

QUÉBEC AUTOMOBILE INSURANCE POLICY FORM
(Q.P.F.)

No. 4
Garage Form

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INTRODUCTION

The following provides general explanations concerning the insurance contract to make it easier to understand. These explanations must not be used to create any right or coverage.

In case of ambiguity or discrepancy between the introduction and the laws applicable to the insurance contract, the terms of the laws will prevail.

1. DOCUMENTS INCLUDED IN INSURANCE CONTRACT

The following documents form part of the insurance contract:

- This document, i.e., the “Québec Automobile Insurance Policy Form (Q.P.F.) No. 4 – *Garage Form*,” a standard document approved by the *Autorité des marchés financiers*.

Note that the “*Declarations*” section of this insurance policy contains information specific to the **named insured**.

- The **endorsements** listed in Item 4, “*Declarations*”.

Below is useful information to help understand the insurance contract:

- Refer to the “*Table of Contents*” to see how the insurance contract is structured and to locate specific information.
- Words and expressions in bold throughout this document and in the **endorsements** are explained in the “*Definitions*” section. Note that the **endorsements** may include their own definitions.
- The insurance contract must be read as a whole. Consequently, clauses must be interpreted as they relate to each other and considering the entire insurance contract.
- Coverage described in Sections A, B and C is different and applies separately.

2. OBLIGATION TO INFORM INSURER

Both before the contract is made and after, any and all information that may influence the risk must be reported to the **insurer**. This information must also be reported upon renewal of the insurance contract.

Among other information, the following must be reported:

- Any location that is newly used or newly acquired for the purpose of carrying out the **described business activity**.
- Any change to the **described business activity**, including any new activity.
- Any change in the use of **vehicles of which the named insured is the owner**, including any new use.
- Any new person who makes frequent or regular use of an **vehicle of which the named insured is the owner**.
- Any **loss**, including any automobile accident.
- Any conviction of an insured person for an offence under the *Highway Safety Code*.
- Any criminal conviction of an insured person.

In case of doubt over the obligation to report specific information, it is advisable to contact the **insurer**.

The obligation to inform the **insurer** is detailed in Article 4, “*General conditions*”.

DECLARATIONS

ITEM 1

Name and address of the **named insured**:

Address of the **specified location**:

ITEM 2

Contract period:

From _____* to _____* exclusively.

*at 12:01 A.M. standard time at the address of the **named insured**.

ITEM 3

Business activities carried out in the course of operating the **specified location**:

.....

Vehicles used in connection with these business activities are subject to the insurance contract.

Name of creditor entitled to the indemnities under Section B, to the extent of the creditor's interest:

ITEM 4

The perils covered by the insurance contract are those for which an **amount of insurance**, a **deductible** or an **insurance premium** is shown in the table below. Coverage is subject to the conditions set out in the insurance contract.

| <u>COVERAGE</u> | <u>PERILS</u> | <u>AMOUNT OF INSURANCE</u> | <u>DEDUCTIBLE(**)</u> | <u>INSURANCE PREMIUM</u> |
|---|---|--|-----------------------|--------------------------|
| <u>Section A:</u> Civil liability | Property damage or bodily injury to another person | \$ per loss, for all specified locations in the insurance contract | \$ | \$ |
| <u>Section B:</u> Damage to vehicles of which the named insured is the owner | <u>Protection 1(*):</u> "All perils" | \$ | \$ | \$ |
| | <u>Protection 2:</u> Perils of collision and upset | N/A | \$ | \$ |
| | <u>Protection 3(*):</u> All perils other than collision or upset | \$ | \$ | \$ |
| | <u>Protection 4(*):</u> Specific perils | \$ | \$ | \$ |
| (*) Except with respect to collision or upset, the insurance premium takes into account: <input type="checkbox"/> the basis of the named insured's monthly report forms. | | | | |

| | | | | |
|--|--|----|----|----|
| | <input type="checkbox"/> a _____% co-insurance basis. <input type="checkbox"/> the following basis: _____. (**) The deductible will be determined based on the following terms: per vehicle, per loss or on another basis agreed to with the insurer . The applicable term must be indicated in this table. | | | |
| Section C: | Protection 1(*): "All perils" | \$ | \$ | \$ |
| Civil liability arising from damage to customers' vehicles | Protection 2: Perils of collision and upset | \$ | \$ | \$ |
| | Protection 3(*): All perils other than collision or upset | \$ | \$ | \$ |
| | Protection 4(*): Specific perils | \$ | \$ | \$ |
| | (*) Except with respect to collision or upset, the insurance premium takes into account a _____% of co-insurance. (**)The deductible will be determined based on the following terms: per vehicle, per loss or on another basis agreed to with the insurer . The applicable term must be indicated in this table. | | | |
| Endorsements: | | | | \$ |
| Due date for payment of insurance premium: | <input type="checkbox"/> Total advance insurance premium: <input type="checkbox"/> Total insurance premium: | | | \$ |

ITEM 5

Where the **insurance premium** is an advance premium, the basis of rating and calculation of the **insurance premium** must be as stated in **endorsement** Q.E.F. No. 4-79a – *Calculation of advance insurance premium*. This **endorsement** must be attached to the insurance contract.

ITEM 6

Important statements for analyzing the risk:

ITEM 7

Information for the **named insured**:

Name of insurance agent or broker:

Address of insurance agent or broker:

SECTION A
COVERAGE FOR CIVIL LIABILITY ARISING FROM PROPERTY DAMAGE AND BODILY
INJURY CAUSED TO ANOTHER PERSON
(MANDATORY INSURANCE)

1. PRINCIPAL COVERAGE

Section A covers the following risk: the financial consequences that an insured person may incur if held civilly liable for **damage** caused to **another person** by an insured vehicle.

The insured person's civil liability must arise from the fact that he or she is the **owner** of the vehicle or was driving or using it.

The **named insured**'s civil liability may also arise from the operation or use, by a person other than the name insured, of an insured vehicle.

2. INSURED VEHICLES

Unless the context indicates otherwise, the expression "insured vehicle" under Section A refers to the following:

- A. Any **vehicle of which the named insured is the owner**.
- B. Any **vehicle of which the named insured is not the owner**, including any **customer's vehicle**.

3. INSURED PERSONS

3.1 When named insured is the owner of insured vehicle

The insured persons are as follows:

- A. The **named insured**;
- B. Any person who drives the insured vehicle; and
- C. Any person who uses the insured vehicle. Any person who operates part of a vehicle is deemed to be using that vehicle.

The legal representatives and succession of these insured persons are also insured.

A person who steals or assists in stealing an insured vehicle is not insured.

3.2 When named insured is not owner of insured vehicle

3.2.1 In connection with described business activity

The insured persons are as follows:

- A. The **named insured**;
- B. Any person other than the **named insured** who drives or uses the insured vehicle, where the person is not the actual **owner** or the registration holder.

Where the person is the actual **owner** or the registration holder, the person is insured only if the vehicle is used in connection with a **garage business**.

Any person who operates a part of a vehicle is deemed to be using that vehicle.

The legal representatives and succession of these insured persons are also insured.

3.2.2 In connection with personal use or travel

The insured persons are as follows:

- A. The **named insured**;
- B. The following persons where the insured vehicle is a **passenger vehicle** and these persons drive or use the vehicle with the **owner's** consent:
 - The **spouse** of the **named insured**;
 - An employee, shareholder, member or partner of the **named insured** having at his or her disposal on a regular basis a **passenger vehicle** provided by the **named insured**;
 - The **spouse** of such employee, shareholder, member or partner.

The following persons are not insured where the **owner**, registration holder or regular or frequent user of the insured vehicle is:

- A person whose domicile is the same as that of the **named insured** or his or her **spouse**;
- A person whose domicile is the same as that of the employee, shareholder, member or partner of the **named insured**;
- A person whose domicile is the same as that of the **spouse** of the employee, shareholder, member or partner.

Any person who operates a part of a vehicle is deemed to be using that vehicle.

