# RIBO 1 Study Guide

## How to use this study guide:

The most key words/ideas are bunched together for easy reading/highlighting:

- EX. Business Interruption Insurance: restores lost income if caused by insured perils up to the level the business would have earned if the loss hadn't occurred (insured perils = same as property insurance)

Content highlighted in GREY should be reviewed and understood but it's not that important for the exam.

When remembering a list of things (ie. exclusions), just remember 3-5 of them. In this study guide, lists are sorted to have the most important or easiest to remember things at the top.
An "=" sign typically indicates a definition.

Instead of rote memorization, try to understand the idea behind the concepts so you know how to apply them. Try to put yourself in the insurer's shoes and try to see how certain terms, exclusions, etc. are reasonable. If you understand the why behind something, it'll be easier to memorize.

## Definitions:

1. "Insured" = actual insured(s) & employees of insured
2. AoI = Amount of Insurance
3. On Premises = on the premises stated on the declaration page of the policy
4. "Controlled" = owned, rented or controlled by insured
5. CoC = course of construction
6. "Owned" = owned, rented or leased (or otherwise controlled)
7. "Vehicles" includes watercraft and other motorized vehicles (not only cars)

## Chapter 1 – Introduction to Insurance

Insurance = an undertaking by one party to indemnify another if a specific peril damages an object of insurance

Functions of Insurance:

- Spread Risk: from few to many (most important function)
    - Premiums are used to pay losses
- Insurers participate in Loss Prevention/Reduction measures
    - Sends reps to visit sites to assess and offer suggestions to decrease chances of loss or form partnerships w/ communities or nationwide campaigns against things like insurance fraud
- Peace of Mind: eliminates worry and lets people take risks (i.e. starting a business)
    - Pay small fixed amount to fend off large uncertain amounts
- Supply Credit: lenders won't lend for unprotected property – must show evidence of insurance to close
- Source of Jobs & Capital: insurers invest their premium $$

Definition of insurance:

1. Agreement between insurer and insured: to transfer risk
2. Insurer promises to pay when a specific peril damages an object of insurance (the thing that is covered by insurance) OR when insured causes loss to others
3. Insurance pays only for accidental losses that happen after the agreement starts
4. Principle of Indemnity: amount of claim payment = Amount of Loss based on the value of the object immediately prior to loss
5. Payment can be in money or repairing/replacing the property

General (Property & Casualty) Insurance Categories:

1. Automobile Insurance: largest volumes, required by law
2. Property: personal and business property, 2$^{nd}$ biggest
3. Liability: provides protection if legally responsible for causing injury or damage to 3$^{rd}$ party (aka. casualty)

Types of Insurers: private & government

1. Government Insurance: ie. EI, provincial health plan, Workers Compensation, etc. (~compulsory)
2. Private Insurance Companies:
    a. Stock Companies: **owned by shareholders** & profit oriented
        i. Money derived from private funds or public issuance of stock
        ii. Profits are reinvested or paid as dividends to shareholders
        iii. Writes most of the insurance policies & usually licensed to transact businesses in most provinces
    b. Mutual Companies: **owned by policy holders (members)** & not profit oriented (collects premium to cover costs only)
        i. Cheapest insurance & usually lax on claims adjusting
        ii. If the company loses money: policy holders pay the difference
        iii. If surplus: pay to policy holders as dividend, re-invested, or kept in reserve
        iv. 4 Types: Assessment, Cooperative, Factory, Stock
            - Assessment: every policyholder is a member & elects a board of directors
                - Premiums = communal fund for claims
                - Employs a secretary to administer the organization
                - Insured signs a premium note with a face value = maximum premium payable. The insured pays a portion of that in "initial premium." If the mutual does not collect enough to cover losses, they can request the insured pay the rest (= uncalled portion).
            - Cooperative: shareholders are insureds & contribute capital
                - Each shareholder gets 1 vote & surplus $$ is paid out based on amounts contributed. Profits are paid as dividends or retained in reserves

        - Premiums = non-assessable based on results (they cannot ask you to pay more)
    - Factory: focus on fire insurance & prevention (requires strict fire protection before insuring & conducts detailed inspections)
        - Insureds pay a "deposit premium" used to pay losses, expenses & funds a reserve.
            - @ end of term, deposit is either returned or credited towards a renewal
            - Insured may also get a credit for investment gains of the reserve
    - Stock Mutual = an Assessment Mutual that underwent a legal transformation to let them insure the public. Premiums are fixed @ inception & not subject to adjustments (i.e. if the Mutual makes or loses money)

Captive Insurer: insurer is wholly owned & controlled by its insureds. They operate like a traditional insurer putting their own money at risk and benefit from any profits. Usually set up as a risk financing measure to insure a group of large related companies only.

2 ways to Distribute Insurance: Direct writer or Independent Broker

1. Direct Writer: Insurer sells its own products direct to consumer (D2C) using employees
    a. Sell products that are only offered by the insurer
2. Independent Broker: Represents more than 1 insurer and gets commission. Pays their own expenses. Clients belong to the broker. Can have some underwriting, quoting, claims power.
3. Agency System = small business owners (agents get commissions & own their book of business)
    a. They represent 1 insurer & the Facility Association
    b. Ex: State Farm & Co-operators
4. Managing General Agents (MGA): Managing General Agents (MGA) = "wholesalers" = intermediaries between insurers & brokers.
    a. They have underwriting powers, settle claims, and even appoint brokerages to sell their products.
    b. Usually have specialized expertise & products (i.e. E&O/Professional Liability insurance)
    c. Can be structured as an independent brokerage or independent agency
        i. Independent brokerage: independent businesses that sell insurance policies from 2+ insurance companies
            1. Receives commissions from insurance companies when their policies are sold
            2. Every working member must have a broker license
        ii. Independent agencies: independent businesses that sell only insurance from 1 company
            1. Owned by 1 or more individual agents
            2. Earns commissions from the partnered insurer
            3. Owns its portfolio of business
    d. Can also directly deal with clients provided the staff has the appropriate licenses

Lloyd's of London: they insure the stuff uninsurable in normal markets

- They are a group of underwriters who assume risks themselves
    - Anyone can be a Lloyd's underwriter if they meet financial requirements
    - Use coverholders to provide a broader scope, more efficiency, and market expansion
        - Coverholders: independent companies worldwide that are authorized by Lloyd's syndicates to underwrite contracts
            - Allows Llyod's syndicate to operate globally cost-effectively
            - Authorized to issue documents, bind coverage, collect premium, settle claims, write businesses with tight limits (delegated authority)
- Syndicates = groups of underwriters
    - Underwriting agent manages the syndicate & appoints a "lead underwriter" who is an expert in that class of business
    - Subscription policy: 1+ syndicate participating in an insurance contract
        - Each syndicate signs the slip under the lead insurer taking the greatest % of the policy
        - Everyone else is subscribing to the policy
        - Ex. A commercial client has a risk valued at $4 million. The broker first approaches Wawanesa, which cannot take the full capacity but agrees to cover 50%. To cover the remaining risk, the broker secures 25% from a second insurer. With 25% still uncovered, the broker approaches a third insurer, which agrees to take the rest. As the primary insurer, Wawanesa serves as the lead company, and the policy is issued using its wording. The two additional insurers subscribe to the policy, sharing the risk according to their agreed portions
- Manuscript policy: a tailored policy that is written specifically for a complex or unique risk
    - All policyholders and subscribers (if applicable) must agree to the elements of the policy
- Process:
    - Producer provides broker w/ underwriting information on a "slip"
    - Underwriters commit to a % of the risk, until the policy is fully subscribed
    - "Slip" sent on to the Lloyd's Policy Signing Office

Reinsurance = when 1 insurer (the reinsured) cedes risk to another insurer (the reinsurer)

- Allows the insurer to reinsure (pass on) some of the loss exposure
    - Stabilizes ups/downs due to high frequency or severity of losses
- Retrocession: when a reinsurer cedes the risk AGAIN to another (the retrocessionnaire)
- Acquiring reinsurance is done by underwriters, not brokers or agents
- Ex. Insurance Company A operates in a small town in eastern Ontario, providing coverage for most local homes, vehicles, and businesses. If a major flood were to devastate the area, the company might not have sufficient premium reserves to cover the overwhelming number of claims. To safeguard against financial failure, Insurance Company A purchases reinsurance to share the risk and ensure stability.

- 4 reasons for Reinsurance:
  - Increase Capacity (capacity = the amount of coverage an insurer can take on)
    - An insurer doesn't want to have $5M tied up in 1 risk, they might reinsure $4M so they free up $4M in capacity to write other business
  - Premium Reserve Ratio: they can't write more than X times the amount they hold in "cash" so they use reinsurance to get some $$ "off the books"
    - Premium capacity = the amount an insurer can safely write (as per Insurance Act & GAAP)
    - Let's insurers offload some contractual obligations to their reinsurers
  - Catastrophe Protection: natural disasters, etc. can cause insurers to pay huge sums & go bankrupt. They use reinsurance/retrocession to spread that risk.
  - Leaving a Class of Business: if they don't want to write that type of business anymore & want to get the liabilities off their books, they could reinsure it away instead of cancel
- Types of Reinsurance Contracts: based on the way its placed & way premiums/losses are shared
  - Treaty Reinsurance: covers all policies in a particular class
  - Facultative Reinsurance: arranged separately for each policy
  - Proportional Reinsurance: shares all losses/premiums by % split
    - Helps balance the frequency and severity of losses
  - Non-proportional Reinsurance (most common): reinsurer pays losses > $X
    - Can be based on a risk, peril, or portfolio
    - Retention limit = how much the insurer is responsible for
      - Helps limit the severity of loss by the insurer
    - Ex. An insurer enters a non-proportional reinsurance agreement, retaining up to $3 million for wildfire claims in Ontario. The insurer pays a fee to the reinsurer for coverage over a set period. That summer, a wildfire causes $10 million in losses. Since the insurer's retention limit is $3 million, the reinsurer covers the remaining $7 million

Purchasing Insurance:

- New Business:
  - Step 1: Greeted professionally by the CSR taking their application
    - Ask enough questions to understand their needs (needs assessment) – pry if you think they might be missing something > ID companies that are likely to insure them & the product(s) they need > Send application to the client
    - Consent is required before moving the processes along (express or implied – discussed later)
    - Might need specific apps for some products or special risks (i.e. home-based biz)
    - Applicants & brokers have the duty to disclose all material facts & make accurate representations (discussed later). The insurer relies on this info and if false or omitted, can lead to VOID policies and denied claims.
    - Oral Applications: make sure you take written notes (+ who & when), record calls, keep these records properly (i.e. upload to broker management system), and send written confirmation of anything discussed

- Written Applications:
    - Brokers can make their own or use the insurer's
    - CSIO provides standardized applications to use

    - Pros:
        - Most accurate (especially if the client reviews & signs it)
        - Checklist to make sure you're asking all the right questions
        - Gives coverage/risk management recommendations (i.e. it may include a section on cyber insurance or have questions related to cyber security measures – if they don't have those things, maybe they should)
        - Prevents errors – no transcribing or double entries necessary
        - Can be used as evidence of coverages & proof of questions asked
        - Better service – you get all the info upfront so less back and forth
        - Has legal & privacy disclosures that clients agree to when signing
        - Remember to include notices about false or misleading statements and the repercussions to prevent insurance fraud
- Generally Required Information: may see more questions for specific/niche risks
    - Named Insured (aka Applicant) + Mailing Address (for Notices)
    - Loss Payees = someone other than the named insured who can collect $$
        - If there are a lot of loss payees, they need to investigate due to potential moral hazard. Is there a lot of debt on the property?
            - Is the insured suffering financial difficulties? If so, they might commit insurance fraud or neglect maintenance

    - Subject of Insurance: What are we insuring (i.e. a home, car, liability, or a piece of business equipment)? Limit of Insurance? Coverage required?
        - For Property: what, where, limits required, usage (i.e primary dwelling)
        - For Autos: what (description), territory of operation, usage (i.e business or personal use), who drives, who has insurable interest?
    - Policy Term: inception & expiry date (usually 1 yr)
        - You can back-date a policy but requires detailed investigation. Can't get coverage for anything that already happened!
    - Loss History (frequency & type of loss): is used to predict future losses and has an effect on terms, conditions and acceptance
        - Note: losses ≠ claims. You can have a loss but not claim it.
    - Look-back period varies: 3-5 yrs for Home & Commercial, 5-10 for Auto
    - Insurance History: previous insurer, policy # & expiry is used to:
        - Confirm loss history
        - Check for unexplained gaps in coverage
        - Previous declines/refusals to insure/renew. Was there a good reason?

            - Intermediary's Report: add info based on your personal knowledge (i.e. based on your relationship with the applicant, site visits, etc.)
                - Very important for getting business approved that would otherwise not be (i.e. include photos of a clean & well-kept facility)
                - Risk/loss exposure assessments: brokers usually visits a property to assess risks that are complex to ensure any insurance requirements are met, ex. a business, farm etc.
            - Signatures: Auto = always signed. Home = sometimes. Commercial = rarely.
                    - Audio Signature: client reads & agrees on a recorded call
                - Even if not mandatory, try to get a signature because…
                    - It may not be part of the policy but it's still based on the app
                    - Applicant confirms the statements are true – they're legally responsible for their answers
                    - Never get the client to sign a blank application form, even if they are impatient (unethical and can lead to potential E&O)
                - Online Insurance Sales: usually don't require signatures but could have privacy issues if they're not expressly consenting to insurers to investigate their info (i.e. run a credit check or check driving record)
                    - At least have a "read & confirmed" checkbox
        - Technology in new business & renewal: helps increase efficiency, improve accuracy, enhance client experience
            - CRMs: allows for efficient client data management, communication tracking, and policy renewal reminders
            - Online application & quoting tools: allows clients to access applications, compare quotes, and buy insurance online
            - Automated workflows: streamlines data entry, policy issuance, & renewal notifications
    - Step 2: Complete the app in full & explain everything to the client (also present options and w/ recommendations for best coverages)
    - Step 3: Take payment & give receipt + all documentation before they leave
        - Ex: binder/confirmation letter as per Reg. 991, liability card, etc.
        - Payments can be via cash, cheque, or debit/credit card, 3rd party premium financing plans, or through premium financing plans offered by the insurer
        - It may take some time for the insurers to issue the official policy so that can be sent later

- Renewals: important for growth/profitability (cheaper to renew than it is to get new business)
    - Policies are considered renewed when their expiration has been extended
    - Most personal lines policies are automatically renewed by insurers BUT you should review policies prior to renewal date
        - Once the policy reaches its expiry date and hasn't been renewed or extended, it is considered lapsed

        - Renewals don't always have the full policy wording attached unless the policy has been modified
        - Underwriters must ask for updated info on the risk @ renewal to check for eligibility
    - Pareto Principle (80/20 Rule): in general, 80% of future income come from 20% of clients through referrals, being responsive to marketing efforts, and purchasing products/services long-term
    - Step 1: Contact insureds 2-3 months before the renewal date (noted on the expiration list)
        - Check for changes to coverage & limits BEFORE policy issuance to save time
        - Maybe request homeowners update their info prior to renewal (questionnaire), send letters recommending coverage or increased limits to auto clients, etc.
    - Step 2: Upon renewal, notify insurer. You may need to issue a binder & invoice if the policy doesn't arrive by renewal time (rmbr: double check it for errors)
    - Step 3: Update the expiration list after policy delivery

- General Document Processing Procedures
    - Collection and submission: collect all necessary documents and submit them to the insurer promptly
    - Verification and validation: check the accuracy of client info and ensure compliance with regulations and policies
    - Client communication: keep clients informed of their progress and status of their documents (e.g., applications, endorsements, claims forms) and document all client communications in the client file
        - Client profile/notes should include the following details in case of E&O claims:
            - Form of communication ex: call, mail, email, fax (if written, must have a copy)
            - Policy changes requested or advice offered (and acceptance/rejection of the advice by the client)
            - Insurers' contact info in case they need to file a claim
            - Name of person(s) in the communication
            - Disclosure of coverages and its limitations (including rejected coverage recommendations)
        - Policy Presentation
            - In a clear and detailed manner that reflects your client's needs
            - Coverages and limits should align with those needs
            - Can be delivered in person or electronically
    - Storage and management: maintain organized files and use a brokerage management system to store and manage client info securely
    - Audit and compliance: conduct regular client file audits and provide ongoing staff training on accurate documentation and compliance
    - Retention and disposal: follow retention policy of the brokerage and dispose of unneeded documents

- Importance of Clear & Accurate Documentation
    - Legal and regulatory compliance: ensures compliance with industry regulations and legal requirements & helps provide a clear audit trail
    - Client trust and satisfaction: fosters transparency and builds trust & accurate records help provide better service due to increased efficiency & accuracy
    - Risk management: reduction of E&O risks and helps with dispute resolution (having a standardized workflow for transactions & sending letters of confirmation also helps)
    - Operational efficiency: reduces back-and-forth with client, find info more easily, and avoids duplicate work or re-verification of info
    - Financial accuracy: ensures accurate billing and commission tracking
    - Data security and privacy: handling sensitive data securely protects against data breaches and cyber threats. Using a secure management system.
    - Brokers should prioritize tasks based on: Regulatory & Legal Obligations: certain tasks like remitting premiums, disclosing material facts/changes, submitting proof of insurance are non-negotiable.
        - Failure to comply can lead to E&O or regulatory issues
    - Time-Sensitive Client-Centered Tasks: renewing before expiry, responding to claims, placing coverage, etc.
        - Time-sensitive tasks should come first (ie. If a client needs insurance on a home closing tomorrow)
    - Other Client-Centered Tasks: renewals (start 2-3 months out), endorsements, new business
    - Admin Tasks: updating CRM/BMS, team meetings, following up on leads
    - Time-sensitive, legal or high-risk tasks should come first before routine or administrative tasks
    - Support tools: project management software (Asana, Trello), time management (Todoist, Microsoft To Do). Calendar & scheduling tools (Google Calendar, Calendly) automated workflow tools (Zapier), task management apps (ClickUp, Notion), BMS (Acturis or EPIC) will also have task management & abeyance/reminder features.
- Policy Change: involves adding or removing coverage options, adjusting limits, changing named insureds, etc.
    - Can use riders, endorsements, or OPCF (auto) to make amendments

- Remarketing = shopping the policy with other insurers. This can happen when an insurance company declines a renewal due to changes in risk profile or non-payment of premiums, when the client requests it (ie. they want to find better coverage or lower premiums), or it can also be done upon suggestion by the broker for the same reasons.

Differentiating Insurance Company Application/Change Processes

- Application process
    - Traditional insurers: may require detailed paper applications and in-person meetings
    - Digital insurers: offer online applications with instant quotes and approvals
    - Broker-assisted applications: Brokers assist clients in completing applications and submitting to insurers

- Underwriting process
  - Manual underwriting: detailed review by an underwriter, often used for complex risks.
  - Automated underwriting: uses algorithms to assess risk and determine premiums quickly.
  - Hybrid underwriting: combines automated systems with manual review for certain cases.
- Policy issuance
  - Immediate issuance: policies are issued immediately upon approval, common with digital insurers
  - Deferred issuance: policies are issued after a review period, typical with traditional insurers.

- Policy changes
  - Online self-service: clients can make changes to their policies through an online portal (can be an insurer or broker-owned portal).
  - Broker-assisted changes: brokers handle policy amendments on behalf of clients.
- Claims process
  - Traditional claims: requires submitting paper forms and waiting for manual processing
  - Digital claims: clients can file and track claims online with digital documentation
  - Broker-assisted claims: brokers assist clients in filing claims and liaise with the insurer
- Customer support
  - Call centers: traditional insurers often rely on phone support for customer service
  - Live chat & email: digitally-minded insurers provide immediate support via live chat/email
  - Broker support: brokers offer personalized service and ongoing support to their clients and pass on the requested changes to the insurer

Factors Impacting Pricing & Availability of Products

- Inflation: rising costs of materials and repairs lead to higher payouts for claims, prompting insurers to adjust premiums to maintain profitability.
- Building Values: construction costs (↑ material and labour costs), location (certain areas are at higher risk of certain perils like flood or vandalism), age and condition (older buildings vs newer buildings), renovations and upgrades (modern buildings = ↑ value)
- Climate Change: more frequent or severe weather events (floods, wildfires) can increase claim frequency = higher premiums & limited availability of coverage in high-risk areas
  - Water endorsements may be required in flood-prone areas
- Global Events: natural disasters and other large-scale events can significantly impact entire regions.
  - Insurers might adjust premiums or even withdraw from areas deemed too risky
  - ↑ catastrophic losses increases reinsurance costs and can lead to limited/excluded coverages (ie. if an insurer is unable to secure reinsurance for earthquake, they may not offer earthquake coverages or decide not to insure risks in a earthquake-prone area)
- New Technologies: advancements like self-driving cars or smart home security systems can influence risk profiles and potentially lead to lower premiums for those adopting them
  - You can already often get auto insurance discounts if the car is equipped with anti-theft systems and automatic braking systems
  - New technologies creating new risks (e.g., cyberattacks) could introduce new coverage needs and impact pricing

- Impact of Fraud: ↑ claims costs and stricter underwriting practices
- Market cycles: how capital affects the cost of premiums
  - Soft Market: a surplus of capital leading to an increased capacity to take on more policyholders
    - Key features: competition between insurers leading to reduced premiums, more coverages or greater limits, and possibly widening of more acceptable risks
    - Benefits the customers, as it's easier to find policies for customers, fewer application restrictions, & better premium rates/discounts

  - Hard Market: a restriction on capital, leading to insurer's decreased ability to take on risks @ similar/same rates
    - Insurers can't take on as many new policyholders & harder to maintain the same premium/rates
    - Brokers have to go to more insurers to meet the needs of their clients & find the best rates
    - More restrictions on what the insurer will accept = fewer insurers competing for certain types of insurance

Establishing Organizational Structure:

1. Task Analysis: list tasks/services so people know what needs to be done
2. Task Grouping: group tasks in a logically so people can do them efficiently (1 person may do many)
3. Delegate Authority: key to efficient operation if the delegate is able & willing
4. Coordinate Job Positions: to ensure proper workflow & communications (must work together)

Methods of Organization: divide responsibilities based online or function (note: there is no "best" way)

- Line of Business = dividing responsibilities based online of business (i.e. personal & commercial)
  - Advantage: natural (i.e. just add more departments as you grow into new lines of business)
  - Disadvantage: duplicate functions (i.e. each dept. needs its own claims tracking function)
- Functional = divide workflow by function (i.e. sales, marketing, underwriting, claims, accounting, admin, etc.)
  - Disadvantage: different departments process things differently & require different skills
- Most businesses mix functional with line based on business mix, client needs, and staff

Insurance Company Structure (Departments): depends on the size of the insurer (5 parts)

1. Admin:
   a. HR: hiring, training, employee assistance, etc.
   b. Legal: ensure compliance with provincial/federal statutes
   c. Materials Management: manages buildings, equipment, vehicles, policy applications/forms
   d. Management Information Systems: gather data from divisions & create reports for mgmt., create & maintain software & hardware, provide help desk for departments
2. Finance: handles broker statement, accounts payable/receivables, payroll/benefits, investments, financial reports to government & management, commission statements, etc.

3. Underwriting: get stats to price products profitably (charge enough to pay for losses & expenses), determines which risk to write, determines broker binding authority, create underwriting criteria, issue policies & renewals, process cancellations
4. Claims: makes sure claims are investigated & paid according to the principle of indemnity, coordinate vendors
5. Marketing: ensure growth & profitability by developing insurance products that consumers want
    a. Then distributing/promoting those products to brokers/reps

## Chapter 2 – Government & Insurance Industry Regulations

Licensing of Insurers: make sure insurers are stable ($$), contracts are fair & doing biz for public benefit

1. Federal: Office of the Superintendent of Financial Institutions
    a. Licenses insurers that operate in multiple provinces
    b. Monitors & sets strict financial standards to ensure stability
2. Provincial: BC Superintendent of Financial Institutions (OR same name as Federal)
    a. Regulate terms of insurance policies (they approve all policy wordings)
    b. Licenses insurers that operate in their province
    c. Monitors financial stability of provincially licensed insurers

Monitoring Solvency:

1. Solvency = ability to meet financial obligations (suspended if not enough assets)
2. Property & Casualty Insurance Compensation Corporation: covers policy holders even when insurer goes bankrupt (≤ $250,000 per claim, refund premiums ≤ 70% ≤ $700)

Insurance industry = Fiduciaries:

1. Fiduciary: handles other people's money
2. Responsibility of Brokers: hold commissions in trust & return unearned commissions
    a. In Ontario, remit premiums to insurer in 30-60 days, deposit $$ in trust fund w/ in 3 banking days, maintain detailed books & allow authorized person to inspect. Produce audited financial statement w/ in 30 days of request.
3. Responsibility of Insurers: return unearned premiums
    a. Premium is earned pro-rata & is fully earned upon policy expiry
        i. Ex: If premium = $2400, premium earned after 3 month is $600. The $1800 unearned premium must be held in trust ready to be returned

Insurance Act: varies from province to province

1. Contents of Insurance Policies: must appear on the Declarations Page (1st page)
    a. Parties to the Contract (i.e. insurer & insured)
    b. Loss Payable or Payee: all parties with insurable interest
    c. Policy Period: starts 12:01 AM Local Time @ Address of the Named Insured (many policies change this to Local Time @ Risk Location)
    d. Coverage & Amount of Insurance: types of coverage & limits

e. Subject Matter of Insurance: property insured and location (address)
f. Rates & Premiums: cost of insurance (what the insured pays)

2. Basic Fire Policy Coverages:
    a. Fire = ignition that causes "destructive burning" (incl. fire-fighting damage i.e. water dmg)
        i. Friendly Fire = deliberate & contained application for beneficial purposes
        ii. Hostile Fire = not contained & destructive effects (insurable)
    b. 2 Additional Perils Insured:
        i. Lightning: damage to property (excludes damage to electrical devices)
        ii. Explosion of Coal, Natural or Manufactured Gas: excludes explosion of boilers or pressure vessels
3. Standard Legislated Exclusions:
    a. Excluded Perils: insurers may optionally cover: lightning, riot, civil commotion
        i. Application of heat: because it is friendly fire (resultant fire = OK)
        ii. Radioactive Contamination
        iii. Electrical Currents/artificial sources of electricity i.e. power surges (resultant fire = OK)
        iv. Lightning damage to electrical devices (resultant fire = OK)
        v. Riot, insurrection, civil commotion, war, act of a foreign enemy, (counter) terrorism, military, rebellion, invasion: because they are deliberate acts of violence with large losses
4. Statutory Conditions = rights and responsibilities of the parties, no changes (for fire, A&S, auto ins.)
    a. 3 Types of Misrepresentation:
        i. False description of property to the prejudice of the insurer: making it look better than it is (honest mistakes can be regarded as misrepresentation too!)
        ii. Misrepresentation of a "Material Fact": give a true account
        iii. Fraudulent Omission of a "Material Fact": applicant deliberately withholds material information
            1. Material Fact: something that would change the insurer's decision if known (ie. decide not to cover or to increase premiums)
                a. Ex: loss history, previous cancellations/denials of insurance
        *iv. Note: it is NOT a misrepresentation if it doesn't disadvantage the insurer*
        v. Coverage = VOID if misrepresentation is related to loss
    b. Material Change: no coverage if loss caused by a known, unreported material change
        i. If reported: cancel & refund OR ask insured to pay more (insured must pay within 15 days of receiving the notice)
            *1.* Must advise the insurer of any material changes that are substantial & continuing Ex. cancelling a fire alarm service while having a fire policy in place
            *2.* Ex. clothing store hosted an outdoor fashion show in its parking lot, drawing crowds with a free coffee bar. During the event, an electrical short in the sound system sparked a fire, causing $200,000 in damages. Since this event differed from the store's usual operations, the insurer must prove the change was both substantial and ongoing to deny coverage. Since this was a one time event, it won't be considered as a material change.

        ii. Non-material changes: minor changes that don't increase the chances of losses

c. Fraud: VOID the entire claim if found (fraud is a deliberate deception to secure a gain)
    i. Insurance brokers play a frontline role in detecting, preventing, and responding to fraud. Their responsibilities include:
        1. Detection & Verification
            a. Brokers must be vigilant and aware of red flags (e.g. unusual claim patterns, suspicious documentation)

            b. They must verify client information, including identity and address, and cross-check documents for inconsistencies
        2. Prevention
            a. Educate clients about the importance of honest disclosure and the consequences of fraud
            b. Follow proper documentation procedures and never allow clients to sign blank applications (unethical and risky for E&O claims)
            c. Use secure systems for data handling and document processing
        3. Reporting & Cooperation
            a. If fraud is suspected, brokers must immediately report the incident internally (to their principal broker or insurer) and cooperate with authorities, such as insurers' special investigations units or police
            b. Maintain detailed records of all suspicious interactions and communication with clients
        4. Ethical Conduct
            a. Brokers are held to a high standard of utmost good faith, integrity, and fiduciary duty. Breaching these can lead to:
                - Void policies
                - Denied claims
                - Disciplinary actions, including suspension or revocation of license
                - Fines as outlined in the Regulations

d. Requirements upon Loss: insured must provide proper documentation
    i. Notice of Loss: ASAP in writing
    ii. Proof of Loss (loss details) + Statutory Declaration as soon as practicable
        1. Inventory of damaged property: #, ACV, amount claimed
        2. How the loss occurred (best effort): must swear loss was accidental
        3. Location @ time of loss
        4. Other insurance: limits & insurers (policy pays pro-rata vs total coverage)
        5. Interest of the insured & others
        6. Changes in property since policy start: change in use, ownership, location, exposures, etc.
    iii. Inventory of undamaged property (if required): #, ACV & cost

iv. Produce: verified accounting records, receipts, invoices, inventory lists, etc. (if required/practicable)

e. Giving Notice or Proof of Loss: insured can give +
   i. Agent of the insured (if justified)
      1. Agent = anyone authorized (ie. lawyer, relative, friend, etc.)
      2. Those with insurable interest can file Proof of Loss if insured refuses
f. Termination responsibilities: refunds payable by money, money order or cheque
   i. Insured: must notify insurer w/ loss payee's consent (termination = immediate)
      1. Premium Refund: on a short-rate basis to cover admin costs sent ASAP
         a. Short Rate Basis = pro-rata minus administration fee
   ii. Insurer: must give written notice of termination
      1. By Registered Mail: 15 days' notice starting the day after the notice is received by the insured's addressed post office (must sign the letter before its release & if not claimed within 15 days = the letter is considered to have been received & contract is terminated)
      2. Hand Delivered: 5 days'
      3. Refund = pro-rata (proportional) & accompanies the notice or ASAP if more information is needed from the insured
         a. May be subject to minimum retained premium (if policy is cancelled early before the premium is fully earned = insured only gets refund of amount above the minimum)
         b. Ex. An insurance policy has an annual premium of $4,200, with a minimum retained amount of $400. If canceled mid-term, the pro rata rate is $12 per day. If the insurer cancels on the 15th day, the pro rata refund would be $4,020 ($4,200 - $180 for 15 days). However, since the insurer retains the first $400 for administrative costs, the actual refund to the insured is $3,620 instead of $4,020
g. Notice:
   i. Insured: in writing to the provincial head office/chief agency of the insurer
   ii. Insurer: in writing to the last known address of the insured
h. Property of Others: no coverage unless you're insured by the policy (policy may extend to cover insurable interest if stated on the policy)
i. Change of Interest: if insured no longer has insurable interest in the property, coverage is not automatically extended to new owner EXCEPT FOR: transfers under the Bankruptcy Act, succession, death, other "legally-mandated" title change
j. Salvage: insured must take reasonable steps to protect property from further loss
   i. Insurer will share costs pro-rata
      1. Ex. If a windstorm rips a hole in Janet's roof, she needs to take reasonable steps to protect property and limit the loss (ie. cover it with a tarp, board up windows, etc.). The insurer will pay these costs proportional to the coverage provided by the policy (ex: if the loss was $200K but the policy limit was $100K, the insurer will only pay 50% of the salvage costs).

