

## **Notice relating to the cancellation of damage insurance contracts and the use of the short-term rate in computing the refund of insurance premium overpayments**

In notices published in its Bulletins dated July 23, 2010 (Vol. 7, No. 29) and October 1, 2010 (Vol. 7, No. 39), the Autorité des marchés financiers (the “Authority” or the “AMF”) set out the rules for cancelling automobile insurance contract Q.P.F. No. 5 – Complementary Insurance for Damage Caused to Insured Vehicle Form – Replacement Insurance (“QPF 5”).

In response to observed current practices, the AMF wishes to clarify the application of those rules and to remind insurers that they are not exclusive to QPF 5: The insurance cancellation rules set out in article 2479 of the *Civil Code of Québec*<sup>1</sup> apply to all damage insurance contracts.

Accordingly, the AMF reiterates that insurance premiums must be refunded in accordance with article 2479 of the *Civil Code of Québec*, which stipulates, in particular, that the insurer is entitled to only the earned portion of the premium, computed at the short-term rate if the insurance is cancelled by the insured.

**The AMF reminds insurers that a maximum short-term rate not exceeding 10% of the unearned premium, corresponding to the short-term rate generally used in the industry, will be considered reasonable.**

### **Additional Information**

Additional information is available from the AMF Information Centre at:

Québec City: 418-525-0337

Montréal: 514-395-0337

Toll-free: 1-877-525-0337

Fax: 418-647-9963

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

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<sup>1</sup> CQLR, c. CCQ-1991