The legal representatives and succession of these insured persons are also insured.

4. CLARIFICATION CONCERNING DAMAGE UNDER PRINCIPAL COVERAGE

4.1 Damage to trailers or semi-trailers of which insured persons are not the owners

When **damage** is caused to a trailer or semi-trailer of which an insured person is not the **owner** and the trailer or semi-trailer:

- is attached to a **passenger vehicle** insured under this Section A; or
- is not attached to any vehicle at the time of **loss**, but is generally attached to a **passenger vehicle** that is insured under this Section A;

the financial consequences suffered by the insured person will be covered if the trailer or semi-trailer is not designed or used for carrying passengers, for demonstration, sales, office or dwelling purposes, or in connection with a **described business activity**.

4.2 Damage under Direct Compensation Agreement

When **property damage** is caused to a **vehicle of which the named insured is the owner**, such damage may be covered under Section A as provided for by the *Direct Compensation Agreement* made in accordance with the *Automobile Insurance Act*.

4.3 Damage caused to another named insured

When a **named insured** suffers **damage** caused by another **named insured**, the person who suffers the **damage** will be deemed to be **another person** and may therefore be indemnified by the **insurer** under Section A.

5. ADDITIONAL COVERAGES

The insurer also agrees to the following:

5.1 Protection and defence of insured persons' interests

When a **loss** is reported, the **insurer** will protect the interests and assume the defence of the insured persons.

The **insurer** is free to act as it wishes with regard to investigation, transaction or settlement.

If the **loss** occurs in Canada or the United States, the **insurer** may not raise any legal defence prohibited to insurers where the **loss** occurred.

5.2 Bearing certain costs related to legal action

When an insured person is sued, the **insurer** will bear:

- the legal and other costs arising from the lawsuit; and
- any interest on the **amount of insurance**.

5.3 Reimbursement of medical treatment

When **another person** suffers **bodily injury**, the **insurer** will reimburse expenses incurred by an insured person for immediately necessary medical treatment.

5.4 Bearing costs claimed by municipality

The **insurer** bears the costs claimed from the **named insured** by a municipality under the *Act respecting municipal taxation* and its regulations if its fire protection service was called to prevent or fight a fire in a **vehicle of which the named insured is the owner**.

6. EXCLUSIONS

6.1 Exclusions due to application of certain laws

Section A excludes:

A. Any **bodily injury** when compensation is provided for under the:

- *Automobile Insurance Act*,
- *Act respecting industrial accidents and occupational diseases*;
- *Crime Victims Compensation Act*.

However, if the *Automobile Insurance Act* does not apply, coverage will be provided.

B. Any liability imposed under a workers' compensation act.

6.2 Exclusions related to business activities

Section A excludes:

A. Any **loss** that occurs in the course of an activity for consideration that is not a **described business activity**.

The **insurer** may accept to insure a vehicle in connection with such an activity by specifying it in the "*Declarations*" section or by way of an **endorsement**.

B. Any **bodily injury** caused to an employee, shareholder, member or partner of the **named insured** in connection with a **described business activity**.

C. Any **damage** caused to a person who is engaged in a **garage business** while an insured vehicle is in the person's custody, except where:

- this person is the **named insured**, or the **named insured's** employee, shareholder, member or partner; or
- the vehicle is driven in Québec.

D. Any **damage** caused to a **customer's vehicle**.

6.3 Exclusions related to types of vehicles

Section A excludes **loss** attributable to certain types of **vehicles of which the insured is the owner**, including:

- A. Vehicles designed or modified for racing purposes.
- B. Vehicles designed for the bulk transportation of petroleum products or other goods, while so used.
- C. Vehicles designed for the transportation or towing of **motor vehicles**, while so used.

This exclusion does not apply to **tow trucks**.

Moreover, this exclusion does not apply to transportation or towing activities carried out for the **named insured** in connection with the **named insured's described business activity**.

The **insurer** may accept to insure these types of vehicles by specifying them in the "*Declarations*" section or by way of an **endorsement**.

6.4 Exclusions related to use of insured vehicle

Section A excludes **loss** that occurs while the insured vehicle is used:

- A. as a taxicab, sightseeing vehicle, bus, coach or other chauffeur-driven vehicle.
- B. to carry explosives.
- C. to carry radioactive material for research, education, development, industrial or other related purposes.
- D. to carry property for consideration.
- E. for public road construction, repair or maintenance.
- F. as farm or contractor's equipment on behalf of a person other than the **named insured** for compensation.

The **insurer** may accept to insure these uses by specifying them in the "*Declarations*" section or by way of an **endorsement**.

6.5 Exclusion related to provided vehicles

Section A excludes **loss** attributable to a vehicle provided for frequent or regular use by the **named insured** to a person other than an employee, shareholder, member or partner of the **named insured**.

The **insurer** may accept to insure such a vehicle by specifying it in the "*Declarations*" section or by way of an **endorsement**.

6.6 Exclusion related to rented vehicle

Section A excludes **loss** that occurs while the insured vehicle is rented to any other person.

This exclusion does not apply where the rented vehicle is a **vehicle of which the insured is the owner**, in the following cases:

- A. The vehicle is leased for at least one year but has not yet been delivered.

- B. The vehicle is rented to a person who has brought in another vehicle to the **named insured** for repair or servicing.
- C. The vehicle is rented to a person whose previous vehicle was accepted as a trade-in by the **named insured** for a new vehicle acquired, leased for at least one year or leased under a contract of leasing but not yet delivered.

The **insurer** may accept to insure a rented or leased vehicle by specifying it in the “*Declarations*” section or by way of an **endorsement**.

7. INDEMNITY PAYABLE BY INSURER

7.1 General rule

The indemnity payable by the **insurer** may not be greater than the **amount of insurance**, plus any expenses described under the additional coverage. This rule applies even if:

- there are more than one insured person or multiple interests;
- more than one person suffers **damage**;
- more than one insured person is civilly liable for **damage** arising from one and the same **loss**; and
- **damage** differs in nature.

If more than one insured person is civilly liable for **damage** arising from one and the same **loss** and the **amount of insurance** is insufficient, the **named insured** will be given priority for principal coverage.

If there is more than one **specified location** under the insurance contract and an **amount of insurance** is written for each of them, these amounts cannot be combined for one and the same **loss**.

7.2 Order of priority when more than one insurance contract applies

If more than one insurance contract applies to one and the same **loss**, the civil liability insurance contract issued to the **owner** of the vehicle involved in the **loss** applies first, except in the cases provided below.

7.2.1 Specific rules for vehicle of which the named insured is not the owner

When **damage** is caused by a **vehicle of which the named insured is not the owner** that is in the custody of a **garage business** at the time of **loss**, this Section A applies first.

Otherwise, the civil liability insurance contract issued to the **owner** of the vehicle applies first. This Section A will then apply only if the insurance of this **owner** is insufficient,

- up to the **amount of insurance**, and
- only for the amount exceeding the obligation of the **owner's** insurer.

7.2.2 Specific rules for vehicle of which the named insured is the owner when in the custody of a person engaged in a garage business

When **damage** is caused by a **vehicle of which the named insured is the owner** while in the custody of a **garage business** at the time of **loss**, the insurance contracts will apply in the following order of priority:

- A. The insurance contract of the person who engages in a garage business and in whose custody the vehicle has been placed applies first, provided such contract covers the person's civil liability without expressly designating the vehicles that are insured.
- B. This Section A only applies if that person's insurance is insufficient,
 - up to the applicable **amount of insurance**, and
 - only for the amount exceeding the obligation of that person's insurer.

7.3 Adjustment of amount of insurance by law

If the **loss** occurs in Canada or the United States and the **amount of insurance** is less than the minimum amount prescribed by the applicable laws regarding automobile insurance which are in force where the **loss** occurred, the **amount of insurance** will be adjusted to comply with this minimum requirement.

