



Financial Services  
Commission  
of Ontario

# Understanding Automobile Insurance



**You have many choices to make when buying automobile insurance.**

**Don't let a lack of information keep you from ensuring you have the coverage you need.**

# **The Financial Services Commission of Ontario**

The Financial Services Commission of Ontario (FSCO) is an arm's-length agency of the Ministry of Finance. In addition to insurance, FSCO regulates pension plans, credit unions, caisses populaires, mortgage brokers, loan and trust companies, and co-operatives.

FSCO works with consumers, industry stakeholders, and investors to enhance public confidence in, and access to, a fair and efficient financial services industry in Ontario.

## Introduction

Whether you are currently shopping around for automobile insurance, your policy is about to expire, or you're looking to save money on your current policy, it is important to understand how your policy works.

The following information is designed to help you understand your automobile insurance policy and all the various parts that make up your coverage, and to assist you in purchasing the insurance coverage that best meets your needs.

This brochure is not a legal document and does not in any way modify or replace your automobile insurance policy. For more detailed information, make sure to read your *Ontario Automobile Policy*.

If you do not have a copy of your policy, you may ask your insurance agent, broker, or company representative for a copy, or to download a copy, visit our website at: [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca).

*The information set out in this document is accurate as of January 2007. Please visit FSCO's website at: [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca) for updates and changes.*



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## Automobile Insurance – It's the Law!

Ontario law requires that all motorists have automobile insurance.

Fines for vehicle owners, lessees, and drivers who do not carry valid automobile insurance can range from \$5,000 to \$50,000.

If you are found driving without valid automobile insurance, you can have your driver's licence suspended and your vehicle impounded.

If you are convicted of driving without valid automobile insurance, your insurance company may consider you a "high-risk" driver and charge you higher premiums or refuse to sell you insurance altogether.

If you are injured in an accident while driving or occupying an uninsured vehicle:

- You may not be entitled to receive income replacement and/or non-earner benefits.
- You may not be allowed to sue the at-fault driver for compensation as a result of injuries received in the accident.

More importantly, if you are found to be at fault for an accident causing injury or death to another person, you may be held personally responsible for his or her medical costs and other losses.

## Where Can You Purchase Automobile Insurance?

You have several options. You may purchase automobile insurance from a licensed:

- insurance broker,
- insurance agent, or
- direct writer.

Insurance brokers sell insurance on behalf of a number of different insurance companies. Ask your broker to provide you with the names of all the companies he or she represents, and quotes obtained on your behalf.

Insurance agents generally represent only one insurance company.

Direct writers are insurance companies that sell their own insurance products directly to consumers.

There are several ways to find an insurance agent, broker, or direct writer:

- Ask family and friends if they would recommend their own broker, agent, insurance company, or direct writer.
- Consult your local business telephone directory under “Insurance Agents,” “Insurance Brokers,” and “Insurance-General.”
- To locate a broker near you, visit the Insurance Brokers Association of Ontario (IBAO) website at: [www.ibao.org](http://www.ibao.org).
- For information on insurance companies, visit the Insurance Bureau of Canada (IBC) website at: [www.ibr.ca](http://www.ibr.ca).
- For information on direct writers, visit the Canadian Association of Direct Response Insurers (CADRI) website at: [www.cadri.com](http://www.cadri.com).



## It Pays to Compare

There are five things you need to think about when selecting your agent, broker, or insurance company. All are important:

**Licensed:** Remember, insurance can only be sold by a licensed broker, agent, or insurance company in Ontario. Visit FSCO's website at: [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca) for a list of insurance companies and agents licensed to do business in Ontario.

Or, to find out if your insurance broker is licensed to do business in the province, visit the Registered Insurance Brokers of Ontario (RIBO) website at: [www.ribo.com](http://www.ribo.com).

**Rates:** Many companies sell insurance policies, and rates vary greatly from one to another, so it pays to shop around. Get at least three quotes from different direct writers, brokers, and agents.

**Coverage:** While basic automobile insurance policies are standardized to some extent, it's still important to compare policies in terms of coverage, as the particular amounts and range of coverage (for example, deductibles, limits, and optional coverages) may differ from company to company. Make sure the coverages are comparable on each quote you receive. You may want to question what the company's practices are if you have an at-fault claim or under what circumstances your insurance would not be renewed. Make sure you compare similar policies. When buying automobile insurance, weigh the policy cost against coverage provided. Your goal should be to buy the right amount of coverage to adequately protect you at a price you can afford.

