



# Staying in Touch

*Tips, strategies and advice to help you choose the right insurance coverage*

## Auto reform comes to Ontario

The provincial government has made changes to Ontario's automobile insurance system to reduce fraud, improve benefits to the seriously injured, and increase industry efficiencies in an attempt to avoid further increases in automobile premiums.

The first thing is automobile pre-inspection is no longer mandatory. Some insurers may continue with inspections, although many will not as they streamline their underwriting process. The definition of automobile fleet will be revised to exclude individuals under long-term lease arrangements, but will allow personal use cars to be included in the fleet.

In an attempt to control fraud in the claims settlement process, cash settlements will be restricted. Also, auto repair shops will be required to let you know whether they will be using manufacturer's parts or after-market parts to repair your vehicle. In addition, the legislation clarifies that deductibles are appropriate in total loss claims.

The current dispute resolution process will be replaced by a traditional appraisal process for greater efficiency and objectivity. To permit more seriously injured people to be properly compensated, the definition of "catastrophic impairment" has been revised. To control costs, you cannot collect lost income under the automobile policy if you are off work when other benefits such as pensions are being paid.

Rules have also been changed to allow the industry protection association – Property and Casualty Insurance Compensation Corporation (PACCIC) to continue paying accident benefits in the event of company insolvency.

Changes are being made to allow licensed healthcare professionals to set the treatment process to speed up recovery on minor claims, while a more comprehensive system has been put into place for serious injuries.

The goals of the reform process are to stabilize costs, improve treatment and give seriously injured victims more options. As a member of the Insurance Brokers Association of Ontario, we are working with insurers, healthcare providers and government in striving to provide an affordable, available and competitive product. With your support, we can make this happen.

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Your best insurance is an Insurance Broker



# Why Insurance Premiums are on the rise

For the global insurance industry, the past year has been marked by rising claims costs, plummeting investment returns, and a refusal by many companies to accept new business. For personal and commercial insurance clients, the unfortunate result has been higher premiums.

While we do not like this situation any more than you do, we feel it is important to share with you the reasons why the insurance marketplace is in the state it is.

This condition is not one that just happened overnight. Over the past ten years, fierce competition in the insurance industry has kept premium increases to a minimum and in many cases, premiums have actually fallen. Many insurance companies made little to no profit underwriting insurance. Instead, they relied on investment income to remain profitable. With stock markets around the globe suffering declines, the capital and surplus of the global insurance industry has dropped by over \$200 billion. Investment income that once offset underwriting losses is virtually non-existent.

At the same time as the industry's income has been falling, the costs to settle claims and the expenses for administration

have been rising. The Insurance Bureau of Canada reports that in 2002 the combined ratio of income to claims/expenses was 103.8. This means that for every dollar of premium brought in, the industry had to pay an additional 3.8 cents just to cover the cost of doing business.

Another factor affecting your premium is called reinsurance. In essence, individual insurance companies buy insurance to protect themselves from large unexpected losses. The global reinsurance market has been devastated by the 9/11 tragedy with payouts to date of over \$40.2 billion (US) by insurance and reinsurance companies. The effect of all this has been fewer reinsurance providers, significant premium increases and a refusal by reinsurers to offer certain types of coverage (ex. terrorism, data loss and most recently, asbestos and mould coverage) to insurance companies. Ultimately, this means higher premiums for your existing coverage and if your present carrier can't provide it, even higher premiums to a replacement carrier.

As you can see, it's not a pretty picture for the immediate future. However, every business has a cycle and it now appears we are nearing the bottom of this one. As your Independent Insurance Broker, you can rely on our expertise and professionalism to steer you through these rough times.

## Are you planning a winter getaway?

Part of planning a winter getaway includes keeping your house in order when you are away. Arrange to have a competent person enter your house each day to make sure the heat is on and everything in and around the house is okay. If you plan on being away for a significant period of time, shut off the water supply and make sure the pipes are drained to avoid damage caused by freezing pipes. Also make sure your mail and newspapers are picked up and the snow is removed from walks and lanes so your home looks occupied.

A vacation outside of Canada can be exciting but it can also be stressful and costly if you experience a medical emergency while away. Ontario's Health Insurance Plan (OHIP) will pay up

to \$400 per day for emergency hospital care outside Canada. Hospital rates, particularly in the United States can be very expensive. With many hospitals charging up to \$3,000 US or more per day, it is important to have proper travel insurance to avoid financial devastation. We recommend you purchase at least \$1 million U.S. or \$2 million Canadian in coverage.

When shopping for travel insurance, make sure you clearly understand the coverage you are purchasing and how any claims will be handled. Coverage should include: emergency air ambulance or emergency return home, repatriation in the event of death, vehicle return, child care attendant and transportation of a relative to be with you if you are hospitalized. Some policies provide coverage for meals and accommodation if your stay is prolonged, airfare cost to return you to your original destination after your emergency evacuation back to Canada, out of pocket expenses, trip cancellation, missed departure, flight accident and coverage for lost, stolen or damaged baggage and personal effects.

Most policies will exclude any pre-existing medical condition automatically. However, coverage may be extended if medical information is submitted and accepted by the company. It is important all information is accurately stated on the application.

Once you have purchased your emergency travel insurance be sure to carry your card or information that lists the phone numbers to call if an emergency occurs.