7.4 Cases where insured persons must refund indemnity

If the **insurer** is required to indemnify **another person** under a legal provision regarding automobile insurance and the **insurer** is not otherwise required to do so under the insurance contract, the insured persons agree to refund such indemnity to the **insurer**, upon request.

7.5 Limitation of amount of insurance for nuclear hazard

If **damage** arose out of the occurrence of a **nuclear hazard**, the applicable **amount of insurance** will be limited to the minimum amount prescribed by either of the following laws, depending on the type of vehicle involved in the **loss**:

- *Automobile Insurance Act*,
- *Act respecting off-highway vehicles*.

7.6 Specific rule for trailers or semi-trailers attached to a motor vehicle

When one or more trailers or semi-trailers are attached to a **motor vehicle**, the vehicles will be held to be one and the same vehicle.

This rule means that, if **damage** is caused by the **motor vehicle**, trailer or semi-trailer, a single **amount of insurance** will apply, namely, the highest amount.

The same rule will apply if the vehicles are insured under different insurance contracts with the **insurer**.

8. REPRESENTATION MANDATE

The insured persons mandate the **insurer** to represent them in any lawsuit brought against them in Canada or the United States.

The lawsuit must arise from the fact that an insured person is the **owner** of the insured vehicle or that an insured person was driving or using it.

The lawsuit brought against the **named insured** may also arise from the fact that a person other than the **named insured** was driving or using an insured vehicle.

This representation mandate includes the right for the **insurer** to appear on behalf of the insured persons and to assume their defence.

The insured persons renounce their right to withdraw this mandate from the **insurer** without the **insurer's** consent.

**SECTION B:
COVERAGE FOR DAMAGE TO VEHICLES OF WHICH THE NAMED INSURED IS THE
OWNER
(OPTIONAL INSURANCE)**

1. PRINCIPAL COVERAGE

1.1 Description of principal coverage

Section B covers:

- any direct and accidental **damage** to an insured vehicle or the equipment and accessories used exclusively with this vehicle; and
- the disappearance of an insured vehicle or the equipment and accessories used exclusively with this vehicle.

The **damage** or disappearance must result from the occurrence of a peril covered by the applicable protection.

1.2 Description of protections

To determine which protection applies, refer to Item 4, "Declarations."

1.2.1 Protection 1 – "All perils" coverage

This protection covers **damage** caused by any type of peril. However, perils and **damage** listed in Article 5, Section B are excluded.

1.2.2 Protection 2 – Coverage against perils of collision and upset

This protection covers **damage** caused by the perils of collision and upset.

"Collision" includes:

- any collision between an insured vehicle and the ground;
- any collision between two vehicles attached to each other; and
- any collision between an insured vehicle and a person or an animal.

"Upset" of an insured vehicle may be partial or total.

However, perils and **damage** listed in Article 5, Section B are excluded.

1.2.3 Protection 3 – Coverage against all perils other than collision or upset

This protection covers **damage** caused by perils other than collision or upset.

Coverage includes **damage** caused by the following perils:

- the perils listed in Protection 4;
- falling or flying objects;
- malicious mischief; and
- projectiles.

Like Protection 2, this protection also covers **damage** caused by a collision between an insured vehicle and a person or an animal.

However, perils and **damage** listed in Article 5, Section B are excluded.

1.2.4 Protection 4 – Coverage against specific perils

This protection only covers **damage** caused by the following perils:

- attempted theft;
- civil commotion;
- earthquakes;
- explosions;
- falling or forced landing of aircraft or parts of aircraft;
- fire;
- hail;
- lightning;
- riots;
- rising water;
- stranding, sinking, burning, derailment or collision of any railroad car, vessel or **tow truck** upon which an insured vehicle is being transported;
- theft; and
- windstorms.

However, perils and **damage** listed in Article 5, Section B are excluded.

2. INSURED VEHICLES

Unless the context indicates otherwise, the expression “insured vehicle” under Section B refers to any **vehicle of which the named insured is the owner**.

3. INSURED PERSON

The insured person under Section B is the **named insured**.

4. ADDITIONAL COVERAGES

When the principal coverage applies, Section B will include the following additional coverage:

4.1 Bearing costs claimed by municipality

The **insurer** bears the costs claimed from the **named insured** by a municipality under the *Act respecting municipal taxation* and its regulations if its fire protection service was called to prevent or fight a fire in an insured vehicle.

4.2 Bearing other costs

When the **named insured** is civilly liable, the **insurer** will bear the following costs:

- general average costs;
- salvage costs; and
- customs duties of Canada and the United States.

5. EXCLUSIONS

5.1 Common exclusions

Section B excludes:

A. **Damage** to tires, except:

- if **damage** is coincident with other **damage** insured under the same coverage; or
- in case of fire, theft or malicious mischief insured under the same coverage.

B. **Damage** caused by:

- breakdown;
- corrosion;
- explosion within the combustion chamber;
- freezing;
- mechanical failure;
- normal wear and tear; and
- rust.

However, such damage will not be excluded:

- if **damage** is coincident with other **damage** insured under the same coverage; or
- in case of fire, theft or malicious mischief insured under the same coverage.

C. For Protection 2 only, **damage** to the insured vehicle occurring after the theft of the vehicle and before its recovery by the **named insured**.

However, such damage will not be excluded if the theft was committed by:

- a person whose domicile is the same as that of the **named insured**;
- a person employed by the **named insured** in connection with a **described business activity**.

D. For Protection 3 and Protection 4 only, theft committed by one of the following persons:

- a person whose domicile is the same as that of the **named insured**;

- a person employed by the **named insured** in connection with a **described business activity**, whether or not the theft occurs in the course of such employment.
- E. Conversion, embezzlement, theft or secretion of an insured vehicle by any person in lawful possession thereof under a hypothec, conditional sale, lease or contract of leasing, or under any other similar written agreement.
- F. Voluntary parting with title or ownership, with or without breach of trust, fraud or deceitful representation.
- G. Tapes or accessories for use with a tape recorder, or compact discs, unless in place in a device.
- H. Whether or not war is declared, **damage** caused directly or indirectly by:
 - bombardment;
 - civil war;
 - insurrection;
 - invasion;
 - military power;
 - operation of armed forces while engaged in hostilities;
 - rebellion;
 - revolution; and
 - usurped power.

5.2 Exclusion related to business activities

Section B excludes any **loss** that occurs in the course of an activity for consideration that is not a **described business activity**.

The **insurer** may accept to insure a vehicle in connection with such an activity by specifying it in the “*Declarations*” section or by way of an **endorsement**.

5.3 Exclusions related to types of vehicles

Section B excludes any **loss** that causes **damage** to certain types of vehicles:

- A. Vehicles designed or modified for racing purposes.
- B. Vehicles designed for the bulk transportation of petroleum products or other goods, while so used.
- C. Vehicles designed for the transportation or towing of **motor vehicles**, while so used.

This exclusion does not apply to **tow trucks**.

Moreover, this exclusion does not apply to transportation or towing activities carried out for the **named insured** in connection with the **named insured's described business activity**. However, the transported or towed vehicles remain excluded, as provided for in Article 5.4 B., Section B.

The **insurer** may accept to insure these types of vehicles by specifying them in the “*Declarations*” section or by way of an **endorsement**.

5.4 Exclusions related to use of insured vehicle

Section B excludes:

- A. Any **loss** that occurs while the insured vehicle is used:
- as a taxicab, sightseeing vehicle, bus, coach or other chauffeur-driven vehicle;
 - to carry explosives;
 - to carry radioactive material for research, education, development, industrial or other related purposes;
 - to carry property for consideration;
 - for public road construction, repair or maintenance;
 - as farm or contractor's equipment on behalf of a person other than the **named insured** for consideration.

The **insurer** may accept to insure these uses by specifying them in the "*Declarations*" section or by way of an **endorsement**.

- B. Vehicles transported or towed by a vehicle, other than a **tow truck**, designed for transportation or towing purposes.