    ii. Insured are not expected to risk their lives or other's lives to save the property

k. Entry, Control & Abandonment: rights after loss (ACE)
    i. Abandonment: insured cannot abandon property to insurer
    ii. Control: insurer cannot take control of the property after loss
    iii. Entry: insurer can enter immediately after loss to investigate
l. Appraisal: outlines procedures for claims disputes (amt of loss, property saved/insured)
m. Losses Payable: within 60 days of receiving Proof of Loss (unless contract says shorter)
n. Replacement: when insurer decides to repair or replace instead of paying cash give...
    i. Written Notice to Insured: within 30 days of receiving Proof of Loss
    ii. Repair or Replacement: start within 45 days of Proof of Loss
o. Action: legal action must be taken within 1 year of date of loss (ie. if insurer denies claim)
    i. 2 ways a claim can be discovered: the day the insured becomes aware or if there's a delay, then a reasonable time a person should've known
    ii. Note: Alberta changed this to 2 years in 2012 (many provinces allow 2 years)
p. Limitation of Liability Clause: mark any terms that may reduce amount of payment in red ink (i.e. deductible & co-insurance) "This Policy Contains a Clause(s) That May Limit The Amount Payable"
q. Delivery of Policy: if the policy has been delivered, the insurer must pay for losses even when the premium has not been paid
r. Subrogation: insurer can sue in place of the insured after paying a claim
    i. Subrogation = to "stand in the shoes of another" and assume their legal rights
    ii. Insured can claim with insurer for loss caused by others
    iii. Insurer can recover all amounts (including deductible) from the responsible party
        1. They will pay you back the deductible
        2. Ex. While decorating for a party, Jan left a lit candle unattended. The candle tipped over, igniting nearby decorations and causing a fire that damaged his home. The fire then spread to his neighbor Alex's house. Jan's insurance covered his own losses. Since Jan was negligent, Alex would typically have the right to sue him for damages. However, Alex's insurer, Secure Home Insurance, covered the repairs and replacement of his belongings. As a result, Secure Home Insurance now has the right of subrogation to sue Jan to recover the amount it paid to Alex. To ensure clarity, any legal action taken by Secure Home Insurance must be filed in Alex's name, even though the insurer would receive any recovered funds.
s. Waiver of Terms/Conditions: only the insurer can change policy terms and conditions.
    i. Must be written and signed by an "authorized person"
t. Removal Clause: covers property for up to 7 days if moved to a location not stated on the policy to prevent (further loss) (aka. necessary removal)
    i. Limit available @ new location = amount remaining after paying for loss @ primary
    ii. Important because: there is usually no coverage for property not @ stated location
    iii. If repairs to the covered location take longer than 7 days = amend policy to provide coverage at the temp. location beyond 7 days (upon discuss between broker, insured, and claims adjuster)

## Chapter 3 – Contract Law & Insurance Contracts

Types of Risk:

1. Personal Risk: financial hardship due to accident, sickness or death
    - Ex. filing a claim under your personal health insurance policy for loss of income while unable to work due to a broken leg

2. Property Risk: damage or destruction of tangible property (more property = more risk)
    - Filing a claim under your homeowner's insurance policy to cover repair costs for roof and interior dmg due to water leakage
3. Liability Risk: actions of individuals or businesses that result in injury or damage **to others**
    - Filing a claim under your liability insurance policy to cover legal costs associated with your dog biting a pedestrian and any related medical expenses

Dealing with risk: CART

1. Controlling: try to reduce frequency and severity of loss (can't control everything ie. earthquake)
    - Most of the time, control practices must be in place before being issued insurance policy ex. sprinklers for fire coverage
2. Avoidance: avoid the activity (no chance of loss but not practical)
3. Retention (or self-insurance): paying for losses yourself
    - Recommended for larger companies as they have greater capacity to finance 3rd party liability losses (smaller companies can do so if they have the financial capacity)
    - Deductibles are also a form of risk retention (paying out of pocket)
4. Transfer: shift the financial risk to someone else (most realistic) (ie. buy insurance)
    - Can also include a contractual agreement ex. indemnity agreements

Types of Financial Risk: speculative & pure risk

1. Pure Risk: can only lose (this is the only type of risk that is insurable)
2. Speculative Risk: might win or lose (ie. gambling)

Note that risk can refer to an insured object or an activity or person/business ex. "an agent goes to the site to inspect a risk (ie. a construction site)" or "extreme sports is not a covered risk"

Risk Management = reducing financial consequences of a loss

- Weigh cost of loss vs cost of protection & find the cheapest option
- Broker guides clients on best protection (incl. risk management techniques & insurance)
    - Understand your client's risks, your products & alternatives
- Enterprise Risk Management: reducing the impact of losses and strategic, financial, and operational risks
- Risk Management Steps: ID, Analyze, Select, Implement, Monitor
    - ID: exposures that might affect client
    - Analyze: the risks identified

- Select: the risk management techniques possible
- Implement: the chosen technique
- Monitor: the results & modify where necessary
- Identify Exposures: via observations & questionnaires
    - Elements of a loss exposure: potential causes of loss/damage, financial consequences of an occurrence, items subject to loss
    - For commercial risks, run a "Risk Inventory" to check loss frequency and severity: risk assessment surveys, loss histories, financial statements, accounting records, org charts, consultants, etc.
        - Pre-loss objective:
            - Manage risk tolerance
            - Cost-effective risk management
            - Compliance with regulatory requirements,
            - Contractual, or other obligations
            - Enhancing public image (focus on life/safety > finances)
        - Post-loss objective:
            - Survival of the organization
            - Ability to continue operating with minimal interruption
            - Stability of earnings by reducing expenses
            - Sustain growth rate from before the loss
            - Social responsibility towards community/employees
    - Loss categories
        - Physical property: building, equipment, intangibles (ex. lease)
        - Loss of use or income: net income loss
        - Legal liabilities: suit/claims for alleged wrongdoings
        - Personal health and earning capacity/human assets: due, disability, resignation, employee retirement
    - Investigate:
        - Loss history: what claims were there in the past?
        - Physical characteristics: size, construction, occupancy, neighbours, etc.
        - Protection: proximity to fire hydrant, sprinklers, alarms, etc. (safety equipment)
        - Liability: contractual obligations, bylaws, losses by under/uninsured parties, product/completed operations liability, etc. (more in Ch 6)
    - Exposed Property:
        - Tangible property: land, property, personal property
        - Intangible property: copyrights, trademarks, designs, trade secrets, contracts, etc.
        - Net income: losses can increase expenses & lower revenues (biz int)
        - Key personnel: their deaths/injuries could damage the business
    - Liability Exposures: workers compensation, premises & operations, etc.

- Risk Analysis: determine financial consequences of loss
  - Calculate severity of risk by: frequency & cost
    - Loss frequency: likelihood of an event occurring (related to the law of large numbers –> more events = more certainty)
    - Loss severity: seriousness of past losses (aka "cost")
      - Loss frequency and severity = inverse relationship
        - High frequency = low severity; low frequency = high severity (hopefully)Ex: high cost but rare = not that bad (i.e. earthquake)
  - Financial impact of losses over time = loss frequency x loss cost
  - Loss mitigation: steps taken to prevent further loss
    - Assess exposure and introduce mitigation strategies that insured must comply
- Select & Implement RM Technique:
  - Brokers recommend insurance or other techniques
    - Value add: explain, recommend & implement loss prevention methods
      - Some might be required by the policies
  - Methods of risk management
    - Control: the risk (i.e. fire extinguisher)
    - Avoid: some risks are unavoidable (no delivery vs earthquake)
    - Retain: pay out of pocket (use if uninsurable or if OK w/ risk)
      - I.E. shoplifting
    - Transfer: by buying insurance or w/ hold harmless/indemnity agreements (i.e. used in leases)
    - Reduce: engage in activities that lessen loss severity (ex. install sprinkler)
    - Prevent: stop loss from happening (ex. safety locks on equipment)
    - Diversify: reduce the concentration and chance/impact of loss (ex. having spare keys in different places)
  - Loss financing strategies used to retain losses (i.e. choosing to absorb losses)
    - Current expenses: using income from operating account to pay for losses, repair, etc.
    - Unfunded reserve: an account set up for losses but has no money set aside in it (account just used for tracking purposes)
    - Funded reserve: same as above, but has money set aside in it to pay the expense
    - Borrowing: taking out a loan to pay for the expenses (recommend setting up a line of credit in advance)
    - Captive insurer: insurance company under the parent company with the sole purpose of funding losses
  - Large loss principle: devastating exposure = transfer via insurance
  - Small loss principle: small losses = retained (cheaper than buying insurance)
    - *a combination of the two can be just as effective (ex. purchase property insurance with a larger deductible and retain small losses)

- Technical and managerial decisions made by the client
  - Technical: deciding how to implement the plan (ex. those with line authority can direct staff on their actions)
  - Managerial: is responsible for implementing phases of the plan (ex. those with staff authority can advise, but not direct staff)
  - Success of risk management relies on the senior management
  - Costs must be allocated fairly to each division/location. The lower the cost of risk, the more profitable the division/location
    - Cost of risk = cost of loss prevention/reduction + cost of retained losses (ie. deductibles) + insurance premiums + risk management department overhead
  - Emergency response planning: safeguarding human/physical assets following a crisis
  - Must be straightforward, easy to follow, training provided, up to date
  - Emergency response team: small, managed by someone who can physically/psychologically lead (clear thinker/work under pressure)
    - Clear line of command + roles/responsibilities outlined
    - Develop a plan (compliance with regulations/protocols)
    - Plan financial/other resources during/after the event (contact list including names, phone #, email, addresses)
    - Ongoing training to practice the plan
    - Have media relations/communication plan to share relevant crisis info with related parties
  - Found in the employee manual

- Monitoring: monitor for effectiveness & modify to improve loss ratios & keep up with changes
  - Broker should stay up to date w/ new products/procedures
  - Annual review of risk management plan
    - Determine if changes are needed and whether corrective actions are needed (if yes, then what needs to happen/be done?)
    - Frequency of review depends on complexity/size of business
      - Minimum once a year recommended
      - Helps stay informed of operational changes (bring up during renewal around the time of underwriting info gathering stage)
    - Set benchmarks and standards to compare actual results against 2 kinds:
        - Results standards = outcome of the risk management activities
        - Activity standard = actions involved in actual implementation
        - Ex. If the objective is to reduce the number of workplace injuries, an activity standard focuses on implementing the safety protocol to be followed by all. If employees followed the safety protocols X% of the time, then the activity standard is met. Results standard would be whether the number of

injuries went up or down.  If the actual injuries are down to X, then the standard has been met

        - Look at internal historic data and industry-wide statistics to set realistic and achievable standards
        - Look at actual results vs the standard. Did we achieve what we expected?/ if we did not meet the standard, did we set it too high? If not, then we may need to review the implementation or adjust the strategy to correct deficiencies
      - Loss control measures: check for implementation
        - If so = methods/control procedures may need revision/replacement
        - Check policies/products that better meet the organization's needs
      - Reviewing results = checking the effectiveness of program and each department's and employee's result (expected results vs outcome)
        - Check for variances between expected outcome vs. achieved outcome
    - New/Additional Exposure
      - Changes to risk management plan may be required for more coverage
        - May include policies, changes to existing limits (increased), clauses/conditions amended if needed
      - Must discuss with the client
    - Compare and review records of other similar operations/businesses
      - Past records: identify loss exposures (likely to reoccur)
        - Ex. Date, claims amount, loss details
        - Helps predict further losses
        - Stable environment + extensive recorded claims = increased accuracy of loss predictions/avoidance

Contract = legally enforceable agreement (i.e. to do or not do something)

- Express contracts: legally binding agreements between 2 parties with terms defined in writing ex. insurance policies
- Implied contracts: oral and non-written agreements that can be inferred through behaviours and or circumstances that there is an agreement
  - Often more ambiguous in nature, but have the same implications as express contracts ex. ordering a take-out and needing to pay at the time of pick-up

Legally Enforceable = courts agree to enforce terms of the contract (i.e. force performance of obligation)

Duty of Care = acting responsibly to avoid hurting others

1. General: reasonable care to avoid causing foreseeable harm to others
2. Specific: certain relationships involve a higher level of responsibility to ensure safety & well-being ex. doctor-patient & employer-employee

Elements of ALL Contracts (to be legally enforceable):

1. Agreement: offer + acceptance. All terms have been agreed to with no further negotiations.
2. Genuine Intentions: all parties freely enter and are aware of all terms (honesty)
    a. No fraud, duress, concealment, mistake
3. Consideration: all parties bring something of value so everyone benefits (i.e. pay $$ for insurance)
    a. An insurance policy is valid as long as there is an intent to pay
4. Legality of Object: purpose of the contract is legal (i.e. not contrary to public good)
5. Legal Capacity of the Parties: all parties understand the obligations undertaken & can legally sue/be sued
    a. Minors: can contract for "necessities" (i.e. food, clothing, shelter)
        - Must ensure the minor understands the terms of insurance policy
    b. Mental Incompetents: have no legal capacity
    c. Person under the influence of drugs/alcohol: no legal capacity
    d. Trade Names: can't enter contracts (no legal status so must be attached to legal entity)
        - Must enter using the names of the people who own the business
    e. Corporations, sole proprietors, partnerships: can enter contracts

Elements special to insurance:

1. Insurable Interest: only those who actually suffer loss are entitled to benefit from policy
    a. I.e. owner, mortgagee, bailee, anyone who can be held legally responsible for 3rd party injury, etc.)
    b. Helps prevent insurance fraud & profiting from insurance
2. Indemnity: establishes amount of entitlement (rmbr: pays actual amount of loss ONLY)
3. Utmost Good Faith: both parties must be open, honest & comply with policy terms & conditions
    a. Insurers: properly managing premium pools & pay claims
    b. Insured: make true statements & exercise honesty regarding losses

Must meet both types of requirement or VOID (treated as if it never existed)
Voidable = wronged party can choose to VOID

Breach of Contract: failure to keep any promise that forms parts or all of the contract
(action must be taken within the allotted limitation period)

- Remedies from the court:
    a. Compensate the injured party for damages
    b. Rescind the contract and restore the parties to their pre-contract positions
    c. Issue an injunction to prevent a party from doing something or to have them perform something
    d. Mandate the fulfillment of contractual obligations

Changing an Insurance Contract (via documents): both parties must agree

1. Floater: insures mobile property (ie. cell phones & contractors' equipment)
2. Rider: adds coverage (additional premium required)
3. Endorsement: issued by insurer to show change has been made

Separate Policies: for special property risks (ie. building under construction, automobiles, aircraft, etc.)

Binder = temp policy issued pending the actual policy [if oral, confirm (coverage & limits) in writing ASAP] (Broker commits the insurer to an insurance contract without checking with them)

1. Agency Agreement: gives broker authority to commit the insurer to a contract
    a. Subject to limits/conditions, can't bind everything (i.e. only dwelling/contents < $500k, decline farms, refer commercial risks to insurer for evaluation)
        i. If you exceed binding authority: brokerage faces E&O claim & liable for any losses
            a. Binding authority: the ability to bind coverage as a rep for the insurer through contracts
                i. Every broker employed by a brokerage is bound by the insurer they represent
            b. Each insurer has their own binding authority, which can be subject to market conditions or loss events (ie. earthquakes can pause binding until aftershocks clear)
        ii. If policy issued = different from application, insured has 2 weeks from receiving written notice to reject
        iii. Express consent (explicit consent): clearly and directly given permission (verbally/in writing)
            - Signing a form or verbally agreeing to receive marketing emails
        iv. Implied consent (inferred consent): permission assumed based on actions or context
            - Making a purchase and providing your contact information = implying that you may be open to future communications – especially about your purchase
            - "Ex: if you have been binding risk outside authority for years, then perhaps you have implied authority
    b. Varies, negotiated separately, have 1 w/ each insurer you work with, 5 sections
        i. Broker's Authority: guidelines RE: risks/limits that can be bound + rules/rate manuals
        ii. Ownership of Expirations: brokerages own their clients (insurer could own if premiums not remitted)
            - Billing Procedures: can remit premiums to insurer in…
                - Account Current: ID accounts due within a X time period & write a cheque for that
                    - Usually a 1 month period. Most contracts allow 30-60 days to pay
                - Insurer Statement: insurer bills the brokerage for amounts due within X time period (usually 1 month)
                - Direct Bill: insurer sends premium notices, bills client directly & remits $$ to broker
                    - Sometimes the broker collects the 1st month of premiums
                - Agency bill: brokerage bills & remits $ to insurer minus commissions
                    - May need a lender to help w/ financing plan (esp for larger premiums) (premium financing company)

- Need to keep Accounts Receivables policies tight
- Direct bill: insurer bills client directly & sends commissions to broker w/ monthly statement
  - Less admin work BUT… 1 less touch point
- Premium financing agreement: a loan agreement entered into with a 3rd party finance entity to pay for insurance premium

  - Borrow money from a premium finance company & repay the loan installments over time (often with interest)

iii. Commissions: ranges from 10-20% (avg = 15%) of premiums

1. Contingent Profits or Bonuses depend on performance/loss ratio of the book of business
   - Loss ratio: represents the proportion of money an insurer pays out in claims compared to the total amount of money it collects in premium
     - Loss Ratio = $\frac{losses}{earned\ premium} \times 100$
       - Ex. Insurance Company B earned \$2M premiums. During that year, it paid \$800,000 to settle policyholder claims. The loss ratio is
   - $\frac{\$800{,}000}{\$2{,}000{,}000}$ x 100 = 40%
     - Combined ratio = $\left(\frac{total\ claim\ costs + expenses\ incurred}{earned\ premium}\right)$ x 100
       - Expenses include employee salaries, commissions, rent, utilities, legal expenses, etc.
       - Gives a more accurate picture of the company's financial health
       - >100% means that insurers are incurring underwriting loss
       - Profit = total claim cost + adjusted expense < earned premium collected
         - Brokers are sometimes offered incentives for maintaining a profitable book of business (contingent commissions)
       - Ex. Company B incurred expenses of \$300,000. The combined ratio would be $\frac{\$800{,}000+\$300{,}000}{\$2{,}000{,}000}$ x 100 = 55%

iv. Expenses: brokers pay their own expenses but insurer may share advertising costs, etc.

v. Termination: must give (usually) 90-180 days notice before terminating the contract

vi. Other Provisions: include a clause that holds the broker harmless against insurer's mistakes (and vice versa)

2. Usually valid for 30 days or when the client receives the policy, whichever comes first

## Chapter 4 – The Process of Placing Insurance

1. An application is required for most risks. Let's insurer determine the quality of risk.
2. Cost of Insurance: varies based on location, AoI, coverage, history of applicant, etc.
3. Entities Involved:
    a. Agent/Broker is the intermediary between Insurers and Clients
    b. Broker: represents client's interest: determines insurance needs and selects insurer
        i. Duty to Clients/Policyholders: legal requirement to exercise "reasonable skill, care and diligence"
            1. Inadequate coverage = major source of E&O (errors and omissions) claims
            2. Others = (basically: bad advice)
                a. Failure to advise of exclusions/to place coverage
                b. Incorrect coverage/advice RE: coverage availability
                c. Errors in: cancellation/renewal/risk description
                d. Violation of Agency Agreement
                e. Processing Delays
                f. Binding authority violations
                g. Misrepresentation & errors in describing the risk
        ii. Duty to Insurers: tell the truth and not conceal important information
        iii. Failure to meet duties and legal standards may cause financial loss to client or insurer = get sued = E&O claims
            1. E&O = the insurance purchased by brokerages to insure against mistakes
                a. Protects everyone in the brokerage (i.e. employees don't need to buy their own)
        iv. Sells products of > 1 insurance company
        v. First line underwriters: first person to assess the client's risks & determine eligibility
    c. Agent: represents insurer's interest
        i. Agent of the Insurer = a broker who has binding authority
        ii. Sells products from only 1 insurance company
        iii. May work for direct writers or independent agencies
    d. Underwriters: non-client facing insurance company employees not selling insurance. No license required. They do…
        i. Risk Selection: choose risks most likely to be profitable for the insurer (ie. least risky)
            1. Sources of information:
                a. Application: gives info on risks and hazards
                b. Broker: info on client's personal and business reputation

c. Inspection Reports: helps evaluate hazards on commercial risks (provided by Insurers' Advisory Organization & others)
    i. Hazard = condition that might cause a peril to occur
        1. Physical Hazards: conditions related to premises
            a. Construction: potential for loss (i.e. fire)
            b. Housekeeping: maintenance
            c. Occupancy: use of premises by applicant and others
            d. Can be broad (ex. flood zone) or specific (faulty wire)
        2. Moral Hazards: subjective characteristics of applicant
            a. Moral Character: ethics and honesty, questionable losses/claims
            b. Financial Condition: payment history, previous cancellations due to non-payment
            c. Indifference to Loss: carelessness, lack of loss prevention

d. Loss Experience Data: info on loss experience for that class of risk

ii. Rate Making: different prices for different risks
    1. Analyze rates (premiums) to determine the cost of insurance
    2. Actuaries use calculations and projections based on industry and claims results and outlooks to determine the rate
        a. May use a variety of components in the calculation ex. urban density, materials, fire protection
        b. Also calculates pure premium, which is the base amount of premium required to cover expected losses
            i. Includes operations costs & commissions generated by the insure
    3. If the final rate is too low, the insurer may write more policies (too many written policies could lead to a negative balance)
    4. If the final rate is too high = premiums become non-competitive = insurer may not be profitable (can adjusted and amended as needed)
    5. Location can impact the rates (some places may have higher risk i.e. of vandalism, therefore increases the rate and vice versa)

iii. Policy Holder Services = paperwork: quotes, policies, changes, renewals/cancellations, etc.

a. Claims Adjuster: investigates loss, determines amounts and how they're settled
    i. Claims Process:
        1. Insured reports to broker
        2. Broker reports to insurer
        3. Insurer assigns company adjuster to deal with the claim
            a. Independent Adjuster: for specialized or far off losses

ii. Brokers' Responsibility: determine status of claim, monitor progress, ensure client satisfaction via good service and relationship, advise on loss control

iii. Importance of developing relationships with clients and industry stakeholders

   1. Retention & referrals
   2. Industry knowledge
   3. Better advocacy & problem-solving

iv. Claims Handling: clients expect prompt claims handling & may be upset. 5 Steps…

   1. Opening Claims File: get information about the loss & report to insurer
   2. Verify Coverage: check if their claim is actually covered. Don't make definitive commitments but let them know ASAP if it's clearly not covered.
   3. Advise Clients: provide info on deductibles for small losses, discuss impact of losses on a renewal, etc.
   4. Submit Info to Insurer & make a note to Follow Up and monitor the process (good customer service)
   5. Claims Handling: done by brokerage, insurer or independent adjusters
      a. Brokerage Adjusting: large brokerages (especially commercial lines) may have staff adjusters & authority to pay certain claims
      b. Insurer Adjusting: insurers employ adjusters to handle claims
      c. Independent Adjusters: used when staff adjusters aren't available or when special knowledge is required
      d. Claimant: often the policyholder but can be any insured on the policy who's making the claim
   6. Close File: when a claim has been paid (maybe deliver payment personally to build a stronger relationship)
      a. Know how insurers view losses (they may cancel if there are too many too fast so warn your clients)

v. Required Documents for Claims Processing: varies depending on the insurance & loss scenario

   1. Auto: claim form, police report, driver's license, vehicle registration, insurance policy, repair cost estimates, photos of the dmg/accident scene, medical reports, witness statements
   2. Home: claims form, proof of ownership, police report (for theft or vandalism), photos, repair estimates, insurance policy, inventory list of dmg/stolen items, water dmg reports if needed
   3. Business: claims form, proof of loss, police report, repair estimates, insurance policy, financial records, inventory list, photos

vi. Consequences and Implications of a Claim:

   1. Premium increase: ↑ premium @ renewal & possibly several years down the line
   2. Loss of Discounts: insurers may not offer discounts for safe driving
   3. Changes in Policy Terms: ↑ deductibles & limited coverages or added exclusions
   4. Remarketing: more difficult to find competitive rates or willing insurers to provide coverage

## Chapter 5 – Characteristics of Property Insurance Policies

1. Property Insured: personal property policies insure private non-business use property, commercial property policies insure commercial use property @ named location
    a. Types of coverage: named perils & broad form
        i. Named Perils (also called Specified Perils ): insures losses by perils listed on the policy
        ii. Broad Form: insures against all direct physical losses not excluded on the policy
    b. Insure Direct Damage Only:
        i. Direct Loss = insured property is damaged by peril (ie. fire damaging a building)
        ii. Indirect Loss = result of direct loss (ie. loss of income or food in freezer)
    c. Only defined property & defined locations are covered
    d. Exclusions:
        i. Perils Excluded: because there is potential for catastrophic loss; commercially uninsurable, naturally occurring or cumulative damage; uncommon losses
            a. ie. nuclear, earthquake/flood, wear & tear/gradual deterioration, sewer back-up, war, by-laws, corrosion (i.e. rust), smoke from industrial sources
        ii. Property Excluded: because there is greater than normal loss potential, expensive to insure, or specialized forms exist
            a. ie. vehicles/crafts, vacant property, money/securities, evidence of debt/title
2. Deductible Clause:
    a. Deductible = cost the insured is required to pay per loss
    b. Eliminates small losses & keeps insurance affordable
    c. Higher deductible = cheaper premium
    d. Clients pay deductible, then the insurer pays the claim amount
3. Standard Mortgage Clause = side agreement between insurer and mortgagee
    a. Mortgagee: has insurable interest in property (they provide financing)
    b. Guarantees payment to mortgagee when insured is denied coverage due to breach of conditions (ie. misrepresentation, breach of warranty, fraud, vacancy, neglect, etc.)
    c. Guarantees that insurer will not reduce coverage or terminate policy without notice
    d. Or terminate at the request of insured without mortgagee's consent
    e. Mortgagee must notify insurer of any known vacancy, transfer of interest, increased hazard & pay the additional premiums required
4. Conditions/Warranties:
    a. Warranty = promise that something is true and shall remain true. Exact compliance is required, if warranty is breached, the policy is VOID
    b. Condition = requirement to do or not do something
        i. Statutory Condition: legally required by law (applies to everyone)
        ii. Policy Condition: stated on the policy, created by insurers
5. Claims payment rules (property insurance):
    a. Pair & Set / Parts Rule: pay only for item lost, not the full set

b. Indemnity Agreement: amount of settlement = least of:
    i. Actual Cash Value: replacement cost minus depreciation
        1. Depreciation factors: condition, resale value, life span (+ obsolescence, age)
    ii. Interest of Insured: insurable interest = how much of that property do you own
    iii. Limit of Insurance: will only pay up to this limit

c. Alternative Basis of Settlement
    i. Replacement Cost (RC) on Buildings: must be done with due diligence & dispatch otherwise you won't get the full amount
        1. Must repair w/ materials of like kind and quality @ same/nearby location
        2. ACV first, then full RC payment after replacement
    ii. Replacement Cost on Personal Property: must be used for original purpose at time of loss & replaced promptly

        1. Replacement Cost = what it costs to repair or replace with materials of like kind and quality (without depreciation)
    iii. Valued Policies: limits established by appraisal (alternative to RC)

## Chapter 6 – Personal Property Insurance – Habitational Forms

Personal property insurance = Homeowners Forms: Basic, Broad & Comprehensive

i. For single family dwellings occupied year-round by owners (1+ family = OK) OR can have 1+ principal dwellings OR dwelling under construction to be occupied by owner OR mobile homes on a full basement
ii. Common Characteristics of ALL Homeowner Forms: language, format, definitions, extensions, claims
    a. Clear Language
    b. Standard Format: section 1 (property coverages) & section 2 (liability coverage)
    c. Values on the declarations page are derived from info from a Home Evaluation Calculator, Contents Limit, & requested Application
iii. Uniform Definitions:
    a. Persons Insured = named insured + "dependents"
        i. Named Insured = person(s) named on the policy (aka: "you")
        ii. "Dependents" = any of the following while living in the same household:
            i. Husband or Wife by legal marriage: or Common Law spouse that has lived together for 3 yrs or 1 year if they have a child (biological or adopted) together
            ii. Relatives of Either: that are permanently residing with Named Insured
            iii. Any Other Person under 21 y/o in their care: care = dependent upon insured (includes foster kids & exchange students, excludes roomers/boarders because they are 'tenants')
            iv. Students attending School: must be supported by Named Insured or spouse if temporarily away for school (i.e. at a dorm)

iii. Additional Named Insured vs Additional Insured
  i. Additional Insured = entity added to a liability policy so that they receive protection under the policy for the named insured's acts.
    a. Ex: If you hire someone to repair your roof and you request to be added as an additional insured to the contractor's policy, the contractor's policy would cover you for liability arising out of their roof repair (ie. if they drop some materials on someone injuring them and they sue the contractor & you as the person who hired them).
  ii. Additional Named Insured = entity added that gets all the protections of the Named Insured. Including liability that they create themselves.
    a. Ex: If you have 2 businesses that share an office space, they may take out a liability policy with one as the primary named insured and the other as additional so that their liabilities are covered (ie. if either of them forgets to put up a wet floor sign while mopping and a visitor slips and falls).
    b. Don't have the same rights & obligations as the named insured. Not responsible for paying premiums and may not receive notices or be able to cancel the policy.
    c. Limits are shared. If either or, or both, create liability, the limit is still $X.

b. Dwelling = private residence (habitation only – not for business use)
c. Premises = the address noted on the policy (land within lot lines)
  i. For Tenants or Condo Owner's: premises includes garages, outbuildings, approaches

iv. Losses Insured:
  a. Section 1: Property Coverages
    i. Coverage A – Dwelling Building (Homeowners only)
      i. Coverage A1 – Condominium Unit (Condo Unit Owners only)
      ii. Coverage A2 – Loss Assessment (Condo Unit Owners only)
      iii. Coverage A3 – Unit Improvements & Betterments (Condo Unit Owners only)
        a. Note: see Condo Owners below under Other Habitational Forms for more details
    ii. Coverage B – Detached Private Structures (Homeowners only)
    iii. Coverage C – Personal Property (for all)
    iv. Coverage D – Additional Living Expenses (for all)
  b. Section 2: Liability Coverages: included in ALL Homeowners Forms (protects 3rd parties)
    i. Coverage E – Personal Liability
    ii. Coverage F – Voluntary Medical Payments (no deductible)
    iii. Coverage G – Voluntary Payment for Property Damage (no deductible)
    iv. Coverage H – Voluntary Compensation for Residence Employees (no deductible)
    v. Coverage I – "Liability" Loss Assessment (Condo Unit Owners only)

5. Extensions of Coverage: included in ALL Homeowners Forms
  a. Moving to another home in Canada: covers new place & property while in transit for ≤ 30 days
  b. Debris Removal: + 5% of Coverage A if original limit not enough
  c. Property Removal: expands removal clause to 30 days (see above)

d. Credit/Debit Card, Forgery (of insured's cheques), and Counterfeit USD/CAD: ≤ $2000
    i. Limit ≤ $200 per cash transaction; (no deductible)
    ii. Must comply with the card company's terms & conditions
e. Inflation Protection: limits automatically adjusted by inflation for mid-term losses under Coverage A
f. Tear Out: will repair walls, etc. tore out to get to a broken water pipe/appliance behind
    a. Does not cover dmg due to swimming pools or public watermains
g. Change in Temperature: covers indirect damage to personal property inside dwelling if dwelling/equipment was damaged by insured peril
h. Freezer Food: spoilage due to outside power failure or freezer breakdown up to $2000.
    i. Freezer is replaced if ruined by the food (no deductible)
    ii. Excludes losses due to operation of circuit breaker/fuse, interrupted or planned outage, OR unplugging
i. Lock Replacement: ≤ $500 for stolen keys if reported to police (no deductible)
j. Fire Department Charges: ≤ $1000 the fire department from another city bills you
k. Arson/Burglary Conviction Reward: ≤ $1000 for info leading to conviction (no deductible)
l. Damage to Dwelling (for Tenants): ≤ $500 of the Coverage C limit can be used to pay for damage to dwelling by (attempted) theft, vandalism or malicious acts to interior, or impact by vehicle driven by insured. The insured (the Tenant) may be liable to the Landlord for these damages.

