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Choosing Auto Insurance



AUTORITÉ
DES MARCHÉS
FINANCIERS



About the AMF

The *Autorité des marchés financiers* (AMF) is the regulatory and oversight body for Québec's financial industry. Its mission is to protect the public by applying the laws and regulations that govern insurance, securities (for example, stocks and bonds), deposit institutions (other than banks) and the distribution of financial products and services.

The AMF has published four brochures on insurance. This one will help you choose the right auto insurance and make it easier for you to file any claims you may have in the future. The other brochures are: *Choosing Home Insurance*, *Choosing Life and Health Insurance* and *Choosing Travel Insurance*.

NOTICE

The AMF, its management and staff are not liable for the consequences of any errors in this brochure, which is provided for your information only. The AMF does not offer any advice on the purchase or use of specific financial products or services.

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Choosing auto insurance

Driving or owning a car is not without risk. Among other things, it can be stolen, be vandalized, catch fire, or be involved in an accident, with or without collision. Because such incidents can end up costing you a lot of money, you should protect yourself by buying the right auto insurance.

Auto insurance FAQ

My car is old. Can I drive it without being insured?

In Québec, you need to have civil liability coverage because you must be insured against damages caused to others. So if you own a car, you must be insured by law.

My 18-year-old daughter got her driver's licence nine months ago and will occasionally be driving my car. Do I have to inform my insurer?

Yes. The insurer will consider your daughter's driving record and how often she will be using your car. If you don't inform your insurer, you may not be fully compensated if your daughter has an accident while driving your car.

I'm planning to start taking my car to work. Should I inform my insurer?

Yes. Your insurer determines your premium based on the risk you represent and how you use your car. If you don't take your car to work, you probably pay a lower premium. If you don't inform your insurer, you may not be fully compensated if you have an accident driving to work.

Source: Groupement des assureurs automobiles.

Two plans in Québec: Public and private

There are two auto insurance plans in Québec, a public one administered by the *Société de l'assurance automobile du Québec* (SAAQ) and a private one. For the private plan, each car owner must buy coverage from a private insurance company. The table below shows the main features of these two plans.

	<i>Société d'assurance automobile du Québec</i>	Private Insurers
Coverage	<p>As a Québec resident, you are covered for bodily injury sustained in a car accident. Compensation can be awarded for:</p> <ul style="list-style-type: none"> • Death • Income replacement • Various expenses, e.g. medical • Non-monetary damages such as loss of enjoyment • Bodily injury, from fractures to amputations 	<p>Mandatory coverage</p> <p>Car owners must hold liability insurance of at least \$50,000 (for damage caused to third parties). It is usually recommended to increase this coverage to \$1 million or \$2 million.</p> <p>Optional coverage</p> <p>You can also purchase collision coverage for your vehicle but this is not obligatory.</p>
Where does coverage apply?	In Québec and around the world.	In Canada and the U.S.
How does it work?	<p>This is a no-fault plan.</p> <p>You are compensated for your injuries whether or not the accident is your fault.</p>	In compensating you, your insurer will take into account whether the accident was your fault.

Five steps to choosing the right auto insurance

You will probably buy your auto insurance from an insurance agent or broker. An agent sells the products of one insurance company while a broker can offer the products of multiple insurers. Regardless of whom you choose, the representative will evaluate your needs and recommend the best coverage for you.

Follow these five steps to choose the right auto insurance for you.

1.

Evaluate your needs

Ask yourself the following questions:

- Do you need collision coverage for your car? Is it a late model or used vehicle?
- Who drives your car besides you?
- What do you use the car for: pleasure or to drive to work?
- Do you need additional coverage or will basic coverage be enough?
- Do you sometimes drive in other provinces or in the U.S.?
- Do you rent a car often?
- Would you need a replacement vehicle if something happened to your car?



2.

Choose your coverage

You visited countless dealers or scoured the newspaper ads to find the car you want. Now that you're looking for auto insurance, are you having trouble comparing the type and extent of the coverage offered? What about the restrictions?

Québec has a standard auto insurance policy called Q.P.F. No. 1. This means that all insurers offer the two main types of coverage found in Q.P.F. No. 1:

- **Civil liability (Section A of the insurance policy)**
- **Loss of or damage to insured automobile (Section B of the insurance policy)**



Did you know that you can be held liable?

If you're in an accident, you can be held liable for property damage or bodily injury caused to another person.

This is called civil liability. Your insurance will cover you for up to a set amount against the cost of damage you may cause to third parties with your vehicle. The amount typically ranges from \$1 million to \$5 million.