5.5 Exclusion related to provided vehicles

Section B excludes **loss** that causes **damage** to a vehicle provided for frequent or regular use by the **named insured** to a person other than an employee, shareholder, member or partner of the **named insured**.

The **insurer** may accept to insure such a vehicle by specifying it in the "*Declarations*" section or by way of an **endorsement**.

5.6 Exclusion related to rented vehicle

Section B excludes **loss** that occurs while the insured vehicle is rented to any other person.

This exclusion does not apply in the following cases:

- A. The vehicle is leased for at least one year but has not yet been delivered.
- B. The vehicle is rented to a person who has brought in another vehicle to the **named insured** for repair or servicing.
- C. The vehicle is rented to a person whose previous vehicle was accepted as a trade-in by the **named insured** for a new vehicle acquired, leased for at least one year or leased under a contract of leasing but not yet delivered.

The **insurer** may accept to insure a rented or leased vehicle by specifying it in the "*Declarations*" section or by way of an **endorsement**.

5.7 Exclusion related to vehicles sold on credit by named insured

Under Section B, a vehicle sold on credit by the **named insured** is excluded as of the time the purchaser takes possession thereof.

6. DEDUCTIBLE PAYABLE BY NAMED INSURED

The **named insured** must assume the **deductible** for the applicable protection. However, if the **damage** is caused by lightning or fire, the **deductible** will not apply.

The **deductible** may apply:

- A. per insured vehicle that has incurred **damage** in one and the same **loss**;
- B. per **loss**: The **deductible** applies only once for all **damage** arising out of the same cause in any one event, regardless of the number of vehicles having incurred **damage**; or
- C. on another basis agreed to with the **insurer**.

*To determine the terms under which the **deductible** will apply, refer to Item 4, "Declarations" or the applicable **endorsement**.*

7. INDEMNITY PAYABLE BY INSURER

7.1 General rule

The indemnity payable by the **insurer** is equal to the value of **damage**, less the **deductible**. It also includes any expenses described under the additional coverage.

*For the rules to determine the value of **damage**, refer to Article 2, "Reporting a loss and submitting a claim."*

7.2 Amount of insurance

This Article 7.2 applies to Protection 1, except for **damage** caused by collision or upset, and Protections 3 and 4.

The indemnity payable may not be greater than the **amount of insurance** that applies per **specified location** and per **loss**, plus any expenses described under the additional coverage.

7.2.1 Amount of insurance for newly acquired location

A location is deemed newly acquired if:

- it has been acquired by the **named insured** during the insurance contract period for the purpose of carrying out a **described business activity**;

and

- the **insurer** has been informed of the new acquisition within 14 days thereof.

The **amount of insurance** applicable to a newly acquired location is as follows:

- If there is only one **specified location**, the **amount of insurance** on this location will apply.
- If there are more than one **specified locations**, the lesser **amount of insurance** on those locations will apply.

7.2.2 Amount of insurance for location not used by named insured

For a location not used by the **named insured** where a **garage business** is carried out, the maximum amount payable by the **insurer** is determined as follows:

- If there are four insured vehicles or less, the amount is equal to the total value of the vehicles.
- If there are more than four insured vehicles, the amount is equal to four times the average value of the vehicles.

7.2.3 Amount of insurance where the insurance premium takes into account co-insurance

Where the **insurance premium** takes into account co-insurance, the **named insured** must maintain an **amount of insurance** for each **specified location** that is equal to or greater than the minimum amount determined as follows:

$$\text{Minimum amount} = \frac{\text{Percentage indicated in Item 4, "Declarations" for Section B}}{\text{Total value of insured vehicles at the specified location}} \times \text{Total value of insured vehicles at the specified location}$$

If this minimum amount is not maintained, in the event of a partial loss, the **named insured** must pay a portion of the value of **damage**. The indemnity payable by the **insurer** will be limited to the amount determined as follows:

$$\text{Indemnity payable} = \frac{\text{Amount of insurance for Section B}}{\text{Minimum amount}} \times \text{Value of damage}$$

If only one insured vehicle incurs **damage** in the event of **loss**, the co-insurance clause does not apply.

7.3 Time of payment

The **insurer** must pay the indemnity:

- within 60 days after the date on which the **loss** is reported to the **insurer**; or
- within 60 days after receipt by the **insurer** of the information or supporting documents that it requested.

7.4 Specific rules for trailers or semi-trailers attached to a motor vehicle

If one or more trailers or semi-trailers are attached to a **motor vehicle** and the vehicles incur **damage** in one and the same loss:

- the vehicles will be held to be separate vehicles; and
- their own coverage, **amount of insurance** and **deductible** will apply.

8. ADJUSTMENT OF ADVANCE INSURANCE PREMIUM

8.1 General rule

Item 4, “*Declarations*” indicates whether the **insurance premium** is an advance premium.

In such instance, the **insurance premium** is determined by the **insurer** based on information indicated in endorsement *Q.E.F. No. 4-79a – Calculation of advance insurance premium*.

When the insurance contracts ends, this premium is adjusted based on information indicated in endorsement *Q.E.F. No. 4-79b – Calculation of final insurance premium*.

8.2 Specific rule for Protections 1, 3 and 4 of Section B

Item 4, “*Declarations*” indicates whether the **insurance premium** is determined based on the **named insured’s** monthly statements.

In such instance, the advance **insurance premium** indicated in Item 4 is determined based on information declared by the **named insured** in **endorsement** *Q.E.F. No. 4-79a – Calculation of advance insurance premium*.

It is then adjusted based on the **named insured’s** monthly report forms according to the following rules:

- A. The **named insured** must, on a monthly basis, report the number and value of all insured vehicles as at the last business day of each month. This information must be reported in **endorsement** *Q.E.F. No. 4-79 Monthly inventory statement for calculation of final insurance premium*, for each **specified location**.
- B. Based on the **named insured’s** monthly statements, the **insurer** determines the monthly **insurance premium** payable in proportion to the rate specified in **endorsement** *Q.E.F. No. 4-79a – Calculation of advance insurance premium*.

When the total of these monthly premiums exceeds the advance **insurance premium** specified in Item 4, “*Declarations*,” the **named insured** must pay the excess to the **insurer** at the end of each month.

SECTION C
COVERAGE FOR CIVIL LIABILITY ARISING FROM DAMAGE TO CUSTOMERS' VEHICLES
(OPTIONAL INSURANCE)

1. PRINCIPAL COVERAGE

1.1 Description of principal coverage

Section C covers the risk of financial consequences that an insured person may incur if held civilly liable for:

- **damage** caused to an insured vehicle or the equipment and accessories used exclusively with this vehicle; and
- the disappearance of an insured vehicle or the equipment and accessories used exclusively with this vehicle.

The **damage** or disappearance must result from the occurrence of a peril covered by the applicable protection.

1.2 Description of protections

To determine which protection applies, refer to Item 4, "Declarations".

1.2.1 Protection 1 – "All perils" coverage

This protection covers **damage** caused by any type of peril. However, perils and **damage** listed in Article 5, Section C are excluded.

1.2.2 Protection 2 – Coverage against perils of collision and upset

This protection covers **damage** caused by the perils of collision and upset.

"Collision" includes:

- any collision between an insured vehicle and the ground;
- any collision between two vehicles attached to each other; and
- any collision between an insured vehicle and a person or an animal.

"Upset" of an insured vehicle may be partial or total.

However, perils and **damage** listed in Article 5, Section C are excluded.

1.2.3 Protection 3 – Coverage against all perils other than collision or upset

This protection covers **damage** caused by perils other than collision or upset.

Coverage includes **damage** caused by the following perils:

- the perils listed in Protection 4;
- falling or flying objects;
- malicious mischief; and
- projectiles.

Like Protection 2, this protection also covers **damage** caused by a collision between an insured vehicle and a person or an animal.

However, perils and **damage** listed in Article 5, Section C are excluded.

