



Current Articles 2000 – June

Changing Times and more Policy Changes

In 1999, there was a great deal of concern about the effects of "Y2K". Insurers issued restrictive endorsements and we were warned of impending and perhaps uninsured losses that would take place at the stroke of midnight on January 1, 2000. I have not heard of any claims for Y2K submitted by personal insureds. However, the claims from large conglomerate commercial insurers, mainly in the U.S.A. are reaching staggering claim potential amounts.

These claims are in the multi million and are all related to the Sue and Labour arguments for remedial efforts. (See Jim's Corner - Dec. 99) Claims from multi national companies include GTE Capitol, ITT, K-Mart, Nike, Xerox, Unisys and the list is continuing to grow. Y2K is not over and because of the magnitude of these claims the courts will be taking years to reach decisions. We are going to be reading about Y2K for some time yet!

The Ontario Automobile Policy was changed effective March 1, 2000 to include **same sex partners who live with you** as defined insureds to the same extent as a "spouse". This change also affects Section 4.1 - Accident Benefits and the Statutory Accident Benefit Schedule applicable with Bill 59. In relation to Optional Accident Benefits and most particularly Increased Income Replacement Benefits, a situation may be present that could create a problem for a broker:

If two people are living together as "same sex partners" and only one owns a car - and for my example the same sex partner who owns the car has a low income. Optional Benefits **for the owner** may not be necessary. However, as of March 1, the same sex partner, residing with the owner and who does not own a vehicle, will become eligible for Accident Benefits from his same sex partners insurer. If the partner who does not own the vehicle has an income that would render the Basic Benefit inadequate and Optional Benefits are not advised by the Broker ---- guess who may be on the hook!!! This example along with the situations as discussed in my last month's article emphasizes the need for regular and up-to-date advice to be communicated regularly to clients.

In the next few months, we can expect to see some changes to the Ontario Garage Auto Policy (OAP 4). These changes were originally scheduled for January 2000 but because there has to be amendments to the OAP 1 to coincide with the Garage Policy changes, the actual date of the Garage Policy amendment was delayed. The major change will be the introduction of a Direct Compensation Property Damage section to the garage policy and to apply for vehicles operated by the garage and **have no valid insurance by the owner**. Under the present OAP 4 if a client has an uninsured vehicle which is towed to a repair garage and the repair garage later road tests the vehicle, a gap may occur. If this customer's uninsured auto is damaged by a Third Party and the **Third Party is 100% at fault**, there is no coverage. The Collision Section of the Garage policy will only apply **if the garage is legally liable**. Neither the garage or the owner would have coverage and the damages are uninsured. By adding the new Direct Compensation to the Garage Policy this gap has been filled for this example.

The Industry is also continuing to consider offering a discount for clients who have an existing Collateral Benefits plan privately or through their employer. This makes good sense since the auto policy applies in excess of any other collateral plan. If an insured has such a collateral benefit plan his auto insurer may not be called on to supply any loss of income. It also will allow the individual broker to better compete with "group marketers" who frequently "discount" rates for employees of known employers who have a Group Benefit Plan.

The Insurance Industry never stops changing, does it? Watch for these amendments (and maybe more) over the coming summer months.

Thank you for your inquiries and replies, most particularly the "far away" responses by email. Have a safe and pleasant summer and we shall be back in the fall.

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