6. Basis of Claim Payment = Building + Property – Deductible (applied once to total amount of loss)
    a. Dwelling & Detached Private Structures = Replacement Cost OR ACV if not repaired
        i. Must repair w/ similar materials, same location/occupancy in reasonable time
            1. Limit must be ≥ 80% RC otherwise payment is proportional (like coinsurance)
                a. Ex: If limit = 40% RC, then payment = 50% of loss (40/80 = 50)
        ii. Guaranteed Replacement Cost Coverage: covers full cost to repair even if > limit
            i. Initial dwelling limit must = 100% RC & not reduced mid-term
            ii. Rmbr: must repair in reasonable time, same area, quality, etc.
            iii. If any additions increase value by ≥ $10,000, must notify insurer w/in 90 days
    b. Improvements & Betterment (for Tenants or Condo Owners): same as Dwelling (RC or ACV)
    c. Excludes By-law costs
    d. Personal Property = replacement cost but ACV for:
            1. Fine Art, Antiques & Memorabilia (hard/impossible to replace by nature)
            2. Property not well maintained
            3. Property no longer used for original purpose (i.e. out of fashion clothes)
            4. Property not replaced within 180 days (insured can opt for ACV first but has 180 days to change mind back to RC)
        ii. Media: only covers cost to recopy from duplicates
        iii. Books of Account: only covers cost of blanks + cost to recopy/transcribe

Section 1 – Property Coverages:

Coverage A – Dwelling Buildings: limit of insurance covers…

1. Dwelling + attached structures: ie. main house + garages, porches attached, etc.
2. Permanently attached outdoor equipment: ie. items fixed in the concrete or to the land ex. swings, tree house, sprinklers
3. Building fixtures temporarily removed: for repair/seasonal storage (up to 10% of dwelling limit)
    a. Excludes obsolete items that is no long being used for its original purpose or stored away permanently (ie. if you've replaced your door with a new one, the old one stored away would not be covered)
4. Materials & supplies nearby: used in construction, alteration, or repairs (not for new home building)
    a. If theft is excluded while under construction, only covers when the dwelling is ready to be occupied
5. Outdoor swimming pool + attached equipment: in or above ground (ie. hot tubs)
6. Outdoor Plants (domestic plants only): 5% of dwelling limit ≤ $500 per plant.
    a. Covers: Fire, Lightning, Explosion, Impact, Riot, Vandalism (excludes: windstorm, hail, & theft)

Coverage B – Detached Private Structures = separated from main building (fence/power line = OK)

1. +10% of Coverage A
2. No need to declare the detached structure since the coverage is automatic
3. If it's a large building & > 10% of Coverage A = note the policy

Coverage C – Personal Property = on premises + off premises + student's

1. +70-90% of Coverage A
2. On Premises Coverage: only covers "usual" property (stuff normally found in homes)
    a. Personal property = stuff owned or used by insureds or for building maintenance
    b. Property of others while on premises
        i. Excludes property belonging to roomers & boarders
3. Off Premises Coverage: global coverage if temporarily off premises (i.e. not kept @ cottage)
4. Personal Property in Storage: covered on an all-risk basis if in a secure storage facility for ≤ 30 days
    a. Can extend theft-only coverage beyond 30 days
5. Property of Students: covered if living away from home for school (subject to limits)
    a. Coverage stops when they are not considered to be a student
    b. Has a special limit for theft
6. Tenant Improvements = Personal Property
7. Personal Property Excluded:
    a. Motorized Vehicles + Equipment (ie. golf cart, car, ATV): except "domestic" vehicles (ie. lawnmowers, wheelchairs) & watercraft
        i. Equipment = CD player, TV, radio powered by vehicle (not "parts" like spark plugs)
    b. Aircraft + Equipment
    c. Campers, Trailers + Equipment
    d. Personal property kept at another property of insured (owned, occupied, or rented)

e. Outdoor trees, lawn, plants, or things grown for commercial uses

8. Special Limits of Insurance for: property lost to all perils or lost to non-Specified Perils
    a. Property Damaged by Any Insured Peril: payment is restricted
        i. Business property on premises: $2000 max (includes books of account & tools)
            - Does not include samples and foods for sale
        ii. Property of students away from home for school: $2,500 max
        iii. Garden Tractors & Accessories: $5000 max
        iv. Watercraft & Accessories: $1000 max
        v. Money or Bullion: $200 max (money = money in current use)
        vi. Securities: $2000 max
        vii. Computer Software: $2500 max
        viii. Spare Car Parts: $1000 max
        ix. Pets: $500 if caused by a specified peril (excl. impact by air/landcraft)
    b. Property Damaged by non-Specified Peril (SP): Specified Perils are listed on policy but there are 11 common ones: fire, lighting, explosion, smoke due to sudden and faulty operation of a heating/cooking unit, falling object, impact by craft, riot, vandalism, water damage, windstorm/hail, transportation
        i. Jewellery, watches, furs: $2000 max
        ii. Card collections: $1000 max
        iii. Manuscripts & stamps: $1000 max
        iv. Bicycles & equipment: $500 each max
        v. Coins/coin collection: $500 max (numismatics)
        vi. Personal property of student away from home: $2500 max
    c. Special limits apply if losses > deductible

Coverage D – Additional Living Expenses: covers additional living expenses & lost rental income

1. Additional Living Expenses: covers extra expenses to maintain normal standards of living due to necessary relocation after home damaged by insured peril (ie. lodging, transport, meals, kennel)
2. Fair Rental Value: pays lost rental income + continuing costs for reasonable time it takes to repair
    a. Pays ≤ 2 weeks when civil order denies access OR orders mass evacuation due to accident in Canada or US (excludes: flood, earthquake, war, terrorism, nuclear/radioactive things)

3 types of Homeowners insurance: basic, broad & comprehensive (they share same terms, definitions, etc.)
Homeowners Basic (Named Perils) Form Coverages: can be applied to Tenant & Condo Owners too

1. Fire or Lightning: extends coverage to lightning damage to electrical devices
2. Explosion: covers domestic boilers (excludes: water hammer = explosion caused by built-up pressure in blocked pipes)
3. Smoke: from malfunctioning furnace or cooking appliance
4. Windstorm or Hail: interior is covered if hole created by the same occurrence
    a. Excludes: damage to antennas or accumulation of snow, flood, wind driven water/ice
5. Impact by Vehicle: excludes damage to pets or by insured/employee operated vehicle
6. Falling Object: covers damage to structures (only covers coincidental damage to personal property)

7. Theft & Damage During Theft: excludes pets, scams, under construction, vacant, portions not occupied by insured
8. Riot
9. Vandalism or Malicious Acts: excludes damage by insured or during theft/construction/vacancy
10. Water Damage by sudden and accidental escape of water (i.e. pipe, water main, appliance, domestic water container if not by freezing or the insured, A/C, sprinkler) & water entering through opening created by a Specified Peril other than Water Damage
    a. Doesn't Cover:
        i. Under construction or vacant buildings (even if permission granted)
        ii. Sewer back-up (i.e. from sump, septic tank, sewer, downspout, eavestrough, etc.)
        iii. Continuous seepage of water/leakage (ie. leaking water pipe)
        iv. "Flooding": flood, overflow of water table, surface/ground waters, etc.
            1. Surface water = OK if from water main or outdoor domestic water container
        v. Damage to systems from which water escaped (i.e. plumbing, pool, appliance, main)
        vi. By freezing inside dwelling when insured away for > 4 days during the heating season (unless water is drained & shut off or someone checks daily)
        vii. Ice build-up or waterborne objects
11. Glass Breakage: of building glass by accident or earth movement (building glass ≠ glass objects)
    a. Excludes: course of construction & vacant buildings
12. Transportation: personal property + fixtures being transported or temporarily off-premises
13. Electricity: damage to electrical devices by "power surges"/fluctuations

Exclusions:
1. Buildings for **Business Use**: without permission from insurer (farming = business too)
2. **Illegal Property**: ie. stolen, smuggled, not registered, for illegal purpose
3. Dwelling **Vacant > 30 days** (vacant = occupants have left with no intention to return with no new occupant incoming - can be partially or fully furnished; newly constructed dwellings after completion but before occupancy = vacant)
4. **Criminal/Intentional Acts** by Insured or his agent (including failure to act)
5. Property **On Display** at Fair/Expo/Exhibition: because risky
6. **Application of Heat** (ie. clothes damaged in a dryer): resultant damage is covered
7. Release of Fuel Oil (i.e. spill from an oil furnace)

Homeowners Broad Form: covers **property for named perils** (like Basic) & **buildings for all risk**

Homeowners Comprehensive Form = Broad Form + Property for ALL RISKS [When studying or making your own notes for this, just focus on the trickier stuff that has caveats to them (ie. m or q). The rest like earthquake, fraud/scam, etc are pretty obviously not covered so they're naturally easier to remember anyways.]

1. Exclusions: on top of the coverage/exclusions above…
    a. Water Damage: same coverage as Basic Form
    b. Snow/Land-slides or "earth movement" (resulting fire/explosion is covered)
    c. Wear and tear / mechanical breakdown / defect / corrosion

d. Settling/expansion/etc. of building (all accidental breaking of building glass is insured)
e. Sporting equipment due to use
f. Property being worked on if result of work (resultant damage is covered)
g. Caused by birds, vermin, insects (building glass is insured, ie. against bird strikes)
h. Cost of making good faulty materials/workmanship
i. Smoke from industrial operations
i. Outdoor Antenna by windstorm, hail, collapse, weight of ice/snow/sleet
j. Evidence of debt or title
k. Damage to Pets (unless caused by Specified Perils other than impact by air/landcraft)
l. Property lawfully seized (unless destroyed to prevent fire from spreading)
m. Scratching/chipping or breakage of fragile personal property
    i. OK if caused by SP, car/watercraft/aircraft accident, (attempted) theft
n. Nuclear Incident (resulting fire, lightning, explosion of natural/coal/manufactured gas=OK)
o. (Attempted) Theft
    i. @ other locations you own/rent/occupy unless: it's a student residence OR while you're temporarily living there
    ii. From part of the dwelling rented to others if caused by tenant, their employee or their household
    iii. Property or a dwelling under construction or materials/supplies while stored there
p. Fraud/scam
q. Damage arising out of bylaws, laws, regulations, etc. that prevents property from being reinstated the property to pre-loss state (aka. by-law costs)
r. Data & losses caused by Data Problem (resultant fire, explosion, smoke, water damage=OK)
s. Building/property for marijuana or other controlled substance
t. Asbestos-related losses
u. Radioactive material contamination
v. War, invasions, insurrection, hostilities, act of a foreign enemy
w. Release, dispersal, or discharge of fuel oil
x. Change in ownership of property (including by fraud or trick)
y. Terrorism or related activities
z. Rust, corrosion, wet/dry rot
aa. Glass breakage, vandalism, malicious acts to building under construction or vacant (even w/ insurer's OK)

2. Advantages: insures all losses not specifically excluded. IE: insures…
    a. Damage to building/contents by weight of snow, ice, collapse (excl. outdoor antennae)
    b. Smoke damage from fireplace + the Basic Form smoke coverage
    c. Damage to dwelling from impact by vehicle driven by "insured"
    d. Mysterious Disappearance of jewellery (i.e. jewellery that falls down a drain)

Underwriting Homeowners Forms: coverages are based on replacement cost value

1. Replacement Values of Dwelling Buildings: using evaluation guide to set basic limit
2. Coverage A – Dwelling Building: replacement value
3. Coverage B – Detached Private Structures: + 10% of Coverage A
4. Coverage C – Personal Property: +70-90% of Coverage A
5. Coverage D – Additional Living Expenses: + 20% of Coverage A
6. Coverage E – Personal Liability: $1MM
7. Coverage F – Voluntary Medical Payments: $1000 per person (no deductible)
8. Coverage G – Voluntary Property Damage Payments: $500 per occurrence (no deductible)
9. Coverage H – Voluntary Compensation for Residential Employees: as per schedule
10. Single Limit Policies = A-D limits combined into 1

Endorsements: can add additional coverage for:

1. Watercraft
2. Antiques/Art
3. Coin & stamp collections
4. Jewellery/Furs
5. Personal computer
6. Cameras
7. Musical Instruments, Silverware, "Antenna", etc.

Other Habitational Forms: condo, tenant's package, rented dwelling, mobile home & seasonal dwellings

i. Condo Owners Insurance:
    a. Condo = building units owned separately but together forming a strata/condo corp.
        i. Strata owns & insures ***original value*** of building & common elements under a master policy
        ii. Common Elements = landscaping, parking, hallways, amenities, etc.
        iii. Can come in different forms, ex. detached houses (ie. bare land condos, planned communities, retirement villages, gated communities, etc.) or a high-rise (the policy would reflect the types of structures)
    b. Unit Owners Policy: covers personal property + additional living expenses +
        i. Coverage A1 – The Unit: ≤ $100,000 for the original unit, building fixtures, glass, permanent outdoor equipment anywhere on the property if:
            1. Strata has no insurance or it's inadequate/ineffective
                a. Not for paying the Strata's deductible
        ii. Coverage A2 - Loss assessment: when the strata's policy is inadequate to cover loss to collective property, Strata may need to assess owners to cover shortfalls
            1. Limit ≤ $10,000 or X% of personal property coverage; usually 100-250%
            2. Inadequate = deductible too big, loss not covered, co-ins, limit too small, etc.
            3. Limitations:
                a. Only covers if cause of loss would be covered under the Condo Policy
                b. Coverage will not pay for Strata's deductible

iii. Coverage A3 - Unit Improvements & Betterments pays 100% of Coverage A1 limit for unit owner's upgrades as they are not covered by Strata's insurance (increase in A1 will also increase A3 coverage))
    1. Upgrades can include: swimming pool, structures added (ie. if you add a shed to your home in a stratafied community) & materials/supplies used for improvements & betterments
c. Basis of Settlement = same as Homeowners Form (RC or ACV)
    i. Unit Betterments + Property – Deductible

ii. Tenants Package Forms = property + additional living expenses (Coverage C & D)
    a. Covers renters (people who don't own the residence they occupy)
    b. Basis of Settlement: ACV or RC

iii. Rented Dwelling: for rental properties (usually ACV only)
    a. Usually not offered unless insurer also insures the client's principle residence
    b. Excludes: vandalism & theft

iv. Mobile Home Insurance: dwelling now includes permanent furniture, fixtures & equipment
    a. Emergency Removal Expenses: ≤ 5% of dwelling AoI paid for disconnecting power/water & transportation when necessarily removed
        i. No coverage while in transit (i.e. moving damage or stolen by the transporter)

v. Secondary Residences/Dwelling: for people who own a 2nd dwelling rented to others but can't get regular Homeowners (added as Location 2 in the primary policy)
    a. Coverage A – Dwelling = same as above minus plants & fixtures temporarily removed (Named peril coverage only on ACV or RC)
        i. Coverage B - Optional Coverages: Extensions of Coverage (10% of 'A' limit):
            1. Fixtures Temporarily Removed for repair/storage
            2. Detached Private Structures (if multiple structures, limit = proportion of that structure vs. the total; if your garage makes up 10% of your total structures' value, your garage gets 10% of the limit)
                a. Ex. Lucas owns a primary building valued at $150,000, which provides 10% coverage for outbuildings, meaning $15,000 is available for his garage (valued at $10,000) and shed (valued at $6,000), with a combined value of $16,000—exceeding the coverage limit. If the garage burns down, Lucas won't receive the full $10,000; instead, the payout is based on its proportion of the total outbuilding value. Since the garage represents 62.5% of $16,000, he would receive 62.5% of $15,000 ($9,375), less the deductible. If the shed burns down, it accounts for 37.5% of the $16,000 total, meaning the payout would be 37.5% of $15,000 ($5,625), less the deductible
                b. Fair Rental Value: same as above

b. Coverage C – Personal Property: same as before (named perils only @ ACV)
    i. Coverage D - Additional Living Expenses: Extensions of Coverage (10% of 'C' limit) is part of Coverage C:
    ii. Uninsured personal Property of Others
    iii. Personal Property Temporarily removed (in Canada & continental US only)
    iv. Additional Living Expenses
    v. Ex. If you have a $60K limit for Coverage C, Coverage D has a $6K limit included in the $60K total. Since Coverage D is a part of C and not separate, the max payout is $60K for C + D. So if you spent all $60K on contents, there would be $0 left for Additional Living Expenses.
c. Special Limits: same limits as above for Business Property, Tractors & Watercraft
d. Insured Perils:
    i. Fire/Lightning: includes damage to electrical devices
    ii. Artificial Electricity
    iii. Explosion: includes boilers, excludes water hammer
    iv. Smoke from sudden, unusual, faulty operation of heating/cooking unit on premises
    v. Damage to exterior from Falling Object (excl. earth movement & land/snowslide)
    vi. Windstorm/Hail: Excludes damage to…
        1. Interior/contents unless hole opened by storm
        2. Outdoor antennae & attachments
        3. Damage by weight of ice/snow, waves, flood
        4. Fences
    vii. Impact by Aircraft/Car (excludes pets)
    viii. Riot
    ix. Water Damage: same as before (under Comprehensive, Tenant, Condo Owners)
    x. Burglary/Robbery (if shown on Dec. Page)
        1. Burglary = theft following illegal forcible entry or exit leaving visible marks
            a. $500 of the 'C' limit goes towards building damage
        2. Robbery = theft by (threat of) violence to a person
        3. Excludes:
            a. Pet
            b. While building is under construction or vacant
            c. Part of the dwelling rented out if caused by tenant, member of their household, employee (like before)
        4. Special Limits:
            a. Money/Bullion: $200 max
            b. Jewellery, watches, furs: $1000 max
            c. Numismatics: $100 max
            d. Manuscripts/stamps: $500 max
            e. Silverware: $5000 max
            f. Securities: $1000 max

xi. Vandalism/Malicious Acts: Excludes…
   1. Seasonal dwelling/structures & its property
   2. While under construction or vacant
   3. Damage caused by insured
   4. Damage to Building Glass
   5. (Attempted) Theft, Burglary or Robbery
   6. Damage attributable to tenant, their employee/household/guest

e. Same exclusions as before (doesn't cover the following):
   i. Fuel oil, vandalism or malicious acts, (attempted) theft, water damage, smoke from agricultural operations, evidence of title or debt, sporting equipment, pet damage, outdoor ratio antennae + attachments, scratching/chipping or breakage of fragile personal property, natural processes (wear/tear), defect, mechanical breakdown, settling/expansion/etc. of building, property at exhibition

f. Basis of Claim Payment: Optional ACV or RC on buildings/structures & ACV on contents
   i. Same conditions as Homeowners
   ii. Coverage A is determined using Home Evaluation Calculator while Coverage C is determined by the insured
   iii. Fair rental value is a % of Coverage A while Additional living expense is a % of Coverage C

vi. Seasonal Dwellings: similar to Secondary Residence
   a. Insured Perils: same 11 as Secondary Residence (Vandalism only if shown on Dec. Page)
   b. Basis of Claim Payment: ACV on building, structures & personal property

vii. Sharing Economy (Airbnb): most homeowner policies don't allow short term rentals so a specialized policy is required
   a. Renting out part/all parts of the primary or secondary dwelling
      i. Can be facilitated by 3rd party, app, or website (ie. Airbnb)

Endorsements:

1. Personal Articles Coverage: global all risk coverage for high value property
   a. Covers: cameras, projectors, firearms, furs, jewellery, watches, silverware, stamps, coins, musical instruments
   b. Special Conditions:
      i. Stamps & Coins: $250 per article (i.e. 1 stamp, coin, strip, sheet, etc.)
      ii. Newly Acquired Articles: covered for $5000 for 30 days if similar to listed items
      iii. Valued Coverage (optional): pays pre-agreed value upon total loss of item
   c. No coverage for musical instruments played for a fee (need written permission)
   d. No deductible
   e. ACV or agreed value (insurer and insured would agree on the property value when the policy is issued)

2. Fine Art Coverage = All Risk
    a. Fine Art = paintings/pictures & artistic/rare/historically significant property (i.e. books)
    b. Locations Covered = Specified Locations + in transit between Specified Locations
        i. + at any other location in Canada & Continental US (10% of limit only) excluding fairground/expo
    c. Exclusions:
        i. Wear & tear, deterioration, defect, mechanical breakdown, rust, corrosion, mould, condensation, contamination, extremes in temperature
        ii. Breakage unless caused by Specified Perils (can add via Fine Art Breakage)
        iii. Birds, vermin, insects
        iv. Loss while being worked on if due to work
    d. Newly Acquired Items: 25% of insured limits for 30 days
    e. (Un)Packing must be done by competent packers
    f. Fine Arts Breakage Coverage: deletes exclusion ii (above)
3. Earthquake: Deductible = a % of insured values & all shocks w/in 7 days = 1 shock (i.e. 1 occurrence)
    a. All risk basis & deductible is % of Coverage A – D
    b. Applicable to condos for all-risk (comes w/ personal property, additional living expense, unit improvement, loss assessment & additional unit protection)
4. Sewer Back-up/Water Escape Coverage: covers water entering dwelling due to accidental escape of water from: melting of ice/snow on roof, sewer, drain, septic tank, downspout (= aka. waste water)
    a. Concurrent causation: allows coverage if multiple perils contribute to water damage even if it's not covered by standard policy
        i. Ex. sewer backup (covered) occurring due to heavy rainfall (not covered)
    b. Bundling extended water coverage (ground water, over land water, sewer backup/water escape, sump pump failure) can be cost-effective than purchasing them separately
        i. Contact your insurance broker to find available coverages (groundwater, flooding, etc.) and bundling discounts.
        ii. Review your needs and choose the right coverages
        iii. Enjoy cost savings and convenience as bundling typically comes with a discount
        iv. Read the policy details
5. Residence Glass Breakage: removes/reduces deductible on building glass
6. Vacancy Permit: allows dwelling to be vacant for > 30 days
    a. Covers: Fire/Lightning, Smoke, Windstorm/Hail, Impact by Air/landcraft not owned/operated by insured, Explosion, Riot, Falling Object
    b. Usually expensive & requires deductible ↑
7. Personal Computer Coverage = Global & All Risk for listed computer equipment, media, software
    a. Excludes: business equipment, cost of gathering data, electronic/magnetic injury (lightning = OK), loss to irreplaceable media/software
    b. Conditions:
        i. Newly Acquired Articles: covered for 30 days
            1. Equipment = $5000 max
            2. Media or Software = $1000 max

        ii. Theft from unattended vehicle: covered if there was a forced entry & the vehicle was locked
    c. Basis of Claims Payment: cost to repair/replace OR RC if done in a reasonable time & property was being used to original purpose
    d. Definitions:
        i. Personal Computer System = equipment, media, software
        ii. Equipment = CPU, monitor, keyboard, printer, etc.
        iii. Media = storage device for data (i.e. disks)
        iv. Software = programs stored on media
8. Watercraft, Outboard Motor, Trailer & Misc. Equipment Coverage = All Risks
    a. Covers: boat + permanently attached equipment, motors, boat trailer, other equipment
        i. Canada & Continental US only
        ii. Must buy limit = 100% of insured property; $100 deductible (waived on total loss)
    b. Excludes: transportation losses & collision with underwater/floating objects
    c. Newly Acquired Equipment: covered for 30 days for $5000 max
9. Freezer Food: gives the same coverage as homeowners to seasonal or secondary dwellings
10. Mass Evacuation: same as before but removes the 2 week limitation
11. Home Business Extension:
    a. No standard: depends on business & coverages needed
        i. Takes into consideration of business types, receipts/sales, security details, etc.
        ii. Typical Coverages = Remove exclusion for business use + Add…
            1. On/Off premises business property
            2. Liability (i.e. products & completed operations)
            3. Person Injury Liability
            4. Advertising Liability
            5. Business interruption & extra expenses
            6. Electronic equipment for business
            7. Data for business
            8. Account receivables
            9. Credit card coverage for business
            10. Increase the special limits on Money
    b. If they bought a personal umbrella liability policy, it will extend to home business
    c. Underwriting depends on: business, property values, annual sales, alarms/security

Additional Conditions:

1. Notify Authorities: notify police if losses due to criminal acts
2. No Benefit to Bailee: cannot release a bailee of liability
3. Pair & Set/Parts: see above
4. Sue & Labour: insured must take reasonable steps to recover lost property
    a. Insurer will pay pro-rate for related expenses
5. Basis of Settlement: ACV unless stated otherwise
6. Subrogation: discussed later
7. Statutory Conditions: previously discussed

Dwelling Insurance Summary

| Policy Coverage | Coverage A Dwelling Building | Coverage B Other Structure | Coverage C Contents | Coverage D Additional Living Expenses | Valuation | Details |
|---|---|---|---|---|---|---|
| HO | Attached structures<br><br>Trees/shrubs Temporarily removed fixtures<br><br>Permanently installed outdoor equipment<br><br>Building materials & supplies | Other structures separated by a defined space | Property located @ home<br><br>Temporarily away (worldwide) or in a warehouse (≤ 30 days)<br><br>Student's property @ school, & special limits | As a result of an insured peril, covered till home is repaired/rebuilt<br><br>Provided ≤ 2 weeks<br><br>Not limited to policy expiration date<br><br>Includes when prohibited access (ordered by a civil authority for an insured peril)<br><br>ALE paid for insured perils only | ACV, RC, GRC | |
| Condo Unit Owner | A1, A2, A3 | N/A | Same as HO | Same as HO | ACV, RC | |
| Tenant | N/A | N/A | Same as HO + improvements and betterments | Same as HO | ACV, RC | |
| Secondary Residence | Dwelling & anything attached, swimming pool, building materials & supplies, permanently installed outdoor equipment)<br><br>Named perils & ACV only | ≤ 10% of A Reduces A limit (shared limit) > 1 detached structure = divided proportionally | Only personal property @ dwelling premises Named perils & ACV only | ≤ 10% of C Reduces C limit (shared limit) | ACV or RC | B & A share a limit; D&C share a limit |
| Seasonal Residence | Same as secondary residence but does not include dwelling | Same as secondary residence | Same as secondary residence | Same as secondary residence | ACV | B & A share a limit; D&C share a limit |

## Chapter 7 – Commercial Property Insurance

Commercial Property = owned/used by business while on premises (3 types: building, stock, equipment)

Risk Types: small vs. large

- Small risks involve limited exposures = package policy is the most cost effective method of insurance
  - Must assess client's needs & ensure no gaps (must find a package best suited)
  - Premiums also easily determined, coverages are broad and adequate enough for most risks
  - Downside: lacks standardization
- Large risks are more complex = must individually write the package policy (tailored)

2 Policy Forms: named perils & broad form

1. Named Perils: covers only perils listed (FSWILLER)
   a. Fire
   b. Smoke damage due to sudden and faulty operation of a stationary furnace (NOT a heating/cooking device)
   c. Windstorm & hail
   d. Impact by vehicles
   e. Lightning: including damage to electrical devices
   f. Leakage from fire protective equipment
   g. Explosion: of natural, coal, or manufactured gas & boilers and pressure vessels ≤ 15 PSI (103 KPa)
   h. Riot or malicious acts
2. Broad Form: insures all risks not excluded. Ex Covers:
   a. Vehicle impact caused by insured(s) or employees
   b. (Attempted) Theft: including property damage by theft
   c. Water damage due to freezing or rupturing of pipes. Excludes: flood, seepage, sewer-backup
   d. Collapse of building: except due to earthquake or faulty/improper work/materials/design
   e. All sources of smoke damage (excluding industrial operations like agricultural smudging)
   f. Excluded property includes:
      i. Pressure vessel > 15 PSI (103 KPa)
      ii. Vehicles and crafts on premise for business use
      iii. Exterior signs
   g. Excluded perils include:
      i. Earthquake
      ii. Mechanical breakdown
      iii. Trade losses

Insurance rate: cost of insurance per unit of exposure ex. a building rate is $2 per $1000 of coverage

Premiums charged are related to coverage: total rate per $100 = fire rate + loading (for additional perils)

1. Fire Rate: basic rate to cover fire, lightning and explosion
   a. Factors that affect Fire Rate:
      i. Building construction: concrete is cheaper to insure than wood frame
      ii. Claims history: of the type of business and history of applicant (last 5 yrs)

iii. Protection: against fire
    1. Public protection: from outside sources (ie. distance to fire hydrant/hall, accessibility, water supply, etc.)
    2. Private protection: installed by applicant
        a. Get a discount if you have sprinklers or alarms
iv. Occupancy: type of business done by insured & others nearby
v. Location: area, distance from other buildings and their characteristics (ie. high crime area or construction/occupancy of others)
    a. Total Rate (aka. fire rate + loading) x Building Value = Premium

2. Common Clauses:
    a. Description of Property Insured:
        i. Building: building described on declaration page including…
            1. Fixed structures: related to building (ie. metal fence, sign, bike stands)
            2. Permanent fixtures: (ie. A/C units, carpet, light fixtures, bathroom fixtures)
            3. Additions and extensions: connected to building (ie. walkways, canopies)
            4. Materials & equipment on premises: for maintenance and normal repairs
            5. Decorative indoor plants
        ii. Stock = merchandise usual to the business (normally sold in that type of biz) +
            1. Packaging & advertising materials: (ie. catalogues, boxes, grocery bags)
            2. Similar property of others: in the care of insured where insured is legally liable or required to insure by contract (ex. bailee)
            3. Rate/premium are dependent on the nature of the stock
            4. Covered on ACV
            5. If stock limit fluctuates often annually = get peak season endorsement
                a. Peak Season Endorsement automatically adjusts the limits for months when inventory is high and low
        iii. Equipment: contents usual to the business (ex. furnishings, machinery, utensils) + similar property of others (like stock, ex. photocopiers, forklifts) + tenant improvements (anything done at the expense of the tenant that stays once they leave)
        iv. Covered on ACV or RC
    b. Co-insurance Clause: must purchase a minimum limit of insurance based on a % of values
        i. Applies to each of the 3 types of property separately
            1. Waiver of Coinsurance: co-insurance only applies to partial losses ≥ 2% of AoI and $5000
                a. If the insured experiences a total loss (loss greater than the policy limit) or a loss that is less than 2% of the policy limit or $5000 (whichever is smaller), then there is no need to apply the coinsurance formula when calculating the payout. The insured would just get the value of the loss up to the policy limit.

b. Ex. Small Loss (but Waiver Applies)
   David experiences a \$15,000 loss with \$1,000,000 of property. Since 2% of \$1,000,000 is \$20,000, and the loss is less than this threshold but still greater than \$5000, coinsurance applies.
   Payout = penalized based on the coinsurance formula (subject to policy limits and deductibles)
c. Ex. Total Loss (Waiver Applies)
   A fire destroys the entire warehouse, resulting in a total loss of \$1,200,000. Since the loss exceeds the policy limit of \$1,000,000, coinsurance does not apply.
   Payout = Policy limit of \$1,000,000

ii. Adjuster determines:
   1. Value of property
   2. Amount of loss & Limit purchased
   3. Coinsurance %
   4. Amount of settlement = penalized if didn't meet co-insurance requirement
      a. Settlement = (Did/Should) x Loss Amount ← penalty formula used
      b. Ex: If the insured has \$1,000,000 worth of stuff and the insurer sets a coinsurance requirement of 80%, the insured must insure at least \$800,000. If the insured only bought a \$400,000 limit of insurance, a coinsurance penalty pay apply to reduce the amount of settlement. The calculation is as follows on a \$100,000 loss: settlement = (\$400,000/\$800,000) * \$100,000 = \$50,000
      c. Ex. Sophia owns a building with an ACV (Actual Cash Value) of \$500,000 but purchased an insurance policy with a limit of only \$250,000. Her policy includes an 80% coinsurance clause, meaning she was required to insure at least 80% of \$500,000 = \$400,000. She then suffers a \$60,000 loss. To determine how much her insurer will pay, we apply the coinsurance formula:

$$\text{Settlement} = \left(\frac{Did}{Should}\right) \times \text{Loss Amount}$$

$$= \left(\frac{\$250{,}000}{\$400{,}000}\right) \times \$60{,}000 = 0.625 \times \$60{,}000 = \$37{,}500$$

      Since Sophia failed to insure to the required amount, she becomes a co-insurer for the remaining loss:

$$\text{Penalty} = \$60{,}000 - \$37{,}500 = \$22{,}500$$

      Thus, Sophia receives \$37,500 from her insurer and must pay \$22,500 out of pocket due to the coinsurance penalty

iii. Stated Amount of Coinsurance = an alternative to coinsurance
   1. Insured files a Statement of Values @ start & maintain it throughout policy term
   2. If limit reduced to < the Statement, policy reverts to original coins. % or 100%

c. Subrogation Clause: can sue responsible party to recover claims paid
    i. Will not subrogate fellow insured(s)
    ii. If the net amount recovered (after costs) is not enough to fully cover the loss, amount is divided between the insurer & insured based on % of loss borne (pro-rating recovery)
    iii. Insured cannot release anyone of liability (insurer will still sue)
d. Reinstatement Clause: original amount of insurance is reinstated after loss is paid
e. Debris Removal: use remainder of limit (left after rebuild) to pay for removal of debris
f. Property Protection Systems: discounts if alarm, sprinklers, etc. installed
    i. Conditions: insured must notify insurer immediately of any known interruption/defect of protection system & of any cancellation of monitoring/maintenance/police services
    ii. If Conditions are Breached:
        a. Reduce coverage: ie. eliminate theft coverage until system repaired
        b. Charge additional premium: because higher risk
        c. Cancel the policy: if breach was intentional (some biz requires protection)
g. Deductible Clause: applied after the loss is calculated for co-insurance penalty

Other Commercial Property Forms:

1. Property Away From Insured Premises: in transit & at temporary location (in CA/US only) = covered
    a. In Transit: if locked from start to end including incidental stops
        i. Locked Vehicle Warranty: fully enclosed metal compartment, locked doors/windows and visible signs of forceful entry
            1. Common carriers are excluded from complying with this warranty
            2. Violation VOIDs all coverage
    b. Temporary Locations: covers property in care, custody and control of a bailee for hire at a location not "controlled" by insured
        i. Bailee for Hire = repair, service, storage or @ a carrier's depot
2. Glass Insurance: covers accidental damage by anyone, earth movement or thieves (these perils are normally excluded by regular commercial property insurance)
    a. Excludes: fire, war, nuclear hazard (fire is covered elsewhere)
    b. Covers exterior or interior glass
3. Valuable Papers & Records: covers cost to recreate if stored properly when not in use
    a. Valuable papers: documents, records, drawings, books, maps, etc. (not money or securities)
    b. Must be stored in the described receptacle when not in use/closed (ie. safe or fireproof filing cabinet)
4. Mechanical Breakdown (formerly called Boiler & Machinery) covers: aka Equipment Breakdown for objects (property owned/leased/operated/controlled)
    a. Building damage from explosion of boilers & pressure vessels > 15 PSI (103KPa) "controlled" by insured
    b. Electrical or Mechanical Breakdown: (ie. boilers, A/C, pumps, etc.)
        i. Breakdown of an electrical/working mechanism
        ii. Common losses: bursting, cracking, arcing, mechanical failure
    c. Also covers leased property & property not in storage

d. Per occurrence limit, repairs/replaces with like kind & quality, & deductible applies
    i. Does not cover deterioration, corrosion, wear/tear, functioning of a safety device
e. Insurer inspects objects before and during policy period
    i. Suspends policy if dangerous condition found (reinstate after repairs)
f. Optional coverage: production machinery, indirect coverage (business interruption), consequential damage (spoilage)

5. Contractor's Insurance:
    a. Premium: depends on annual revenues (provisional premium @ inception but adjusts at completion based on receipts)
    b. Builder's Risk – Broad Form or Named Perils: bought by building owner or general contractor to insure buildings in CoC
        i. Covers…
            1. Materials owned by insured & forming part of the finished project
            2. Landscaping & temporary buildings (ie. scaffolding, trailers, forms)
        ii. Excludes… tools and equipment or cost of making good faulty materials, workmanship or design (resultant damage is covered)
            1. Tools and equipment is covered by contractors equipment floater
        iii. Limit of Insurance = completed value of the construction
        iv. Policy Period: ends when occupied or unattended for > 30 consecutive days
        v. Premium: @ inception based on max value of 1 single project (+ material & labour)
            1. Rate = low @ inception, but full value @ completion
            2. Provisional premium applies & must report values at stated times during the course of construction
                a. The premium will be adjusted when the insured reports the actual completed price within 30 days of completion
        vi. Project or Blanket basis (depends on project #)
    c. Contractor's Equipment Floater: covers movable equipment "owned" by insured (ie. backhoes, loaders, power and hand tools)
        i. Scheduled or blanket basis (contains 30 day reporting requirement)
        ii. Excludes mechanical or electrical breakdown, extreme temp, rust/corrosion, exceeding load limit on an equipment
    d. Installation Floater for specialized contractors: covers property…
            1. In transit to job site
            2. At job site awaiting installation
            3. During installation until accepted or insured's interest ceases (ie. general contractor assumes control)
        i. Excludes: tools & equipment or cost of making good improper […]
    e. Tool floater: covers tools & equipment off-premise on ACV
        i. Artificial electricity & mysterious disappearance can be covered on a scheduled or blanket basis
        ii. Used for smaller, more portable, and lower-value items whereas the Equipment Floater typically insureds larger, heavy-duty, and more expensive equipment.