1.2.4 Protection 4 – Coverage against specific perils

This protection only covers **damage** caused by the following perils:

- attempted theft;
- civil commotion;
- earthquakes;
- explosions;
- falling or forced landing of aircraft or parts of aircraft;
- fire;
- hail;
- lightning;
- riots;
- rising water;
- stranding, sinking, burning, derailment or collision of any railroad car, vessel or **tow truck** upon which an insured vehicle is being transported;
- theft; and
- windstorms.

However, perils and **damage** as listed in Article 5, Section C are excluded.

2. INSURED VEHICLES

Unless the context indicates otherwise, the expression “insured vehicle” under Section C refers to any **customer’s vehicle**.

3. INSURED PERSONS

The insured persons under Section C are as follows:

- A. The **named insured**;
- B. Any person other than the **named insured** who drives or uses the insured vehicle, where the person is not the **owner** or the registration holder.

Where the person is the actual **owner** or the registration holder, the person is insured only if the vehicle is used in connection with of a **garage business**.

Any person who operates a part of a vehicle is deemed to be using that vehicle.

4. ADDITIONAL COVERAGES

When the principal coverage applies, Section C will include the following additional coverage:

4.1 Protection and defence of insured persons' interests

When a **loss** is reported, the **insurer** will protect the interests and assume the defence of the insured persons.

The **insurer** is free to act as it wishes with regard to any investigation, transaction or settlement.

4.2 Bearing certain costs related to legal action

When an insured person is sued, the **insurer** will bear

- the legal and other costs arising from the lawsuit; and
- any interest on the **amount of insurance**.

4.3 Bearing costs claimed by municipality

Under the *Act respecting municipal taxation* and its regulations, where costs are claimed from the **named insured**, the **insurer** bears the costs charged to the **owner** of the insured vehicle by a municipality for the use of its fire protection service to prevent or fight a fire.

5. EXCLUSIONS

Section C excludes:

A. **Damage** to tires, except:

- if **damage** is coincident with other **damage** insured under the same coverage; or
- in case of fire, theft or malicious mischief insured under the same coverage.

B. **Damage** caused by:

- breakdown;
- corrosion;
- explosion within the combustion chamber;
- freezing;
- mechanical failure;
- normal wear and tear; and
- rust.

However, such damage will not be excluded:

- if **damage** is coincident with other **damage** insured under the same coverage; or
- in case of fire, theft or malicious mischief insured under the same coverage.

C. For Protection 2 only, **damage** to the insured vehicle occurring after the theft of the vehicle and before its recovery by the **named insured**.

However, such damage will not be excluded if the theft was committed by:

- a person whose domicile is the same as that of the **named insured**;

- a person employed by the **named insured** in connection with a **described business activity**.
- D. For Protection 3 and Protection 4 only, theft committed by one of the following persons:
- a person whose domicile is the same as that of the **named insured**;
 - a person employed by the **named insured** in connection with a **described business activity**, whether or not the theft occurs in the course of such employment.
- E. Tapes or accessories for use with a tape recorder, or compact discs, unless in place in a device.
- F. Whether or not war is declared, **damage** caused directly or indirectly by:
- bombardment;
 - civil war;
 - insurrection;
 - invasion;
 - military power;
 - operation of armed forces while engaged in hostilities;
 - rebellion;
 - revolution; and
 - usurped power.

6. DEDUCTIBLE PAYABLE BY NAMED INSURED

The **named insured** must assume the **deductible** for the applicable protection. However, if the **damage** is caused by lightning or fire, the **deductible** will not apply.

The **deductible** may apply:

- A. per insured vehicle that has incurred **damage** in one and the same loss; or
- B. per **loss**: The **deductible** applies only once for all **damage** arising out of the same cause in any one event, regardless of the number of vehicles having incurred **damage**; or
- C. on another basis agreed to with the **insurer**.

*To determine the terms under which the **deductible** will apply, refer to Item 4, "Declarations" or the applicable **endorsement**.*

7. INDEMNITY PAYABLE BY INSURER

7.1 General rule

The indemnity payable by the **insurer** is equal to the value of the **damage**, less the **deductible**. It also includes any expenses described under the additional coverage.

*For the rules to determine the value of **damage**, refer to Article 2, "Reporting a loss and submitting a claim".*

7.2 Amount of insurance

This Article 7.2 applies to Protection 1, except for **damage** caused by collision or upset, and Protections 3 and 4.

The indemnity payable may not be greater than the **amount of insurance** that applies per **specified location** and per **loss**, plus any expenses described under the additional coverage.

7.2.1 Amount of insurance for newly acquired location

A location is deemed newly acquired if:

- it has been acquired by the **named insured** during the insurance contract period for the purpose of carrying out **described business activity**;
- and
- the **insurer** has been informed of the new acquisition within 14 days thereof.

The **amount of insurance** applicable to a newly acquired location is as follows:

- If there is only one **specified location**, the **amount of insurance** on this location will apply.
- If there are more than one **specified locations**, the lesser **amount of insurance** on those locations will apply.

7.2.2 Amount of insurance for location not used by named insured

For a location not used by the **named insured** where a **garage business** is carried out, the maximum amount payable by the **insurer** is determined as follows:

- If there are four insured vehicles or less, the amount is equal to the total value of the vehicles.
- If there are more than four insured vehicles, the amount is equal to four times the average value of the vehicles.

7.2.3 Amount of insurance where the insurance premium is takes into account co-insurance

Where the **insurance premium** takes into account co-insurance, the **named insured** must maintain an **amount of insurance** for each **specified location** that is equal to or greater than the minimum amount determined as follows:

$$\text{Minimum amount} = \frac{\text{Percentage indicated in Item 4, "Declarations" for Section C}}{100} \times \text{Total value of insured vehicles at the specified location}$$

If this minimum amount is not maintained, in the event of a partial loss, the **named insured** must pay a portion of the value of **damage**. The indemnity payable by the **insurer** will be limited to the amount determined as follows:

$$\text{Indemnity payable} = \frac{\text{Amount of insurance for Section C}}{\text{Minimum amount}} \times \text{Value of damage}$$

If only one insured vehicle incurs **damage** in the event of **loss**, the co-insurance clause does not apply.

7.3 Specific rules for trailers or semi-trailers attached to a motor vehicle

If one or more trailers or semi-trailers are attached to a **motor vehicle** and the vehicles incur **damage** in one and the same loss, the vehicles will be held to be separate vehicles for the application of the protections, **amounts of insurance** and **deductibles**.

GENERAL CONDITIONS

1. LAWS APPLICABLE TO INSURANCE CONTRACT

The insurance contract is governed by the following laws:

- *Civil Code of Québec*;
- *Code of Civil Procedure of Québec*;
- *Automobile Insurance Act* and its regulations; and
- *Act respecting off-highway vehicles*, where applicable.

Some of the general conditions of the insurance contract are a simplified version of the requirements of the above laws. In case of any ambiguity or discrepancy, the terms of the laws will prevail.

2. PLACES WHERE COVERAGE APPLIES

The coverage provided under the insurance contract will apply only if the **loss** occurs:

- in Canada or the United States; or
- on a vessel or in an aircraft travelling between the seaports and airports of those countries.

The **insurer** may accept, by way of **endorsement**, to cover a **loss** that occurs elsewhere.

3. CONTINUATION OF COVERAGE AFTER LOSS

A **loss** does not cause the insurance contract to terminate.

4. DISCLOSURE TO INSURER

4.1 Initial declaration of risk

The **client**, and the insured person if the **insurer** requires it, is bound to represent the facts known to them that are likely to materially influence an insurer in:

- analyzing the risk;
- deciding whether or not to cover the risk; or
- setting the **insurance premium**.

However, the **client** and the insured person are not required to represent facts already known to the **insurer** or which the **insurer** is presumed to know because of their notoriety, unless the **insurer** asks questions in that regard.

4.2 Aggravation of risk

4.2.1 Obligation of insured person

The insured person is required to promptly report to the **insurer** any change that increases the risks specified in the insurance contract.