This may seem high, but if you're found liable, you can be sued for a lot of money.



ON HIS WAY BACK FROM VACATION

Driving home from a two-week vacation in Florida, Joe is involved in a collision with a truck in Plattsburgh. Not only is the truck driver seriously hurt, his cargo is also damaged.

When he gets back to Québec, Joe finds out he's being sued for \$1.5 million.

Civil liability insurance covers you for the cost of:

- Property damage caused to third parties in case of an accident for which you are at fault;
- Bodily injury caused to third parties if you have an accident in another province or in the U.S. You are not covered elsewhere in the world. Call your insurer if you're planning to drive elsewhere;
- Damage caused by someone driving your car;
- Damage to your car following a collision in Québec for which you are not at fault.

Civil liability insurance is obligatory in Québec if you own a car. However, it does not cover damage to your vehicle if the accident is your fault. If you are responsible for an accident and your car is damaged, you will only be covered if you hold collision insurance. Unlike civil liability insurance, this coverage is optional.





Automobile claims database

This is a database containing all automobile claims made in the last six years (accident, theft, vandalism and so on) that insurers can consult to find out your claims history, which will affect your premium.

Anyone with a valid driver's licence can consult their record in the database. Contact the GAA (*Groupement des assureurs automobiles*) information centre to learn how to do this or visit www.infoassurance.ca.

Do you need to be insured for damage to your vehicle?

Section B of your insurance policy covers costs related to the theft of your vehicle, or repairs for damage to your vehicle, its equipment and accessories.

Unlike civil liability insurance, the law does not require you to insure yourself against damage to your own car, i.e. collision insurance.

MARY AND HER OLD CAR

Mary has an old car worth about \$2,200 that she plans to get rid of next year. The premium, plus the \$500 deductible she would have to pay in the event of an accident for which she was at fault, is \$900.

Because this represents 41% of the value of a car that is more than 10 years old, she decides not to take out collision insurance.

With or without deductible?

The deductible is the amount you will have to pay in case of a claim. The higher the deductible, the lower the premium and vice versa.

If you have an accident with another vehicle in Québec, you don't have to pay the deductible if you are not at fault. According to the law, your insurer must compensate you under your policy's civil liability coverage (Section A), for which there is no deductible.



The following types of coverage are available for damage to an insured vehicle (Section B):

Type of Coverage	Covers
1. All perils	Damage to your vehicle and its equipment. Deductible: usually starts at \$250.
2. Collision or upset	Damage to your vehicle and its equipment due to collision or roll-over only. Deductible: usually starts at \$250.
3. Comprehensive excluding collision or upset	Damage to your vehicle caused by: <ul style="list-style-type: none"> • Fire • Hail • Flooding • Vandalism • Falling objects • Collision with a person or an animal This coverage also protects you against vehicle theft. Deductible: usually starts at \$100.
4. Specified perils	Pays only for losses caused by perils specifically listed in the policy, for example, fire, theft and floods. This coverage is more limited than the one called “Comprehensive excluding collision or upset.” For example, you would be compensated if your vehicle caught fire due to a mechanical problem but not if the fire was caused by vandalism.

WHAT IS AN ENDORSEMENT?

Endorsements are modifications that can be included in your insurance policy. They are identified by numbers and sometimes by a letter for a subcategory of the endorsement.

What happens when your car is a total loss?

When the damage to a car is so extensive that it cannot be repaired, it is considered a total loss. An insurer may also declare the car a “total loss” when the cost of repairs exceeds the value of the car on the day of the accident.

If your car is a total loss, you will receive compensation equal to the value of the car on the day of the accident, unless you have a replacement cost endorsement (if so, see next page).

The value of the car on the day of the accident represents its actual cash value, which is determined by establishing the value of a similar vehicle on the used car market. The vehicle’s wear and tear, repairs and other relevant factors are also taken into account. Be sure to give the insurer all supporting documents (bills, appraisals) attesting to the value of the vehicle.

Did you know?

Among the following items, some are covered by auto insurance while others are not.

CD player	Covered.
Leather jacket	Not covered but may be covered by your home insurance.
Your trailer*	Not covered unless added to the policy.
Bicycle rack	Covered.
Flat tire	Not covered.
Corrosion	Not covered.
Your golf clubs	Not covered but may be covered by your home insurance.

*However, you are covered if you cause damage to a third party with your trailer.

Have you read the exclusions?

To avoid unpleasant surprises, make sure you understand what your policy doesn't cover.