Take care of the details before you leave, and your stay will be less stressful and more enjoyable.



# Canada's new Privacy Act

On January 1, 2004, the Personal Information Protection and Electronic Documents Act (PIPEDA), commonly known as Bill C-6 comes into full effect. This Federal Act is designed to protect an individual's right to privacy and prevent the unauthorized sharing of personal information.

## How does the Privacy Act affect me?

When it comes to your insurance needs, you probably won't notice any changes.

As always, doing business with us involves providing information about yourself. We collect your personal information to acquire or renew an insurance policy on your behalf, to assess your needs for insurance, to ensure your information is accurate and up-to-date, and to protect us both against error or fraud.

We collect basic information such as your name, address, telephone number, e-mail addresses, birth date, marital status, claims history, credit and payment records, and driver's records. We disclose this information to insurance companies, other brokers, the Ministry of Transportation, credit organizations, and professionals such as adjusters or lawyers.

We protect your privacy by keeping your personal information for only as long as we need it to fulfill the purpose or as required by law. We may obtain your express consent (either written, in person or by phone), or we may determine that consent has been implied by the circumstances.

Under the Act, you could refuse to allow us to obtain, use or share your personal information, however by doing that, you may be limiting or even preventing our ability to provide you with the product or service you desire.

You can be assured that we'll continue to handle your personal information with respect and courtesy. We value the trust you have placed in us, so the protection of your personal information is and has always been one of our highest priorities.



# How to protect your high value items

## Is it time you added a Scheduled Articles Floater?

Did you know that all property insurance policies have limits when it comes to losses for high value items like jewelry, furs, art and coin and stamp collections? On many policies this limit is only \$3,000 (check your policy), subject to the policy's deductible.

If you own an item or items that exceed your policy's limit, then you should consider purchasing a **Scheduled Articles Floater**.

This floater can be purchased with or without a deductible and provides coverage for a specific item(s) on an all risk basis (with certain exclusions). This means you are covered for such perils as an accidental loss of your fur coat or your valuable ring.

The value of the item is pre-determined by obtaining a valid appraisal. The appraisal establishes the exposure for the insurance company and allows you to know exactly what your claim settlement will be in the event of an insured loss. It is important to note that appraisals are not a one-time estimation. We recommend you reassess high value items every 3-5 years to make certain you are adequately covered.

Please consider what items you hold near and dear to your heart. If their value exceeds your policy limits, it may be time to add a Scheduled Articles Floater. Call us to discuss any changes you may require.



# Should I make small claims on my home insurance policy?

There is no simple answer to this question. Most insurance coverage is designed to protect you from large losses like a house fire or major water damage. Typically, you buy insurance to protect against losses you can not afford to pay yourself. If you make too many small claims, you could put this protection at risk.

Many insurance companies look at the frequency of past claims as an indicator of when you might have another loss. From an insurer's perspective, someone with 2 property claims in the last 5 years is more likely to have another loss in the coming year than someone who is claim free for the past 5 years. If you are deemed to be a higher risk client, you

may face higher deductibles, higher premiums and be forced to a substandard market with reduced or limited coverage when you renew your policy.

Common small claims include theft of garden tools from a shed, theft of a bicycle, theft of items from your car or lightning damage to your TV. The average value of these claims is under \$2,000. Since most property policies have a \$500 to \$1,000 deductible, it may not be in your best interest to submit a claim and jeopardize your "claims free discount". If you have questions about small claims or the effect of claims on your policy – talk to us, your Professional Insurance Broker!

## Don't get shut out!

### Insurance companies no longer tolerating clients who are pay problems



**Canada's insurance companies have tightened their rules on late payments and policy cancellations due to non-payment of premiums.**

Most insurance companies have issued warning notices and in some cases, are cancelling policies in the event of a single missed or late payment.

If your policy is cancelled for non-payment of premium, you will not be offered a payment plan at a new carrier and you will have to pay the full amount up-front. The premium you pay

will undoubtedly be higher than before you were cancelled.

Some companies will not accept new business if the client has shown any sign of pay problems in the past.

#### **How do I avoid such problems?**

When you receive an invoice, make sure you pay it promptly. On a monthly pay-plan, always make sure there is enough money in your bank account to cover the amounts the company is to take out. You may want to ask your bank to put "overdraft protection" on your account to eliminate any chance of your payment going NSF. If you want to discuss other payment options, call us.

#### **I disagree with the amounts I am being charged, what do I do?**

Call us at once, we are here to help. We will either correct the mistake or explain the charges to you. It does not help to do this after a payment has been missed. If your account has reached that point, you have limited our options to help you.

#### **The missed payment was not my fault, it was the bank's, what should I do?**

Like any business, banks make mistakes as well. Call us immediately,

we need to act prior to any pending cancellation date. A letter from the bank explaining their error will allow us to approach your carrier, and in most cases we can fix the problem.

#### **I didn't think that was a bill you sent me, I never opened my mail.**

As previously stated, Canada's insurance companies have tightened their rules on late payment. If there are any questions, call us for assistance. Our job is to service your account.



**Did You Know?** Retail Sales Tax on automobile insurance has dropped from 5% in 1999 to 1% on April 1<sup>st</sup>, 2003. On April 1<sup>st</sup>, 2004 it will be reduced to zero!