The facts to be reported must result from events within the control of the insured person. They must also be likely to materially influence an insurer in:

- analyzing the risk;
- deciding whether to continue or terminate the insurance contract; or
- setting the **insurance premium**.

4.2.2 Rights of insurer

Upon being informed of any new facts, the **insurer** may:

- propose a new **insurance premium** to the **named insured** in writing. The **named insured** must then accept and pay the new **insurance premium** within 30 days of the proposal, failing which the insurance contract will terminate; or
- cancel the insurance contract subject to the conditions set out in Article 3, “*Effective date, renewal and expiry of insurance contract*”.

However, if the **insurer** continues to accept payment of the **insurance premium** or if the **insurer** pays an indemnity after a **loss**, the **insurer** will be deemed to have accepted the new facts as reported.

4.3 Consequences of misrepresentation or non-disclosure

4.3.1 Consequences for Section A

A. Nullification of Section A

Section A may be nullified at any time at the instance of the **insurer** if:

- a) the **client** or an insured person:
 - has falsely declared any of the information that must be reported, as stated in Articles 4.1 and 4.2 of this section (known as “misrepresentation”); or
 - has voluntarily failed to disclose any of the information referred to in Articles 4.1 and 4.2 of this section (known as “concealment”);
- and
- b) such misrepresentation or concealment is likely to substantially influence a reasonable insurer in the decision to cover the risk.

B. Reduction of indemnity following a loss

If, following a **loss**, the **insurer** fails to establish that the misrepresentation or concealment was likely to substantially influence a reasonable insurer in the decision to cover the risk, the **insurer** will be required to pay a portion of the indemnity.

The indemnity is calculated in proportion to the **insurance premium** established by the **insurer** before becoming aware of the misrepresentation or concealment, divided by the **insurance premium** that the **insurer** would have established had the **client** or the insured person provided the information that they were required to disclose.

4.3.2 Consequences for Sections B and C

A. Nullification of Section B or Section C

Section B or Section C may be nullified at any time at the instance of the **insurer** if:

- a) the **client** or an insured person:
 - has falsely declared any of the information that must be reported, as stated in Articles 4.1 and 4.2 of this section (known as “misrepresentation”); or
 - has voluntarily failed to disclose any of the information referred to in Articles 4.1 and 4.2 of this section (known as “concealment”);

and

- b) such misrepresentation or concealment is likely to substantially influence a reasonable insurer in the decision to cover the risk.

Following a **loss**, Section B or Section C may be nullified at the instance of the **insurer** even if the **loss** does not result from the risk so misrepresented or concealed.

B. Reduction of indemnity following a loss

Following a **loss**, and notwithstanding any misrepresentation or concealment, the **insurer** is required to pay a portion of the indemnity if the **insurer** fails to establish:

- the bad faith of the **named insured** or the **client**; or
- that it would not have covered the risk had it known the true facts.

The indemnity is calculated in proportion to the **insurance premium** established by the **insurer** before becoming aware of the misrepresentation or concealment, divided by the **insurance premium** that the **insurer** would have established had the **client** or the insured person provided the information that they were required to disclose.

5. BREACH OF WARRANTY

In the event of a breach of warranty aggravating the risk, coverage of the risk subject to the warranty will be suspended.

The suspension will cease when:

- an insured person remedies the breach; or
- the **insurer** gives its consent.

Warranties may be found, among others, in:

- the “*Declarations*” section; and
- the **endorsements**.

6. PROHIBITED USE OF INSURED VEHICLE

The insured vehicle may not be driven or operated by the insured persons:

- A. When the insured persons:
- are under 16 years of age or the legal age to drive; and
 - are not authorized to drive, by law, or qualified to drive or operate the vehicle.
- B. To make any illicit trade or transportation.
- C. To participate in a race or speed test.

In addition, the insured persons are not to allow **another person** to use the insured vehicle in the above situations.

7. INSPECTION OF INSURED VEHICLES

At any reasonable time, the **insurer** is entitled to inspect the insured vehicles and their equipment and accessories.

8. EXAMINATION OF NAMED INSURED'S BOOKS AND RECORDS

The **insurer** may examine the books and records of the **named insured** relating to the insurance contract. The **insurer** may do so provided it:

- gives 14 days prior notice to the **named insured**;
- obtains the written consent of the **named insured**; and
- conducts the examination during the **named insured**'s business hours.

9. NOTICES TO INSURER AND NAMED INSURED

Notices to the **insurer** may be sent by any recognized means of communication to the **insurer** or its authorized representative.

Notices to the **named insured** may be delivered personally to the **named insured** or by mail to the **name insured**'s last known address.

REPORTING A LOSS AND SUBMITTING A CLAIM

1. WHAT TO DO IN THE EVENT OF LOSS

1.1 Report information to insurer

1.1.1 Report loss

Notice must be given to the **insurer** as soon as an insured person becomes aware of a **loss** that may be covered under the insurance contract.

Any interested person may also give such notice to the **insurer**.

Failure to fulfil the obligation to report the **loss** will result in the insured person losing his or her right to indemnity if such failure causes prejudice to the **insurer**.

1.1.2 Report any additional information

When so requested by the **insurer**, the insured person will be required to inform the **insurer** as soon as possible of all the circumstances surrounding the **loss**, including:

- the probable cause of the **loss**;
- the nature and extent of the **damage**;
- the location of the insured vehicle or any other property;
- the rights of **another person**; and
- any other insurance contracts that may apply.

The insured person must also provide the **insurer** with supporting documents and declare under oath that all of the information provided is true.

If, for any serious reason, the insured person is unable to fulfil these obligations as soon as possible, the insured person will be entitled to a reasonable time in which to do so.

If the insured person fails to fulfil these obligations, any interested person may do so on the insured person's behalf.

The insured person must also provide the **insurer** promptly with a copy of any documents received in connection with a claim, including:

- notices;
- letters; and
- summonses and any other pleading.

1.1.3 Consequences of deceitful representations

If a person makes a deceitful representation relating to a **loss**, the person will lose his or her right to an indemnity. The person will lose that right solely with respect to the **damage** caused by the occurrence of the peril to which the deceitful representation relates.

However, if the occurrence of the peril caused **damage** both to property for occupational use and to personal property, the person will lose his or her right to indemnity solely with respect to the **damage** caused to the class of property to which the deceitful representation relates.

1.2 Fulfil obligations relating to insured vehicle

1.2.1 Do not abandon insured vehicle

The insured person must not abandon the insured vehicle or any other damaged property without the **insurer's** consent.

1.2.2 Facilitate salvage and inspection of insured vehicle by insurer

The insured person must facilitate the salvage of the insured vehicle and any other insured property.

The insured person must also facilitate the inspection by the **insurer**. This includes allowing the **insurer** and its representatives to visit any premises and inspect the insured vehicle and its equipment and accessories.

1.2.3 Protect insured vehicle

The insured person must ensure the protection of the insured vehicle from further loss or **damage**, as far as reasonably possible and at the expense of the **insurer**.

If the insured person fails to fulfil this obligation, any **damage** resulting directly or indirectly will be at the insured person's expense.

1.2.4 Do not perform repairs or remove physical evidence

Until the **insurer** has had a reasonable time to inspect the insured vehicle, as provided for in Article 7, "*General conditions*":

- no repairs must be made to the vehicle; and
- no physical evidence of the **damage** must be removed from the vehicle.

However, such actions may be taken if:

- they are necessary to protect the insured vehicle; or
- the **insurer** gives its consent in writing.

1.3 Refrain from commenting on liability and from settling claim

Except at his or her own cost, following a **loss**, the insured person must refrain from:

- commenting on his or her liability; and
- settling or attempting to settle any claim.

Should an insured person enter into an agreement (called a "transaction") in respect of the **loss**, without the consent of the **insurer**, the **insurer** will not be bound by such agreement.

1.4 Cooperate with insurer

The insured person must cooperate with the **insurer** in the processing of any claim.

2. HOW TO CALCULATE VALUE OF DAMAGE

The value of **damage** payable by the **insurer** may not be greater than the “actual cash value” of the insured vehicle.