6. Crime Insurance: 3 types: burglary, robbery, theft (rmbr: commercial policies have some theft coverage)
    a. Burglary: mercantile & safe
        i. Mercantile Stock Burglary covers: theft from closed premises if visible signs of force used (includes damage to other property during burglary)
        ii. Safe Burglary covers: theft of valuable property from safe if force used to enter safe or to remove it from premises (includes incidental damage)
    b. Robbery Insurance: covers money, securities or valuable property when…
        i. Taken by actual or threatened force to custodian
            1. Custodian = someone allowed to have control of property
        ii. Custodian witnessed property being taken
        iii. Taken from a custodian killed or rendered unconscious
    c. Theft = taking without the owners' consent (broadest)
        i. Broad Form covers theft of stock and equipment. Money and securities must be added
            1. Money and Securities policy covers:
                a. Actual destruction – by fire
                b. Disappearance – disappearance not attributable to theft
                c. Illegal removal – any unlawful taking of money & securities
    d. Employee Theft/Fidelity Insurance: necessary because employee theft is serious & can go undiscovered for a long time
    e. 3D Policy (aka. Comprehensive Dishonesty, Disappearance & Destruction): comprehensive crime coverage under 1 form. The policy is continuous until cancelled – no fixed policy term
        i. 5 Insuring Agreements to pick from: (& 48 Endorsements to amend coverage)
            1. Employee Dishonesty (Form A & B options)
            2. Loss Inside Premises
            3. Loss Outside Premises
            4. Money Orders & Counterfeit Paper Currency
            5. Depositors Forgery

7. Business Interruption Insurance: restores lost income if caused by insured perils up to the level the business would have earned if the loss hadn't occurred (**insured perils = same as property insurance**)
    a. Coverage starts on the date of loss for up to 12 months (even past the policy period)
        i. Pays lost net profits + expenses that continue during a biz int (continuing expense ex. salaries, taxes, mortgage payments)
        ii. Will cover necessary expenses if proven to reduce amount of loss
    b. Types of Business Interruption Insurance:
        i. Gross Earnings Form: pay until property repaired or 12 months (whichever comes first)
        ii. Profits Form: pay until income restored or 12 months (take time to restore profits = longer coverage period = higher premium)
        iii. Extra Expenses Insurance: pay extra expenses needed to maintain normal business
            1. Doesn't need to prove that it reduced amount of loss anymore
            2. Purchased by those that need to resume biz shortly after an interruption ex. insurance brokers, travel agents, doctors, banks

        3. Covers renting temporary premises or equipment & overtime salaries
        4. Can be added to i or ii above
    c. NOT a standalone policy; endorsed via property insurance (indemnity triggered by a coverage occurrence)
8. Accounts Receivable = All Risk coverage
    a. Pays for: reconstructing accounts receivables, amounts uncollectable, extra collection expenses, interest on loans taken out to finance the business while awaiting collection
9. Electronic Data Processing (EDP): All Risk coverage for Hardware (equipment), Software (data/media) & Extra Expenses incurred to rent outside services (i.e. renting servers)
10. Office Equipment Floater: All Risk coverage for office equipment, accounts receivables, valuable papers & extra expenses. Used for biz w/ no stock (i.e. lawyers, accountants, dentists, etc.)
11. Jeweller's & Furrier's Blocks: necessary because standard policies have limits on these valuable items
    a. Coverage & premium depends on: stock type/value, location, security systems, loss history
        i. Includes coverage for customers' goods
12. Surety Bonds:
    a. Surety = 1 entity guaranteeing that another will perform an obligation (i.e. vouching for them)
    b. Surety Bonds ≠ Insurance: surety is…
        i. 3-party contract
        ii. Does not anticipate losses & premiums not based on estimation of future losses
        iii. Insured needs to reimburse surety
        iv. Written binding only
        v. Infinite length & non-cancellable
        vi. Can't increase the limit (even for an additional premium)
    c. Characteristics:
        i. 3 party contract
            1. Principal: the person primarily responsible for performing obligation
            2. Obligee: the party the principal is obligated to
            3. Surety: the one who pays money or does something if principal fails
        ii. No losses expected: like a loan, surety won't guarantee someone they think will fail
        iii. Principal is liable to surety: to repay surety if they fail to perform their obligation
        iv. Bond premium = service fee for surety's expenses/qualification fees
        v. Bond penalty (aka limit) = amount the surety will pay if principal defaults
        vi. Indeterminate length & non-cancellable: ends when the principal has finished the job
        vii. Written contract only & must have Surety's seal (no oral binding)
    d. Qualifying Criteria for Principals
        i. Character & industry reputation
        ii. Financial capacity to complete (current & future jobs)
        iii. Knowledge, labour pool, & experience
    e. Construction Bonds:
        i. Bid Bond: guarantees contractor will enter contract @ bid price & do the job
            1. Project owner is assured the contractor is qualified & bidding in good faith

2. Contractors who withdraw their bid prior to acceptance also forfeit the bond
    a. Can be due to error in judgement or calculation (i.e. cost errors)
3. Surety's Consent (used instead of or in addition to bid bond): surety promises to issue future bonding if the contractor wins the job (i.e. a performance bond)
4. Penalty = usually 10% of contract price. Surety will pay for costs related to re-tendering the project & the difference between the new & old winning bids

ii. Performance bond (most common): guarantees performance of work as per contract + that faulty work will be corrected if discovered w/in 1 yr of completion
    1. Penalty = usually 50-100% of the contract price

iii. Labour & Materials bond: guarantees suppliers are paid for work
    1. Penalty = same limit as performance bond (usually issued together)

f. Misc. Bonds:
    i. Fiduciary bonds: guarantees the faithful performance of their duties
        1. Fiduciary = one with special position of trust in handing affairs/$$ of others
            a. IE: court appointed administrators, guardians, trustees, executors, etc.
                i. Estate administrator bond: guarantees the deceased's estate will be settled according to the will or courts approval
                ii. Guardianship bond: guarantees the guardian nominated in the will & appointed by the court looks after a minor performs their duties as required by the court (accounting for $ & property, etc.)
                iii. Trustee bond: guarantees that the court-appointed trustee liquidates all the assets & divide it among the creditors (for bankruptcy)
    ii. Customs & Excise bond: guarantees payment of taxes/import duties
    iii. License & Permit bonds: some business may need to be licensed & follow regulations to ensure public safety/welfare (i.e. realtors, plumbers, electricians, etc.)

13. Farm Insurance = both habitational & commercial
    a. Dwelling/personal property coverage/endorsements = same as habitational forms
    b. Farm Liability = business & personal liability (Farmer's Limited Pollution Liability available)
    c. Farm Buildings & Contents coverage ranges from Fire to All Risk
        i. Farm Buildings = barn, workshops, storage buildings (i.e. for machinery or granary)
        ii. Commercial RC coverage is available
        iii. Rebuilding Clause – Deferred Payment (for Outbuildings): get 50% of the amount payable upfront, then remaining 50% if building is repaired/replaced w/in 9 months of loss & w/in 200 ft & used for same purpose
            1. Determining rebuild values methods:
                a. Insurance appraisal: a licensed appraiser assesses the property to provide an accurate rebuild value (most accurate, but can be expensive)
                b. Contractor estimates: a licensed builder/contractor estimates the rebuild cost
                c. Evaluator Software: estimates based on square footage, location, features. May miss special features.

                2. How to calculate rebuild value
                    a. Gather property details: obtain measurements and list all features
                    b. Research local construction costs: materials and labour costs and regional adjustments for the areas
                    c. Use estimation tools or services: software and calculators and professional appraisal
                    d. Adjust for additional factors: building codes, additional structures, inflation
                    e. Review and update regularly: annual review of significant changes to the property and policy adjustments

    d. Farm Contents = blanket coverage + scheduled coverage for high-value items (i.e. welders)
    e. Farm Machinery/Equipment: insures all tools, etc. usually to farms (excl. vehicles subject to registration)
        i. Coverage can be: Scheduled/Blanket, Named Perils/All Risk, & can include Newly Acquired/Non-owned Equipment
    f. Custom Farming = "contract farming". Using your machinery away from your farm for compensation
        i. Exclusions: all the usual equipment ones + electrical currents, mechanical breakdown, tires/tubes unless caused by certain perils, property in (or in transit to) custom farming unless permissions given
    g. Farm Livestock: insured for N.P., subject to coinsurance, theft & per-animal limit may apply
    h. Farm Produce = stuff listed on Dec. Page + feed, fertilizers, pesticides, milk, eggs & agricultural products
        i. Coverage = Named Perils OR All Risk & subject to coinsurance
        ii. Exclusions: tobacco, flax, lumber, standing (aka. unharvested) crops
            1. Can get extensions for standing crops (w/ per-acre limit), refrigerated crops, extremes in temperature
    i. Misc. Coverage: Farm Earnings (aka. biz int), Game/Exotic livestock, Embryo/Semen
    j. Underwriting Farm: must have a written application w/ diagram of distance between buildings
        i. Need pictures for: vacant property, buildings older than X or insured under RC, open-side structures insured against windstorm/hail

14. Cyber Security risks: cyber risk = risk of financial loss or disruption to an organization's business due to failure of its IT systems
    a. Mitigate via risk management plan with policies and procedures communicated to all + cyber insurance either as a standalone product or extension to business interruption policy
    b. 3 types of cyber risk: deliberate hack (ie. ransomware), unintentional breach (ie. losing a laptop), operational risk (ie. not installing software updates on time)
        i. Direct losses: ransom payments, data recovery, fraudulent EFTs, liability
        ii. Indirect losses: extra expenses, professional fees (i.e. forensics), business interruption, loss of competitive advantage (i.e. if IP leaked), reputational damage, loss of future opportunities

        iii. Insurers can also pay for things like incident response planning, crisis management, copyright/trademark infringement, defamation, service interruptions, unintentional transmission of viruses, etc.
    c. 2 Types of Cyber Coverage: Non-liability (1st party) and Liability (3rd party)
        i. Non-liability:
            1. Identity theft monitoring & restoration
            2. Remediation
            3. Legal expenses
            4. Cyber extortion (i.e. ransomware)
            5. System failure
            6. Reputational damage
            7. Cyber business interruption
        ii. Liability:
            1. Privacy breach
            2. Network security
            3. Remediation and defense
            4. Regulatory defence & penalties
            5. Multimedia liability
    d. Risk management: have disaster recovery/continuity plans and cyber security (i.e firewall)
15. Cyber Insurance: protects business against financial loss from cyber threats & exposures. Pays for things like:
    a. Technical resources: IT experts, forensic investigators, lawyers, crisis communications specialists
    b. Business interruption: repairing & restoring data/apps or recreating dmg systems and reimburse loss of profits
    c. Risk management tools: cybersecurity training (phishing attacks & dark web monitoring)
16. Intellectual Property (IP) Insurance: IP = things created or commissioned by a business (copyrights, trademarks, trade secrets, patents)
    a. Protects against IP infringement alleged against the insured by covering legal fees (defense, claim, damages, settlement)
    b. Copyright insurance: covers replication or near replication of written & creative content, processes & software development
    c. Trademark insurance: covers incidences of duplication or illegal use of brand assets ex. designs, logos, signs
17. Trade Credit: similar to a surety bond, it guarantees that a supplier will be paid by their customer.  If the customer defaults on payment, the trade credit insurer pays the supplier what is owed
    a. Creditworthiness matters – depends on financial standing and reputation of the customer
    b. No interest charged

Type of Insured:

1. Sole Proprietor = individual business owner (unincorporated)
2. Partnership: General or Limited
   a. General Partnership = like an SP but > 1 person involved
      i. Can be responsible for liabilities of other partners
   b. Limited Partnership (aka. LLP) = same but…exposure = the amount you've invested
3. Corporation = registered with the government & owners = shareholders
   a. Liability ≤ assets of the corporation

Subscription Policies: group agrees to insure

1. Use When:
   a. Line not covered by reinsurance treaty
   b. Protect reinsurers from the risk
   c. Per-claim limit is too big to absorb in 1 loss
   d. Broker wants to spread a good risk among markets
2. Characteristics:
   a. Share premiums & losses
   b. Negotiated separately
   c. Claims paid separately
3. Lead Insurer = the first insurer or the one with the biggest stake
   a. Provides service & collects premiums
4. Unlike the reinsurance policy, all insurers are listed on the policy

## Chapter 8 – Basics of Legal Liability

Laws are designed to establish standards of conduct

2 types of legal system: criminal & private law (social & private)

1. Criminal law = not insured
   a. Addresses wrongs against society by punishing the wrongdoer (fines, penalties, imprisonment, probation)
   b. Goal is to determine guilt
2. Civil law: addresses disputes between parties by compensating the wronged party
   a. Involves interpreting and developing common law principles & applying statute laws when relevant
   b. Courts are only involved when the wronged party initiates an action against the wrongdoer

Common Law: based on precedence

1. Doctrine/Rule of Precedence: follows previous rulings in similar cases (creates a standard of conduct)
   a. Can be overturned and replaced with a newly established one (may no longer be socially, legally, or equitably applicable)
2. Statute Law = written law (created by legislation (bills) to regulate certain activities). Supersedes common law.

2 branches civil law: contract law & tort law

1. Contract law: enforces contracts. Remedies breach of contract by enforcing performance
2. Tort law
    a. Tort = private wrong other than breach of contract that causes damage
        i. Ex: Negligence, trespass, nuisance, defamation, false arrest, invasion of privacy
        ii. 3 elements of a tort: legal duty owed (right to not be harmed & duty to not cause harm), legal duty breached, damages directly resulted (proximate result – i.e. uninterrupted chain of events leading to the damage)
        - Must contain all elements for a tort to be proven
        - May also involve concurrent causation = 2 different parties cause 2 independent events combined to produce 1 lose
            - Ex. If a pedestrian is hit by a car @ night. The driver may be liable for speeding but the city can be liable for failing to maintain a street light making it dark.
    b. Types of torts: intentional tort, unintentional tort
        i. Unintentional tort = caused by carelessness (wronged person is entitled to sue)
        ii. Intentional torts are not insured (i.e. if a reasonable person would expect harm from it)
        iii. Strict Liability: person is automatically responsible if: doing hazardous activity, allowing the spread of an intentionally started fire or reasonable act in unreasonable setting
    c. Tortfeasor = someone who commits a wrong against an innocent party
        i. Joint tortfeasor = 2+ people acting together to cause damage
    d. Onus of Proof typically falls on the plaintiff:
        i. But the onus can shift to the defendant if the following apply:
            - Statutory liability (certain laws may presume the defendant liable requiring them to show due diligence,
            - Strict liability (Rylands v Fletcher)
                - = liable even if there is no negligence or wrongful intent. Applies when someone is doing an inherently dangerous activity
            - Absolute liability = liable even if you acted with all due diligence. Usually determined by statute.
            - Res Ipsa Loquitur (if harm wouldn't normally occur without negligence and the defendant had exclusive control, they need to prove why they weren't negligent))
        ii. The ability for the plaintiff to prove a tort can be impaired if tort occurred due to:
        - A force majeure (an unexpected or uncontrollable event)
        - Plaintiff's actions lead to the situation

- Deliberate action (3rd party or plaintiff)
- Plaintiff consented to the activity (voluntary assumption of risk)

Negligence = carelessness = failure to use the care of a reasonable and prudent person given the circumstances

- IE: acting in a way you shouldn't have or failed to act when you should have
- Plaintiff (injured party) must prove duty owed and duty breached by negligence
    - Foreseeability: defendant not negligent if outcome wasn't reasonably foreseeable
        - Ex: If you leave a candle on at home and a burglar breaks in and knocks the candle over causing a fire, you may not be liable because a burglar knocking over the candle was "unforeseeable"
    - Insurer will find and pay for a lawyer

Liability policies can insure: bodily injury, personal injury (i.e. humiliation/mental anguish), property damage, direct financial loss (i.e. lost income)

Important legal precedents:

1. Ownership of property (premises liability):
    a. Different Common Law duties owed to difference types of people entering your premises
        i. Trespasser: someone who enters without the occupier's permission
            1. Duty owed: no traps or intentional harm
        ii. Licensee: someone entering for their own purpose with permission from occupier
            1. Duty owed: warn of any hazards known to occupier that they would not expect
        iii. Invitee: invited in for benefit of the occupier (i.e. for business purposes)
            1. Duty owed: protect against dangers known or might reasonably discover
        iv. Children: are protected by law (lack the judgement necessary to avoid risk)
            1. Duty owed: premises must be safe from ALL dangers (take reasonable steps)
            2. Places that attract children = attractive nuisance or allurement
        v. In BC, AB, ON & NS: under the Occupiers Liability Act, licensee + invitee = "visitor"
            1. Common Duty: make sure they're reasonably safe for the purpose of their visit
        vi. Premises liability
    b. Persons outside the premises: make sure nothing "leaks out" (i.e. safe for neighbours & people to pass by)
        i. Duty owed: related to use and maintenance of the building (ie. can't release toxic fumes)
2. Liability of Landlord: liable when incorrectly warrants fitness for a particular use or conceal an adverse condition
    a. Landlord is also liable when:
        i. Renting furnished premises (assumed fit for purpose)
        ii. Landlord agrees to maintain premises but fails after reasonable notice given
        iii. Common areas
3. Liability of Tenant to Landlord:
    a. In tort law: liable for damages caused by negligence
    b. In contract law: for liability assumed by tenant in the lease agreement

4. Liability for children: kids are responsible unless you can prove lack of understanding of consequences
    a. Parents are generally not liable unless:
        i. Fails to supervise the child
        ii. Damage caused by dangerous thing given to child by parents
        iii. Child acting on authority of parents
        iv. Child working at parent's business (if damage results from duties given to child)
5. Liability of Bailee for Hire: Tort law requires ordinary care (= same level of care as others in the business). Liable when duty breached by negligence
    a. + Contractual liability
    b. Bailee for hire = one who has temporary custody of property of others for purpose other than sale and is compensated
6. Employer's Liability for Employees: employers are vicariously liable for employee torts while in course of their duties
    a. Employers are vicariously liable for employee torts while in course of their duties.
        i. Not liable when employees:
            1. Delegate their duties without employer's consent
            2. On a frolic of their own = unauthorized time away for own business
            3. Unauthorized use of employer's property
    b. Employer's liability for employee injuries: legal duty established in Workers Compensation Act
        i. WCA = no fault basis (no need to prove negligence and can't sue if accepted)
            1. If WCA doesn't cover injury, employee can sue
        ii. If no WCA, can manually enrol or buy "employers liability rider"
7. Liability for Independent Contractors: generally not liable for contractor negligence except when…
    a. Work is inherently dangerous (i.e. dynamiting a tree stump)
    b. Insured supplies defective material or equipment
    c. Insured controls the work
    d. Work must be reasonable & insured must have been careful in selecting contractor
8. Liability for animals: domestic animals & "wild" animals (Dangerous Dogs Act may mandate insurance)
    a. Domestic animals: owner is liable on the first bite
    b. Wild animals: strictly liable for any damage
9. Joint Liability = multiple parties act negligently together
    a. When liability is unequal, the law holds each party fully responsible (paying 100% as if they acted alone encourages them to go 50-50) and defendants sort it out later
10. Premises Liability: handles injuries occurring on the occupier's premises (similar to "ownership of property" above
    a. Owner has a legal duty to keep the premise reasonably safe for visitors
        i. Visitors include invitees, licensees, & trespassers
    b. Plaintiffs would allege knowledge of dangerous conditions & failure to fix/warn visitors
        i. Injured person must prove negligence

Insuring Agreement: pays legally obligated compensation to 3rd parties for losses in policy period & territory

1. Insures bodily injury and property damage:
    a. Bodily injury defn: injury, sickness, death
        i. Bodily injury from external source (physical)
        ii. Sickness: manifests internally
        iii. Death resulting directly from the above
    b. Property damage: physical injury to tangible property including loss of use to undmged property
2. Payment only when legally liable: determined by courts
3. 3rd party coverage only: payments only to parties not named on policy
4. Pay compensatory damage only: not normative/nominal or punitive/exemplary damages
    a. Compensatory damage = meant to compensate the wronged party for injury
    b. Special damages = to compensate the plaintiff for out-of-pocket expenses (wages, medical, etc.)
    c. General damages = unquantifiable damages (pain & suffering, loss of future earnings, shock, etc.)
    d. Nominal damages = small monetary award ($1) to establish right & wrong but there were no provable damages
    e. Punitive damages = meant to punish the defendant (not insured)
5. Coverage provided on occurrence basis: the policy in force at the time the loss occurred is the one that pays
    a. Ex: if there was a chemical leak that started in 2008 but was not discovered or a claim was not brought until 2018, the 2008 policy will pay (if the policy is occurrence based)
    b. Occurrence = accident including long-term exposure
        i. Accident = sudden and unexpected, occurs at a particular point in time (IE: car crash)
        ii. Continuous exposure = occurs over a long period of time
            1. i.e. Exposed to contaminated baby powder for years
        iii. Limits of insurance applies per occurrence
            1. Aggregate limit = max for all claims during policy period
            2. Split limits = separate limits for per-person injury, injury of all ppl & property
        iv. Forms: occurrence vs claims made
            1. Occurrence Form: coverage is triggered when the actual accident or incident itself happens during the policy period regardless of the reported claim
                - Emphasizes the occurrence timeframe – if the incident happened while the policy was active = covered even if the claim was reported later
                - Offers more continuity in coverage with policy changes
                - Ex. accident in the 2023-2024 policy term but discovered in the 2025 would still be covered
            2. Claims-Made Form: coverage is triggered when a claim is filed during the policy period or during the extended reporting period
                - Emphasizes reporting timeframe – claim must be filed within the specific window for the coverage to apply
                - Switching from claims-made to occurrence could leave a coverage gap if a past incident isn't reported before the policy expires

- Retroactive Date: occurrences from before this date would not be covered
  - When switching insurers on a claims-made policy, ensure the new policy matches the expiring policy's retroactive date or there would be a gap in coverage unless extended reporting period endorsement purchased
- Extended reporting period endorsement: allows additional time post-policy expiry to file claims under the old policy
- Ex. Say you were with Company A from 2022-2023 and then switched to Company B for the 2022-2024 policy period without buying an extended reporting period endorsement and without matching retroactive dates. If there was an incident during Company A's term, but it was only discovered and reporting during Company B's term, Company B would not respond because the incident occurred before the retroactive date. Company A would not respond either because it was reported past the allowable reporting period.

Duties in the event of an occurrence or claim: insured must cooperate (PALAC)

1. **Prompt notice** to insurer of any occurrence that might lead to a claim
   a. Time, place, circumstance, witness info
2. **Assist** in investigation, settlement or defense
3. **Legal papers must be immediately forwarded** to insurer (has time limit to respond)
4. **Authorize** insurer to obtain info (police reports, etc.)
5. **Can't make voluntary payment** other than first aid (except at own cost)
6. Another way of wording the above…
   a. Prompt Notice of Accident or Occurrence: see #1 above
   b. Cooperation: help with legal action & forward documents (see #2, 3, 4 above)
   c. Unauthorized Settlements: see #5 above
   d. Action Against Us: cannot sue insurer unless: within 1 year & you've complied w/ all policy terms

Supplementary Payments = cost of defense + expenses of insured to assist + court costs + interest payable

- Paid on top of limit of insurance

1. Reasonable expenses incurred by insured for cooperating with insurer (i.e. lost wages ≤ $100/day)
2. Emergency medical expenses: paid by insured due to insured occurrence
3. Court costs assessed against insured = courts may require insured to pay court costs (i.e. if you lose)
4. Bond premiums: i.e. for appeal bonds or bonds to release attachments valued ≤ AoI if you apply
5. Interest payable on amounts ≤ limit: plaintiff doesn't get paid until after Right of Appeal has passed so interest accrues in the meantime

Different liability policies exist for different activities (i.e. for business, aircraft, professional liability, etc.)

## Chapter 9 – Liability Insurance Policies

Coverage I – Loss Assessment (for Condo Owners): pays amounts assessed against owners if Strata's liability insurance is inadequate (excluding deductible)

- Limit = 250% of Coverage A1 (unless Dec. Page says higher)

Personal liability coverage is included in your habitational forms (i.e. tenants, condos, mobile home, etc.)

1. Coverage E – personal liability = $1,000,000 limit
2. Coverage F – voluntary medical payments = $1000
3. Coverage G – voluntary payment for damage to property = $500
4. Coverage H – voluntary compensation for residence employees = as per schedule
5. Note: no deductible on these coverages & limits vary by insurer

Definitions:

1. Persons insured = same as Section 1 property coverages (insured + household)
    a. + legal representative/housemate after death, residence employees using insured "vehicles" for work (motorized personal equipment, not licensed for road use i.e. ATV on the insured premises, mower, golf cart, etc.), parties legally liable for loss caused by owned & insured watercraft/pet (not covered if used for business or w/o permission)
2. Premises insured = all premises described on policy (including spousal/seasonal dwellings) & …
    a. Temporary residence rented for no longer than 180 days (ie. hotels or rented vacation homes)
        i. Student's rented premises can be ≥ 90 days (i.e. dorm room)
        ii. Can endorse if staying longer
    b. Premises in Canada intended to be principal residence of insured(s) for up to 60 days (or until policy end/switch)
    c. Land in Canada where contractor is building a 1-3 family residence to be occupied by insured
    d. Vacant land in Canada owned or rented by insured (excluding farmland)
    e. Family cemetery plots or vaults

Coverage E – Personal Liability: global coverage for liability arising out of private activities

1. Comes with homeowners, tenants, & mobile home policies
2. Covers injury or dmg @ all insured premises worldwide (owned, used, occupied) i.e. if visitor is injured there
3. Also covers injury or death of residence employees i.e. employer's liability (must show the employer is liable)
4. Supplementary payments are covered (i.e. defense costs – see previous sections)
5. Exclusions:
    a. Damage to "own" property (belonging to, used, occupied or leased)
    b. Damage to property of others in the care, custody and control of insured
        i. But… covers property of others when unintentionally caused (tenant's legal liability): fire, explosion, water or smoke (excluding smoke from a fireplace)
        ii. Ex: No coverage if you accidentally damage property you borrow/store for a friend
            1. But… if you're BBQ'ing & burn down the rented cabin, that's covered (FIRE)

c. Damage to property/fixtures from work done on them by/on behalf of insured
d. Injury to insured & anyone residing in insured's household (excluding residence employees)
e. Actions of named insured not residing at premises (living in a care facility = OK)
f. When insured voluntarily assumes liability (i.e. by contract) except…
    i. Assumed in contract in relation to insured's premises
        1. Ex: if your recently repaired fence falls on someone and you've contractually indemnified the contractor you hired to repair it
    ii. Insured would have been liable anyways

Coverage F – Voluntary Medical Payments: pays medical expenses of person accidentally injured.

- Payments limited to amount stated on policy ($1000) and 1 year from date of accident
- Voluntary = no fault benefit
- No coverage if the injured party has worker's compensation,  or public/private health insurance plan

Coverage G – Voluntary Payments for Damage to Property

1. Covers: Damage Unintentionally caused to others and insured isn't legally liable OR Intentionally caused by insured person under 12 y/o
2. Exclusions:
    a. Damage to property "owned" by insured or his tenant
    b. Limited coverage for property of others in insured's care (aka. property insured under Section 1)
    c. Loss of use, disappearance or theft (direct damage only)

Coverage H – Voluntary Compensation for Residence Employees: limited to occasional residence employees

- o Residence employees = a hired cleaner, landscaper, pool cleaner, etc.