**Service:** When making your insurance purchasing decision, remember, it is not always wise to buy the cheapest insurance policy you can find. Shop around to compare service as well as price.

**Comfort:** Whether you buy insurance from an agent, a broker, or directly from the company, you should feel comfortable with your purchase. Select an insurance representative who takes the time to answer your questions. Make sure that the agent, broker, or company will be easy to reach if you have a question or need to file a claim.





## Approaching Your Broker, Agent, or Insurance Company

In order to quote you a premium, or sell you an automobile insurance policy, your broker, agent, or insurance company will require some basic information about:

- you,
- your vehicle,
- your driving record,
- your current broker, agent, or insurance company, and
- any other drivers.

You must be accurate and honest, and update your insurance representative if your circumstances change. Non-disclosure or misrepresentation on your part of any of these facts could cause your rates to go up. Furthermore, it could render your policy null and void, and leave you without protection in the event of a claim.

It's a good idea to have all this information on hand before you contact your insurance representative.

Your Car	
Make: _____	Model: _____
Year: _____	Distance driven one way to work: _____
Annual mileage: _____	Do you use your car for business? Y N
Vehicle Identification Number (VIN): _____	
Your Current Broker, Agent, or Insurance Company	
Name: _____	Company: _____
Phone: _____	Insurance policy number: _____
Coverage: _____	Deductibles: _____
Your current annual insurance rate: _____	
You (as principal driver)	
Gender: _____	Birth date: _____
Marital status: _____	
Number of years you have been licensed to drive in Canada or the U.S.: _____	
Your driver's licence number: _____	
Has your policy ever been cancelled for non-payment or any other reason? _____	
First-time driver: _____	
Did you receive a Driver Training Certificate? Y N	
List details of all accidents and claims in the past 6 years: _____ _____	
List details of all traffic violations (not including parking tickets) in the past 3 years: _____ _____	
Coverages: _____	Deductibles: _____
Other (Occasional) Drivers	
Gender: _____	Birth date: _____
Marital status: _____	
Number of years licensed to drive in Canada or the U.S.: _____	
Did they receive driver training? Y N      Do they have a Driver Training Certificate? Y N	
List details of all accidents and claims in the past 6 years. _____ _____	
List details of all traffic violations (not including parking tickets) in the past 3 years. _____ _____	



## Your Automobile Insurance Policy

Your insurance company is responsible for providing you with the insurance coverage summarized on your *Certificate of Automobile Insurance*, and for which you pay a premium.

Your *Certificate of Automobile Insurance*:

- lists the vehicles that are insured and the coverages purchased,
- lists the names of the regular operators of the insured vehicles,
- provides a description of how you were rated for the premiums charged, and
- indicates the period during which you are covered by insurance.

It is important that you read this certificate. You only have insurance coverage for a vehicle if your *Certificate of Automobile Insurance* shows a premium for that vehicle or shows that the coverage is provided at no cost.

## What's in a Basic Automobile Insurance Policy?


If you own a vehicle in Ontario, you are required to purchase, at the very least, the following automobile insurance coverage:

**Third-Party Liability Coverage:** This section of your automobile insurance policy protects you if someone else is killed or injured, or their property is damaged. It will pay for claims as a result of lawsuits against you up to the limit of your coverage, and will pay the costs of settling the claims. By law, you must carry a minimum of \$200,000 in *Third-Party Liability* coverage.

**Statutory Accident Benefits Coverage:** This section of your automobile insurance policy provides you with benefits, including supplementary medical, rehabilitation, attendant care, caregiver, non-earner, and income replacement benefits, if you are injured in an automobile accident, regardless of who caused the accident.

**Direct Compensation - Property Damage (DC-PD) Coverage:** This section of your automobile insurance policy covers damage to your vehicle or its contents, and for loss of use of your vehicle or its contents, to the extent that another person was at fault for the accident. It is called direct compensation because even though someone else causes the damage, you collect directly from your own insurer, instead of the person who caused the damage.





**Note:** Coverage under the DC-PD section of your automobile insurance policy only applies if the following conditions are met:

- The accident took place in Ontario.
- There was at least one other vehicle involved in the accident.
- At least one of the other vehicles was also insured by an insurance company that is licensed in Ontario or has signed a special agreement with FSCO to provide this coverage.