Once the **named insured** has been indemnified, the **insurer** has the right to recover the damaged property in whole or in part (called “right of salvage”).

2.1 Value of damage payable by insurer for repair of insured vehicle

The value of **damage** is determined on the basis of, among other things, the cost of materials at the time of **loss**.

The materials used to repair the insured vehicle, or to replace the damaged parts, must be of like kind and quality, taking into account any kind of depreciation.

2.1.1 Clarification concerning automobile body parts

The **insurer** will determine the cost of materials on the basis of original equipment manufacturer parts if:

- the vehicle is less than two years old or has less than 40,000 km; or
- the vehicle is used for commercial purposes and is less than one year old.

In all other instances, the **insurer** may base its determination on the cost of similar automobile body parts. However, the **named insured** may ask for original equipment manufacturer parts, if available, and must inform the **insurer** accordingly when reporting the **loss**. The **insurer** will then specify the applicable conditions and additional costs that the **named insured** will be required to pay.

2.1.2 Parts out of stock or no longer manufactured

If the materials needed to repair the vehicle include replacement parts that are out of stock or no longer manufactured, the liability of the **insurer** will be limited to the latest list price of original equipment manufacturer parts.

The **insurer** may also take into account any kind of depreciation.

2.2 Value of damage payable by insurer for insured vehicle if total loss

If the insured vehicle is a total loss or constructive total loss, the value of **damage** will be equal to the “actual cash value” of the insured vehicle.

In spite of the total loss or constructive total loss of the insured vehicle, the **named insured** may ask for the vehicle to be restored to the condition it was in at the time of **loss**.

The **named insured** must provide the **insurer** with supporting evidence to determine the vehicle’s condition at the time of **loss**.

In such instance, the **insurer** must accept the request if it considers that the costs are reasonable to restore the vehicle to the condition it was in at the time of **loss**.

2.3 Value of damage where insurer may decide to repair, rebuild or replace damaged property

In the absence of arbitration, and subject to the rights of preferred and hypothecary creditors, the **insurer** may decide to repair, rebuild or replace the damaged property with other property of like kind and quality, instead of making a cash payment.

Before repairing, rebuilding or replacing the property, the **insurer** must inform the **named insured** in writing within seven days after receipt of the proof of loss.

In addition, the property must be repaired, rebuilt or replaced within a reasonable amount of time.

3. RIGHT OF INSURER AFTER PAYING AN INDEMNITY (*RIGHT OF SUBROGATION*)

3.1 General rule

After paying an indemnity, the **insurer** will be subrogated to the rights of the insured person against the person responsible for the **damage**. This means that the rights of the insured person are transferred to the **insurer**.

Subrogation operates up to the amount of the indemnity paid by the **insurer**.

If the **insurer** cannot exercise its right of subrogation due to any act of the insured person, the **insurer** may be fully or partly released from its obligations towards the insured person.

3.2 Exceptions

In the following two instances, the **insurer** cannot ask the person responsible for the **damage** to reimburse the indemnity that it has paid:

- A. When that person is a member of the insured person's household;
- B. For Section B only, when that person had care, custody or control of the insured vehicle, with the consent of the **named insured**. This latter exception will not apply if the person:
 - was engaged in a **garage business** at the time of **loss** other than as an employee, shareholder, member or partner of the **named insured**; or
 - failed to comply with the insurance contract.

4. ARBITRATION IN THE EVENT OF DISAGREEMENT BETWEEN NAMED INSURED AND INSURER

4.1 Request for arbitration

The **named insured** or the **insurer** may request arbitration in the event of disagreement on the following:

- the nature, extent or value of the **damage**;
- the adequacy of the repair or replacement.

Arbitration may be requested even if the validity of the insurance contract is being challenged.

4.1.1 Request made by named insured

The **named insured** must send a written notice to the **insurer** indicating the reason of the disagreement.

The **insurer** must accept a request for arbitration made by the **named insured** and send the **named insured** an acknowledgment of receipt within 15 days after receiving the notice.

4.1.2 Request made by insurer

The **insurer** must send a written notice to the **named insured** indicating the reason of the disagreement.

The **named insured** must send the **insurer** confirmation of his or her acceptance or refusal to submit the disagreement to arbitration within 15 days after receiving the notice.

4.2 Designation of experts and arbitrator

The **insurer** and the **named insured** must each choose an expert.

Depending on the nature of the disagreement, both experts must determine:

- the nature, extent and value of the **damage**. In order to do so, they must assess separately the “actual cash value” and the cost of repair or replacement; or
- the adequacy of the repair or replacement.

If their assessments differ, the experts must try to agree on a common value.

Should they fail to agree, they must submit their difference to a neutral arbitrator of their choosing, that is, an arbitrator who represents the interests of neither the **insurer** nor the **named insured**.

The **insurer** or the **named insured** must ask a competent court where the arbitration takes place to appoint the arbitrator or experts if:

- the **insurer** or the **named insured** fail to choose an expert within 30 days of the date of notice;
- the experts fail to choose an arbitrator within 15 days of their appointment;
- one of the experts or the arbitrator refuses to act or is unavailable.

4.3 Value of damage payable by insurer

Even if there is arbitration, the **insurer** will be required to pay the unchallenged portion of the value of **damage**. Payment must be made no later than:

- within 60 days after the **loss** was reported to the **insurer**; or
- within 60 days after receipt by the **insurer** of the information or supporting documents that it requested.

However, if the validity or application of the insurance contract is being challenged, the **insurer** will not be required to pay such amount within the above time periods.

Following arbitration, the **insurer** will be required to pay the amount determined by the arbitrator within 15 days after the date on which the **named insured** accepted the arbitrator's decision.

4.4 Conduct of arbitration

The arbitration must follow the procedure outlined in articles 620 to 655, *Code of Civil Procedure* of Québec, with the necessary modifications due to specific rules set out in the insurance contract.

As stated in article 632, *Code of Civil Procedure* of Québec, the arbitrator may decide which procedure to apply for arbitration. Nonetheless, the arbitrator must ensure that the rules set out in articles 620 to 655, *Code of Civil Procedure* of Québec, are followed.

4.5 Choice of language

The arbitrator, the **insurer** and the **named insured** may use the language of their choice during arbitration proceedings. Arrangements must be made to ensure that proceedings are understood by everyone.

4.6 Place of arbitration proceedings

Arbitration proceedings take place in a location to be determined according to the domicile of the **named insured**.

4.7 Arbitrator's decision

The arbitrator renders a decision based on the applicable laws of Québec.

The arbitrator's decision must be written and reasoned. It must also be signed and indicate the date and place where it was made.

The decision must be sent to the **insurer** and the **named insured** within 30 days after the date on which it was made.

4.8 Costs and fees of arbitration

The **insurer** and the **named insured** each pay the costs and fees of their own expert and half the costs and fees of the arbitration proceedings.

However, if the arbitrator considers that the method for sharing the costs and fees of the arbitration proceedings is not justified or fair in the circumstances, the arbitrator may decide otherwise.

5. PRESERVATION OF RIGHTS OF NAMED INSURED AND INSURER

The actions of the **named insured** or the **insurer** are not considered as a waiver of their rights under the insurance contract if they relate to:

- investigation of **loss**;
- settlement of **loss**;
- arbitration; and
- proof of loss.

6. TIME TO START LEGAL ACTION UNDER INSURANCE CONTRACT (*PRESCRIPTION PERIOD*)

Any legal action arising from the insurance contract, including a lawsuit, must be started within three years after the date on which the right of action has arisen.

EFFECTIVE DATE, RENEWAL AND EXPIRY OF INSURANCE CONTRACT

1. EFFECTIVE DATE AND EXPIRY OF INSURANCE CONTRACT

The insurance contract takes effect and expires at the time and dates indicated in Item 2, “*Declarations*” or, where applicable, in the **endorsements**.

