

ALL ABOUT AUTO INSURANCE



CAR INSURANCE → VISIT IBC.CA



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DO I REALLY NEED AUTO INSURANCE?

The short answer is yes!

Regardless of where you live in Canada, auto insurance is required by law. You **are not authorized** to drive without it.

Driving without insurance is a very serious offence with harsh penalties including a heavy fine and/or licence suspension. In some provinces, you cannot obtain a vehicle registration unless you first provide proof of insurance.

BUYING AUTO INSURANCE

Whenever you get behind the wheel of a car, it is possible that you may cause damage to other people's property or injure – or even kill – yourself, other drivers, passengers or pedestrians. If you were to drive your car without insurance, not only would you be breaking the law, but you would also be risking your savings, home and other assets.

Who is insured?

Auto insurance covers the driver, occupants and potentially any pedestrians involved in a collision with the vehicle. The main user of the vehicle is referred to as the **principal driver** and any other listed drivers are referred to as **occasional or additional drivers**. Coverage may also be provided for damage to the vehicle.

If you are borrowing a car

- The person whose car you are borrowing must give you permission to use it.
- The use of the car cannot be part of a routine or regular pattern, such as driving to school every day. If you regularly borrow the same car as part of a routine, you must be listed on the owner's insurance policy as an additional driver.

If you are lending a car

- You must consent to its use by the other driver.
- The use of the car cannot be part of a routine or regular pattern, such as driving to school every day. If you regularly borrow the same car as part of a routine, you must be listed on the owner's insurance policy as an occasional driver.
- The person borrowing your car must be a licensed driver.

Remember: *If the person borrowing your car has a collision while driving your car, it goes on your insurance record. When you lend your car, you are also lending your driving record.*

Who can sell you insurance?

- **Insurance brokers** deal with a number of companies and try to find you the most appropriate coverage.
- **Insurance agents** usually sell insurance for a single company.

Do you qualify for discounts?

Before you decide on an insurer, shop around to compare prices, coverage options and quality of service. Some insurance companies may offer some of the following discounts for:

- Cars with loss-prevention devices
- Drivers who have graduated from an approved driver-training course
- Two or more private passenger cars insured within the same household
- Combined coverage for existing insured clients – *for example, if you choose to insure both your car and your home with the same insurer*
- Drivers who have never filed an insurance claim (“claims free”)
- Mature drivers over the age of 55
- Cars not used in winter
- “Loyalty” for policy renewals by existing insured clients, subject to insurer’s criteria

Please contact any of
Insurance Bureau of Canada’s
(IBC)’s consumer information
centres with questions.

COVERAGE

Mandatory insurance

Basic car insurance varies from province to province but includes two types of mandatory coverage:

→ **ACCIDENT BENEFITS**

→ **THIRD-PARTY LIABILITY**

Accident benefits coverage pays for medical treatment, income replacement and other benefits to help you recover if you are injured in a collision. This coverage also provides funeral expenses and payments to your survivors if you are killed in a collision. These benefits may also be referred to as “no-fault benefits,” which means they are paid to you by your insurer regardless of who caused the collision. Accident benefits coverage is mandatory in every province except Newfoundland and Labrador. In some parts of the country, this coverage is referred to as “Section B” benefits.



Most people don't have the money to pay for the losses they might cause while driving, so provincial governments require drivers to carry a certain amount of **third-party liability** coverage for any losses they might cause others to suffer. In most provinces, the person who did not cause the collision has the right to sue the at-fault driver in certain circumstances for additional costs and damages not covered by accident benefits.

If you are sued for more than the liability limit in your auto insurance policy, the balance of the settlement would be paid out of your pocket. Minimum coverage requirements vary from province to province. Be sure to contact your insurance representative for detailed information about the minimum coverage for your province.

Are minimum coverage requirements enough?

The minimum mandatory coverage for the operation of an automobile in most provinces is \$200,000 minimum third-party liability coverage. If you are held responsible for a collision causing bodily injury to others, the minimum third-party liability coverage may not be adequate. You would then be personally responsible for any damages awarded over that amount. Compare prices and determine what is most advantageous and economical for you through discussions with your insurance representative.

Depending on what coverage you select, your policy may include the following:

COLLISION OR UPSET COVERAGE pays for the cost of repairing your car following a collision with another car or an object such as a tree, animal, guardrail or pothole. In some parts of the country, this coverage is referred to as "Section C" benefits.

COMPREHENSIVE COVERAGE insures against loss or damage to your car resulting from miscellaneous causes including fire, theft, windstorm, hail, rising water, malicious mischief, riot or civil commotion, explosion, earthquake, falling or flying objects, vandalism, missiles, etc. but normally not including loss by collision or upset.