If these conditions are not met, then you can make a claim on your optional *Collision* coverage (if you have it), whether or not you are at fault. If you don't have *Collision* coverage, you may be able to pursue recovery from the at-fault driver to the extent you were not at fault for the accident.

**Uninsured Automobile Coverage:** Protects you and your family if you are injured or killed by a hit-and-run driver or by an uninsured motorist. It also covers damage to your vehicle caused by an identified uninsured driver.

## Increasing Your Liability and Accident Benefits Coverages

In addition to the mandatory minimum coverages that are required by law, you may purchase higher liability limits under your *Third-Party Liability* coverage, as well as increased *Accident Benefits* coverages.

Your insurance representative will be able to help you decide what level of coverage is best for you.

**Increased Third-Party Liability Coverage:** While you are legally required to carry a minimum of \$200,000, you may want to increase this coverage. The cost to increase your *Third-Party Liability* coverage to \$1 million or \$2 million is small in most cases.

**Optional Accident Benefits Coverages:** You may also want to consider increasing your *Statutory Accident Benefits* coverage by buying any or all of the optional benefits listed below.

■ **Income Replacement Benefits:** If you cannot work as the result of an automobile accident, you may be eligible for basic weekly income replacement benefits of up to \$400. If this is not enough to cover your current after-tax income level, you may want to consider buying optional income replacement benefits to increase your maximum weekly protection to \$600, \$800, or \$1,000.





- **Medical, Rehabilitation, and Attendant Care Benefits:**

The standard maximum amount for medical and rehabilitation expenses, such as physiotherapy, chiropractic treatment, dental expenses, etc., is \$100,000. If you are catastrophically injured, the standard maximum is \$1,000,000. The standard maximum for attendant care is \$72,000. If you are catastrophically injured, the standard maximum is \$1,000,000. You can buy optional benefits, which will cover up to \$1,172,000 in additional medical, rehabilitation, and attendant care expenses, and up to \$3,000,000 for catastrophic injuries.

- **Caregiver Benefits:**

If you are providing care full-time to dependants and can no longer provide that care as the result of an automobile accident, you may be eligible for caregiver benefits if you need to hire someone to care for your dependents. The standard maximum amount for caregiver benefits is \$250 per week for one dependant, plus \$50 per week for each additional dependant. If you buy optional caregiver benefits, the coverage increases to \$325 per week for one dependant, plus \$75 per week for each additional dependant.

- **Dependant Care Benefits:**

You can only claim optional dependant care benefits if you were employed at the time of the accident, are not receiving a caregiver benefit, and have to pay for additional childcare expenses as a result of the accident. Optional dependant care benefits cover up to \$75 per week for the first dependant and \$25 for each additional dependant.

- **Death and Funeral Benefits:**

In the event that you die as a result of an automobile accident, the standard amount that will be paid is \$25,000 to your eligible spouse or same-sex partner, \$10,000 for each dependant, and a maximum of \$6,000 for funeral expenses. If you buy optional benefits, you can increase these amounts to \$50,000 to your eligible spouse or same-sex partner, \$20,000 for each dependant, and \$8,000 for funeral expenses.

Before you purchase any of these coverages, check to see if you have these benefits available to you at work or elsewhere. If you do, you may not need to buy optional benefits.

## Extra Coverage for Loss or Damage to Your Vehicle

In addition to the basic policy coverages, you may also buy extra coverage for loss or damage to your vehicle, including:

**Specified Perils Coverage:** This coverage pays for losses caused by one of the following perils: fire; theft or attempted theft; lightning, windstorm, hail, or rising water; earthquake; explosion; riot or civil disturbance; falling or forced landing of an aircraft or parts of an aircraft; or the stranding, sinking, burning, derailment, or collision of any kind of transport in, or upon which, an insured vehicle is being carried on land or water.

**Comprehensive Coverage:** This coverage pays for losses, other than those covered by *Collision or Upset*, including perils listed under *Specified Perils*, falling or flying objects, missiles, and vandalism.

**Collision or Upset Coverage:** This coverage pays for losses caused when an insured vehicle is involved in a collision with another object, including another vehicle, or rolls over. “Object” includes another vehicle or a trailer that is attached to the vehicle that is covered by your insurance policy, the surface of the ground, and any object in or on the ground.