2. RENEWAL OF INSURANCE CONTRACT

Upon its date of expiry, the insurance contract will be renewed automatically, unless notice to the contrary is given by the **named insured** or the **insurer**.

The insurance contract will be renewed for the same **insurance premium** and the same period, unless notice to the contrary is given by the **named insured** or the **insurer**.

The notice sent by the **insurer** may be a notice of non-renewal or a notice to change the **insurance premium**. The notice must be sent to the **named insured** no later than 30 days before the date of expiry of the insurance contract, at the last known address of the **named insured**.

If the **named insured** uses an insurance broker, the insurer's notice must be sent to the insurance broker who must then deliver it to the **named insured**.

3. CANCELLATION OF INSURANCE CONTRACT (*ENDING OF INSURANCE CONTRACT*)

3.1 Cancellation by named insured

3.1.1 Conditions to be met

The **named insured** may cancel the insurance contract at any time by giving written notice to the **insurer**.

Named insureds may mandate one or more of them to send a notice on behalf of them all.

Cancellation takes effect upon receipt by the **insurer** of the notice from each **named insured** or his or her mandatary.

3.1.2 Refund of insurance premium

If the insurance contract is cancelled by the **named insured**, the **insurer** must refund any overpayment of **insurance premiums**, as calculated according to the “*Cancellation table*.” The “*Cancellation table*” is part of the insurance contract.

However, if the **insurance premium** was paid to the **insurer** by the insurance broker, the **named insured** may be refunded solely for what has actually been paid or refunded to the insurance broker.

3.2 Cancellation by insurer

3.2.1 Conditions to be met

A. Cancellation within 60 days

The **insurer** may cancel the insurance contract within 60 days after its effective date.

The **insurer** must send a written notice to each **named insured** or his or her mandatary.

Cancellation takes effect 15 days after receipt of the notice by each **named insured** or his or her mandatary, at their last known address.

B. Cancellation after 60 days

More than 60 days after the effective date of the insurance contract, the **insurer** may cancel the insurance contract only if:

- there has been an aggravation of risk which is likely to materially influence a reasonable **insurer** in its decision to maintain the insurance contract; or
- the **insurance premium** has not been paid.

The **insurer** must send a written notice to each **named insured** or his or her mandatary.

Cancellation is effective either:

- 30 days after receipt of the notice by each **named insured** or his or her mandatary, at their last known address; or
- 15 days after receipt of the notice by each **named insured** or his or her mandatary, at their last known address, if the described vehicle is a vehicle under Title VIII.1, *Highway Safety Code*, and is not a school bus.

3.2.2 Refund of insurance premium

If the **insurer** cancels the insurance contract, it will be entitled only to the portion of the **insurance premium** corresponding to the number of days for which the **named insured** was actually covered under the insurance contract.

If the **named insured** paid the **insurance premium** in advance, the **insurer** must refund the overpayment. However, if the **insurance premium** was paid to the **insurer** by the insurance broker, the **named insured** may be refunded solely for what has actually been paid or refunded to the insurance broker.

CANCELLATION TABLE

DEFINITIONS

The definitions below apply to the words and expressions shown in bold in the insurance contract. Because of the context, a defined word or expression may not be shown in bold in the insurance contract, in which case it is being used in its ordinary meaning and the definition does not apply.

Some of the definitions are simplified versions of those set out in the following laws:

- *Civil Code of Québec*;
- *Code of Civil Procedure of Québec*;
- *Automobile Insurance Act*; and
- *Act respecting off-highway vehicles*.

In case of any ambiguity or discrepancy, the terms of the laws will prevail.

AMOUNT OF INSURANCE: The maximum amount payable by the **insurer** under Item 4, “*Declarations*” or in an **endorsement**.

ANOTHER PERSON: Anyone who, at the time of **loss**, is not an “insured person” under the insurance contract

BODILY INJURY: Any physical or mental injury, including death.

CLIENT: The person who submits an application to the **insurer** in order to enter into an insurance contract. The insurance application may be made for the client personally or for another person. The client is not necessarily the **named insured**.

CUSTOMER’S VEHICLE: Any **motor vehicle**, trailer or semi-trailer, including their equipment and accessories, that is:

- used in connection with the described business activity (including any motor vehicle held for sale on consignment); or
- towed or pushed by a **motor vehicle** driven by the **named insured** or the **named insured’s** employees, members, shareholders or partners in connection with a **described business activity**.

However, a **motor vehicle**, trailer or semi-trailer that the **named insured** has sold, leased for at least one year or offered for leasing but not yet delivered is not deemed to be a customer’s vehicle.

DAMAGE:

- In Section A, “**damage**” refers to both **property damage** and **bodily injury**.
- In Section B, “**damage**” refers solely to **property damage**.
- In Section C, “**damage**” refers solely to **property damage**.

DEDUCTIBLE: The amount left to be paid by the **named insured**.

DESCRIBED BUSINESS ACTIVITY: Any business designated in Item 3, « *Declarations*” and that is carried out in the course of operating a **specified location**.

ENDORSEMENT: A document modifying the insurance contract and officially called “Québec Endorsement Form” or “Q.E.F.”

GARAGE BUSINESS: Includes any business activity involving the custody, selling, equipping, repairing, maintaining, storing, parking, moving or servicing of **motor vehicles**, trailers or semi-trailers.

INSURANCE PREMIUM: The amount payable to the **insurer** in consideration of the coverage provided under the insurance contract.

INSURER: The insurer of this insurance contract.

LOSS: A risk that occurs and causes **damage**.

MOTOR VEHICLE: A vehicle propelled by any power other than muscular force and adapted for transportation on public highways but not on rails.

NAMED INSURED: A person specified in Item 1, “*Declarations*.”

NUCLEAR HAZARD: Risk arising from the hazardous properties of substances that are:

- radioactive, toxic or explosive; and
- prescribed under the *Nuclear Safety and Control Act* and its regulations.

OWNER: A person who acquires or possesses any **motor vehicle**, trailer or semi-trailer under one of the following:

- a document confirming the person’s status as owner of the vehicle (called a “title of ownership”);
- a document entitling the person to become the owner of the vehicle subject to certain conditions or at a certain time;
- a document entitling the person to use the vehicle as if such person were the owner, for a certain amount of time only;
- a lease for a period of not less than one year.

PASSENGER VEHICLE: **Motor vehicle** designed for transportation on a public highway and used for personal purposes. However, **passenger vehicles** do not include utility vehicles whose gross vehicle weight is equal to or greater than 4,500 kg (10,000 lbs).

PROPERTY DAMAGE: Any **damage** caused to a **motor vehicle** or another type of property, including their disappearance.

SPECIFIED LOCATION: A location stated in Item 1, “*Declarations*” or in an **endorsement**, and used by the **named insured**.

SPOUSE: A person who, at the time of **loss**:

- a) is married to and living with another person;
- b) is not married, but has been living in a *de facto* union with another person of the same or opposite sex and is publicly represented as his or her spouse. These conditions must exist for at least three years or, in the following cases, for at least one year:
 - A child has been born or is to be born of their union;
 - They have adopted a child together; or
 - One of them has adopted a child of the other.

TOW TRUCK: **Motor vehicle** equipped to lift and tow a **motor vehicle**, trailer or semi-trailer, or to load them onto its platform, and used exclusively for rendering assistance to or moving not more than two such vehicles.

VEHICLE OF WHICH THE NAMED INSURED IS NOT THE OWNER: Any **motor vehicle**, trailer or semi-trailer, including their equipment and accessories, of which the **named insured** is not the **owner**.

VEHICLE OF WHICH THE NAMED INSURED IS THE OWNER:

- Any **motor vehicle**, trailer or semi-trailer, including their equipment and accessories, of which the named insured is the **owner** and that is used in connection with a **described business activity**, non-profit activities or for personal travel.
- Any **motor vehicle**, trailer or semi-trailer, including their equipment and accessories, which the **named insured** has sold, leased for at least one year or offered for leasing, but not yet delivered.