Endorsements (optional insurance)

You may purchase optional insurance, known as “endorsements,” including these types of coverage:

LOSS OF USE COVERAGE pays for a rental car or alternate transportation (such as taxi or train fares) while your car is being repaired.

COVERAGE FOR PHYSICAL DAMAGE TO A RENTAL CAR provides you with collision and comprehensive coverage, which is particularly useful for drivers who frequently rent cars in Canada and the United States.

DEPRECIATION WAIVER COVERAGE ensures you receive the full value of what you paid for your car – without depreciation – and is specifically designed for new cars.

EMERGENCY ROAD SERVICE COVERAGE pays for towing services (check if you already have this coverage with an independent company through your credit card or car association).

FAMILY PROTECTION COVERAGE pays for injuries to you and your family from the actions of an at-fault, under-insured driver (if you are travelling in a province where the mandatory liability coverage is low, this coverage ensures that you and your family are covered to your own policy’s limits regardless of the other person’s coverage levels).

COLLISION FORGIVENESS PROTECTION keeps your premium from increasing in the event of your first at-fault collision.





What is not covered?

Your automobile insurance covers the driver, the passengers and anyone else involved in a collision involving your car and depending on your policy, the car itself. Typically, any briefcases, purses, sporting equipment (e.g., golf clubs), smartphones or other items that may be stolen from your car or damaged in a collision may be covered by your home, condominium or tenant insurance.

Your standard home, condominium or tenant insurance policy may or may not cover items related to your home-based business (e.g., products or equipment) if they are stolen from or damaged in your car. Check with your insurance representative regarding specific coverage for the contents of your car.

Canadian Loss Experience Automobile Rating (CLEAR)

The Canadian Loss Experience Automobile Rating system identifies the average size and frequency of insurance claims for most makes and models of cars. Most insurance companies use CLEAR to rate vehicles based on their safety record and the cost to repair or replace them, and then offer lower premiums to drivers who buy cars with better ratings. For example, some vehicles may be more susceptible to theft than others; some may be better designed and less likely to sustain serious damage; some are less expensive to repair; and some protect their occupants in collisions better than others.

Before buying your car, be sure to check how different types of cars are rated. It could really save you money when you seek insurance. For additional information on car ratings, contact your insurance representative. Don't forget to look for the fact sheet "*How Cars Measure Up*" at www.ibc.ca.

Settlement terms and conditions

REPAIR OR REPLACE

If you have collision coverage, your insurance representative will pay for the repair or actual cash value of your car (including original equipment but not contents) or pay you the actual cash value of your car in the condition it was prior to sustaining damage. You are responsible for the deductible. Whether your car is repaired or rebuilt, it should be in the same condition as it was before it was damaged. If your car is a total loss, your insurance representative will offer you a cash settlement based on your car's actual cash value before it was damaged.

BETTERMENT

Your insurance representative is only responsible for paying for your car to be restored to its condition prior to sustaining damage. For example, if a rusty door panel that was dented in a collision were to be replaced with one that is not rusty, you may be expected to contribute financially toward the “betterment” of your car.

WRITE-OFF

In the event that the estimated cost to repair your car exceeds its cash value prior to being damaged, your insurance representative may decide to treat the car as a write-off rather than repair it. You would receive the actual cash value of your car, minus your deductible, and your insurer would keep the salvage (damaged vehicle or parts).

USED OR RECONDITIONED PARTS

In repairing your car, used or reconditioned parts may be used as long as they are of the same kind and quality as the originals and do not adversely affect the operation of your car.

AFTER-MARKET PARTS

If your car is in its first production year, there likely will be original equipment manufacturer (OEM) parts available to repair. These parts are new. New parts may also include “after-market” replacement parts, which can be an overrun from makers of original parts or made by manufacturers who specialize in replacement car parts. After-market parts approved by the Certified Automotive Parts Association meet or exceed OEM specifications and are suitable replacement parts. Safety-related replacement parts are usually new.

YOUR PREMIUM

A number of factors help determine your car insurance premium:

WHERE YOU LIVE:

If you live in a bustling city, collisions and auto theft are more likely, which may translate into higher premiums.

WHAT CAR YOU DRIVE:

Your car's make, model, year, value and potential repair costs are associated with risk factors. For example, some cars fare better than others in collisions, resulting in fewer injuries and minimal car damage. In determining your car's risk and expected claim severity, your insurance company may look to the CLEAR system of rating vehicles (see page 8).

WHAT YOU USE YOUR CAR FOR:

The more you drive your car, the higher the collision risk. Higher premiums may result if you drive your car often or drive long distances. It is very important to consider how you use your car to ensure you have the right insurance coverage. For example, if you regularly commute to work, carpool, drive often to the United States or are the designated driver for taking children to team practices, you should disclose these activities to your insurance representative.