The main exclusions are:

- Flat tires (unless caused by a collision or vandalism)
- Damage caused by normal wear and tear
- Damage intentionally caused by the policyholder

What about your belongings in the car?

Car equipment is covered, for example, your radio or bicycle rack.

However, a laptop or any other property left in your vehicle must be covered by your home insurance.

After helping you choose basic coverage, your representative should evaluate whether you require additional coverage.

3.

Decide whether you need additional protection

The endorsements offer additional protection but can increase the cost of the insurance. This section describes the most popular endorsements. The numbers, indicated in parentheses, are the same in all policies.

Replacement cost

The replacement cost endorsement (No. 43) has six options (A to F). We will discuss the most popular option—43E—available on newly purchased or leased vehicles. In case of total loss or theft, your vehicle will be replaced by a new one with the same features, equipment and accessories. If such a car is not available, it will be replaced by a similar vehicle. The coverage period can vary from two to five years.

What is the difference between replacement cost insurance (Endorsement 43E) and replacement insurance?

The following table summarizes the differences and similarities.

Endorsement 43E – Replacement Cost	Replacement Insurance
Offered directly by insurers, brokers or agents.*	Offered directly by insurers, brokers or car dealers on behalf of an insurer.*
In case of total loss or theft, your vehicle will be replaced by a new, equivalent car but not necessarily from the original dealer. You have the option of not replacing the vehicle and receiving an indemnity.	In case of total loss or theft, your vehicle will be replaced by a new, equivalent car (in the case of a used vehicle). The car will be replaced by the same dealer or by the dealer of your choice depending on the option you chose when you purchased the policy.
The price is fixed for the term of the policy (usually one year) and is renewable thereafter at the conditions set by the insurer.	The price is fixed when the vehicle is purchased for the term of the policy and can usually be financed along with the cost of the vehicle.
The deductible is indicated on the policy.	No deductible.
You can cancel your policy at any time by notifying your insurer in writing. You will be reimbursed for the unused portion of the premium, less cancellation fees.	You can also cancel your policy at any time by notifying your insurer in writing and paying a fee. However, if the coverage was purchased from a car dealer, you can also cancel your insurance within 10 days without penalty.
If your vehicle is declared a total loss, your policy is not necessarily cancelled because the new vehicle can be covered by the same policy.	If your vehicle is declared a total loss, the policy is cancelled. The insurer reimburses you the unused portion of the premium. This policy is not transferable from one vehicle to another.

*See our brochure *Insurance Sold by Lenders and Merchants*.

Before choosing, take the time to evaluate your needs and compare prices.

Coverage for borrowed or short-term leased vehicles

This coverage (Endorsement 27) protects you if you are responsible for damage to a vehicle that you leased or borrowed for less than one year in Canada or the U.S.

Do you have a long-term vehicle lease? (One year and more)

Some long-term vehicle lease contracts contain a gap protection clause. If you have an accident with your leased vehicle and it is a total loss, the gap protection will limit your obligation to handing the dealer the indemnity (value of the vehicle) received from the insurer. You will not have to pay the difference between the value of the vehicle and the amount remaining on your lease with the dealer.

Do you need a replacement vehicle?

If your car is stolen or cannot be driven after an accident, you will need to find another means of transportation. Will you have to rent a car, take a taxi or use public transit while waiting for your car to be replaced or repaired?

Your auto insurance policy contains basic coverage in case of theft; however, you can buy one of two endorsements (20 and 20A) for better protection. Buying additional coverage reduces the waiting period before you're allowed to rent a vehicle at the insurer's expense following a theft. It will also give you more money for the rental and applies to all claims covered by the policy. Ask your representative for more information about this type of endorsement.

4.

Shop around

Who will give you the best protection for the best price? Depending on their risk management preferences, insurers will favour some policyholders over others. Take the time to shop around because the difference in price can be significant. That said, your decision should not be based on price alone. Choose insurance with the coverage you need.

Factors that can affect the cost of your auto insurance

Age and sex

Young men generally file more claims and will therefore pay higher premiums.

Your driving record and vehicle usage

Your insurance premium may be lower if:

- You have taken a driver education course
- You have held a driver's licence for several years
- You have not committed any violations of the Highway Safety Code
- You have not been in or caused an accident
- You don't use your vehicle to travel great distances
- You don't use your vehicle for business

Your vehicle

Premiums increase or decrease depending on vehicle make, model, value, engine, cost of replacement parts and even the number of doors. Some vehicles are more popular with thieves. The Insurance Bureau of Canada (IBC)* publishes a list of the top 10 most stolen cars in Canada.

