



Current Articles 1998 – May

OPCF 43 - Removing Depreciation Deduction

The Ontario Insurance Commission amended this endorsement with the following 3 basic changes. Firstly is with regard to the applicable term of benefit. Originally, the endorsement would provide the benefit for a time limit prescribed by the insurer and stated on the endorsement. For example, if the insurer permitted the benefit for 24 months from the date of acquisition of the vehicle, that was the benefit period even if the 24 months expired during the term of a renewal. The revised wording has amended this time period to allow the benefit to continue for the full policy term to which the endorsement is attached. This means that if the insurer only permits this benefit for the 24 months from acquisition and a vehicle is insured on an existing policy expiring in 22 months from acquisition, the coverage will continue until the next expiry date. For a 12 month policy this would be 32 months from acquisition!! The OIC reasoning is based on the fact that the insured would be charged a premium for the full term and was therefore entitled to the benefit. An OIC bulletin advises that Insurers delete the OPCF 43 on the first renewal notice following expiry of the coverage period and advise the insured, indicating that the OPCF 43 no longer applies.

The second amendment identified that the additional benefit of the OPCF 43 was to "include all applicable taxes". In my opinion taxes were always part of the purchase price. But the OIC have clarified this item.

The endorsement now permits the insurer to replace the vehicle with a new auto of the same make, model and equipment.

Lastly, the endorsement clearly states that where DCPD is applicable to the loss and which pays on an Actual Cash Value Basis, the OPCF 43 will pay the difference!

The new OPCF 43 endorsement states that it will pay the lower of:

(a) the actual purchase price of the vehicle and its equipment (b) manufacturers suggested list price including equipment on original date of purchase (c) cost of replacing the auto with a new one of same make, model and equipment

Many times the dealer does not show the Manufacturers list price on the standard auto dealers purchase agreement, but will show a "total sale price". This price is before "freight", "administration fee" etc. Some insurers have refused these items since they appear on the purchase order after the purchase price!!

If a client was able to purchase a vehicle with a discount or a manufacturers rebate and a replacement vehicle cannot be purchased with the similar discounts, in my opinion the original sale price before such discounts should be the price used for settlement. However this is also an area where some insurers will attempt to discount their payment even though the insured cannot obtain the similar discount advantage.

Adjusters have told me also that a reduced purchase price because of a manufacturers "cash option credit" would not be allowed. This reduction is permitted by the manufacturer when a reduced finance interest rate is in effect and for the cash purchaser, an offsetting discount. If at the time of replacement, there is no such cash option credit offer, then this should not be used to reduce the benefit to the detriment of the insured.

Similar problems have been encountered by the use of Visa or other credit card accumulated credit dollars that can only be used for the purchase of a particular make of auto. These credits for the original purchase should not reduce the OPCF 43 benefit as they are no different to a cash payment. Not all insurers agree!!!!

If an Insurer is "reading in" a benefit similar to the OPCF 43 but without an actual OPCF endorsement will the "read in" benefit expire at the end of a renewal term or in a specific number of months?

I learned recently of an unusual application of the OPCF 43 by an insurer. If a client's keys are stolen, it has always been a problem as to whether the auto policy will pay to re-key the locks of the auto. Technically this would be a preventative expense which would not be covered. However, this insurer stated that if they insured an "expensive" auto that included the OPCF 43, they would pay for the re-keying cost. The reason is obvious. If the person who has stolen the keys, later steals the car the insurer with the OPCF 43 will be subject to a considerably higher claim" Now that's an innovative claims response!!

Most of the above situations may not come to the knowledge of the broker. Many times, the broker will add the OPCF 43 automatically when a new car is added and may not advise the client. The client on the other hand, may not expect the insurer to be paying the original cost and be surprised at the higher amount, even though the OPCF benefit may not be as much as should be obtained! This is when a good claims follow-up procedure can offer that additional measure of broker service.

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