



Current Articles 2001 – January

When the Claim Occurs

As a broker we sell a piece of paper that offers a promise to pay if a certain situation occurs. This is the promise to address an insured claim. We charge a significant amount for our "piece of paper" and the client should expect to receive the benefit of that promise when a claim occurs.

However, many claims are presented and the benefits that a client is entitled by the policy are not fully honoured. I do not believe that it is a deliberate attempt to reduce the claim but from a lack of understanding and communication between the broker and a claims examiner.

Over the past several weeks I have frequently been told of charging an incorrect deductible on an automobile claim. Insureds may not understand the Direct Compensation Property Damage section of their policy particularly when there is a claim in which the insured is partially at fault. As an example and if the "fault chart" assesses your insured to be only 25% at fault, the DCPD will pay 75% of the damage to his auto (assuming 0 deductible DCPD). The other 25% will come from his collision section. The error occurs when the claims examiner deducts the full collision deductible instead of pro-rating the deductible in the same proportion as the fault determination. In other words, if the damages were \$4,000. the collision would be paying 25% or \$1,000. If the insured carries collision with a deductible of \$300.00 then the collision claim should be \$1,000. less 25% of his deductible or \$75.00. The collision claim is thusly \$925.00. The examiner may review the policy and apply the full \$300. deductible. The insured, not understanding the policy, gets charged an excess amount of \$225.00!

The other continuing problem occurs with the OPCF 43 - Removing Depreciation Deduction. This endorsement states that it will pay the least of (a) the actual purchase price of the auto, (b) the manufacturer's suggested list price, (c) the cost of replacing the auto with a new auto -same make and model and similar equipment.

Some insurers are arbitrarily saying that the "original purchase" price is the bottom line after any limited time discounts, GM Visa credits or manufactures cash back incentives. If the car is totaled, the replacement will not have the GM Visa credits as the client would have used them on the first purchase. Secondly the cash back incentives may no longer be applicable. I do not believe that it is proper to deduct such credits that are not available on the replacement vehicle. In my personal case and in purchasing a new vehicle in May of this year, I received a sizable incentive cheque and cash back from Ford and that did not apply after May 31, 2000. If my vehicle was totaled in June and I replaced it with a similar model should I not receive the actual cost of vehicle at the time of the loss?

The client may not tell you of this error because he may not understand the benefits of the OPCF 43. Clients expect large depreciation in the first year of the car and when they get an amount in excess of what they anticipated, they accept the insurer's offer even though they may be entitled to several thousand dollars more as stated in the OPCF 43. I was also made aware of one case where the insurer refused to pay the taxes, claiming that they were not part of the actual

purchase price. Even the endorsement states that it will pay "applicable taxes". Do you think that you can purchase an auto without paying these taxes??? Not likely.

These are two examples of how a prudent broker can add a true value added benefit to their clients in counseling a client as to what to expect, suggesting the client call if any questions and for the broker to follow up with clients as to their satisfaction and settlement of claims.

James E. Bonnay,
C.I.P., C.C.I.B.
Insurance Consultant

Phone 905-333-1727
Fax 905-333-0683
E-mail - jamesbonnay@cogeco.ca