**All Perils Coverage:** This combines *Collision or Upset* and *Comprehensive* coverages. In addition, it covers loss or damage caused if a person who lives in your home steals the vehicle that is covered by your insurance policy. *All Perils* also covers you if an employee who drives or uses, services, or repairs that vehicle steals it. For example, if you take your vehicle to a garage for repairs and an employee involved in the repair of your vehicle steals it, *All Perils* would cover you.

**Note:** A deductible applies to all of the above coverages.



## Other Optional Enhancements to Your Coverage

Additional optional enhancements, also known as policy endorsements or Ontario Policy Change Forms (OPCFs), are special agreements that allow you to change, add, or reduce the amount of coverage for certain situations.

The five most common policy endorsements are:

- **Rented or Leased Vehicles (OPCF 5):** This endorsement extends coverage to a vehicle that you drive, but that is owned by a leasing company.
- **Loss of Vehicle Use (OPCF 20):** This coverage covers the cost of a rental vehicle while your vehicle is being replaced or repaired, if the damage or loss is caused by a peril for which you are insured.
- **Liability for Damage to Non-Owned Automobile(s) (OPCF 27):** This endorsement provides physical damage coverage to vehicles that you may operate but do not personally own – such as a vehicle that you have rented or borrowed – subject to a deductible.
- **Removing Depreciation Deduction (OPCF 43):** This coverage removes the insurer's right to deduct depreciation from the value of your vehicle when settling a claim for loss or damage caused by a peril for which you are insured.
- **Family Protection Coverage (OPCF 44R):** This coverage protects you, or an eligible member of your family, to the same limits as your *Third-Party Liability* coverage if you are involved in an automobile accident where you are not at fault, with someone who carries less insurance, no insurance, or is an unidentified driver (e.g., hit and run).

Please keep in mind that these are only some of the many policy endorsements available for purchase. Ask your broker, agent, or insurance company which policy endorsements would benefit you.





## Exclusions

Recognize that:

- Mechanical failure or breakdown, rusting, wear and tear, freezing or explosion within the engine, and damage to tires are not covered unless they result from an insured peril (such as a collision).
- Your insurance company is allowed to deny payment for loss or damage caused to the vehicle in an accident, if you or anyone you let drive your vehicle:
  - was unable to maintain proper control of the vehicle because you (or he or she) was driving under the influence of alcohol or drugs, or
  - is convicted of one of the following *Criminal Code* offences (or any similar offences under any other law in Canada or the United States) relating to the use, care, or control of the vehicle:
    - causing death or injury by criminal negligence,
    - dangerous operation of a vehicle,
    - failure to stop at the scene of an accident,
    - driving a vehicle when impaired or with more than 80 mg/100 ml of alcohol in the blood,
    - refusal to provide the police with a breath sample,
    - causing injury when driving a vehicle while impaired or with over 80 mg/100 ml of alcohol in the blood, or
    - driving the vehicle while disqualified from doing so.

Except for certain accident benefits, there is no coverage for anyone, including passengers, if:

- Your vehicle is driven by a person without your consent, or by someone specifically excluded from your policy by the OPCF 28A (Excluded Driver Endorsement).
- The vehicle is used to carry explosives or radioactive materials.
- The vehicle is used as a taxicab, bus, or sightseeing vehicle, or to carry paying passengers.





## How Your Automobile Insurance Rates Are Set

Your automobile insurance rates are determined by a combination of factors, including:

- A. Your Personal Profile
- B. The Amount of Coverage You Purchase
- C. Your Deductibles
- D. The Insurance Company You Choose

### A. Your Personal Profile

This includes:

- **The type of vehicle you drive:** Many insurance companies rate makes and models of vehicles according to their actual claims experience, such as the cost of repairs, the rate of injury, and the likelihood that a particular vehicle may be stolen or the degree of damage in an accident. The Insurance Bureau of Canada (IBC) has a brochure called *How Cars Measure Up*. This brochure provides information on the claims experience of insurance companies, including the most popular models of passenger vehicles. To obtain a copy of the brochure, visit the IBC website at: [www.ibc.ca](http://www.ibc.ca).
- **Your driving record:** The premium you pay also depends on your driving record. This includes at-fault accidents, the length of time you have been licensed to drive, whether or not you have taken a driver-training course that your insurance company recognizes, and driving convictions (such as speeding and impaired or careless driving).