- Permanent Residence Employees covered if named on policy
- Voluntary = can't sue if you take the $ (Coverage E will pay if injury caused by insured's negligence)
- Must sign a release form declining Coverage H to sue
- Pay for:
    1. Loss of life (+ funeral expenses)
    2. Injury benefits (weekly indemnity)
    3. Medical expenses
    4. Temporary/permanent total disability
- No obligations to cover when:
    - o Residence employee or their rep refuses the benefits
    - o Sues the insured

Special limitations on personal liability: injury/damage for the following = covered but limited

1. Damage arising out of watercraft & motorized **vehicles owned by insured** if:
    a. Watercraft with outboard motor ≤ 16 HP (12 kW)
    b. Watercraft with any other type of motor ≤ 50 HP (38kW)

   c. Non-motorized boat ≤ 8 meters long (26 ft)
      i. Any newly acquired watercraft exceeding the special limits are automatically covered for 30 days from purchase date regardless of size or HP, then must be insured properly
      ii. Can buy separate coverage for watercraft described in A-C if more is needed
   d. Domestic vehicles ≤ 25 HP/19kW (domestic vehicles = lawn mowers, snowblowers, garden tractors)
   e. Motorized golf carts while on golf course
   f. Motorized wheelchairs > 2 wheels and designed for disabled people
2. Damage arising out of "vehicles" not owned by insured: damage to the craft itself isn't covered
   a. Any watercraft
   b. Self-propelled land/amphibious vehicles not subject to registration & for non-public road use
3. Uses of watercraft and motorized vehicles NOT insured (basically: for business purposes)
   a. Carrying passengers for compensation
   b. For business purposes (ie. used in landscaping business)
   c. Race or speed test
   d. Rented to others
   e. Used without owners consent (ie. stolen)
4. Business or Business property: normally insured under CGL except injury resulting from:
   a. Personal actions of insured in course of business but not directly related to your business
      i. ie. in a company-sponsored golf tournament
   b. Occasional rental of insured's residence (i.e. renting your place out while you're on vacation)
   c. Rental of units in a 2-3 family residence if insured(s) lives in 1 unit (≤ 2 people per unit)
   d. Rental of space in residence to others for occasional office/school/studio use
   e. Rental of ≤ 3 parking spaces
   f. Part-time business of someone under 21 y/o
5. Trailers: only when not attached to register-able motor vehicle (auto insurance covers if attached)

Exclusions applicable to all personal liability policies: no coverage for

1. Regular business activities or unauthorized business use of premises (incl. workers compensation)
2. Professional services: rendering or failing to render (get professional liability)
3. Intentional damage or criminal act by or directed by insured
4. (Failure to prevent) Abuse or corporal punishment
5. Transmission of disease by insured (i.e. AIDS)
6. Ownership/use of aircraft or airport: and all related activities (sold separately)
7. War, invasion, rebellion, etc.
8. Losses required to be insured under a Nuclear Energy Liability policy
9. Liability from watercraft, motorized vehicle, trailer (except as stated above)
10. (Counter) Terrorism
11. Data Exclusion: same as in Homeowners Comprehensive
12. Asbestos, Corrosion, Fungi, Rot
13. Structures/Property used for marijuana or controlled substances (endorsements exist for marijuana now)

Liability Insurance for Business:

1. Liability Exposures of Business:
    a. Business premises: related to condition of premises (rmbr: duty of care of occupiers to visitors)
    b. Business operations: work performed by business (either on or off premises)
        i. ie. during installation @ customer's house or moving stock on premises
    c. Products: made, sold or distributed (ie. food sold by business *consumed away from premises*)
    d. Completed operations: finished work put to use, causing injury/damage
    e. Personal injury: to personal character or business reputation (injury other than bodily injury)
        i. Libel, slander, discrimination, invasion of privacy, false arrest, copyright, etc.
    f. Tenants legal liability: for the portion they occupy (i.e. repaying landlord for damage)
    g. Medical payments: for people injured on premises on a voluntary basis (like Homeowners)
2. Hold Harmless Agreement: a legal contract absolving someone of legal liability for injuries or damages
    a. Must state that the signer waives their rights to sue for negligence (if too vague, broad, or fraudulent = can be disregarded)
    b. Signing or acceptance of the form = acknowledgement of risks
3. Commercial General Liability (CGL) = enough protection for most businesses, it also insures:
    a. Blanket contractual liability = those assumed under contract (i.e. lease, side track agreement)
    b. Liability for activities of contractors
    c. Contingent employers' liability = claim arising from an injured employee covered under Workers' Compensation law (covers when worker's compensation insurance doesn't)
4. CGL Endorsements:
    a. Product liability: extends to cover property damage caused by defect existing @ the time the product was sold/transferred
    b. Limited environmental liability: covers sudden & accidental escape of pollutants
    c. Employers' bodily injury liability: covers employer's liability for employees injured during work but not covered by Workers Comp (different from 2c above)
5. Special liability insurance for professionals: CGL doesn't insure this
    a. Professionals = anyone with specialized knowledge/training (has a higher standard duty of care)
        i. 2 major classes: healthcare & consultant
            1. Healthcare Professionals: deals with medical conditions
            2. Consultants: gives advice & counsel
6. Malpractice liability insurance: insures legal liability for rendering or failure to render proper professional services
    a. Advice Professionals (consultants): clients depend on their accurate advice (ie. insurance brokers, accountants, engineers, etc.)
7. Errors and omissions (E&O) insurance: for rendering or failing to render proper professional services
    a. Similar to malpractice liability insurance
8. Garage liability insurance: for businesses that sell, repair, install, transport or operating vehicles (owned or not) ← (not insured by CGL) (i.e. body shop or valet)
    a. Standard Garage Automobile Policy insures: (Section A) 3$^{rd}$ party liability & (Section B) legal liability for damage to customer's car in your care, custody or control (due to negligence)

9. Umbrella liability insurance: additional liability on top of existing liability insurance (can be personal or commercial)
    a. Must have primary liability policies in place to be eligible. Individuals & Business can buy.
    b. 2 Coverages:
        i. Financial Shortfall: when primary policy's limits have been exceeded (underinsured)
        ii. Drop-down coverage when loss is excluded by primary policy (ie. for strict liability) if not also excluded by Umbrella
    c. Self-Insured Retention (SIR) = deductible for umbrella policies when claim excluded by primary
        i. For business umbrella only, personal umbrellas have a low deductible
    d. Drop-down feature: when annual aggregate limit of the primary policy has passed, Umbrella will pay excess w/ no SIR
10. Directors' & Officers' Liability:
    a. D&O's have a legislated fiduciary responsibility to company & shareholders
        i. Conflicting interest between: business, shareholders & regulators or mismanagement of the business can cause lawsuits
    b. Types of legal action possible against D&O's:
        i. Company lawsuits – company sues D&O's for actions that harmed the company (ie. fraud, mismanagement, breach of fiduciary duty, etc.)
        ii. Shareholder suits – investors sue D&O's for misrepresentation or mismanagement
        iii. Securities suits – violation of securities laws (ie. insider trading, misrepresentations)
        iv. Regulatory action – for regulatory fines & penalties
    c. Criminal acts are excluded BUT… corporation can indemnify D&O's for legal defense if they were honest, acted in good faith & didn't participate in crime
    d. Duties of a D&O:
        i. Duties as per common law & corporate statutes:
            1. Duty of care owed to corporations, shareholders & stakeholders (i.e. employees or creditors)
            2. Duty to disclose conflicts of interest (& of course, don't take advantage)
            3. Delegation of duties doesn't remove D&O's liability (even w/ due diligence)
        ii. Statutory duties:
            1. Employee legislation (i.e. paying wages, pension regulations, hiring/firing, etc.)
            2. Tax legislation: remitting the required taxes (ie. payroll, GST)
            3. Organization-specific statues (i.e. Environmental Protection Act, etc.)
    e. Common Coverage: covers liability of individual D&O's, corporate indemnification & corporate liability (i.e. for securities claims)
        i. Corporate indemnification = corp payouts to D&O's for their actions related to the company
            1. Corp will indemnify costs, defense & judgements of board members if they're sued (unless it'll bankrupt the corp)
                a. Stated in corporation's by-laws
            2. If not enough $, personal assets of D&O + corp = @ risk

3. Not paid for intentional wrongdoings (ie. criminal acts) of D&O's (D&O must reimburse corp if found guilty)
4. Legal defense is covered (insurer controls the defense)
5. High deductibles & premiums for this coverage

ii. 3 Sections: diff coverage & deductible for each
1. Section A – provides direct financial protection to individual directors and officers when the company cannot legally or financially indemnify them, AND they are personally named in a lawsuit for a "wrongful act" (e.g., breach of duty, negligence, misrepresentation).
2. Section B – reimburses corps for $ paid due to by-laws, statutes or contractual indemnity of D&O's
3. Section C – for securities claims against the corp

11. Ocean Marine Cargo policy: 2 types…
    i. Individual policy: for single shipments
    ii. Open policy: for all shipments
    b. Type of coverage offered depends on:
        i. Property
        ii. Origin
        iii. Fragility: is it easily damaged?
        iv. Ports of call
        v. Method of transportation
    c. If goods are delayed during transit or changes route = coverage applies
12. Trip Transit Policy: for single shipments (i.e. if getting a new piece of equipment)
    a. Premium depends on: property & transportation (method & distance)
    b. Named Perils or All-risk available
    c. Same terms as Transportation Floater

## Chapter 10 – Accident & Sickness / Travel Health Insurance (THI)

Disability = inability to work due to accident or sickness (can be mental or physical)

Worker's Compensation Plan: gives these benefits if necessary (benefits are no fault)
1. Health care costs on top of provincial health plan (MSP)
2. Rehab programs (medical & vocational)
3. Lost earnings from missing work or if disabled
4. Death benefit (paid to dependents) + funeral expenses
5. Payment starts on day of disability and lasts for various periods of time (depends on coverage chosen)

2 types of accident & sickness contracts: individual & group plan/policy
- Key Terms:
    - Benefit period = period where insurance is payable (52 weeks, until 65 y/o, etc.)
    - Elimination period = period of self-insurance (pay short disabilities by yourself instead of claiming it) (longer = lower premiums)

1. Individual insurance:
    a. Bought by: self-employed, people without a group plan, high income employees, people seeking better coverage
    b. Disability income policy: provides monthly income during period of disability (insurer may set max)
        i. Disability = inability to work in either:
            1. Any occupation reasonably qualified for
            2. Regular occupation
            3. Own occupation = the broadest definition of disability in these policies
                a. Pays even while you're working another job
    c. Premiums determined by: claims cost + operating expenses + investment earnings
        i. Claims costs = policy type + personal info + types of benefits
            1. Personal info: age, sex, occupation, personal history (i.e. medical)
            2. Types of benefits: benefit period, elimination period, defn of disability
                a. Benefit period: ranges from 1 year to 65 y/o (longer period = more $$)
                b. Elimination period: shorter = more expensive because number of claims are higher (like a deductible)
                c. Definition of disability: own occupation policies have higher claim costs
        ii. Policy type: depends on options (i.e. non-cancellable, guaranteed renewal, etc.)
        iii. Operating expenses = insurer's cost of doing business
        iv. Investment earnings: insurer will invest a portion of premiums, rate of return influences amount charged to clients (higher returns = cheaper insurance)
    a. Characteristics:
        i. Application is part of the contract (any amendments must be signed off)
        ii. Insurable interest required: otherwise VOID (i.e. can't buy insurance on a stranger's life)
            1. A person has insurable interest in their own life & …
                a. Immediate family: spouse, child, grandchild
                b. Employee (i.e. key employee of business)
                c. Any person they have financial interest in
                d. Anyone you depend on for support (incl. education)
        iii. Unpaid premium: insurer deducts unpaid premiums from payout
        iv. Incontestability: can't change application after 2 years (application = part of policy)
            1. Fraudulent statements can void the policy
            2. Misstatement of age: will adjust premiums/benefits

2. Group insurance = weekly indemnity & long term disability
    a. Bought by employer to cover employees & ends when employment ends
    b. Weekly indemnity: short term coverage & short elimination/benefits period (13-52 weeks)

c. Long term disability: starts after weekly indemnity, ends @ 65 y/o (you choose the benefit period)
    i. Options:
        1. Dental plan: routine maintenance + orthodontics
        2. Major medical (extended health care): pays expenses not covered in health care plans
            a. May have deductible or limit (i.e. lifetime max)
            b. IE: prescription drugs, vision care, private hospital rooms, ambulance, nursing, prosthetics, etc.
        3. Accidental death and dismemberment: same as individual policy

3. Why accident & sickness insurance?
    a. Loss of health
    b. Loss of earnings
    c. Peace of mind
    d. Loss of insurability: disability sometimes makes future insurance impossible
    e. Loss of assets
    f. Loss of prestige & credit rating

Travel Health Insurance: for travels beyond home province (no provincial health plan outside)

1. Policy term: single trip (≤ 180 days each) or annual (unlimited trips, 30→180 days each)
2. Individual or family coverage
3. Rating: premiums depend on:
    a. Individual or family
    b. Single or annual
    c. Age & health
    d. # of trips insured
    e. Duration
    f. Policy limits
    g. Area of travel
4. No standardized policy: unlike homeowners forms
5. Coverage territory = stated on the policy (i.e. North America only, when 500km from home, etc.)
6. Accident, illness & emergency: most policies cover accident & illness
    a. Accident = unforeseeable & unintended occurrence beyond insured's control
    b. Emergency = sudden and unforeseen occurrence & requires immediate attention
    c. Some policies will list the emergency expenses covered
7. Dependent children = unmarried < 20 y/o (26 if @ college) OR any age if disabled (mentally/physically)
8. Pre-existing condition coverage isn't automatic (i.e. for heart conditions)
    a. Might cover if under control for 3-6 months (depending on condition, unstable conditions = NO)
9. Coverage generally available for all emergency costs (including prescriptions & air ambulance, medical/dental treatment, hospital, etc.)

10. Incidental coverage: most policies have limited coverage for…
    a. Trip interruption/cancellation (i.e. reimbursement of non-refundable travel expenses if one of the designated group is sick or dies)
    b. Pre-paid travel fees
    c. Legal council
    d. Hotel convalescence
    e. Return of the dead/car
    f. Lost passport/tickets/baggage
    g. Some cover accidental death & dismemberment too
11. Excludes issues arising from:
    a. Pregnancy related issues within 8 weeks of expected due date (i.e. miscarriage/childbirth)
    b. (Attempted) Suicide
    c. (Attempted) Criminal act
    d. Alcohol or drug misuse/disease
    e. War
    f. From hazardous activity (i.e. professional sports)
    g. Covered by workers compensation
    h. AIDS
12. All policies are subject to provincial statutory conditions (like A&S)
13. Traveller Risks:
    a. Medical: emergency health services abroad can be expensive or require cash payments
        - Emergency health services for: acute conditions, illnesses, diseases, unexpected conditions, & injuries needing treatment ASAP
        - If travelling outside home province or Canada, can be reimbursed only w/ a valid health card & meets residency requirements for days outside home province/territory (see OHIP below)
    b. Non-medical expenses from medical emergency: additional expenses can include
        - Child care expenses
        - Medical emergency of a travel companion
        - Insured's return via air or MedEvac
        - Insured's return home via vehicle due to med. Emergency within Canada/US
        - Returning deceased insured
        - Returning pet
        - Trip cancellation fees/penalties
    c. Destination: if traveling to war zones or areas w/ travel advisories, coverage may be restricted. Policy excludes terrorism, rebellion, political instability

Government Health Insurance

1. Government Health Insurance Plan (GHIP): covers (non) emergency medical care for Canadians within Canada (not obligated to cover for travels outside)

2. Ontario Health Insurance Plan (OHIP): covers eligible residents w/ OHIP card
    a. Residency requirements: OHIP card +
        i. ON is the primary residence
        ii. Lives in ON ≥ 153 days/1 year period (away ≥ 212 days/1 year period = cancel OHIP coverage; applied for an exemption = OK)
        iii. Lives in ON ≥ 153 days in the first 183 days since relocation
    b. Emergency Health Services Coverage: within & outside Canada
        i. Within: while in ON or relocating (for first 3 months) to other provinces or territory
            1. Covers medical services (physician & services @ public hospital ex. diagnostic, lab)
            2. Does NOT cover non-medical expenses ex. transportation to insured's home when the condition is stabilized
            3. Ex. 1. Samantha is an Ontario resident who undergoes emergency appendicitis surgery and stays in the hospital for two nights. OHIP will cover her surgery, hospital stay, diagnostic tests, and in-hospital medications. The ambulance fee is covered with a small co-pay. Post-discharge, OHIP covers follow-up visits with her doctor and specialist, but she must pay for prescription drugs and outpatient treatments
            4. Ex. 2. Dan broke his arm while travelling within BC. OHIP will cover his emergency medical treatments and services @ BC rates. Once he's discharged, he'll need to return to ON for further appointments and treatments (still excludes prescription drugs & non-medically necessary outpatient treatments)
        ii. Outside: reimburses a portion of the emergency medical costs (must meet the residency requirement)
            1. Travellers Program: out-of-country emergency health services for travellers & pre-approved out-of-country health services
                a. Must meet the requirements:
                    i. A valid ON health card
                    ii. Meet all residency requirements under Health Insurance Act
                b. Must meet these criteria for treatment or service:
                    i. Deemed necessary
                    ii. Provided at a licensed healthcare facility
                    iii. For an illness, disease, condition, or injury that's acute, unexpected, non-preexisting, & requires immediate attention
                c. Should buy private THI prior to trips to fill in gaps for any uninsured services
                d. Coverage:
                    i. Doctor services: covers the lesser of:
                        1. $$ billed by doctors outside Canada or rates listed & paid to ON physicians (found in Ontario Schedule of Benefits for Physicians)

ii. Emergency outpatient services: covers the lesser of
    1. ≤ $50/day
    2. Hospital bill
iii. Emergency inpatient services:
    1. Pay ≤ $400/day in the following (COIN)
        a. Coronary care unit
        b. Operate room
        c. Intensive care unit
        d. Neonatal or pediatric special care unit
    2. ≤ $200/day if lower level of care

e. Doctor Recommendation: OHIP could cover pre-approved medical services @ a licensed medical facility
    i. Requires a written approval from Ministry of Health prior to services or treatments
    ii. Requirements include:
        1. Performed @ a licensed medical facility
        2. Not an experiment, survey, or research
        3. Accepted/equivalent treatment for the same health condition as in ON
        4. Not offered in ON or offered in ON but can't be in Canada due to immediate need for an operation outside to avoid death or irreversible tissue damage
f. Kidney Dialysis: reimburses ≤ $210/treatment (no max # of treatments)
    i. Recommended to carry THI to cover potential emergency costs beyond dialysis or other emergencies
    ii. Ontario Renal Network (ORN) approves the application for dialysis outside Canada
    iii. Ex. Alex needs a kidney dialysis twice a week and was approved while travelling to Florida to visit her niece's birthday. He purchased a THI policy in case him and his wife unexpectedly needs coverage for accident or illness on their trip

Alternative Sources of Emergency THI Coverage

1. Credit Card: offer lost baggage or trip cancellation, but most don't offer THI
    a. May be offered for premium cc for high-income earners w/ varying terms (company dependent)
    b. Common exclusions:
        i. Pre-existing medical conditions
        ii. Max days/trips per year
        iii. Max days out of the country in a time period (30/1 year period)
        iv. Sports injuries
        v. Age (i.e. excludes > 65 y/o)

2. Employee Group Benefit: may include, but have similar restrictions to credit card (careful review is required)
3. Accident Benefits for OAP 1: broad coverage only for auto accidents within territorial limits (i.e. Canada/US)
    a. Includes follow-up medical & rehab care, income replacement, using their vehicle on vacation, & injured as a pedestrian
    b. Subject to limits, time frames, & conditions
    c. Collateral benefits deduction: payments reduced if you have other coverages
        i. Regulation 47(2) of Ontario Statutory Accident Benefits Schedule (SABS) lets insurer deduct an amount from the collateral benefits (group, private income replacement, rehab benefits, etc.)
        ii. Ex. Dan is on a work trip to Montreal and decides to drive. He gets into a car accident, resulting in a broken leg. He receives emergency treatment and is flown home. OAP 1 covers all costs not paid by OHIP, including air transport and outpatient care. However, if he had sprained his ankle falling down a Metro staircase, OAP 1 wouldn't apply, but travel health insurance (THI) would cover it.

THI Organizations & Available Products

1. Organization: partnership of 3 parties
    a. Distributor (intermediary): marketing firms that distribute and sell THI products
        i. Include:
            1. Travel agents
            2. Financial institutions & planners
            3. Life/general insurance agents & brokers
            4. Affinity associations
            5. Tour organizations
            6. Credit card companies
            7. Group benefit plans
        ii. Sign agreements w/ underwriter(s) to market THI products
    b. Underwriter (carrier): a life or casualty insurance company that offers travel insurance
        i. Provides THI, but also group accident benefits or casualty products
        ii. Often partners with distributors who help sell/manage policies to share in some claims and admin responsibilities
    c. 3rd party administrator (TPA): contracted to manage THI for an insurer (i.e claims manager)
        i. Manage claims & treatments & return to Canada
2. Products: Inbound & Outbound THI
    a. Inbound: for international travellers coming to Canada w/o GHIP coverage (needs coverage before arrival & must meet eligibility requirements)
        i. Ex. Josh has been living in Toronto for 5 years and his cousins are visiting him from Ireland. He should purchase a THI for them in case they encounter a health emergency during their visit

        ii. Other travel insurance is available for those who aren't travellers, such as students or foreign workers, or non-residents immigrating to Canada
b. Outbound: covers medical & non-medical costs while travelling outside home provinces, territory, or country for business or pleasure
    i. Types of coverages:
        1. Single trips: fixed # days equal to the length of the trip (departure/return date)
            a. Ideal for those with fixed schedules
        2. Frequent traveller plans: ideal for business or pleasure travels
            a. Annual policy w/ any # of short trips per year
                i. Duration of each trip & total travel days are subject to a limit
            b. Credit cards may offer plans like this
    ii. Not all outbound THI are the same – compare the benefits, limits, limitations, exclusions, premium & general provision for the best policy
    iii. Reasons for obtaining Outbound THI
        1. OHIP covers emergency health costs for ON rates within Canada & non-medical expenses in or outside ON or Canada are excluded in general
    iv. Covers:
        1. Trip cancellation, interruption, & delay (included or added on)
            a. Unavoidable situations influencing a travel plan include:
                i. Personal or family situation requiring a trip cancellation ex. death
                ii. Emergency requiring an abrupt return
                iii. Non-emergency resulting in a delay for a departure or return
            b. Trip cancellation: applies if the insured if they have to cancel the trip due to their death or of an extended family member, or travelling companion
                i. Reimburses non-refundable amounts of prepaid transportation or unused, prepaid accommodations and arrangements
            c. Interruption: reimburses non-refundable portion of prepaid accommodation (unused) & extra cost to modify return ticket home if an occurrence that prevents the insured from completing the trip already in progress
                i. Note the method home is via regular scheduled transportation either back to the departure point or to their next destination
            d. Delay: departure is delayed resulting from an emergency ex. mechanical breakdowns, bad weather, etc.
        2. Emergency medical services & extended health care benefits
            a. Direct payment to medical facilities and doctors
            b. Local ambulance & physician services
            c. Hospital care & drug/diagnostic services (ie. X-ray / lab fees)
            d. Necessary transportation home (air ambulance or commercial repatriation)
            e. Outpatient services

f. Out-of-pocket expenses (daily & max limit applies) + reimburses extra expenses if insured is hospitalized
g. Child care attendant (excludes relative) + reimburses if insured is hospitalized
h. Assistance tools and services ex. wheelchair rental
i. Bringing a family member to insured's bedside
3. Miscellaneous benefits: included or optional add-ons ex. pet or auto return

v. Coverage Period Extension
1. Voluntary extension: choosing to extend the trip past the original return date (termination date)
    a. Requires a declaration of no medical condition
2. Involuntary extension: extending the trip past the original date of return due to uncontrollable reasons ex. medical condition
3. Usually provides an outline for involuntary extensions regarding when the extensions will be provided
    a. Ex. An automatic extensions of up to 48 hours may be provided without additional premium if the trip is delayed due to circumstances outside of control

vi. Exclusions & Limitations
1. Travel advisories: reports on safety and security abroad which shows heightened risk due to political instability, natural disaster, nuclear catastrophe, & health emergencies
    a. Risk levels:
        i. Exercise normal security precautions: requires normal safety and security precautions (lowest level – similar to Canada)
        ii. Exercise a high degree of caution: certain identifiable safety & security concerns, requiring a high degree of caution
        iii. Avoid non-essential travel: specific safety and security concerns could endanger the traveller and are advised to consider whether travelling to/stay in the country, territory, or region is important
        iv. Avoid all travel: extreme risk to safety and security and therefore should not travel there or should consider leaving when safe
    b. Other info provided on the Government of Canada site (https://travel.gc.ca/travelling/advisories) include:
        i. Areas to avoid
        ii. Local conditions (safety/security), laws, & culture
        iii. Where to find help
        iv. Natural hazards & climate
        v. Entry/exit requirements
        vi. Possible health hazards & restrictions

2. Sports activities: excluded from THI since it's outside normal travel activities
    a. Differ across policies = some policies are more restrictive than others i.e. have different exclusions
    b. Sample exclusions for high risk activities include:
        i. Scuba diving
        ii. Bungee jumping, gliding, parachuting, or related activities
        iii. Rock climbing with/without ropes
        iv. Helicopter skiing or snowboarding
        v. Rodeo
        vi. Sanctioned competitive sports or racing
        vii. Hot air ballooning
        viii. Accident/injury travelling in a small aircraft (must be a commercial plane that legally hold 6+ passengers – no private plane)
    c. Coverage available for extra premium, but must be purchased prior to the trip
3. Pre-existing medical conditions: most restrictive (must explain to clients the consequence of not giving full disclosure)
    a. Pre-existing medical conditions: health conditions that existed before the policy came into effect or within a period ex. 3-9 months prior to the policy
        i. Claims can be denied due to pre-existing conditions, which may include:
            1. A known complication or recurrence of a medical condition
            2. An unstable condition (typically requiring 3 months of stability)
            3. A condition that would reasonably require medical attention before travel
            4. Any recent change in health, such as:
                a. Seeing a doctor (except for routine checkups)
                b. Hospitalization
                c. Starting or modifying treatment
                d. Being prescribed new medication or changing dosage/usage of existing medication
    b. Note that a diagnosis is not needed; any knowledge of prior abnormality, symptoms, or signs before the policy is sufficient to be a pre-existing condition
        i. Not all insurer exclude & cancel coverage for injury/sickness unrelated to pre-existing medical condition
        ii. Can still purchase THI but will be more expensive
        iii. May need a period of stability before obtaining coverage
    c. Inaccurate application or medical questionnaire can lead to claims being denied

4. Common Exclusions:
    a. Sickness/illness
        i. Treatment when the policy is not in effect or due to non-compliance with medical care
        ii. Non-emergency care, including checkups, general assessments, elective or cosmetic procedures, experimental drugs, preventative medicine, and vaccines
        iii. Treatment that can wait until the insured returns home
    b. Hospital or medical care sought specifically under the policy or not recommended by a doctor (i.e. medical tourism)
    c. Continuing treatment if the insured can return home after emergency care
    d. Pregnancy-related costs, including (some policies excluded pregnancy related costs):
        i. Complications within 8 weeks of the due date
        ii. Childbirth while traveling
        iii. Prenatal care
        iv. Complications from pregnancy or childbirth
    e. Suicide, self-inflicted injury, or attempted suicide, regardless of mental health status
    f. Injuries or death due to negligent behaviour, criminal activity, or illegal acts
    g. Air travel, unless as a passenger on a licensed commercial aircraft with 6+ seats
    h. Civil unrest, war, or acts of war
    i. Costs from early or delayed return home due to a known situation before departure
    j. Trip delay or interruption when visiting an ill person, if their condition worsens or they pass away

vii. Coordination of benefits with other plans: if there are overlapping THI coverages, the OHIP or other sources of coverage are the primary and the THI is the secondary coverage
    1. If the company that provided THI finds out that the insured has coverage from another source, they are entitled to collect the $$ from that source
    2. Ex. Sam acquired a THI policy prior to his trip to Mexico. He got terrible food poisoning and had to be hospitalized. His THI policy paid for his expenses as needed. Upon further finding, his THI provider discovered that his wife had extended health care coverage that extended to cover spouses. Therefore, they can collect the $$ from his wife's coverage

viii. Coordination of benefits with a negligent party's insurer: contains subrogation clause
    1. Allows the insurer to recover benefits from the tortfeasor for payment to a policyholder
    2. Ex. Alex purchased a travel health insurance (THI) policy for a trip to Vancouver. He was hit by a motorcycle and the driver was charged with multiple infractions. Alex sustained a severe spinal injury and was rushed to the hospital. THI covered their

medical and non-medical expenses in Vancouver, as well as the medical flight home to Ontario. They were later transferred to a rehab facility, where they remain. Under the policy's subrogation clause, THI has the right to pursue legal action against the driver to recover the costs paid on Alex's behalf. Additionally, Alex can sue the driver for their injuries, loss of enjoyment of life, and rehab expenses

Application and Underwriting Process

1. Application methods: online, telephone, brokerage
    a. Online: done by insured online
    b. Telephone: scripted questions are written to ask clients about their eligibility, medical conditions, etc.
        i. Digital record of client's records are attached to their file
    c. Brokerage: may use either method above or provide paper or online applications
2. Depending on info disclosed, underwriters may issue a policy w/ limited coverages if the client has pre-existing medical conditions OR add an extra fee if the medical condition is unstable OR decline a policy
3. Medical Questionnaire: those w/ pre-existing medical conditions must complete a questionnaire to determine the extent of their condition
    a. Medical conditions = ↑ risk of requiring medical treatment during travel
    b. Components:
        i. Date of application: pre-existing conditions are measured from this date
        ii. Agreement, understanding, & authorization: similar to ones in HO & auto policy
            1. Authorize release of medical info, acknowledges truthful and accurate answers, and verifies that the declaration/agreement are a part of the application
4. Clients must be made aware of the consequence of false responses (i.e. rejecting a claim)

Claims Administration

1. Toll-free: 24h worldwide phone services for medical emergency (broker not involved)
    a. Who can make claims notices:
        i. Insured
        ii. Travel companion
        iii. Family member
        iv. Medical provider
    b. Important to provide clients with policy info & global toll-free # in case of emergency
2. Managed health care services: third party administrators (TPAs) provide services such as
    a. Help the insured obtain emergency medical care
    b. Contact friends or family on their behalf
    c. Direct them to the nearest suitable physician or medical facility, preferably a contract facility to control costs
    d. Monitor and manage the case daily
    e. Communicate with healthcare providers about policy coverage and payment arrangements

   f. Arrange transportation home with medical staff if needed
   g. Consult with the insured's personal doctor and family when appropriate

3. Claims assessment: goes through a claims assessor
   a. Checks the policy, pays, declines, or defers for more review
   b. If all the info is received & the claim is valid = pay the claim
   c. Doesn't meet the policy requirements = declined
   d. Insufficient info, signs of illegal complication (ex. fraud), or errors = further review
4. Subrogation: THI provider can contact other coverage sources for reimbursement

## Chapter 11 – Regulation of Brokers

The Insurance Act: the main piece of legislation governing insurance here in Canada. Each province has their own version.