YOUR DRIVING RECORD:

A long driving history with no collisions can help keep your premiums down while collisions where you are at fault may increase your premiums. Speeding tickets and other moving violations may also increase premiums. Parking tickets do not affect premiums.

YOUR DRIVER PROFILE:

Depending on what province you live in, your insurer may consider the claims history of the group to which you belong as a driver – for example, the group of drivers of the same age and driving experience. If you belong to a group that is more likely to make claims, your premiums may be higher.

YOUR COVERAGE (AND ENDORSEMENTS):

The more comprehensive your coverage, the higher your premium may be.

OTHER FACTORS:

In the highly competitive field of insurance, prices are also affected by the interplay of market forces, government regulations, taxes at all levels, discounts and unpredictable catastrophic events.

It is important to note that there is no one-size-fits-all method used to determine premiums – not all 30-year-olds living in urban areas and driving Fords pay the same premium.

These factors **do not** affect your car insurance premium:

THE COLOUR OF YOUR CAR:

Contrary to popular belief, the colour of your car does not affect your premium. You will not be asked the colour in your car insurance application.

WHETHER YOUR CAR IS FOREIGN OR DOMESTIC:

Premiums are not necessarily higher for foreign cars than domestic ones.

What is a deductible?

The deductible is the amount you will pay in the event of a claim. Most insurance claims are subject to a deductible. While a higher deductible will decrease your premium, it also results in higher financial risk. Choose your deductible based on your financial ability to assume this amount in the event of a claim. Speak with your insurance representative regarding how your policy deductible would be applied.

Things that may reduce your premium

- Depending on the province you live in (some have a single government-run insurance company), start by getting a quote with the insurance company that insures your residence. Companies often offer discounts when you “bundle” your home and car insurance together.
- If you live in a province without a government-run insurance company, be sure to shop around and obtain quotes from a variety of insurance agents or brokers. Ask about discounts or promotions. When comparing quotes and coverage, don’t forget service! Good service may cost a bit more but is well worth it.
- Opt for higher deductibles for claims relating to your car. The higher your deductible (or the more you pay in the event of a claim), the less your premium will be.
- Reduce annual kilometres driven and take public transit to work, if available.
- Exclude high-risk drivers from your policy so you are not penalized with a higher premium.
- Ensure your insurance representative has an accurate vehicle identification number (VIN) on record. The VIN is your car’s identity, which is used to confirm the kind of car you are driving.
- Install an approved theft-deterrent system in your car.
- Drop collision coverage on an older car if even minor damage would cost more to repair than the car is worth.
- Buy a car with a lower-cost insurance rating. Some models, such as four-door sedans, are less popular with thieves.
- Drive carefully to build a consistent collision-free and conviction-free driving record.

RENEWING YOUR POLICY

Your insurance representative will send you a notice of renewal prior to the policy expiration date. Depending on what province you live in, renewal may or may not be automatic unless you or your insurance representative gives notice to the contrary. An insurance policy is a legal contract so be sure to know what you are signing. Speak to your insurance representative about the exact specifications of your policy.

SETTLING A CLAIM

We hope you never have a collision but if it happens, there are certain steps you must take:

- Depending on the nature of the collision or the extent of the injuries, **contact the relevant authorities**. If your car has been stolen or damaged from a hit and run, file a report at the nearest police station.
- **If needed, complete a joint report in the case of a collision with no injury**. This allows the drivers to identify themselves and quickly report the collision to their respective insurers. Be sure to collect the other driver's name, address, phone number, driver's licence number and registration certificate, and insurance information. Record collision details – how, when, where it happened, time, date, location, speed, and weather and road conditions. Take photos if you can.
- **Call your insurance representative as soon as possible**. Describe the circumstances of the collision as best you can. Keep supporting documents – joint reports, photos, police report number, towing bills, etc. Your insurer may ask you to complete a written declaration (“proof of loss”) within 90 days of the collision. If you don't make your claim within this time, your insurance representative may not be legally bound to honour your claim; however, most companies will honour a claim made within one year if there is a reasonable explanation for the delay. If you suffer personal injuries for which other drivers are responsible, different time periods will apply.



- **Assessing your responsibility in the case of a collision** will fall upon your insurance representative who will let you know what the next steps are to have the damage evaluated and repaired or the car written off.
- **If your car is stolen**, you will only be compensated if you purchased specified perils, comprehensive or all perils coverage.
- **A claims specialist or adjuster will contact you** to examine the damage to your car. You must come to an agreement regarding the settlement amount. Your insurer will also determine the repair or replacement terms and conditions for your car, depending on your policy coverage.
- Discuss with your insurer whether you can use a **garage of your choice to repair your car**. Make sure that the garage repairing your car respects the price and specifications agreed upon with your insurer.

Questions about insurance? Call us.

Insurance Bureau of Canada

Toll-free: 1-844-2ask-IBC
(1-844-227-5422)

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