Generally, your first minor conviction will have little or no impact on your rates. But if you have had a second minor conviction in the last three years, it will most likely affect your premium. If you have had at-fault accidents over the last six years, or a number of minor driving convictions or even one major or serious conviction over the last three years, your premium will be higher. Likewise, the better your driving record, the lower your premium will be.

- **How much you drive:** Your automobile insurance premium will also be affected by how much you drive. This is because the more time you spend on the road, the higher the chances of becoming involved in an automobile accident. In urban areas, driving to work may include driving to a subway, bus, or train station. If you live close to work, you will probably have a lower premium than someone who lives far from work or who needs to use his or her vehicle for business.
- **Where you live:** Automobile insurance rates are generally higher in larger urban centres. This is because there are a greater number of vehicles on the road, and the chances of getting into an accident are higher. Also, more vehicles are stolen in urban areas.
- **Your age:** In general, mature drivers have fewer accidents than younger drivers, particularly teenagers. Drivers who are 25 years of age and over can generally buy insurance at a considerably lower cost than younger drivers.





## B. The Amount of Coverage You Purchase

Many people buy additional protection beyond the mandatory coverage. For example, if you buy optional *Collision* coverage, which protects you for damage to your vehicle regardless of who caused the accident, or *Comprehensive* coverage, which protects you against theft, vandalism, hail, or explosion, your vehicle will be covered against any such incidences, but you will pay more.

There are also other options, such as increasing your *Third-Party Liability* protection. All of these optional coverages will have an effect on the cost of your policy.

Discuss your options and costs with your agent or broker.

## C. Your Deductibles

Your deductible is the portion of a loss that you are required to pay. Your deductible can vary, depending on the type of coverage you have and the percentage of fault you are assigned in the event of an accident. There are deductibles for *Collision or Upset, Comprehensive, All Perils, and Specified Perils* coverages.

You can also pay a lower premium by having a deductible on DC-PD coverage or raising the deductible on the other coverages.

For example, by having a higher deductible of \$500, instead of \$300, on *Comprehensive* coverage, you can save about 10 per cent off your *Comprehensive* premium.

These savings are due to the fact that higher deductibles mean you pay more towards the cost of repairing your vehicle, while your insurance company pays less toward the total cost of repair. As a result, your premium will be lower.

If you'd rather have lower deductibles, you may be able to do so if you meet certain conditions and if your company offers them, but your premium will be higher. (Recognize, however, that since *Collision or Upset* and *Comprehensive* are both optional coverages, your insurance company may require you to carry higher deductibles if you have had a lot of prior claims.)

If you have an older vehicle, you may choose to reduce your premium further by dropping *Collision or Upset* and *Comprehensive* coverages entirely.

## D. The Insurance Company You Choose

As mentioned on page 4, automobile insurance premiums for the exact same coverage can vary substantially from insurance company to insurance company.

### Why?

Financial factors unique to each insurance company will contribute to the amount each company will charge you for automobile insurance. This is why it is important to shop around!

Insurance works according to a “pooling” concept. You are one member of the risk group in the company you select as your insurer. Your company charges premiums based on the expected claims experience of the entire group. If an insurance company's claims experience for a particular risk group is significantly higher than another insurance company's, its insurance premiums will be higher.





Consider the following example:

Several people (we'll call them Risk Pool A) purchase individual automobile insurance policies from Insurance Company A.

Insurance Company A then charges each policyholder in Risk Pool A an annual insurance premium and "pools" the money collected.

In the event that an individual from Risk Pool A is injured in an automobile accident, Insurance Company A will provide him or her with supplementary medical, rehabilitation, attendant care, caregiver, non-earner, and income replacement benefits.

Some individuals in Risk Pool A may receive insurance benefits that total far more money than they have ever paid to Insurance Company A. Others will pay their premium annually, but never make a claim.

To establish individual premiums for policyholders in Risk Pool A, Insurance Company A's insurance actuaries (professional business people skilled in the application of mathematics to financial problems) will estimate the number and cost of future claims for Risk Pool A. Insurance Company A will then predict the cost to administer these claims and use this information, along with each individual's personal profile, the amount of coverage they purchased, and their deductibles, to set individual premiums.

## FSCO's Auto Rate Tutorial

To review *example* rates for a select list or all auto insurance companies in Ontario, visit our website at: [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca) and check out our *Educational Auto Rate Tutorial*.

**Note:** FSCO's *Educational Auto Rate Tutorial* provides possible rates based on four predetermined generic profiles; it is not intended to provide specific premium quotations. You must contact your insurance broker, agent, or a direct writer for an accurate quotation based on your specific needs.