1. Administration is the responsibility of the Superintendent of Insurance
   a. In BC: Superintendent of Financial Institutions
   b. In ON: Commissioner
   c. In ON: Registered Insurance Brokers of Ontario Act (RIBO) governs brokers (started in 1981)
   d. In BC, AB, SK & MB: Insurance Councils handle admin functions (i.e. licensing, complaints, broker discipline, by-laws/regulations of trade practices)
      i. Can appeal decisions to the Superintendent of Insurance
2. Licensing:
   a. Qualifications:
      i. Must be licensed: good character & reputation + pass an exam
      ii. Must be sponsored by a brokerage/insurer
      iii. 3 Step Licensing (in BC & ON):
         1. Level 1: Can sell general insurance but restricted to brokerage office & must be supervised by Level 2+ broker.
            a. Exception: they are allowed to go to car dealerships to transact auto insurance
         2. Level 2: Can sell general insurance inside or outside the brokerage but cannot own or manage a brokerage. Focuses on commercial insurance. Must be supervised by a Level 3.
   b. Level 3: Can manage/own a brokerage.
   c. Class of License: All Classes (Other Than Life) cannot sell other types of insurance.
      i. ~~Ex: In ON, additional license needed to sell travel insurance~~ ← requirement removed on Oct 1, 2024. Just a RIBO Level 1 license is sufficient to sell travel.
   d. License Term = usually 1 yr.
      i. Sometimes need CE credits to validate/renew license (# varies by province, know yours)
   e. License Jurisdiction: need license in province you do business in
      i. If you insure property in another province, get it countersigned by a licensed broker in that province & pay them a cut of the commissions

ii. If you have RIBO license, you can only do businesses within ON and must follow any regulations and file financial reports to ON regulators
iii. Larger brokerages require at least one of their brokers to have a license to do business in that jurisdiction to provide the full range of services. Ex. need someone licensed in BC for the brokerage to do business in BC – for compliance purposes.

f. Must maintain high ethics or license terminated
    1. Ethics = your moral duties to others
    i. License may be revoked for: (basically: use good judgement & skills)
        1. Misrepresentation, fraud, dishonesty: be honest with clients & insurers
        2. Contravenes any Act (i.e. Insurance Act, etc.)
            a. Rebates are illegal in most provinces (inducements of value)
        3. Unreasonable failure to remit premiums to insurer as required by Agency Agreement
        4. Misuse of trust funds
        5. Places insurance with unlicensed insurers without complying with applicable legislation
        6. Incompetent or untrustworthy to transact in their licensed insurance business

3 Fundamentals Principles of Conduct:

a. Prioritize Client's Interest: over your own
b. Offer the Most Suitable Product: to your clients (NOT the one that pays you the best commission)
c. Disclose (Potential) Conflicts of Interest: brokers should provide clear and concise explanation in a way the client understands, disclosing (potential) conflicts of interest in writing, maintain records of disclosure, and offer open/transparent communication
    - Compensation/fees: brokers typically earn commissions based on the insurance products they sell. This can create a conflict if a higher-commission product is less suitable for the client's needs
    - Ownership: some brokers might own or have a stake in a particular insurance company. This could incentivize them to recommend products from that company, regardless of whether they are the best fit for the client.
    - Gifts & Incentives: insurance companies may offer brokers gifts, trips, or other incentives for selling their products. These incentives could cloud a broker's judgement and influence their recommendations.

Insurance Councils/RIBO: enact by-laws/regulations regarding the ethical conduct of brokers (code of conduct/ethics) on top of other regulations/rules (i.e. Privacy Act & other provincial legislation)

1. Brokers must meet the following standards/benchmarks:
    a. Integrity:
        i. Conduct which does not meet this standard include:
            1. Criminal conviction

2. Misappropriating of client money: this $$ is "held in trust", remember?
3. Taking advantage of a client's inexperience/lack of knowledge
4. Failing to be 100% open and honest

b. Competence: brokers must
   i. Give competent guidance: apply your knowledge in the best interest of clients
   ii. Understand insurance (principles, practices, etc.)
   iii. Should not act beyond your knowledge: ask them to see another broker if necessary
   iv. Consult appropriate industry stakeholders to help resolve issues & escalating when necessary
   v. Understand conflict resolution methods (when/how) & what resources are available

c. Quality of Service: be detailed, diligent and efficient
   i. Act in a way a prudent and competent broker would
      1. Return calls / give sufficient notice (i.e. of non-renewal or term changes) in a timely, accurate, and helpful manner
         - Notify clients when they can expect an answer to their request
      2. Inform clients of coverage changes (i.e. premium changes or other material info)
      3. Offer the right insurance: make sure there are unreasonable gaps in coverage

d. Maintain Professional Integrity: be professional, have good customer service & report any breaches of insurance regulations
   i. Do not be abusive, offensive or unprofessional with people (clients, insurers, adjusters, etc.)
   ii. Demonstrate empathy in communication
      1. Acknowledging clients' perspective and responding with compassion
   iii. Tailor communications (phone/in-person meeting/video calls) based on the audience/client & consider multiple perspectives
      1. Maintain 2 way communication & adapt to their frequency preferences
   iv. Conflict Resolution & De-escalation Methods
      1. Be respectful and remain calm during difficult situation
         - Use simple language and summarize key points to confirm shared understanding
      2. Assist in navigating stressful situations
         - Use active problem-solving skills to brainstorm and evaluate the situation
         - Mediate and facilitate between conflicting parties
      3. Active listening and seeking clarification when needed
         - Paraphrasing and using non-verbal cues eg. eye contact, nod
         - Follow up and adjust if initial solutions don't work
      4. Providing space and time
         - Revisiting situations again later when emotions aren't running as high

5. Resources
    - HR Department
    - Supervisors and managers
    - Mediators

e. Confidentiality: cannot share client info with other people, even their spouse (know your Privacy Acts)

f. Advising Clients: must be honest with advice (no tied selling), they depend on your advice as an expert
    i. Give complete/clear recommendations & why. Give details so clients make informed decision.
    ii. If you're recommending an insurer, to the prejudice of the client, due to some bonus, disclose!
    iii. Don't…
        1. Give sweeping assurances: Ex: everything is covered
        2. Misleading clients about the reason for re-marketing: especially when the new policy is much more expensive
        3. Failing to advise clients of important policy terms (i.e. conditions/warranties)

g. Fee Disclosure: cannot charge any fees in excess of premiums unless clearly started in writing w/ reason
    i. Broker must justify fee when requested (i.e. "this is a binder/risk management service fee")

h. Encouraging Public Respect: enhance public image of the industry/broker as professional & independent
    i. Don't destroy public confidence

i. Negative Billing Option (negative option marketing): insurer charges for a new service or increased coverage without prior consent from the customer
    i. May occur during policy renewals when additional coverage is added automatically
    ii. Considered to be unfair.
    iii. Consumers have the right to be informed about changes and costs before being charged.
    iv. Insurers are encouraged to give clear explanations of benefits and costs
    v. Ex. Emma contacts a broker to switch her auto insurance to a lower-cost provider. The broker gathers details from her existing policy and prepares the application. Without consulting Emma, the broker increases her liability limit to $1 million and raises the deductible on collision coverage. The policy is then submitted, bound, and the confirmation and pink slip are sent to Emma. When Emma later calls to ask about the changes, the broker informs her that modifying the coverage would result in an administrative fee since the policy is already active.

j. Referral Fee Rules: payments made to another party for referring a client to the broker
    i. Full Disclosure: Clients must be informed about any referral fees involved in advance of the referral and written consent must be obtained
    ii. Client Benefit: The referral fee cannot increase the total cost the client pays for the product
    iii. Regulatory Compliance: All parties involved (broker, referrer) must be properly licensed under the relevant regulatory bodies
    iv. Non-Industry Parties: Referral fees cannot be paid to individuals or businesses outside of the insurance industry. This means no payments to friends, family, or random lead generation companies.

RIBO Code of Conduct

- Ontario Regulation 991
    - Integrity: act with honesty and avoid fraud or dishonesty
        - Avoid fraud, dishonesty, and conflicts of interest
        - Be transparent and honest with clients and insurers
    - Competence: provide knowledgeable and skilled services
        - Knowledge & skill
            - Must possess the ability to deliver the desired services
            - Have a clear understanding of insurance principles and the skills to apply them
            - Meet the client's expectation of expertise
            - Have an honest self-assessment of their ability to take on insurance tasks
            - Ensure fair treatment of clients
        - Consequences of incompetence
            - Disciplinary action (honest mistake may ok, but may result in a negligence claim)
                - Repeated actions = liable for negligence
                - Incompetence + negligence = clients may be rewarded for damages through civil remedy
    - Quality of Service: be diligent, conscientious, and efficient
        - Provide timely and effective service
        - Avoid negative option marketing and ensure clients' needs are met
    - Advising Clients: be honest and candid with clients
        - Be clear and detailed in your recommendations
        - Disclose limitations and market constraints
    - Confidentiality: keep client information confidential unless required by law
        - Maintain client confidentiality at all times
        - Disclose information only with client consent or as required by law
    - Safekeeping of Information: treat client's property with care
        - Safeguard client property and records

- Ensure compliance with legal and professional standards
- Conflicts of Interest: avoid conflicts of interest
    - Ensure outside interests do not compromise professional integrity
    - Disclose any business relationships that might influence your recommendations
- Fee Disclosure: fully disclose fees and ensure fairness
    - Fully disclose fees and ensure they are proportional to the services provided
- Public Respect: encourage respect for the profession
    - Promote respect for the insurance profession
    - Engage in public education and improvement initiatives
- Manner of Services: provide accessible and respectful service
    - Ensure services are accessible and uphold the profession's integrity
- Integrity of Vocation: assist in upholding the profession's integrity
    - Report misconduct and assist in maintaining professional standards
- Unauthorised Conduct: ensure only authorized individual practice
    - Ensure only registered brokers practice and supervise staff appropriately
- Conduct to Others: be courteous and act in good faith
    - Maintain courteous and good faith interactions with all parties

Fair Treatment of Customers

- In simple terms, Treating Customers Fairly (TCF) means treating customers as we would expect to be treated ourselves. It's about making sure our products and services perform in the way the customer has been led to expect
- RIBO has created a guideline called "Fact Sheet about Your Broker" detailing how insurance works so customers understand more about insurance. The requirement to treat our customers fairly is not new as they may not have the same level of knowledge as those in the industry. But basically, 'a firm must pay due regard to the interests of its customers and treat them fairly'. Some key points to remember:
    1. Integrity – A firm must conduct its business with integrity.
    2. Skill, care and diligence – A firm must conduct its business with due skill, care and diligence.
    3. Management and control – A firm must take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems.
    4. Financial prudence – A firm must maintain adequate financial resources.
    5. Market conduct – A firm must observe proper standards of market conduct.
    6. Customers' interests – A firm must pay due regard to the interests of its customers and treat them fairly.
    7. Communications with clients – A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
    8. Conflicts of interest – A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
    9. Customers: relationships of trust – A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who relies upon its judgement.
    10. Clients' assets – a firm must arrange adequate protection for clients' assets when it is responsible for them.

11. Relations with regulators – A firm must deal with its regulators in an open and co-operative way

- CCIR:
    1. Make fair treatment of customers core to company culture and governance
    2. Avoid & manage (potential) conflicts of interest
    3. If you outsource, ensure it doesn't impact quality of service or fair treatment
    4. Consider customers in product design
    5. Tailor distribution strategies to customer interest
    6. Provide enough information for clients to make an informed decision
    7. Clear & accurate promotional material
    8. Give relevant advice
    9. Continue to give sufficient info throughout the life of the policy
    10. Settle claims fairly using simple/accessible procedures & diligent examination
    11. Settle complaints fairly using simple/accessible procedures & diligent examination
    12. Protect confidential information using best practices & complying with legislation

Canadian Insurance Services Regulatory Organizations (CISRO) Code of Conduct for Insurance Intermediaries

- Compliance/Outcomes: must comply with all relevant laws, regulations, rules, regulatory codes
- Customer's Interests: place customer's interests before their own
- Conflicts of Interest: identify, disclose, and manage any actual or potential conflict of interest associated with a transaction or recommendation
    1. Must avoid entering into or pursuing agreements for which conflicts of interest cannot be managed, or if they interfere with the fair treatment of Customers
- Advice: gather necessary information and provide objective and thorough advice tailored to the customer's specific needs based on their situation
- Disclosure: provide customers with clear, accurate, and objective information to help them make informed decisions
    1. Includes:
        - Proper disclosure to insurers
        - Using easy-to-understand explanations regardless of the sales channel.
- Product and Service Promotion: promote products and services clearly and fairly
    1. Promotions shouldn't be misleading, easy to understand, and disclose all necessary information
- Claims, Complaints Handling, and Dispute Resolution: handle claims, complaints, and disputes promptly and fairly
- Protection of Personal and Confidential Information: protect customer privacy: only collect necessary information, use it for intended purposes with consent, and comply with privacy laws
- Competence: maintain professional knowledge, stay current through continuing education, and not misrepresent their expertise
    1. Duties should match their training and experience to ensure fair treatment of customers.
- Oversight: responsible for the fair treatment of customers by employees and third parties involved in insurance activities
    1. Must implement policies, training, and controls to achieve this

Professional Associations: most brokers are members of their provincial broker's association

- Enhance professional image of members = higher standards of conduct than legally required
- Code of Conduct: commit to deal fairly and professionally with clients, insurers & fellow brokers (basically: act honourably)

Trust Fund Regulations:

  - Premiums charged = commission (earned by broker) + net premium (belongs to insurer)
- Most provinces: separate trust fund not required (can use premiums for operations) (RISKY!)
- Ontario (RIB Act): must keep premiums at in a separate account @ an approved bank & keep record of transactions & can only take out earned premiums (can't touch net premiums)
- 2 Accounts: premiums go into a trust account first, then from there: net premiums go to insurer OR refunds go to clients & commissions go to operating account to pay for brokerage expenses
  - Putting commissions into trust account protects it from the brokerage's creditors

For Ontario Students:

- RIB Act: https://www.ontario.ca/laws/statute/90r19
- Ontario By-Laws: https://www.ontario.ca/laws/regulation/900991
- RIBO Code of Conduct, etc.: http://www.ribo.com/broker-resources/legislation/
- Insurance Bureau of Canada: https://www.ibc.ca/
- RIBO: https://www.ribo.com/broker-resources/
- CCIR: https://www.ccir-ccrra.org/
- Insurance Institute: https://www.insuranceinstitute.ca/
- IBAO: https://www.ibao.org/resources/

Personal Information Protection and Electronic Documents Act (PIPEDA): governs collection, storage, use, disclosure of personal info by for-profit businesses (brokers can use information collected to determine the right product for the client) (Note: PIPEDA is in the process of replacement by a new privacy act Consumer Privacy Protection ACT (CPPA)

- Personal/Private Information = information about an identifiable person or business; must be kept confidential
- Examples:
  - Age, name, ID, income, ethnicity, blood type
  - Records like employee files, credit, medical, disputes, intentions (i.e. to change jobs or buy something)
  - Can even be subjective information like opinions or social status
- Not applicable in BC, AB, and QC (these provinces have their own regulation)
- Privacy Commissioner oversees PIPEDA & ensures the protection and promotion of privacy rights
  - Penalties: up to $100,000
  - Breaches of PIPEDA are directed to the Privacy Commissioner

- Risk Control to Ensure Confidentiality
  - Key strategies
    - Hire information technology (IT) personnel or outsource IT management to reputable service provider
    - Install anti-virus/spyware or firewalls
    - Educate & train employees about data & computer security and audits conducted to ensure that procedures are followed
    - Report and keep a record of all breaches to appropriate officials
- Privacy Protection Principles
  - Accountability: must appoint a privacy officer who ensures compliance
  - Identification: let the client know why you're going to collect info
  - Consent required each time: for the collection, use & disclosure of personal info unless exempted by law (i.e. reporting a crime)
  - Limit Collection: of info to what is necessary for the purposes collected
  - Limit Use, Disclosure & Retention: of info to what is necessary for the purpose collected
  - Ensure: the info collected is accurate, complete & up-to-date as necessary for the purpose
  - Safeguard: personal information (ie. proper storage & transmission)
  - Disclose: policies/procedures RE: management of personal information
  - Access: allow individuals & admins to access their info to check completeness & accuracy
  - Contact: have someone a person can contact if they have issues with the business
  - Compliance RE: policies/procedures RE: the collection, use & disclosure of personal info (employee must understand office practices regarding PIPEDA)

- General understanding of digital & technological advances
  - Cloud computing: stores and accesses data & programs over the internet
  - Artificial intelligence (AI) and machine learning: allows computers to perform tasks requiring human intelligence
  - Blockchain technology: a decentralized digital ledger that records transactions across multiple computers securely
  - Internet of Things (IoT): a network of interconnected devices that can communicate and exchange data
  - Cybersecurity measures: include encryption (converting data into a secure format during transmission and storage), firewalls, and intrusion detection systems (IDS)

- Importance of info/data security & privacy
  - Protection of client data: maintaining confidentiality and safeguarding sensitive info helps build trust
  - Regulatory compliance: complying with data protection laws and regulations = avoid penalties and legal consequences & adheres to RIBO guidelines
  - Risk mitigation: prevents data breaches, cyber-attack, and minimizes fraud and identity theft
  - Operational efficiency: ensures data accuracy and integrity and business continuity

- Best practices for locating/accessing info
    - Organized data management: keep digital and physical files organized or use reliable cloud storage services (e.g. Google Drive)
    - Use a software system like a CRM or Brokerage Management System (BMS) to manage things like client data, policy documents, applications, expiry dates, etc.
    - Utilizing reliable sources: industry websites and professional networks for shared resources or peer advice
    - A good database will have flexible search options
    - Regular updates and alerts: subscriptions to newsletters, bulletins, alerts

- Basic computer & troubleshooting techniques
    - Regular maintenance: ensure software updates and system cleaning including antivirus scans
    - Troubleshooting common issues: restarting devices, checking the error messages, and use task manager to close unresponsive programs
    - Internet and network issues: check connectivity, restart the router, verify network settings
    - Hardware checks: check peripheral devices (mouse, keyboard, printer) and update device drivers

Canada’s Anti-Spam Legislation (CASL): federal law governing electronic communications, including emails & text messages

- Requirements for brokers
    - Express consent: required from individuals before sending commercial electronic messages (CEMs), e.g. promotional emails or text messages
    - Unsubscribe Mechanism: CEMs must include a clear and functional unsubscribe mechanism to allow recipients to easily opt-out of receiving further messages
    - Identification: CEMs must accurately identify the sender, including the broker's name and contact information
    - Content: The content should be truthful, not misleading, and avoid deceptive practices

Payment Card Industry (PCI)

- Global network of companies involved in the processing, storing, or transmitting credit card transactions
    - Includes issuing banks, payment processors, merchants

## Chapter 13 – Introduction to Automobiles

3 Types of Automobile Insurance Coverage:

1. 3rd Party Liability
2. Accident Benefits: personal injury (no-fault)
3. Loss of or Damage to Insured Automobile

Auto Insurance is different in all provinces

2 Types of Insurers: private & government (compulsory)

1. Private Insurers: for Alberta, Ontario & Atlantic provinces
    a. Coverage provided by SPF No. 1 Standard Auto Policy (Owner's Form)
        i. Ontario uses OPF No. 1 Ontario Automobile Policy (Owner's Policy)
    b. Optional Coverages provided by Standard Endorsement Forms (SEF's)
        i. Ontario uses OPCF
    c. Facility Associations: insures those that are denied coverage for being "substandard" risks.
        i. Ensures coverage is available to all (nobody is denied coverage)
        ii. All private insurers are part of this & share in the results
        iii. A drivers is moved out of the FA once they qualify for coverage in normal markets (all part of the "pool")
    d. Writes most of the policies in Canada & made up most stock or mutual insurance companies
2. Government Insurers (compulsory): in BC, SK, MB
    a. Coverages Differ by Province: coverage can be modified (i.e. increase 3rd party liability or decrease deductibles).
        i. BC: 3rd Party Liability: $200,000 ; Accident Benefits: Included ; Physical Dmg: Optional
        ii. MB: same ; same ; $400 Deductible
        iii. SK: same ; same ; $500 Deductible
    b. Private insurers compete for excess coverages only. Ex:
        i. 3rd Party Limits ↑
        ii. Physical Damage ↑ OR Deductible ↓ (SK & MB)
        iii. Accident Benefits ↑ (BC)
        iv. Excess coverages done as separate policy (use SEF's to modify)
        v. QC government handles personal injury coverage. Private insurers sell the rest.

No Fault Insurance (previous called Ontario Motorist Protection Plan): covers the injured person regardless of fault (no need for tort or subrogating the responsible party).

- 2 Types: pure & threshold
    - Pure no fault: removes right of legal action. Everyone claims their own insurance company
        - MB & QC use pure no fault

    - Threshold no fault: no legal action until past a certain threshold for $$ or severity of injury
        - Ex: can sue for pain & suffering if past a certain $$ value
        - Ex: can sue if a person dies or sustains serious disfigurement/impairment
- In SK: can choose Modified No Fault or Tort:
    - Modified No Fault: claim from government insurer but can sue if amounts paid weren't enough
        - Ex: the maximum income benefit in SK = $61,139/yr + inflation)

Application Form: to get info for underwriting, rate setting & issuing of policy. Must be completed fully.
- Owner's Form SAF 1 (SAF = standard application form) (OAF 1 in Ontario)
- 1 policy can insure multiple cars
- If compulsory government insurer: the insurance policy = registration & proof of insurance
- If private insurer: will issue separate documents

Information Required: must send original copy signed by named insured (especially when application was taken over the phone or from someone other than the Named Insured); application is part of the contract
1. Name & Address
    a. Needed for pulling drivers abstract (make sure you have the right person)
    b. Territory of use is related to loss potential (must clarify if car isn't being used primarily near address)
        i. Ex: 3rd party liability risk in cities is higher than in rural areas
    c. Must include contact # & lessor's name & address if leased
2. Description of Automobile: make, model, year, manufacturer, VIN, etc. (i.e. number of cylinders & body type, modifications, carrying passengers or radioactive/explosive materials?, # cars in household, if the car is owned or leased, when the vehicle was acquired, purchase price, use of vehicle i.e. commuting distance to work, driving distance)
    a. Needed for rating physical damage coverage (car price↑ = premiums↑ for physical damage)
        i. Expensive or custom cars are expensive to repair
            1. Custom cars are typically driven by young males = EXPENSIVE Insurance (especially if modifications weren't done by professionals)
    b. To help with claim payment, must also provide:
        i. Name & Address of Lessor/Lienholder (if applicable)
        ii. Purchased new or used? Include date & value of car + equipment.
3. List of all drivers (in household or business): people not named on policy but can also drive.
    a. Need:
        i. Name (as shown on license) & # of years licensed
        ii. % of use
    b. A regular user that isn't listed will be denied coverage.
    c. Certificate of driver training required (i.e. licensing or drivers training course documents)
4. Policy Period: starts @ application time & ends @ 12:01am Standard Time @ insured's address.
    a. Period usually < 12 months (3m – 2 yrs is available)

5. Insuring Agreements chosen: coverages, limits, premiums, minimum retained premiums, endorsements.
    a. Minimum Retained Premiums: the minimum amount the insurer keeps upon cancellation
    b. 3 Coverage Sections:
        i. Section A – 3rd Party Liability
        ii. Section B – Accident Benefits
        iii. Section C – Loss of or Damage to Insured Automobile (own damage)
    c. 1 application handles ≤ 3 cars + 1 occasional driver
    d. Premium = estimate & subject to insurer's confirmation
6. Physical or Mental Impairment: note anything that might affect safe driving
    a. Ex:
        i. Frequent fainting/dizziness or Epilepsy or Nervous Disorders
        ii. Heart problems/Diabetes
        iii. Depression
        iv. Vision or hearing problems
    b. Insurer can reject coverage or add restrictions as a result
        i. I.e. can exclude losses caused by a driver w/ glaucoma
7. Driver History: screen out undesirable drivers (via convictions & claims)
    a. Conviction History (last 3 yrs): description & date
        i. Ex: DUI, speeding, etc.
    b. Accident & Claims History (last 6 yrs): for all autos used by all listed drivers
        i. Ex:
            1. At Fault Accidents caused by applicant/other users
            2. Not At Fault Accidents
            3. Claims for other damage: fire, hail, theft, etc.
        ii. Show: vehicle, driver, date, type of claim, amount of payment & other descriptions
    c. Drivers can get insurance discounts if they have been accident-free. Know the discount rating program for your province.
8. License History (past 6 yrs): suspensions, cancellations, lapses, etc. of all listed drivers
    a. Provide everything you know (if you don't "know" it's OK)
9. Insurance History (past 3 yrs): insurer, policy # & expiry date of most recent insurer + cancellation
    a. Give details if cancelled, declined or refused renewal: they might contact them for details
    b. Any claims of listed drivers denied for misrepresentation
    c. Any auto insurance fraud of listed drivers (no 3yr time limit)
    d. Only need to provide what you "know"
10. Use of Automobile:
    a. Primary usage: pleasure or business?
        i. Work use = more risky = more money
    b. Is it used for commutes? What's the 1-way distance?
        i. Commute = driving to work, school, or park-n-ride
        ii. Long commute = more risky = more expensive
    c. Annual driving distance

- Use & Class Changes: modifying auto policy by switching to different classifications to reflect changes in the updated usage patterns
    - Changing how you use your car (business vs. pleasure) requires policy adjustment (pleasure, commuting, business, commercial)
- Right classification ensures accurate coverage and avoids premium mismatches

11. Business Use:
    a. Notify if biz use falls into:
        i. Rented or leased to others
        ii. Used for carrying passengers/goods for $$ (i.e. taxis, busses, moving van, livestock truck)
        iii. Used for carrying explosives or radioactive material
    b. Owners Forms excludes the above uses. Need to endorse or pay more
12. Declaration of Ownership: if applicant ≠ registered & actual owner
    a. Need info on both people because an owner w/ poor history might insure the car under someone else's name to save money.
13. False Statement: need to warn your clients
    a. Applicant verifies they're not unsafe to drive due to: disability, addiction & will notify Ministry if they later become unsafe
    b. Generally, right to recover = forfeit if:
        i. False description of the automobile to the prejudice of the insurer
            1. Ex: if you told them you had a cheaper model than you actually do (C300 vs C63 AMG)
        ii. Intentionally misrepresent a risk or fail to disclose a material fact
            1. Ex: previous accidents, use of vehicle, prior refusals
        iii. Breach policy terms (i.e. using the vehicle to carry explosives without permission)
        iv. Fraud: Ex: tries to claim a loss they deliberately caused
        v. Wilfully makes a false statement during a claim:
            1. Willfully = they intended to deceive the insurer
            2. Ex: alcohol use, amount of loss, driver identity, etc.
            3. Insureds warrant that all of their statements are true & automatically gives permission to insurer to check (i.e. w/ DMV, previous insurers, etc.)
    c. Application forms usually have additional questions on the back:
        i. Additional Information/Explanation: drivers, fuel type, car mods, # of cars in the household, car pool use? (may require special endorsements)
        ii. Commercial Rated Vehicles: must provide additional information in a Commercial Vehicle Supplement (CVS) like:
            1. Use
            2. Type
            3. Distance (radius of operation)
            4. Type of attached equipment (& who owns it)

5. Commercial Vehicles = for business purposes like caring passenger or goods for compensation
    - Usually more expensive than personal use

iii. Broker's Report:
1. Does the broker know the applicant?
2. New business?
3. Bound?
4. Premium Paid Upfront? How much?
5. Loyalty (other Insurance w/ same insurer)
6. Special Circumstances?

14. Rating Info (for broker/insurer use): driving class, record, surcharges/discount, vehicle value, rate group, and location/territory can be used to set rates
15. Remarks: lets applicant add more details
16. Method of Payment: payment plan & interest, estimated premium, taxes & total cost are all broken down

Take All Comers Rule (TAC): ensures that no one is denied basic auto coverage

- TAC requires all auto insurers to accept all application who need the following basic criteria:
    - Have a valid Ontario driver's licence,
    - Own a vehicle that is legally registered in Ontario,
    - Can pay the premium or arrange payment terms,
    - Provide an accurate and complete application,
    - Not uninsurable due to known fraud or other statutory violations.
- They have to take that person although they can charge more based on the risk and/or cede the risk to the Facility Association.
- Ex. Ethan has had three not-at-fault claims within one year, and his policy is up for renewal. Despite none of the claims being his fault, his insurer deems him a higher risk for future claims and refuses to renew his policy. However, the insurer did not file this specific underwriting rule with FSRA, making the non-renewal a violation of the Take-All-Comers (TAC) rule.

Underwriting: poor driving/insurance history = send them to the FA for coverage

- Retiree Discount available if: retired, 65+ y/o or receiving pension, no earned income or work/biz, not employed for 26 of the last 52 weeks

Certificate of Auto Insurance = confirmation of coverage issued after receiving application but may not be the same as requested. [Auto insurance contract = Application + Certificate + OAP 1 Policy]

- Certificate is issued on renewals w/ new policy period. But if new terms = different from old, insurer must give broker 45 days' notice & broker must give client 30 days' notice (or broker is responsible, E&O!)
    - Insurer refusal to renew = broker must replace w/ another insurer or give client 30 days' notice
- Certificate must disclose rating method: rate class & meaning, chargeable claims, discounts/surcharges, driving record
- Also includes the limits, deductibles, premium, endorsement, and coverage

Commercial Vehicle Operator's Registration (CVOR): a program administered by the Ministry of Transportation of Ontario (MTO) for monitoring and ensuring the safety of commercial vehicles on the roads

- Who needs a CVOR: operators of commercial vehicles exceeding specific weight limits, including
  - Trucks with a registered gross weight (RGW) greater than 4,500 kg (9,921 lb), including farm vehicles with commercial plates
  - Buses with a seating capacity of 10 or more passengers
  - Concrete pumps and mobile cranes (excluding off-road mobile cranes)
  - Tow trucks designed to lift and transport other vehicles
- Benefits of CVOR:
  - Promote safety on Ontario roads by holding commercial vehicle operators accountable for safe practices
  - Provides a standardized system for monitoring operator compliance with safety regulations
  - Helps identify high-risk operators through inspections and safety ratings

Commercial Auto Insurance: individual or fleet

- Basic Commercial Fleet: a group of vehicles used for business purposes ex. vans, trucks, delivery vehicles
- Fleet Insurance covers all vehicles under one policy
- Offers the same liability, collision, and comprehensive coverage
- Scheduled or fleet basis
  - Scheduled: note each unit, show coverages, charge a premium, and report changes (ie. added, deleted, or substituted vehicles) as they occur
  - Fleet: blanket basis (add OPCF 21)
    - Premium based on mileage or monthly revenues
      - Factors influencing premium includes extensiveness of an operation, seasonal variations, & how busy the business is

Individually Rated Commercial Auto Insurance (IRCA): treats each vehicle separately

- Ideal for a smaller number of vehicles
  - Each vehicle is individually assessed and priced (aka scheduled basis)
- Rating factors: vehicle type, usage, driver history, annual mileage, location
- Offers more flexibility for businesses w/ a diverse range of vehicles
- Could lower premiums if vehicles have lower risk profiles

## Chapter 13 – Financial Services Regulatory Authority of Ontario (FSRA)

FSRA replaced the Financial Services Commission of Ontario (FSCO) on June 8, 2019, enhancing consumer & pension plan protection

- Regulated Sectors: insurance companies, insurance agents & other "financial" biz: pensions, credit unions, caisses populaires, co-operatives, loan and trust companies, financial planners and advisors, mortgage brokers in ON
  - Objectives: promote standards in business conduct, modernize oversight to address outdated regulations, improve transparency and market conduct for consumers & stakeholders, & ensure

fair, honest markets, and encourage innovation

- Responsibilities: regulating and supervising regulated sectors to ensure compliance (licensing of life and general insurers & agents, insurer solvency, approving auto coverage & rates), promoting high standards of business conduct to protect consumer interests, overseeing market conduct and practices, assessing and mitigating systemic risks, implementing evidence-based policy, and encouraging innovation
- Mandate & Goals: foster a sustainable and competitive financial sector, protect state revenues, and prevent unfair competition, enhance transparency, monitor industry trends, educate the public, and deter fraudulent practices
- Activities:
  - Consumer Complaints Resolution Process
  - Automobile Insurance Driver Profiles & Rates Review
  - Auto Insurance Accident Benefits Dispute Resolution
  - Mediation
  - Arbitration
  - Regulating and supervising Pension Plans
  - Licensing
  - Regulation & Enforcement
  - Financial Services Tribunal – reviews regulatory decisions/actions of FSRA
  - oversees & administers the Motor Vehicle Accident Claims Fund (MVACF)

Consumer Complaints Resolution (handled by Market Conduct Division): last stop for consumers w/ complaints

- Assists consumers & makes recommendations to the Superintendent of Financial Services if insurer has broken law

- Consumer complaint process:
  - Complain to insurance company
  - Request a letter from company stating its final position
  - If unresolved, complaints will be escalated to one of the following bodies:
    - Market Conduct Division (FSRA – Ontario)
      - Conducts a thorough and impartial review of complaints involving Ontario-regulated insurers
      - If the complaint indicates a potential breach of insurance laws, FSRA will consider taking regulatory action
      - If the complaint is better handled by another agency (ex. GIO), FSRA will refer accordingly
      - May make recommendations to the Superintendent of Financial Services if legal violations are found

- General Insurance OmbudService (GIO)
  - An independent dispute resolution service
  - Provides free, fair, and impartial hep to Canadian consumers with home, auto, or business insurance issues
  - Only available if your insurance company is a GIO member
  - Helps resolve disputes informally between consumers and insurers

Automobile Insurance Driver Profiles & Rates Review: insurers must file for proposed changes to rating/classification systems

- Credit scoring cannot be used for insurance purposes. Ex:
  - Quotation
  - Auto application
  - Processing signed applications
  - Offers to renew
  - Also prohibited from using deceptive or unfair practices or acts to refuse/limit AB payouts
- Credit info = any info about a person's creditworthiness. Ex:
  - Occupation
  - Place(s) of residence
  - Dependents (ie. number of dependents)
  - Qualifications (education or professional)
  - Place(s) of employment
  - Income
  - Debts or debt payment history
  - Cost of living estimates
  - Assets
  - Credit rating
  - Insurance score (a credit-score-esque rating)

Auto Insurance Accident Benefits Dispute Resolutions: helps consumers & insurers settle AB claims

Mediation: mediate AB claims through the FSRA's Mediation Department (mandatory)

Arbitration: an alternative to court

- Involves: file review, pre-hearings, settlement discussions, neutral evaluation by a neutral 3rd party

Motor Vehicle Accident Claims Fund (MVACF): ON residents can get AB through MVACF and/or sue for $$

- Those w/o policy protection (ie. neither party has an effective policy) can get AB from MVAC & sue
  - MVACF provides AB & liability limits of $200k + some legal expenses
  - MVACF will subrogate at-fault driver/owner

Compulsory Automobile Insurance Act: mandates auto insurance for all vehicles driven on public roads

- Requires all vehicle owners in Ontario to have a minimum level of auto insurance coverage
- Ensure that drivers are financially responsible for any damage or injuries & has the means to pay
- Ensure that victims of accidents receive compensation for medical expenses, lost income, and other damages (no-fault)

Licensing: licenses agents, companies & mortgage brokers
Regulation & Enforcement: governs pensions, credit unions, caisses populaires, co-operatives, loan and trust companies & mortgage brokers

## Chapter 13 – OAP 1 – Owner's Form

Auto Insurance is mandatory in ON

4 Mandatory Coverages:

1. Liability Coverage (Section 3): for damage the insured causes to other people
    a. Minimum $200k limit ($190k to bodily injury & $10k to property damage)
2. Accident Benefits (AB) (Section 4): provides no-fault benefits to insured
    a. Schedule of Benefits:
        i. Income Replacement (IRB)
        ii. Non-Earner Benefit
        iii. Caregiver Benefit
        iv. Dependent Caregiver Benefit
        v. Medical, Rehab & Attendant Care
        vi. Other Expenses
        vii. Death & Funeral Benefit
        viii. Optional Benefits (i.e. increased limits, indexed benefits, etc.)
    b. Can purchase additional AB
3. Uninsured Automobile Coverage (UMP) (Section 5): provides coverage when insured & family is injured by an uninsured automobile
4. Direct Compensation – Property Damage Coverage (DCPD) (Section 6): for loss of use / damage to car & contents in ON when not @ fault (See OPCF 49 for endorsement allowing clients to opt out of DCPD)

4 Optional Coverages:

1. Increase Liability Limits (min. limits = $200,000, but most are $1MM+)
2. Physical Damage (Loss or Damage Coverages): all perils, specified perils, collision, or comprehensive
3. Optional Accident Benefits Coverages: can increase limits
4. Other Coverage and/or Policy Changes: use Ontario Policy Change Forms (OPCF)

Policies are designed to be easy to understand & written in plain language.