*The IBC represents most property and casualty insurers in Canada.

Where you live

Your premium will be higher or lower depending on where you live. For example, premiums will be higher in areas with higher car theft rates or that have more traffic accidents.

Your coverage

Insurers also take into account the amount of civil liability insurance and deductible that will apply if a vehicle is damaged. The higher the deductible, the lower the premium. Also, if you only have civil liability coverage, you will pay less than if you are also covered for vehicle damage.

CAN'T GET INSURANCE?

Regardless of your situation, you must be able to get insurance. If you've tried without success, you can contact the IBC's Insurance Information Centre for free advice. The Centre will examine your record and why insurers are refusing to insure you. They will help you find a solution so you can get insurance.

Discounts

If you insure more than one vehicle or insure both your car and your home with the same company, you may be entitled to a discount. As well, the premium is likely to be lower if your car is equipped with an antitheft device. Some insurers also offer a discount if you've lived in the same place for many years.

You could pay less

You could get a discount from your insurer if you:

- Install an antitheft device
- Purchase home insurance from the same insurer
- Opt for a higher deductible
- Have a good driving record

And remember, shop around.

5.

Buy auto insurance that meets your needs

You've found the type of auto insurance you need. Before buying:

- Find out whether your insurer and its representative are registered with the *Autorité des marchés financiers*. Call the AMF Information Centre or check the Register on-line at www.lautorite.qc.ca.
- Answer your insurer's or representative's questions honestly. If you make a false declaration, for example, concerning the use of your car, it could complicate matters in the event of a claim, which could be reduced or even rejected. Moreover, the insurer could raise your premium when the policy expires or simply refuse to insure you.

Tell your insurer if:

- You use your car for business, travel or just for pleasure
- Regularly lend your car to someone else

Five important things to know about auto insurance

1. Avoid disputes: What should you do while your policy is in effect?

Inform your insurer of any increased risk, i.e. the addition of a driver, new equipment or a change in the use of your car. In this way, you'll avoid unpleasant surprises in the event of a claim.

For example, if you didn't tell your insurer that your 18-year-old daughter is now driving your car, you may not be compensated if she has an accident.

- Pay your premiums on time; otherwise, your insurer can cancel your policy.
- Keep the receipts of improvements made to your vehicle, especially if they substantially increase its value.
- If you don't receive a policy renewal, call the insurer.

2. Cancelling your auto insurance

When can you cancel your insurance?

A cancellation means that the insurance will no longer be in effect as of a certain date. A policy can be cancelled by the policyholder or the insurer.

You can cancel your policy at any time and for any reason simply by informing your insurer in writing. You will be reimbursed for the unused portion of your premium, less cancellation fees. These fees are calculated according to a cancellation table that comes with the policy.

If you're cancelling your policy because you've found a better deal elsewhere, make sure the new insurance offers the same benefits and coverage as your current policy.

When can an insurer cancel your policy?

Your insurer can decide to cancel your policy within 60 days of its effective date by notifying you in writing. After this period, an insurer can only cancel a policy if the risk of insuring you increases* or if you fail to pay your premium.

*In most cases, the insurer won't cancel the policy but will increase your premium.



3. Renewing your auto insurance

You will receive a renewal notice no later than 30 days before the policy's expiry date. If your insurer does not want to renew your policy, it must also advise you within 30 days of the policy's expiry. If you don't plan to renew, let the insurer know.

False declarations and too many claims are the main reasons cited by insurers for refusing to renew a policy.

If you want to change insurer, start shopping for a new policy before your current one expires and let the insurer know that you don't plan to renew. If you notify the insurer after the renewal, you will have to pay cancellation fees.

4. What happens if you have an accident?

We all hope never to be in an accident but if it happens, there are some things you can do to minimize problems.

What you should do:

- Complete the joint report of automobile accident, available free of charge from the GAA ("*Groupement des assureurs automobiles*"). However, if someone is hurt, call the police.
- If there are witnesses to the accident, take down their names and telephone numbers.
- Jot down what happened.



What you should NOT do:

- Admit responsibility because it will affect your insurer's recourse;
- Settle a claim without your insurer's authorization;
- Abandon your vehicle. Have it towed to a location where it will be protected from further damage. If you don't, you could be responsible for any additional damage.

Damage appraisal following an accident

After an accident, the insurer can have the damage to your car assessed by an appraiser of its choice.