## What Insurance Companies Can't Use to Determine Rates

Your insurance company cannot use the following rating criteria to determine how much you should pay for automobile insurance:

- credit history or credit rating,
- bankruptcy,
- employment status and history,
- whether you own a credit card,
- how long you have lived in your current home,
- not-at-fault accidents,
- whether there was a period of time when you had no automobile insurance coverage,
- whether you rent or own your home,
- whether or not you have access to private health insurance or disability insurance,
- income,
- debts,
- gross or net worth, or
- whether you have previously made automobile insurance payments that were late or dishonoured (unless the policy was actually terminated for that reason).

## Changes in rates and risk classification systems must be approved

Each insurance company employs actuarial staff who are responsible for investigating the factors affecting the probability of loss and the costs that the insurance company may have to pay out to the policyholder or a third party (an individual other than the policyholder or the insurance company who has suffered a loss and may be able to collect compensation under the policy). Actuaries have a wealth of statistical information, and it is from this that they calculate the likely risk and cost of insuring a particular individual.

All automobile insurance companies operating in Ontario are required to file rate change requests with FSCO. FSCO must, by law, review and approve each insurance company's automobile insurance rates before they are used. If an automobile insurer needs to make a rate change – either upwards or downwards – it must file an application with FSCO.

FSCO has a team of analysts who work with staff actuaries to determine whether the proposed rates are reasonable and justified. The rate filing application includes a projection of what premiums will be needed to meet future claims costs. These projections are based on the company's current data, such as premiums collected, claims paid out, amounts to be paid out on claims and administrative expenses. The data must be clearly stated and accurate. Special attention is given to balancing rates with the company's long-term ability to meet claims costs.

FSCO also reviews and approves each company's criteria for setting rates. This is called the risk classification system and includes the definitions and rules for applying discounts, surcharges, driving records, rating territory, etc.





## What Are Underwriting Rules?

Underwriting rules are the reasons an insurance company uses to refuse to sell insurance to a consumer.

When shopping for automobile insurance, or when trying to renew your automobile insurance policy, keep in mind that an insurance company's underwriting rules will determine whether or not you can obtain insurance from – or continue to be insured by – that insurance company.

Check with your broker, agent, or insurance company to find out what your company's underwriting rules are and how they may affect you.

While underwriting rules differ from company to company, these are some of the more common rules:

- whether you or drivers in your household have had more than a certain number of at-fault accidents or driving convictions,
- whether you've had an automobile insurance policy cancelled a number of times because you failed to pay your premium, and
- whether you've failed in the past to provide correct or complete information when applying for automobile insurance.

All underwriting rules used by insurance companies must be filed with FSCO.

Once FSCO has reviewed and approved these rules, insurance companies may not use other rules to deny you coverage.

If an insurance company refuses to sell you an insurance policy, or to renew your policy, the company must advise you in writing of which rule (or rules) it has used to deny coverage to you.

Underwriting rules that do not comply with the *Insurance Act* or the regulations, such as those which are contrary to public policy, are prohibited. These include rules which deny insurance to individuals based on such factors as:

- religion, race, nationality, or ethnic group,
- age, sex, and marital status,
- where you live or the location of the vehicle, and
- whether you are newly licensed or a driver new to Canada.

**Note:** As discussed above, factors such as age, sex, and marital status; where you live or the location of the vehicle; and whether you are newly licensed or a driver new to Canada ARE permitted as rating criteria (i.e., what the policyholder will pay for coverage).



## High-Risk Drivers

Although an individual insurance company may refuse to sell you automobile insurance if its approved underwriting rules determine you to be a “high risk,” the insurance industry as a whole cannot refuse to sell you basic insurance.

High-risk drivers are those drivers who have had a number of at-fault accidents or convictions, had policies cancelled because they haven’t paid their premiums, or have other risk-related characteristics.

The Facility Association, an insurance pool that all automobile insurance companies belong to, is an insurer of last resort, which makes automobile insurance available to high-risk drivers who are unable to find automobile insurance in the regular market. As well, there are a number of “non-standard” insurers who specialize in insuring high-risk drivers.

For more information on the Facility Association, visit their website at: [www.facilityassociation.com](http://www.facilityassociation.com), or call their toll-free number: 1-800-268-9572.