Notice of Accident: insured must report within 7 days of accident if:

- Accident has been reported to police (i.e. for injury, crime or damage > $2000 ← this threshold was updated to $5000 on Jan 1, 2025)
- The insured intends to make a claim
- Note: the 7 day reporting is based on best-effort only. OK to be late if in a coma.

Fault Determination Rules: standardized in the Ontario Insurance Act but if the insured disagrees… insured can take legal action (i.e. get an appraisal to determine true loss amounts)

- These rules consider factors like:
    - Actions of each driver leading to the accident
    - Right-of-way rules
    - Traffic signals and signs
    - Carelessness or deliberate actions
- Fault Degrees: the percentage of fault attributed to each driver can vary depending on the specific circumstances of the accident. Common degrees of fault include:
    - 100% at fault: One driver is solely responsible for the accident.
    - Shared fault: Both drivers contribute to the accident, with varying percentages assigned (e.g., 50/50, 70/30).
    - No fault: In rare cases, neither driver might be found at fault.
- Role of Insurance Companies: each driver's insurance company investigates the accident and determines fault based on the evidence and the HTA rules. They negotiate with each other to reach a settlement regarding coverage and compensation
- Fault Chart Interpretation: used to determine liability in auto accidents
    - Help insurance brokers, adjusters, and policyholders understand who is at fault based on the circumstances of the accident
    - Key steps
        1. Identify the Type of Collision
            - Types: rear-end, intersection, lane change, parking lot, etc.
            - Procedure: determine the specific type of collision from the accident details
        2. Locate the Appropriate Chart
            - Reference: use the fault determination rules provided by RIBO to find the chart that corresponds to the collision type
            - Charts: fault charts are typically categorized by the nature of the collision (e.g., rear-end collisions, intersection accidents)
        3. Analyze the Chart
            - Layout: charts usually have illustrations of various accident scenarios
            - Positioning: identify the position of each vehicle involved in the accident according to the chart
            - Impact Points: note the points of impact shown in the chart

4. Match the Accident Scenario
    - Comparison: compare the accident scenario with the illustrations in the chart
    - Detail Matching: ensure that details (vehicle positions, directions, points of impact, etc.) match one of the scenarios shown in the chart
5. Determine Fault Percentage
    - Fault Assignment: the chart will indicate the percentage of fault assigned to each driver based on the matched scenario
    - Standard Percentages: l one driver is found 100% at fault, but in some cases, fault can be split (e.g., 50/50)
6. Documentation and Reporting
    - Documentation: record the fault determination in the claim file, noting the specific chart and scenario used
    - Reporting: communicate the fault determination to the involved parties and insurers

- Motor Vehicle Liability Insurance Certificate: proves "financial responsibility" (insurance coverage for Canada & US)

## Auto Policy (OAP 1)

Refer to the RIBO Consolidated Resources for the full OAP 1 policy wordings

Section 1 – Introduction: defines terms & info applicable to all parts of the policy.

1. Coverage Territory: Canada & US, other listed countries & vessels traveling between those countries.
    a. Limits are all in CAD
2. Definitions:
    a. Automobile = described automobile + newly acquired automobile + temporary substitute automobile + "other" automobile (defined later) + motorized snow vehicles
    b. Excluded Driver = those specifically not covered by the policy
        i. You can endorse them back on for Accident Benefits ONLY
    c. Insured Person: changes from section to section
        i. Ex: in Liability, Insured Person = you + anyone who you allow to operate the car
        ii. Ex: in Accident Benefits, Insured Person = named insured + their spouse/dependant + any occupant who was an Ontario resident at some point in the last 60 days + anyone who had an accident in Ontario + anyone who is injured or killed
    d. Spouse = one of the 2 people who are:
        i. Married to each other
        ii. Divorced
        iii. Common-law spouse: living together > 3 years or some permanent relationship where they have kids
3. Responsibilities: no coverage if you fail to meet responsibilities (except some AB)
    a. Prompt Notice: of any significant change that you become aware of (i.e. change in distance travelled)
        i. Remember: the application is used to rate the policy

b. Legal Operation: do not operate, or let anyone else operate the vehicle unless authorized by law (i.e. no minors, no unlicensed or suspended drivers)
c. Legal Use: do not use or allow anyone to use car in a race, speed test or illegal trade

4. Rights: regarding disputes over money
    i. Payment of Claims: claims paid within 60 days of receiving Proof of Loss
        1. Accident Benefits may be paid sooner
        2. If claims denied: insurer will notify in writing w/ explanation
        3. Proof of Loss = formal statement regarding the details of the claim
            a. Events leading up to accident
            b. Parties involved
            c. Witnesses
            d. Damages
            e. Amount claimed
            f. Other details
    ii. Wrong Classification:
        1. If it caused you to overpay: they will refund + interest
        2. If it caused you to underpay: they must notify you within 60 days and you must pay additional premium
            a. Note: an improper classification caused by misrepresentation not subject to the 60 day limit
    iii. Monthly Payment Option: can finance your premiums over the year + interest
5. Cancelling Insurance: insured will get a refund
    a. When Insured Cancels: short-rate refund = pro-rate – admin fee; subject to minimum retained premium (MRP)
        i. MRP = the insurer will keep at least this much
    b. When Insurer Cancels: pro-rate refund; subject to MRP
        i. If policy < 60 days old, insurer can't cancel unless reason has been approved by Financial Services Regulatory of Ontario (FSRA)
        ii. If policy > 60 days old, can only cancel for:
            1. Non-payment of premium
            2. False particulars of automobile
            3. Knowingly misrepresented or withheld required information
            4. Material change in risk
        iii. Cancellation procedure (resets w/ each renewal):
            1. For non-payment:
                a. 30 days' notice by registered mail or 10 days if hand delivered
                    - Notification period starts the 2nd day after the notice has been mailed
                b. Pay by noon the business day before the last day of notice period
                c. Cancel on 12:01am of the last day

            2. For repeated non-payment or other reasons:
                a. 15 days' notice by mail or 5 days if hand delivered
                b. If 3rd strike non-payment: no guarantee of reinstatement
        iv. Declination Rules = underwriting guidelines approved by FSRA for declining or cancelling a policy
        v. 3 strike system: first 2 strikes = 30 day/10 day notice; 3rd strike on the same policy period = 15/5 & no renewal guarantee
6. Exclusions: who & what we don't cover
    a. General Exclusions: cannot carry explosives, radioactive material or passengers for $$
        i. Can endorse those on (explained later)
        ii. Carrying passengers for $$ ≠ carpooling, carrying domestic workers, kids to school, carrying customers or special needs passengers while volunteering
        iii. No own-damage or legal liability coverage if doing a prohibited activity but… some Accident Benefits coverage
        iv. Also, no coverage (except AB) if driven by excluded driver or w/o owners consent

Section 2 – What automobiles are covered: described, new, substitute, other automobiles, trailers

1. Described Automobile = the one shown on your policy
2. Newly Acquired Automobiles: are automatically covered for 14 days (via endorsement) (i.e. for replacement vehicles after a trade-in)
    a. All vehicles must be with the same insurer to get extension
    b. New car gets the same coverage as your other cars (i.e. no collision on other cars = no collision on new car)
    c. New car gets the "worst" combination of limits/terms/coverages (i.e. if $1MM liability limit on Car1 and $2MM on Car2, Car3 only gets the $1MM)
3. Temporary Substitute Automobile = not owned by insured or housemate & used while described car is out of service (i.e. for breakdown, repairs, servicing, theft, sale or destruction)
    a. Temp cars get the following if you have it on your described auto:
        i. Liability
        ii. Accident Benefits
        iii. Uninsured Automobile
        iv. Direct Compensation – Property Damage
    b. Your policy's own-damage coverage is secondary to the temp car's own insurance.
        i. Your insurance could pay the deductible for the temp car
            1. Ex: You have a $300 deductible. Your friend has a $4,000 deductible and you cause $10,000 in damage, your friend would get $6,000 from his insurer and you would claim the $4,000 on your policy which would pay $3,700.

4. Other Automobiles = cars other than a described auto. Covered when driven by insured or live-in spouse (get the highest limits of all cars)
    a. Other Automobiles get the following if you have it on your described auto:
        i. Liability
        ii. Accident Benefits
        iii. Uninsured Automobiles
        iv. Direct Compensation – Property Damage
        v. No own-damage coverage for Other Automobiles (no loss or damage)
    b. Other Automobiles Rented or Leased: covers the insured's liability if they let someone else drive a car they rent.
        i. Covers rented vehicles with a GVW > 4500kg for 7 days if personal use
        ii. GVW < 4500kg = no time limit
        iii. If driver = negligent when driving, the insured has liability protection as against the damage
5. Trailers: used on the described vehicle
    a. Covered for…
        i. Liability
        ii. Accident Benefits
        iii. Uninsured Automobile
    b. Trailers owned by the insured but not described on the policy also get DCPD if
        i. Attached to a car < 4500kg
        ii. Normally attached to a < 4500kg car
        iii. Not designed/used for living or commercial purposes
6. If you have multiple vehicles insured on the same policy, they are treated as separate policies (i.e. can have different limits for each car)
    a. If driving a vehicle you don't own (Other Vehicle), you get the highest liability limit on the policy
    b. If you drive a vehicle you don't own, but have 2+ cars insured by separate insurers, you still get the highest limit but…
        i. % of that limit paid by each insurer = proportional to total insurance limits
            1. Ex: If you have $1MM on Car 1 & $250k on Car 2. Car 1's insurance will pay up to $1MM ÷ ($1MM + $250k) = 80% of the loss amount. Car 2's insurance will pay up to 20%. (limit still = $1MM ← the highest of the 2)
7. Trailers & Towing:
    a. Trailers being towed counts as 1 automobile for Liability, AB & UMP payments; but…
    b. Separate for Deductibles & DCPD & optional Loss or Damage (own-damage) Coverages
8. Inspection: insurer can inspect @ any reasonable time or else your own-damage coverage can be cancelled & claims denied

Section 3 – Liability Coverage: when a 3rd party is injured or their property is damaged by insured(s)

1. Who is covered:
    a. Named insured
    b. Permitted drivers
    c. Permitted operators (i.e. rolling down the window or opening the door)
2. What we cover: injuries or property damage to 3rd parties in Canada & the US
    a. Pays only what is legally required up to the policy limit but…
        i. Out of pocket expenses are paid for (i.e. first aid, ambulance, etc.)
    b. On top of paying compensation, insurer will investigate, negotiate & settle on your behalf.
    c. If insured is sued in Canada or US, insurer will defend you in court & pay all costs
        i. Court costs, investigation, interest on covered portion, etc.
        ii. Insured can pick their own lawyer to defend amounts > coverage limit
    d. For accidents outside ON, insurer will honour the minimum limit of that province
        i. Ex: if you bought $200k in ON but NS raises their minimum to $500k, you will have $500k for accidents in NS.
    e. Each insured is treated as separate for lawsuits but share the same limit
    f. For rented/leased automobiles, the renter's insurance is primary – it pays first
        *i.* If the renter allows another person to drive, the order is: renter's insurance, driver's insurance, then rental car company's insurance pays to *top up the limit*
            1. If OAP1 has $300k & Hertz's policy has $1MM, OAP1 would pay all claims up to $300k then Hertz's policy would pay the remaining $700k if needed.
            2. If OAP1's limit > Hertz's limit, rental company's policy would never respond.
3. Basically, the insurer agrees to:
    a. Handle claims (investigate, negotiate, settle)
    b. Pay liable amounts up to policy limit
    c. Pay out of pocket expenses (first aid)
    d. Pay defense costs
    e. Pay court costs assessed against insured
    f. Pay any post-judgement interest (on the covered portion)
4. Insureds' responsibilities: insureds must do these 6 things to get coverage:
    a. Notify the insurer of loss within 7 days (in writing)
    b. Make a statutory declaration that the insured person was driving
        i. Insured person = named insured or someone duly authorized
    c. Insured must cooperate: be a witness or with legal action
    d. Forward all legal documents entirely
    e. Insured must not admit any liability except @ own cost & can't interfere with any settlement
    f. Absolute Liability: if the insurer has to pay money due to Absolute Liability and not because of the policy, insured must repay.
        i. Absolute liability law allows 3rd parties to get insurance money even if insured invalidates their policy. But… insured will need to pay back the insurance company.

                1. Potential violations:
                    a. Cancellation of policy after the accident occurred
                    b. Violation of Act or the policy terms
                    c. Criminal Code violation
5. Exclusions:
    a. The insureds' own property (rmbr: this section is liability)
    b. Contamination of property carried in car
    c. Nuclear hazards
        i. Nuclear Energy Hazard liability policy covers $200k
6. Laws that limit legal action for auto accidents in ON:
    a. Tort Provisions:
        i. General Damages (pain & suffering): can sue if threshold is met.
            1. Threshold:
                a. Death
                b. Permanent/serious disfigurement
                c. Permanent/serious impairment of important function (mental, physical, psychological)
                d. Based on fault
        ii. Loss of income: no threshold, everyone can recover based on fault
            1. 70% of gross income (previously 80%) starting 7 days after accident up til trial date
            2. After trial, can get up to 100% gross income for future economic loss
        iii. General damages: threshold = catastrophic injury
            1. For medical, rehab & attendant care
            2. Payments exclude damages already covered by other sources (i.e. no-fault benefits or provincial health plan)
        iv. Non-economic loss deductible: $36,905/person, $15,000 per Family Law claimant
            1. $15,000 deductible for loss of a parent/guardian. "Loss of care, guidance or companionship".
            2. Changes occasionally, so it's important to be aware
    b. Limitation Period: must sue within 2 years of accident (w/ in 2 years of denial for denials of AB coverage)
    c. Tort for Economic Losses (Pecuniary): can sue for loss of income or earning capacity from bodily injury or death (see above)
    d. Tort for Non-economic Losses (aka pain & suffering): can sue if past threshold
        i. 2 types of threshold: verbal & monetary. Ex:
            1. Death
            2. Permanent/serious disfigurement
            3. Permanent/serious impairment of physical, mental or psychological function

ii. Can sue if not at fault & person was
    1. Owner of the car
    2. Occupant of the car
    3. Present at the accident
iii. There is a deductible (see above)
iv. Must make sure the threshold is met before the trial starts via a motion
    1. Check for verbal threshold &/or catastrophic injury to allow tort recovery of healthcare expenses
        a. Catastrophic Impairment includes:
            i. Paraplegia or worst
            ii. Permanent loss of use of both arms (amputation, etc.)
            iii. Loss of an arm & a leg
            iv. Blind in both eyes
            v. Brain impairment based on Insurance Act/SABS rules
                1. SABS: https://www.ontario.ca/laws/regulation/100034
            vi. > 55% impairment of a person
            vii. Mental impairment > Class 4 in 3+ areas OR Class 5 impairment in 1 such that it precludes useful functioning.
    2. Not required to sue to recover expenses except in the case of catastrophic impairment. Accident Benefits will pay adequately for most.
v. Uninsured owner or lessee can't sue (i.e. if car was uninsured)
    1. Driving without insurance:
        a. 1st offense = $5,000-25,000 fine
        b. 1+ offense = $10,000-50,000

Section 4 – Accident Benefits Coverage:

1. Can get optional coverage for:
    a. Income replacement
    b. Caregiver benefits
    c. Dependent care benefit
    d. Medical, rehab, attendant care
    e. Death and funeral expense
    f. Indexation of benefits payable
2. Who is covered?
    a. Named insured, spouse & dependents
    b. Listed drivers
    c. Other people if they don't have their own car/insurance
    d. For accidents outside ON:
        i. Named insured, spouse & dependents
        ii. Other occupant who was an ON resident at some point in the last 60 days

    e. Also covers psychological injury to uninvolved family members (i.e. if relative's physical injury traumatized you)
3. How the no-fault rule applies
    a. Non-catastrophic injuries
        i. Both insurer respond & AB are covered for both
    b. Catastrophic injuries
        i. Both at-fault party and not-at-fault seek AB from their insurer
        ii. Not-at-fault sues at-fault for residual dmg not covered under AB
4. Priority of Payments/Claims:
    a. Claim own/spouses insurer first
    b. Otherwise, insurer of the vehicle
    c. Then, insurer of the other involved vehicle
    d. From Ontario Motor Vehicle Accident Claims Fund (MVAC) if no car involved was insured
5. Types of benefits:
    a. Income Replacement Benefit (IRB): for people impaired by an accident
        i. Paid if: the person was employed & w/ in 104 weeks becomes unable to work (Substantial Inability)
            1. If unemployed: still paid if:
                a. Employed for 26/52 weeks OR on EI
                b. 16+ y/o & excused from school by Education Act
                c. w/ in 104 weeks becomes unable to do the job they spent the most time at
            2. No payments:
                a. For the first 7 days of disability
                b. Beyond 104 weeks unless unable to work in the occupation they are "trained" for
        ii. Amounts paid:
            1. First 104 weeks: 70% of gross income (previously 80%) up to $400/wk
            2. After that: 70% of gross income (previously 80%) up to $185/wk
                a. Coverage > 104 weeks is available with endorsement (optional AB) or catastrophic injury
            3. IRB pays minus the other loss of income payments you're eligible for
                a. Except for:
                    i. EI benefits
                    ii. Sick leave not received but available
                    iii. WCP not paid because you are suing
            4. If IRB > 104 wks, eligibility criteria is raised to: Complete Inability to do the work you were trained for
            5. Self-employment: 70% of the gross income (previously 80%) reported to CRA last year
                a. Weekly payment = 1/52 of last year's reported income

6. Cost of Report: insurer will pay $2500 to pay an accountant to prepare the application for IRB
7. Non-Earner Benefit:
    a. Qualifies for payment if:
        i. Can't carry on normal life within 104 weeks of accident
        ii. Not eligible for other IRB
        iii. Impaired by motor vehicle accident
        iv. If they were getting a caregiver benefit, but there is no one they need to care for anymore (switch to non-earner benefit instead)
    b. Also qualified if meets above + in school or graduated < 1 year prior
    c. Benefits not payable for the first 4 weeks
    d. Pays < $185/wk for up to 104 weeks
8. Caregiver Benefit:
    a. Qualify if you suffer a catastrophic impairment & were/are an "unpaid, live-in, primary care-giver"
        i. Must suffer impairment within 104 weeks
            1. Impaired = "substantially unable" to provide care giving
    b. Pays < $250/wk + $50/patient for < 104 weeks unless claimant suffers
    c. Can endorse for non-catastrophic injury

b. Medical, Rehabilitation & Attendant Care Benefits:
    i. Medical benefit: pays for reasonable medical expenses not covered by provincial or other health plans
        1. Ex: hospital, ambulance, medication, physiotherapy, psychological services, glasses, dentures & dental services, transportation to treatments, mobility devices
    ii. Rehabilitation: for medical & "social" rehab costs
        1. Ex: life skills, family counselling, employment counselling, financial counselling, social rehab, transportation costs to/from sessions, vehicle modifications, home modifications and devices, workplace modifications and devices
    iii. Attendant Care Benefit: for in-home or facility attendant
    iv. Limits:
        1. Minor Injury: $3500 & $0 for attendant care
        2. Non-minor/Non-catastrophic Injury: < $65k
        3. Catastrophic: $1MM
        4. Transportation Expenses are paid according to the Transportation Expenses Schedule
            a. For own car: can claim for > 50km round trip

c. Death & Funeral Benefits:
   i. $6000 for Funeral Benefits
   ii. Death Benefits: $25k to spouse & $10k to dependents if die w/ in 180 days of accident or 156 weeks if continuously disabled
      1. If deceased had obligation to provide support from a court order or contract = + $10k payment to dependents
      2. If no spouse, $25k to legal dependent (on top of $10k)
         a. Money shared among dependents
      3. If the deceased was a dependent: $10k to guardian
      4. Former spouse gets $10k
      5. Must outlive insured by 30 days to get $
d. Other Expenses Covered:
   i. Lost Education Expenses: < $15k if unable to continue education
      1. Education Expenses = textbooks, tuition, room, equipment
   ii. Visitor Expenses: for those who visit the insured during treatment/recovery
      1. Pays for 104 weeks unless catastrophic impairment
   iii. Housekeeping & Maintenance: if catastrophic impairment results in inability to housekeep
      1. $100/wk for < 104 wks unless catastrophic injury
         a. Coverage for non-catastrophic injury can be endorsed
   iv. Damage to Clothing, Glasses, Hearing Aid, etc.: replacement cost coverage for misc. items damaged in an accident
   v. Cost of Examination/Reports: $2000/exam (i.e. for approving treatment under AB)
e. Optional Benefits:
   i. Optional Income Replacement Benefits: $600, 800 or 1000 ≤ 80% gross weekly earnings
   ii. Optional Caregiver, Housekeeping and Home Maintenance Benefits: for non-catastrophic injury (see above)
      1. Coverage if substantial inability to do prior caregiving activities
      2. Pays < 104 weeks unless complete inability to carry on normal life
   iii. Optional Dependant Care Benefit: pays extra expenses needed for insured to take care of dependent
      1. Paid if insured:
         a. Sustained impairment
         b. Was employed at the time
         c. Not receiving a caregiver benefit
      2. Pays < $75/wk + $25/wk for additional dependent < $150/wk
   iv. Optional Combined Medical, Rehabilitation and Attendant Care:
      1. Non-catastrophic injury basic benefit = $65,000 for 5 yrs
         a. Can increase to $130,000

            2. Catastrophic injury = $1,000,000 in total
                a. Can increase to $2,000,000 (increases payment period to 10 years & increase medical, rehab, & attendant care for a combined limit of $2,000,000)
        v. Increased Death and Funeral: can double the death benefit & increase funeral expenses to $8k
        vi. Optional Indexation Benefit: adjust amounts payable by inflation (CPI)
            1. Death & Funeral Benefits are excluded

6. General Exclusions:
    a. No IRB/Non-Earner benefit, etc. to driver if:
        i. (Should have) Known that the vehicle was uninsured
        ii. Drives while illegal (unauthorized by law) or excluded by insurance
        iii. (Should have) Known the vehicle was operated without owner's consent
    b. No IRB/Non-Earner Benefit, Educational Expenses, Expenses of Visitors, Housekeeping Benefits if:
        i. Material misrepresentation on the application
        ii. Failed to notify the insurer of a material change
        iii. Was an occupant that knew the driver was operating w/o owners consent
    c. Insurer withholds "IRB" if:
        i. Operating auto while impaired
        ii. Operating auto while BAC of driver > legal limit
        iii. Failed to comply with breath sample
        iv. Any other car related criminal offense
        v. Insurer withholds $$ if charged, then keeps or pays based on trial outcome
    d. Note: remember, if someone claims under Workers Compensation, they give up all other remedies (including OAP 1)
7. Procedures for Claiming Benefits:
    a. Step 1: Apply for AB in 7 days of accident.
    b. Step 2: 30 days to submit application
    c. Step 3: 14 days to fulfill insurer's request for more info (if necessary)
8. Method of Payment:
    a. Once entitled, insurer pays in 14 days
    b. OR
    c. Gives denial w/ in 14 days of application or the date the next payment is due (i.e. if disqualified later)
        i. Insured can apply to keep $$ until medical assessment
9. Limitation Period: 2 years to sue insurer (i.e. for unpaid claims amounts)
10. Minor Injury Guidelines: pays ≤ $3500 for minor injury unless Dr. says $3500 isn't enough due to pre-existing condition
    a. Minor Injury Guideline: sets allowable fees for initial treatment & other goods/services required
        i. ^ Dr. can waive these guidelines

b. Minor Injury =
    i. Sprain/strain
    ii. Whiplash
    iii. Contusion
    iv. Abrasion
    v. Laceration
    vi. Any other related conditions

11. Recovery of Healthcare Expenses – Catastrophic Impairment: can sue for healthcare expenses if damage > verbal threshold for "catastrophic impairment"
    a. Catastrophic Impairment includes:
        i. Quadriplegia or paraplegia
        ii. Permanent loss of both arms
        iii. Permanent loss of an arm & a leg
        iv. Total loss of vision in both eyes
        v. Brain impairment (defined by Insurance Act & SABS regulations)
        vi. > 55% impairment of a whole person
        vii. Mental/Behavioural impairment > class 4 in 3 areas or class 5 in 1 area
            1. Impairment = something that precludes useful functioning
    b. Health Expenses paid here are reduced by:
        i. Payments available before trial under AB for healthcare costs
        ii. Payments received before trial under any medical, etc. plan
12. "IRB" reduced or eliminated if insured:
    a. "Knowingly" operate an uninsured automobile
    b. Driving while "illegal"
    c. Was an excluded driver
    d. Knowingly operate w/o owners consent
    e. Material misrepresentation (to induce insurer to issue policy)
    f. Failing to notify insurer of any material change
    g. Convicted of a driving related criminal offense

Section 5 – Uninsured Automobile Coverage: protects victims of uninsured/un-ID'd vehicles

1. Covers bodily injury & property damage
2. Uninsured automobile = owner & driver have no valid insurance
3. Unidentified automobile = owner & driver cannot be ID'd

Claims Process for Catastrophic Injuries for not-at-fault party

1. Claim from their AB
2. Sue at-fault party for residual damage
3. Collect their Uninsured Auto coverage since the at-fault party has no insurance

1. What is covered:
    a. Bodily Injury to You & other Insured Persons
        i. Amounts of damages legally entitled to recover < policy limit
            1. Rmbr: economic losses = can sue, pain & suffering requires threshold (death, permanent disfigurement/impairment, etc.)
        ii. Coverage acts like a liability policy for the at-fault party
        iii. Pays < liability requirement of the accident province ($200k in ON)
    b. Death/Bodily Injury to Other:
        i. Ex: if insured dies, family can sue for damages caused by loss of that person
    c. Certain Property Damage: loss of use & damage to contents only IF the at-fault driver is ID'd & uninsured
        i. Pays < $25k & subject to deductible (standard is $300)
        ii. No coverage for unidentifiable auto (open to fraud risks)
2. Limitations & Exceptions - Insurer doesn't pay:
    a. If there is an auto liability policy to claim from
    b. If there is enough money from an unsatisfied judgement fund to claim from i.e. Ontario Motor Vehicle Accident Claims Fund
    c. If involving radioactive contamination/materials
    d. First $300 of accidental damage (= deductible)
    e. For amounts > $25k in damage to automobile or contents in any 1 accident
    f. For damage while driven by excluded person
3. Bodily Injury or Death claims:
    a. Who is covered:
        i. Occupants
        ii. Named insured & spouse & dependent relatives of either when:
            1. An occupant of an uninsured vehicle
                a. Can claim if suffered a threshold injury
            2. Not in a car but hit by a UMP car (i.e. pedestrian)
                a. Note: automobile = any auto covered under the policy. Ex:
                    i. Described auto
                    ii. Temp substitute vehicle
                    iii. Newly acquired vehicle, etc.
    b. Conditions: the claimant must…
        i. Provide written notice within 30 days or ASAP (of claim)
        ii. Proof of loss in 90 days of accident
        iii. Documentary evidence if requested (i.e. doctors' papers, etc.)
            1. Detailing the cause of injury/death (ie. auto accident) + expected duration of injuries (if applicable)
        iv. Details of other claimable insurance (aside from life insurance)

c. Accidents involving Unidentified Automobiles:
    i. Must notify police w/ in 24 hours (best effort)
    ii. Written statement w/ in 30 days of accident (give details)
    iii. Must make damaged vehicle available for inspection

4. Property Damage claims:
    a. Conditions:
        i. Notify insurer within 7 days of accident
        ii. Protect car from further damage
        iii. Not make repairs beyond what's necessary for ii) until insurer inspects
        iv. Provide copies of all related legal documents
        v. Inspect vehicle at any reasonable time
        vi. Proof of loss w/ in 90 days
        vii. Cannot abandon the wreckage to the insurer
    b. Amounts paid = ACV – deductible
        i. ACV = original cost – depreciation
        ii. Will replace with like kind and quality if cheaper
5. Both Bodily Injury & Property Damage claims: 95% for bodily injury & 5% for property damage if insufficient limit
    a. Ex. While driving his new BMW M4, Ryan (an insured driver) is struck and injured by an uninsured vehicle. He suffers a threshold injury, and his car sustains $40,000 in damage. Ryan suffers $400,000 in bodily injury, bringing the total claim to $440,000. In this scenario, because the $200K limit provided by the uninsured automobile coverage is insufficient, 95% of the $200K ($190K) would go towards his bodily injury and $10K would go towards his property damage.

