain the claims process to your client
- Promptly report the loss to the insurance company
- Record the loss in your broker management system

Claim Follow up

- Follow up with the insured (1 - 3 days).
- Follow-up again (within 10 days)
- Ensure communications between the insured and adjuster are maintained.
- Make sure the insured and the adjuster clearly understand what is required from each party.
- The value added service of the agent/broker may involve assisting to reconcile the relationship between the adjuster and the insured. The agent/broker can sometimes play a major role in getting things back on track.
- Follow up post claim to determine if the insured had a good experience with the claim.

Claim resolution

Appeal

If the insured is unhappy with the way a claim is resolved they can appeal the decision made by the insurer by contacting the head office of the insurance company. The broker should raise the concerns of their client with the adjuster and/or their manager.

Appraisal

If the insured and the adjuster have a difference of opinion as to the extent of the damages, the insured can have a repair facility of their choice, appraise the damage. The insured can then request that the claims manager review the two appraisals to determine if the problem can be resolved. If the insured is still not satisfied, they have an option to request arbitration.

Arbitration

If the insured is unhappy with the settlement offered, they may choose arbitration to resolve the situation. Two appraisers are appointed (one to represent the insured and one to represent the insurer) along with a mutually accepted umpire. The three individuals will render a decision on the dispute. The arbitrated decision is binding upon both the insured and the insurance company.

Salvage

Salvage is the property saved or remaining after a loss, including that portion of property which is taken over by the insurer after payment of a claim.

The insured may retain the salvaged property and the insurance company will deduct this value from the amount of the claim paid.

If a vehicle is seriously damaged, the insured might be tempted to leave it where it is, however the insured cannot abandon the automobile without the insurer's consent.

Subrogation

When the insurance company has paid for a loss caused by a negligent third party, the insurance company automatically gains the right to recover compensation from the 'at-fault' or responsible party.

Small claims court

Small claims court is a special court that provides easy and inexpensive adjudication of small claims (up to $20,000). The insured can seek recovery of their deductible, and other uninsured costs from a third party through the small claims process

The small claims court process can be useful where fault or responsibility for a loss has been deemed to be 50/50 between the insured and a third party.

Chapter 6

Insurance Terminology

Introduction

A basic understanding of insurance terminology is necessary for anyone working in the insurance industry. This chapter will help you to better understand, explain, and use insurance terms and acronyms with customers.

Objective

By the end of this chapter you will:
- Understand basic insurance terms
- Recognize and understand the acronyms used in the insurance industry

Definitions

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.
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.*
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.*
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.*
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. 2) A type of insurance which will step in to take the place of insurance that has not been effected due to a mistake or forgetfulness on the part of the policyholder. Issued to risks such as mortgage concerns, professionals, semi professionals or others engaged in the routine insurance of many properties. 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.*
Gross Vehicle Weight	Combined weight of vehicle, trailer, and load. May be required at time of registration.
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.*
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.*
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 lessee 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. GMAC credit or Ford Credit of Canada
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 the 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.*
Misrepresentation	An incorrect statement which may convince a party to enter into a contract.**
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.*
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.**
Operator	One who operates a vehicle.
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.*
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.**
Pleasure Use	A vehicle that is used exclusively for personal purposes, including driving to and from work.
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.
Prorating	The adjustment of policy benefits due to a change of exposure or existence of "other insurance."*
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.*
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.*
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.
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.*
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.*
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.*
Traffic Safety Act	The Traffic Safety Act provides the framework for the regulation of driver's licensing and motor vehicle operation in Saskatchewan.
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
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. *

Acronyms

AAIA	Automobile Accident Insurance Act
AB	Accident Benefits
ACV	Actual Cash Value
APC	Autopay Contract
BR	Business Recognition
CN	Customer Number
CRU	Central Recovery Unit
CPP	Customer Payment Plan

DDC	Defensive Driving Course
DEC	Driver Exam Certificate
DIP	Driver Improvement Program
DPP	Deductible Payment Plan
DWI	Driving Without Impairment
E & O	Errors and Omissions Insurance
FAD	Funds Available Date
GDL	Graduated Driver Licence
GST	Goods and Services Tax
GVW	Gross Vehicle Weight
HTB	Highway Traffic Board
IRE	Inter-Provincial Record Exchange
IRP	International Registration Plan
LOU	Loss of Use
LV	Light Vehicle
MGVW	Maximum Gross Vehicle Weight
MRU	Medical Review Unit
MVD	Motor Vehicle Division
NOA	Non owned Auto
NSC	National Safety Code
NSF	Non-Sufficient Funds
NVIS	New Vehicle Information Sheet
PAC	Pre-authorized Chequing
OAP	Owner's Auto Policy
PIPP	Personal Injury Protection Plan
PIPEDA	Personal Information Protection and Electronics Documents Act
PR	Pro Rata
PLP	PersonalizedLicence Plate
PST	Provincial Sales Tax
RC	Replacement Cost

IBAS Insurance Brokers' Association of Saskatchewan

RHG	Road Hazard Glass
SAM	SGI Auto Mate
SDR	Safe Driver Recognition
SGI	Saskatchewan Government Insurance
SME	Subject Matter Expert
SOPA	Summary Offence Procedures Act
SOT	Summery Offence Ticket
SR	Short Rate
TLV	Total Loss Vehicle
TPL	Third Party Liability
TSA	Traffic Safety Act
TSW	Traffic Safety Workshop
VICC	Vehicle Information Center of Canada
VIN	Vehicle Identification Number