## Discounts

As an insurance shopper, you should check with your insurance company, agent, or broker about possible discounts that may be applicable to you, such as:

- **Driver-Training Discount:** Most companies offer a discount or a reduced premium for new drivers who have completed a recognized driver-training program.
- **Group Discount or Group Rates:** If you belong to an eligible group, check to see if it offers group rates. An eligible group may include employees of the same employer, members of a union or professional or occupational association, or certain non-profit associations.
- **Multi-Policy Discount:** Some insurance companies offer a discount if you purchase your vehicle and home insurance from the same company. This discount can range from 3 to 15 per cent.
- **Multi-Vehicle Discount:** You may be able to get a discount if you insure more than one vehicle with the same insurance company. The multi-vehicle discount can range from 5 to 15 per cent.
- **Renewal Claims Free Discount:** Your company may offer you a renewal discount if you have been with the company for a certain number of years without an at-fault accident. The discount can range from 5 to 20 per cent.
- **Retiree Discount:** If you are retired and meet certain conditions, you may be able to get a retiree discount on your premium. The retiree discount can range from 5 to 15 per cent off your premium for *Accident Benefits* coverage.
- **Other Discounts:** Some companies may offer discounts if your yearly vehicle mileage is low or if you have an anti-theft device in your vehicle. Each company applies discounts differently. Check with your broker, agent, or insurance company to find out what discounts are available to you.



## Tips for Saving Money on Automobile Insurance

The following tips may help you save money on your automobile insurance:

- **Build a good driving history free of accidents and convictions.** This means driving carefully and obeying the rules of the road. Wear your seat belt and don't use your cell phone while driving. Don't drink and drive.
- **Be a comparison shopper.** Talk to your friends and neighbours. Make some phone calls and check websites for on-line quotes. Compare rates. Different companies price policies differently. Do your shopping well in advance of when your current policy expires.
- **Don't pay for coverage you don't need.** For example, it may not be cost effective to have *Collision or Upset* and/or *Comprehensive* coverages on a vehicle that is worth less than \$1,000, because any claim you make would not substantially exceed your deductible or the annual premium.
- **Consider higher deductibles.** This means you'll contribute more toward the loss if you have an accident, but it will also mean a lower premium. For example, a zero-dollar deductible usually applies to your DC-PD coverage. However, you may be able to lower your automobile insurance premium by increasing this deductible.

- **Make sure you always pay your premium on time.** If you pay your premium by cheque or through automatic withdrawals from your bank account, make sure you always have enough money to cover your payment. If your insurance company is unable to withdraw your payment because you don't have enough money in the account, it could result in the cancellation of your automobile insurance policy. If your policy is cancelled because your payment is late or dishonoured more than twice, and you have to purchase automobile insurance all over again, many companies may consider you a higher risk, and you could pay much more for your automobile insurance. Also, if you've had your insurance policy cancelled more than once over the past three years because you failed to pay your premium, insurance companies are not required to offer the option of monthly premium payments.
- **Choose the type of vehicle you drive wisely.** For example, if you buy a vehicle with a high theft rate, your premium will be higher. Choose a vehicle with good security features.
- **Take advantage of discounts that may be available to you.** (See page 29 for more information.)
- **Make sure you tell your broker, agent, or insurance company about any changes to your policy** (e.g., different drivers, different use of the vehicle). In some cases, your premium will drop.
- **Finally, don't switch insurance companies midway through the policy.** Wait until renewal time to avoid penalties for cancellation.





## Tips for Young Drivers

As a young driver, here are a few tips on getting the best rate for you:

- Take a driver-training course that is recognized by your insurance company.
- Consider gaining experience as a named occasional driver under the insurance policy of a parent or guardian, rather than as a principal driver of your own vehicle. Premiums for young occasional drivers are much lower than premiums for young principal drivers.
- Ask your insurance company if they offer any student discounts. Some companies give discounts to young drivers with good grades or young drivers who live away from home for part of the year.

As a young driver, building a good driving record free of at-fault accidents and driving convictions is the best way to ensure low future premiums.

## Please Remember Insurance Fraud Is a Crime

Insurance fraud costs all of us in the form of higher automobile insurance premiums.

It is an offence under the federal *Criminal Code* for anyone, by deceit, falsehood, or other dishonest act, to defraud or to attempt to defraud an insurance company.