Section 6 – Direct Compensation – Property Damage

- Covers direct/indirect damage to insured autos, trailers, equipment, contents & loss of use. Accident must take place in Ontario & involve another ON licensed vehicle
- Insures not-at-fault damage to own car (if you're 100% not at fault, DCPD pays 100% - not collision)
    - Suing the at-fault driver takes time & $$ ; DCPD removes small suits from the courtroom
        1. Every insurer pays for their own insured cars = % not @ fault (standard deductible = $0, but most opt for higher to reduce their premium)
            - Ex: If 2 people crash & fault is 50:50, Mike's DCPD pays 50% of his car's damage, Bob's DCPD pays for 50% of his cars damage.
            - Ex. Ethan owns a vehicle with an Actual Cash Value (ACV) of $30,000 and is involved in an accident where he is 80% not at fault (NAF). His DCPD deductible is $500.

- Step-by-Step Calculation:
    - Determine the degree to which the insured is not at fault (NAF): 80% NAF
    - Calculate the insured's portion of the deductible:
        - $500 × 80% = $400 (this is the amount Ethan must pay)
    - Determine the insurer's share of the vehicle value:
        - $30,000 × 80% = $24,000
    - Calculate the final payout by subtracting the deductible:
        - $24,000 - $400 = $23,600
    - Final Settlement: Ethan receives $23,600 from his insurer, while he is responsible for paying the $400 deductible.
- Optional physical damage coverage pays the rest

a. What is covered: loss of use or damage to auto/contents
    a. Loss of Use = if I need to rent a car, taxi, bus, etc.
    b. DCPD exists because you can't sue in ON for damage to car alone (rmbr: threshold)
    c. DCPD coverage only applies when:
        i. Both vehicles insured by ON insurer or if the insurer agrees to DCPD
        ii. Accident must take place in ON
    d. DCPD pays % of repair/replacement ≤ ACV – % of deductible for which you are not at fault
        i. Ex: if $500 deductible & you're 60% not-at-fault, deductible the insured owes = $300. Insurer pays 60% of the damage minus $300 deductible.
        ii. Most people can pay a higher premium to drop deductible
    e. DCPD only applies to described auto or newly acquired autos (owned by insured & covered primarily on this policy)
        i. For temp vehicles, the owner's policy always pays first. NOT the "insured's" (aka the driver)

b. Amounts paid:
    a. Without DCPD & in tort provinces (i.e. Alberta), fault determined by judge
    b. In ON, determined by "Fault Determination Rules"
       (see [http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_900668_e.htm](http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_900668_e.htm))
        i. If unhappy w/ fault/settlement decision, can sue own insurer. Judge can overturn.
        ii. Deductibles may apply (based on your agreement on the policy)

c. Insured(s)' Responsibilities in case of loss: same as Statutory Condition 6
    a. Notify the insurer within 7 days
    b. Protect automobile from further damage
    c. Not make repairs beyond what's necessary to protect
    d. Insurer can copy all legal docs
    e. Insurer can inspect the vehicle
    f. Proof of loss w/ in 90 days
    g. Insured cannot abandon the wreckage to insurer
        i. Insurer owns salvage once pays ACV in full

d. DCPD can now be removed by adding OPCF 49

Section 7 – Loss or Damage Coverages (Optional): pays owner for damage to own auto/equipment

- If ≤ 25% at fault, insurer can't raise premiums

1. Covers: loss of use or damage to your automobile in excess of DCPD (see prev.)
    a. If DCPD makes payment, section 7 doesn't apply
    b. Insurer can inspect vehicle (usually @ the start of coverage)
    c. Coverage options:
        i. Specified Perils: covers only: fire, windstorm/hail, falling object, lightning, explosion, earthquake, riot, theft & accident involving a water/land transport carrying the car (i.e. sinking, collision, derailment)
        ii. Comprehensive = all risk version of Specified Perils (= SP + falling/flying objects, & vandalism)
            1. All non-collision damage = covered unless excluded
        iii. Collision or Upset: insures tipping or collision w/ another object
            1. Collision = hitting an object in contact with ground
                a. Collisions with animals are excluded (paid by comprehensive)
            2. Upset = car hitting the ground
        iv. All Perils = collision + comprehensive
            1. Note: unlike comprehensive, theft by housemate & employee is OK
2. Excluded Loss or Damage:
    a. Wear & Tear:
        i. Damage to tires
        ii. Breakdown
        iii. Damage from rust, corrosion, wear & tear or explosion inside engine
    b. Damage from illegal claim of ownership/disposal, theft by legal possessors (i.e. lessees)
    c. Fraud or Scam: i.e. selling a car and the cheque bounces
    d. Radioactive contamination
    e. Damage to contents other than equipment
        i. Equipment = anything fixed to vehicle or provided for use w/ vehicle
            1. Ex: bike helmets, child seats, scissor jack
    f. Payment for recorded materials ≤ $25 & only covered if in playing device @ the time of loss. Else… contents
    g. Illegal Use = no physical damage coverage for…
        i. Operating while intoxicated
        ii. If the damaging action lead to a conviction for:
            1. Death/harm by criminal negligence
            2. Dangerous operation of motor vehicle
            3. Failure to stop at accident scene
            4. Driving while > 80mg BAC
            5. Breath sample refusal
            6. Causing bodily harm while driving > 80mg BAC (the legal limit)

        7. Operating a car while disqualified
        8. Use for illegal activity
        9. Drives car while not authorized by law
        10. If insured allows person under any of the above to operate vehicle
    h. Rmbr: theft by housemate or employee is typically excluded (All Perils covered)
3. Deductible = amount insured must pay for losses (currently $500)
    a. Fire & lightning losses have no deductible
    b. Insurer pays $$ minus deductible
    c. Case Study Ex:
        i. If you are 20% not @ fault for accident, DCPD will pay for 20% of your own damage – 20% DCPD deductible.
        ii. If you have Collision insurance, Collision will pay for the remaining 80% of damage – 80% of the Collision deductible.
        iii. If DCPD & Collision or Upset deductibles are equal = pays the same deductible for any % of fault in a collision
            1. Ex: if your Collision & DCPD deductible is $300, then on DCPD you will pay $60 and on Collision you would pay $240 = $300 deductible paid in total
4. Additional Benefits: the policy covers 4 additional losses
    a. General Average: if cargo jettisoned to save the ship, surviving owners will pay for the sacrificed
    b. Salvage Charges: pays for expenses necessary to reduce further loss to vehicle (i.e. towing)
    c. Fire Department Charges: if they bill you
    d. Customs Duties: i.e. for importing "new" parts used in repair of vehicle
        i. Ex: car broke down in the US, repaired in the US, the "new" parts you're bringing back will be taxed
5. Insurer can't subrogate against those allowed to drive by the insured
    a. But can subrogate:
        i. Valet/car dealers as they are bailees & have their own insurance
        ii. If allowed drivers use it for excluded uses or criminal activities (i.e. if they borrowed your car to race)
            1. Insurer will pay you but will sue your friend.
6. Temporary Substitute Automobiles (TSA) = not owned by insured or housemate & used while own is unavailable
    a. Legally liable physical damage covered by TSA Owner's Policy if they purchased the optional coverage.
    b. If not & insured is legally liable, insured's policy will pay.
        i. Liability established by law or contract
        ii. Insured's policy pays for owners deductible if its > than insured's deductible
            1. Deductible payment is subject to deductible
            2. Ex:
                a. Adrian borrows Barb's car to drive to work while his is in the shop.
                b. Barb has a $5000 collision deductible and a $1000 comprehensive deductible.

c. Adrian has a $500 deductible for collision & comprehensive.
d. If Adrian crashes into a wall causing $10,000 worth of damage, Barb's policy would pay $10,000 - $5000 (her collision deductible).
e. Then Adrian's policy would pay Barb $5000 - $500 so Barb is fully indemnified

7. Loss of Use Due to Theft of Auto: pays for reasonable expenses for rental, taxi, bus, etc. ≤ $900
    a. Payment starts 72 hours after reporting & until claim settles
8. Responsibilities of Insured(s) for damage to auto = same as above (i.e. notify w/in 7 days, etc.)
9. Insurer can choose to repair/replace instead of paying cash for the car
    a. If repairing/replacing, notify insured in 7 days
10. Insurer pays up to ACV – deductible
    a. ≤ $1500 for aftermarket electronic equipment (i.e. GPS, stereo, etc.)
    b. ≤ $25 for recorded material

Section 8 – Statutory Conditions: legal duties of all parties (same as other provinces)

- Breach of conditions = loss of coverage. But… will still get Accident Benefits

1. Material Change in Risk: must notify insurer of any known material change
    a. Material change = anything that increases chance of loss
    b. Also…
        i. Change in insurable interest (new owner/principle driver)
        ii. New mortgage or lien
        iii. Other physical damage insurance (concerns re: fraudulent losses)
2. Incorrect Classification = refund premium + interest OR request more $$ (must do w/ in 60 days)
3. Monthly Payments: can pay in monthly instalments (interest rates set by Insurance Act)
4. Authority to Drive: can't operate until authorized by law (i.e. have a valid license)
    a. Also, no racing/speed testing or use in illegal trade/profession
5. Requirements for Loss or Damage to Persons or Property:
    a. Insured must:
        i. Written notice to insurer w/ in 7 days of accident (whatever is reasonable)
            1. No notice = loss of coverage
            2. More serious accidents should be notified ASAP
        ii. Statutory declaration that damage arose from operation of car by insured(s)
        iii. Forward any documents to insurer (i.e. legal docs since they defend you)
    b. Insured must not:
        i. Voluntarily assume liability except at own cost (impairs defense)
        ii. Interfere in any legal proceedings (insurer controls)
    c. Insured must cooperate w/ insurer: give evidence, info, witness, etc. (assist in defense when requested)
6. Requirements for Loss or Damage to Automobile:
    a. If it's covered, the insured must:
        i. Give notice in writing with all information available at the time
        ii. Make reasonable efforts to protect the automobile (insurer will pay)

    iii. Make Statutory Declaration to insurer w/ in 90 days of loss: place, cause, damage, other insureds, other insurance, negligence or wilful?
        1. Must send proof of loss in 90 days or no $$
  b. Extra damage from failure to protect auto = not covered
  c. No repairs other than those necessary to protect car (i.e. tire replacement) & no removal of evidence
    i. Until insurer OK's OR has time to inspect the car
  d. Insured must submit to an examination under oath & give relevant documents
  e. Insurer liable for ACV (aka. there is depreciation)
    i. Factors:
        1. Exterior: paint, trim, condition
        2. Mechanical condition
        3. Mileage
        4. Interior: upholstery, trim
        5. Equipment/Accessories
        6. Tires
        7. Other information
    ii. Insurers liability for out-of-stock parts = value @ time of loss ≤ MSRP
  f. If insurer is repairing/replacing property, notify insured w/ in 7 days
    i. Repair/replaces w/ like kind and quality (not always OEM parts)
    ii. Disputes are handled by appraisal (i.e. extent/adequacy of repairs/payment)
        1. Details in the Insurance Act
  g. No Abandonment/Salvage: owner is liable until the insurer pays you out
    i. Abandonment: insured cannot abandon the car to the insurer
    ii. Salvage: insurer owns the wreckage after ACV or replacement is made
7. Time Limit: insured must send notices (statute #5 & 6) in 7 days of loss or ASAP (i.e. if seriously injured)
8. Inspection of Automobile: @ any reasonable time (to prevent fraud)
9. Insurer must pay w/ in 60 days of proof of loss
  a. If appraisal required, 15 days afterwards
  b. Have only 1 year to sue insurer for car damage (2 yrs for bodily injury or property dmg)
  c. Refusal to pay claim must be given in writing w/ reasons
10. Insured OR their agent OR another party of interest (ex. mortgagee) can give notice if justifiable
11. Termination:
  a. Remember: the 3-strikes for non-payment
    i. Cancellation 1 & 2 = 30/10 (if hand delivered)
        1. Pay premiums by noon the next biz day to prevent cancellation
    ii. Cancellation 3 = no obligation to stay on even if pay in time
  b. Insured can cancel @ any time for short-rate refund
  c. If insurer cancels: pro-rata refund
    i. 15 days' notice by mail
    ii. 5 days if hand delivered

    d. Cancellations start @ 12:01am on the date specified

12. Notice: by hand or registered mail
    a. If sending to insurer: to chief agency or provincial head office
    b. If to insured: to last known address (must provide notice of change in residency otherwise it's possible to terminate w/o receiving notice)
13. Accident Benefits still exist even if you violate Statutory Conditions

## Chapter 13 – Endorsements

Tip #1: Anything that needs to be endorsed here is excluded from the original policies under their appropriate sections
Tip #2: A lot of these names are self-explanatory; don't spend too much time memorizing these
Tip #3: OPCF 5, 20, 27, 43, 44R are the most common. Know them!

Ex:

1. OPCF 2 – Providing Coverage When Named Persons Drive Other Automobiles: extends "Other Automobile" coverage in OAP1 to persons named in the endorsement.
    a. Limited to named insured & spouse w/o this endorsement
2. OPCF 3 – Drive Government Automobiles: exempts you from mandatory insurance
3. OPCF 4A – Permission to Carry Explosives: adds back that coverage (rmbr: normally excluded)
4. OPCF 4B – Permission to Carry Radioactive Material: same as 4A
5. OPCF 5 – Permission to Rent or Lease Automobiles and Extending Coverage to Specified Lessee(s): covers lessee or those the lessee authorizes to drive
    a. Basically: allows lessee to become a named insured (usually registered owner only)
6. OPCF 5C – Permission to Rent or Lease: lets lessor lease the car out
    a. Lessee & those they authorize to drive are covered
    b. < 30 days (short term lease only)
7. OPCF 5D – Conversion Coverage (rented or leased automobiles): covers infidelity of the renter
    a. Rmbr: Section 7 does not pay for theft, dishonest claim of ownership, etc. by someone who has legal possession under written agreement
8. OPCF 6A – Permission to Carry Paying Passengers: allows car to carry paying passengers
9. OPCF 6B – School Bus: can use as school bus for compensation
10. OPCF 6C – Public Passenger Vehicles: permits carrying passengers for compensation & sets available liability limits
11. OPCF 6D – Driving Training School: permits carrying passengers for compensation for driving school purposes
12. OPCF 6F – Public Passenger Vehicles – Combined Limits: if carrying passengers for compensation only
13. OPCF 7 – Separate Limits: separates/specifies Section 3 Liability Limits
14. OPCF 8 – Property Damage Reimbursement: makes insured responsible for damage to other people's property (under Section 3 Liability Coverage)

15. OPCF 9 – Marine Use Excluded: excludes losses while car is on/in water or during launching/landing
16. OPCF 13C – Restricting Glass Coverage: only to losses caused by perils specified here
17. OPCF 16 – Suspension of Coverage: for a period of time (i.e. if the car is not being driven)
    a. ^ This one is asked often on exams!!
18. OPCF 17 – Reinstatement of Coverage: reverses OPCF 16
19. OPCF 19 – Limiting the Amount Paid for Loss or Damages: insurer pays min(limit, ACV) for Section 7 losses
    a. Used on high value vehicles, motor homes, ATV's, etc.
20. OPCF 19A – Agreed Value of Automobiles: insure automobile (Section 7) on a value basis
    a. Used for classic or custom cars
    b. Note: Know the difference between 19 & 19A
21. OPCF 20 – Coverage for Transportation Replacement: pays reasonable expenses from loss of use for personal auto (ex. taxi, public transportation, etc.)
    a. Has a per day & per occurrence limit
22. OPCF 20A: Transportation Replacement Coverage/Downtime Coverage: covers commercial auto from loss of use due to dmg or unusable
    a. Covers rental reimbursement, loss of use, or alternative transportation modes
    b. Helps business operations minimize disruption and reduce potential income loss while the vehicle is unavailable
23. OPCF 21A – Monthly Reporting Basis Fleet (applicable to Ontario licensed automobiles): covers vehicles leased for ≥ 30 days.
    a. Must list vehicles, receipts, mileage, etc. & report to insurer monthly (basically: scheduled coverage)
24. OPCF 21B – Blanket Fleet Coverage for Ontario Licensed Automobiles: insures fleets on a blanket basis (all vehicles)
25. OPCF 22 – Damage to Property of Passengers: as if it was the insured's own
26. OPCF 23A – Lienholder Protection: provides protection for the lender's ownership share (i.e. they get their share if claims paid in cash)
    a. Lienholders are also notified of any cancellation of policy/physical damage coverage
27. OPCF 23B – Mortgage (Broad Form): better lienholder protection than 23A
28. OPCF 24 – Fire Apparatus: insurer not liable for rescue equipment taken from insured vehicle @ fire scene
29. OPCF 25A – Alteration: covers a variety of policy changes (written in the available space)
30. OPCF 27 – Liability for Damage to Non-Owned Automobile(s) and Providing Other Coverages When Insured Persons Drive Other Automobiles: covers damage to non-owned auto's in the care/custody/control of the insured (& others named on this endorsement)
    a. I.e. a rental vehicle
    b. ^ This endorsement is important to know
31. OPCF 27B – Business Operations – Liability for Damage to Non-Owned Automobile(s) in the Insured's Care, Custody or Control: for commercial clients with "custody" of other people's cars

32. OPCF 28 – Reducing Coverage for Named Persons: reduces coverage/limits for loss or damaged caused by the specified person
33. OPCF 28A – Excluded Driver: completely excludes driver from your insurance while driving
34. OPCF 29 – Additional Coverage for Named Person(s): extends coverage to allow a specific person to operate the insured vehicle
35. OPCF 30 – Removing Coverage for Attached Machinery: insurer won't pay liability or accident benefits for damage arising from use/ownership of equipment
    a. Buy a CGL
36. OPCF 31 – Non-owned Equipment: covers non-owned equipment that is normally attached to the auto
37. OPCF 32 – Use of Recreational Vehicles by Unlicensed Operators: lets them drive when not authorized (licensed) by law
    a. I.e. someone < 16 y/o can drive off road
    b. Recreational vehicle = snowmobile, ATV, dune buggy, etc.
    c. Covers while unlicensed or if used by unlicensed person off public roads
38. OPCF 35 – Coverage for Emergency Road Service: pays $50 if car disabled
39. OPCF 38 – Agreed Limit for Automobile Electronic Accessories and Equipment: limits amounts paid for after-market electronics to agreed amounts
    a. After-market = not factory installed
40. OPCF 39 – Accident Forgiveness (Accident Waiver): provides one-time protection for driving record & premium during the first at-fault accident (helps maintain good driving record & prevent premium hikes)
41. OPCF 40 – Fire Deductible: makes fire/theft of entire automobile losses subject to deductible (if not already)
    a. Normally added to recreational vehicles
42. OPCF 43 – Removing Deprecation Deduction: pays replacement cost = min (purchase price, MSRP, cost to replace)
    a. Insured must be the original purchaser
43. OPCF 43A – Removing Depreciation Deduction for Specified Lessee(s): same as OPCF 43
44. OPCF 44R – Family Protection Endorsement: insured/family gets same protection as they bought (pays in excess of UMP under/uninsured)
    a. Covers the difference btwn UMP and insured's policy limits
    b. Ex: If I carry $1MM liability & hit by a driver that has $200K, my Family Protection Endorsement will pay ≤ $800K (i.e. if past threshold & suing)
    c. Rmbr: UMP gives $200K only if at-fault driver is uninsured
    d. ^ Important
45. OPCF 46 – Pre-determined Income from Self-Employment Agreement: set annual income for Accident Benefits if self-employed
46. OPCF 47 – Agreement Not to Rely on SABS Priority of Payment Rules: added for free if Optional AB is purchased
    a. Can claim AB + Optional Benefits regardless of Priority of Payment rules

47. OPCF 48 – Added Coverage to Offset Tort Deductibles: pays $10K to insured & $5K for Family Law Act claimant for non-pecuniary damages (i.e. pain & suffering). See "non-economic loss deductible" above.
48. OPCF 49 – Agreement Not to Recover for Loss or Damage from an Automobile Collision: Starting Jan 1, 2024, DCPD is now optional. Remove it by signing OPCF 49. Ensure customers get permission from leasing or financing company prior though!
    a. Benefits:
        - Possible 5-10% reduction in premiums
        - Suitable for drivers with low-value vehicles not needing/wanting repair/replacement
        - DCPD coverage can be reinstated anytime by contacting the insurer but may need to pay adjusted premiums as required
    b. Considerations:
        - If opted out, drivers cannot claim vehicle repair/replacement costs, loss of use, or damage to contents even if not at fault
        - Vehicles listed under OPCF 49 will also lose Collision and All Perils coverage (under Subsection 7.1.2 C - Collision or Upset, or 7.1.2 D – All Perils)
        - Signing OPCF 49 may breach leasing/financing agreements; drivers should consult their providers
            - Ex. clients leasing or financing their vehicles should consult their leasing/financing company
        - Applies only to the specified vehicles listed including a VIN number on the form, not extending to other vehicles or new acquisitions mid-policy
        - All insurance company must make this endorsement available to all consumers
    c. Financial Risks:
        - Opting out means bearing full costs for any damage, towing, hookup, delivery, or storage
        - Drivers cannot sue at-fault parties for damage compensation, per Section 263 of the Insurance Act

Conviction protector: maintain insurance premium rates after a minor driving conviction e.g. speeding ticket or a minor traffic violation

- Not a standardized endorsement (must be requested)

## Chapter 13 – The Facility Association

Facility Organization (FA) = group of all insurers who cover sub-standard drivers

- Allows them to reject business while meeting compulsory requirements
    - Steps:
        - Check underwriting (UW) standards w/ voluntary insurers they rep
        - Check FA UW standards to set rate class
        - Refer to FA
        - Broker collects premium & servicing carrier issues policy
    - Ex UW Standards: vehicle type, usage, location, # of drivers, claims history, driving record, etc.

FA ≠ Insurer, they contract members to UW & adjust claims
- Issue a monthly Participation Report to members

Servicing Carriers = appointed by FA & paid to conduct its business.
- Must follow FA rules as per "Plan of Operation and Servicing Carrier contract"
- Adjusts claims according to "Claims Guidelines"
- Certain UW expenses (i.e. drivers abstracts) & claims expenses are reimbursed
  - Eligible expenses laid out in "Plan of Operations" & "Accounting and Statistical Manual"
- Audited biannually to ensure compliance with FA Rules, Regulations & Procedures
  - Investigate: claims/UW procedures
- FA guides Servicing Carriers re: rules interpretation
- Sits on committees: Rates & Rules Committee, Actuarial Committee, Claims Committee and Accounting Committee alongside non-servicing carrier members

FA doesn't really contract broker. A contract is made between the FA, SC & Broker.
- SC does all the administration: accounting, paying commissions, etc.
- Broker contacts SC if they need guidance
- Broker can contact FA if they want to change SC or if they disagree with SC

Policy Issuance and Claim Settlement:
- FA sends blank applications to SC who send them to brokers
  - Each app is numbered
  - FA only touches apps for auditing purposes
- SC underwrites, does paperwork (i.e. issue policy) & gives to brokers
  - SC also distributes FA Manual of Rates & Rules to brokers
    - Contains info on risk classification & premium calculation & surcharges
      - Rates & Rules Committee develops rules (comprised of member company volunteers)
    - Premiums based on:
      - Classification
      - Vehicle type
      - Industry limits/deductibles
      - Surcharges/discounts
    - FA consulting actuary develops rates > reviewed by Rates & Rules Committee > approved by FA Board of Directors > approved by provincial regulatory body
- SC makes claim payments using FA cheques drawn from the FA bank account assigned to that Carrier

FA management prepares financial statements for external auditors

Broker's Role

1. Determine client needs
2. Survey insurers to find the best "deal" for their client
3. If not, go to FA
    a. Send FA application along with rejection letter to SC
    b. Rating = done by broker using the manual

- In ON, they leave the FA once qualified for the normal market
- Outside ON, must manually check markets on renewal
- Some brokers have markets others don't. If you're forced to go FA, try another broker.
    - FA commission rates = lower ≡ incentive to move clients out of FA
        - No bonuses/incentives either (overrides, special commissions for switching, etc.)
- FA policies take more work:
    - Must have signed & fully completed applications (incl. binder numbers & binder register)
    - Additional forms for motorcycles, commercial, garage policies or public vehicles

## Chapter 13 – Ontario Automobile Driver's Policy – OAP 2

OAP 2 is for

1. Drivers who drive someone else's car but has no insurance of their own OR
2. When owner has no insurance
3. May be purchased by someone who is excluded from OAP 1
4. Proof of financial responsibility to obtain a driver's license

Similar structure to OAP 1:

- Section 1 – 3rd Party Liability
- Section 2 – Accident Benefits
- Section 3 – Liability for Damage to Non-owned Automobiles: must have legal liability (i.e. it was my fault or it was stated in the contract)
- Section 4 – Uninsured Automobile Coverage
- Section 5 – General Provisions, Definitions and Exclusions
- Section 6 – Statutory Conditions

Non-owned Automobile =

1. Person in "control" of automobile that is not owned or registered in his name
2. Not operated by but is in the care, custody & control of the insured
3. Automobile includes trailer
    a. Trailer + car = 1 vehicle for Section 1, 2, 4
    b. Separate vehicles for Section 3 coverage

Rating: tell insurer the details of:

1. Type(s) of vehicles likely to be driven
2. Type of use
3. Any liability assumed under contract
    - Insurer will rate based on worst-case scenario (highest exposure)

## Chapter 13 – OAP 4 - The Garage Automobile Policy

OAP 4 is for: businesses that operate, deal, repair, store, or park cars

Similar structure to OAP 1:

- Section 1 – 3rd Party Liability
- Section 2 – Accident Benefits
- Section 3 – Uninsured Automobile Coverage
- Section 4 – Direct Compensation – Property Damage
- Section 5 – Loss or Damage to Owned Automobiles
- Section 6 – Liability for Damage to a Customer's Automobile While in the Care, Custody or Control of the insured
- Section 7 – General Provisions, Definitions and Exclusions
- Section 8 – Statutory Conditions

Covers liability, AB, UMP, DCPD of owners/partners & full-time employees while driving a business vehicle (registered in business' name)

Covers owned & non-owned cars (i.e. customer's cars): the business is responsible for cars in their "custody"

- Rmbr: OAP 1 on the car won't cover if driven by garage employees (excluded). OAP 4 fills that gap

## Chapter 13 – Standard Policy Forms (SPF)

Standard Non-Owned Automobile Policy SPF 6: for employers held liable for damage caused by employees while driving their own or non-owned cars (covers employer not the driver unlike OAP 2)

- Rmbr: employers are liable for the torts of their employees while in the course of business
- Non-Owned = not owned, licensed by insured, driver or housemate of either
- Covers employer (i.e. insured), partner, officer, or employee while operating non-owned vehicles
- No coverage if the vehicle is owned by the insured, the driver, or residents of the insured or driver
- Usually included as part of CGL

Excess Automobile Policy SPF 7: adds excess AB + liability coverage for provinces that have government insurance

- Government policy = primary (it pays first)
- Also pays gov policy's deductible for physical damage

Lessor's Contingent Automobile Policy SPF 8: pays lessor's contingent damages on a extended period

- Lessor = person leasing the car out (i.e. Toyota Canada)
- Ex: SPF 8 pays even if something is wrong with the lessee's policy (bought the wrong coverage, violated policy condition, invalidated the policy)
- Pays based on the lessor's interest in the vehicle
- Secondary to the primary coverage purchased by the lessee

Transportation Network Policy SPF 9: adds coverage from ride-sharing drivers (i.e. Uber drivers)

- Passengers hailed on the street ≠ covered
- The Transportation Network Company buys SPF 9 & drivers are covered while working (logged on & accepting passengers & driving)
- Covers: 3rd party liability for injury/damage to passenger & property & to vehicle itself
- Sharing Economy (ride share, uber, food delivery) = excluded under OAP 1

## Chapter 14 – Learning & Development

CE Credit Requirements

- Types of CE courses:
    - Ethics: emphasizes ethical practices & professional conduct (eg. compliance, professionalism, handling conflicts of interest)
    - Management: enhance the managerial and leadership skills of brokers (eg. business operations, strategic planning)
    - Technical: industry knowledge & help stay current with industry developments (eg. underwriting principles, risk management, policy coverage)
- Licensing period: October 1st to September 30th the next year (ie. October 1st, 2024 – September 30th, 2025)
- Principal Brokers & Deputy Principal Brokers: 10 CE hours
    - Types of courses required:
        - 1 hour of Ethics CE
        - 5 hours of Management CE
        - No Personal Skills CE courses can be used towards credits
    - Once you've met these minimum criteria of 1 Ethics hour and 5 Management hours, you can use whatever courses you want to get the remaining 4 hours of CE credits.
- Other Brokers
    - Types of courses required:
        - 1 hour of Ethics CE
        - 3 hours of Technical CE
        - Up to 2 hours of Personal Skills CE (Personal Skills credits are not mandatory but if you take PS courses, you can only count up to 2 hours for credits)
    - Once you meet these minimum criteria, you can use whatever courses you want to make up the remaining hours until you reach 8 hours (except PS courses)

- Failure to meet annual CE credit requirements on renewal could lead to:
    - License suspension (Ontario and other provincial licenses)
    - Face penalties when reinstating your license
    - Prohibited from practicing, selling, or working as an insurance broker
    - Lose contract with your insurance carriers
    - If you're the Principal Broker, your file could be referred to the RIBO Qualifications and Registration Committee to review your licensing status & your brokerage being audited as well for non-compliance of the Principal Broker requirement

Industry Publications & Bulletins

- Canadian Underwriter: leading insurance industry publication in Canada
    - Content: industry news, market trends, regulatory updates, expert analysis
    - https://www.canadianunderwriter.ca/
- RIBO: official bulletin from RIBO
    - Content: regulatory updates, compliance requirements, industry best practices
    - *Available on the RIBO website for registered members*
- Insurance Brokers Association of Ontario (IBAO): updates from IBAO
    - Content: industry news, advocacy efforts, member services, educational resources
    - *Available on the IBAO website for registered members*

Insurance Courses & Contents

- Course Providers: various approved institutions offering courses for licensing and continuing education
    - Insurance Institute of Canada (IIC)
    - PNC Learning
    - Seneca College
- RIBO website has a list of approved providers and courses

Professional Designations

- Canadian Accredited Insurance Broker (CAIB): recognized designation for insurance brokers in Canada
    - Canadian Accredited Insurance Broker = 4 part program covering: personal lines, commercial lines & brokerage mgmt which can be taken in any order
    - 4 Levels: CAIB 1, CAIB 2, CAIB 3, and CAIB 4
- Chartered Insurance Professional (CIP): professional designation for individuals in the property and casualty insurance industry
    - Pre-requisite to FCIP
    - Covers comprehensive understanding of insurance principles, practices & coverages
    - 10 courses: 5 mandatory, 3 applied, 2 electives from a list of ≥ 20
- Fellow Chartered Insurance Professional (FCIP)
    - 6-course executive- development program
    - Covers: strategy, leadership, financial mgmt., risk mgmt. & global issues

- Certified Risk Manager (CRM): designation for risk management professionals
    - Covers risk identification, analysis, control, financing, & admin
    - 5 courses related to risk management

Insurance Bureau of Canada

- Consist of small + larger stock & mutual companies
- Responsible for handling insurance matters, issues, & advocacy w/ gov't & stakeholders
- Creates insurance forms, collects data, & disseminate the data to share within the association & public
    - Association: provides insurance & VIN validation
    - Public: shares safety tips & info on flood, fire, earthquake, & hail

Property and Casualty Insurance Compensation Corporation (PACICC)

- Formed in 1992 to protect policyholders & claimants from insurance company failures like insolvency
- Insurers who provide auto, property, liability and other P&C policies must participate in PACICC
- Responds to policyholder claims when a P&C insurer is unable (i.e. insolvent)

Industry advocacy & Participation

- Role of Advocacy Programs
    - Advocacy programs represent and protect the interests of insurance professionals and consumers
    - Organizations: Industry associations like the Insurance Brokers Association of Ontario (IBAO) and Insurance Bureau of Canada (IBC)
    - E.g. Lobbying for favorable legislation, promoting industry standards, and engaging with regulatory bodies
- Benefits of Advocacy
    - Ensures that the voices of insurance professionals are heard in policy-making processes
    - Advocates for policies that protect consumers and enhance trust in the insurance industry
    - Supports the continuous improvement of industry standards and practices
    - Educates the public about the role and importance of insurance professionals
- Examples of Advocacy Efforts
    - Working with government bodies to shape laws and regulations that impact the insurance industry
    - Providing resources and training to help insurance professionals stay informed about industry changes
    - Raising awareness about insurance issues and promoting the value of professional insurance advice