Where can you have your car repaired after an accident?

All you need to do is give your insurer the name and phone number of your garage. But don't go ahead until the insurer authorizes the repairs. If your garage says that the repairs will cost more than the appraiser's estimate, the insurer may ask the garage to justify the higher costs.

Take the time to discuss the damage appraisal with your insurer and the type of parts that will be used to make the repairs (new or used parts).

JADE DID NOT PAY HER PREMIUM

In May, Jade bought insurance for her new car. The annual premium was \$1,200. Two months later, despite repeated requests, the insurer still hadn't received payment. The insurer can cancel the policy by notifying the policyholder in writing but Jade still has to pay a premium for the period during which she was insured. In addition, she may have trouble getting insurance from another company.

5. How long it takes to settle a claim

Claims for damage to a vehicle are usually settled within 60 days. This time is calculated from the date the insurer receives the notice of loss or the date you provide the required information or supporting documents. Send the information to your insurer as quickly as possible.

What happens if you have a dispute with your insurer?

First, try to reach an agreement with your insurer or broker.

If you can't, a number of recourses are available to you.

You can always start by contacting the *Autorité des marchés financiers*, the body responsible for overseeing Québec's financial markets.

Autorité des marchés financiers ("AMF")

The AMF offers a complaint examination and assistance service to consumers of financial products and services.

An agent from our Information Centre will explain how to file a complaint with the company with which you did business. If you are still not satisfied, you can ask that your file be transferred to the AMF.

The AMF will study your file and may offer its mediation service (amicable settlement). This service is free for consumers but the company involved must agree to participate.

This service is an alternative to the courts and may help you and the company arrive at a satisfactory resolution.

Chambre de l'assurance de dommages (ChAD)

The ChAD receives complaints from consumers concerning claims adjusters, brokers and agents in damage insurance. Once the investigation is completed, a complaint may be filed against the representative before the discipline committee, which can impose sanctions ranging from a mere reprimand to de-registration and impose fines of \$2,000 to \$50,000 per infraction.

Although it does not allow consumers to recover lost money, this approach is useful for those who feel they were wronged by a representative and want him to change his conduct.

The ChAD maintains discipline and oversees the training and ethics of its members, who are adjusters, brokers and agents in damage insurance. The *Autorité des marchés financiers* delegates responsibilities to self-regulating bodies such as the ChAD to help ensure compliance with regulations.

Arbitration

In auto insurance, when there is a disagreement about the damages, your policy states that you have access to arbitration but can also choose to go to court. If you choose arbitration, your insurer will have to agree to this method on receipt of your written request. You and your insurer will then each have to name an expert, who will appoint an impartial arbitrator. The arbitration award will replace a judgment and you and the insurer will each have to pay half of the arbitration fees plus the fees of your experts. When a written request for arbitration is made by the insurer, the policyholder has the choice to refuse and opt for the courts instead.

The courts

Turning to the AMF does not mean you lose your right to go to court (unless there is a settlement or arbitration). However, be careful about how long you take because the law sets time limits for taking someone to court. A lawyer can tell you more. Visit www.educaloi.qc.ca to learn how the legal system works in Québec.



Useful resources

Autorité des marchés financiers

Québec City: 418-525-0337

Montréal: 514-395-0337

Toll-free: 1-877-525-0337

Website: www.lautorite.qc.ca

Youth site: www.lesaffaires.com

Chambre de l'assurance de dommages (ChAD)

Montréal: 514-842-2591

Toll-free: 1-800-361-7288

Fax: 514-842-3138

Website: www.chad.ca

Société de l'assurance automobile du Québec

Québec City area: 418-643-7620

Montréal area: 514-873-7620

Toll-free: 1-800-361-7620 (Québec, Canada, U.S.)

Website: www.saaq.gouv.qc.ca

Insurance Bureau of Canada

Montréal: 514-288-4321

Toll-free: 1-877-288-4321

Website: www.infoassurance.ca

Groupement des assureurs automobiles

Montréal: 514-288-4321

Toll-free: 1-877-288-4321

Website: www.gaa.qc.ca



**AUTORITÉ
DES MARCHÉS
FINANCIERS**

To contact
the *Autorité des marchés financiers*

QUÉBEC CITY

Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

MONTRÉAL

800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

INFORMATION CENTRE

Québec City: 418-525-0337
Montréal: 514-395-0337
Toll-free number: 1-877-525-0337



You can also visit the
AMF website at
lautorite.qc.ca



Youth site:
tesaffaires.com