If you are caught committing or attempting to commit insurance fraud:

- Your claim will be denied.
- Your insurance policy may be cancelled outright.
- You may pay higher premiums in the future.
- You may be denied insurance in the future.
- More importantly, the offence is punishable, on conviction, by a maximum of 10 years' imprisonment for cases involving an amount over \$5,000, or otherwise a maximum of 2 years' imprisonment.





Common types of fraud or attempted fraud may include:

- lying about the way a loss occurred,
- filing fraudulent automobile accident or damage claims,
- including previously existing damage to a vehicle when submitting a claim,
- withholding information about past accidents, traffic convictions, claims, policy cancellations or non-renewals, other insurance in force, and medical and disability history, and
- receiving payments for treatments not received.

FSCO's *Don't Get Scammed Buying Auto Insurance* brochure explains how some of the more common auto insurance scams work and provides consumers with tips on how to avoid being scammed. For a copy of this brochure, visit our website: [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca).

## What Can People Do to Help Fight Fraud?

Insurance companies, regulators, and law enforcement officers are making great efforts to fight fraud at all levels, but their efforts alone cannot solve the fraud problem.

You can play a vital role in combatting automobile insurance fraud by:

- reading your insurance policy. Your policy provides specific details about your insurance coverages, your rights, and your responsibilities under the contract,

- reporting all accidents and losses,
- checking over what you've filled out on your automobile insurance application or claims forms to make sure you haven't made any mistakes,
- never signing blank insurance claims forms,
- keeping records. Get the names, addresses, phone numbers, licence plate and driver's licence numbers, and insurance information from all those involved in an accident,
- demanding detailed repair and medical bills, and carefully reviewing them to make sure you received all goods and services you were billed for, and
- reviewing benefit payment information from your insurance company to confirm that treatments, medical providers, and dates are accurately listed.

If you have reason to believe that there has been a case of insurance fraud, you are encouraged to report it to Crime Stoppers. Just call 1-800-222-TIPS (8477). If your tip helps police or an insurance company catch someone who is committing insurance fraud, you may be eligible for a cash reward.

For more information on insurance fraud, visit the IBC website at: [www.ibc.ca](http://www.ibc.ca).





## Did You Know That...

- It is not only the driver but also the person who owns or leases or rents the vehicle who is liable when an accident is caused with the vehicle. This puts a heavy onus on them to ensure that they give only competent drivers permission to operate their vehicle!
- Your automobile insurance rates are based on the information you have given to your broker, agent, or insurance company. An insurance company has the right to cancel your policy if the information you have given is not correct or complete.
- If you have a lot of comprehensive claims (e.g., repeat broken windshield claims), your insurance company may require you to have a higher deductible or may refuse to sell you *Comprehensive* coverage at all.
- If you want to change insurance companies and cancel your existing policy before it expires, you may have to pay a penalty. You may instead want to have the new policy start once your existing policy expires.
- You should receive your policy renewal from your insurance company approximately 30 days before it expires. This allows you to change your policy, examine policy changes, or shop around.
- If you don't want to renew your policy, you should notify your broker, agent, or insurance company immediately. Don't just stop making payments: that will result in cancellation of your policy because of non-payment and possibly put you in a higher risk category.

- Your insurer can cancel your policy for non-payment of premiums, so long as it follows certain procedures. As required by the *Insurance Act*, the insurer must give you 30 days' notice of termination by registered mail or ten days' written notice of termination if it's personally delivered. If you pay the outstanding premium before the end of the notice period, the insurer is required to keep the policy in force. If the insurer does not receive your payment before the end of the notice period, your policy will be cancelled for non-payment.
- If your insurer has already given you two such notices for previous non-payments, then on the third occasion, the insurer is not required to keep the policy in force even if you do pay the outstanding premium.
- If there is a lapse in your coverage due to cancellation of your policy because of non-payment of premiums, insurance companies may then charge you higher premiums for a future policy.
- Your automobile insurance policy requires that any accident involving injury or property damage be reported to your insurance company within seven days, regardless of who is at fault. If you are unable to report within seven days, you must report it as soon as possible after the accident.









Visit FSCO's website at:  
[www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca) for more information on:

- automobile insurance,
- FSCO's Educational Auto Rate Tutorial,
- how to resolve a complaint with your insurance company,
- what to do after an automobile accident,
- filing an automobile insurance claim, and
- resolving disputes over accident benefits.

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*Ce feuillet de renseignements est également disponible en français*



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