



Current Articles 2009 – November

Review; ... Recommend; ... Revise; ...

In several past articles I have reviewed several property wordings and suggested that the limits be discussed with you clients and to possibly update the values. Now let us offer some suggestions for other coverages and options.

Our current schedule of Accident Benefits in the OAP 1 was introduced on November 1, 1996. At that time the minimum weekly income of \$400.00 per week was based on the average weekly income. But that is now 13 years ago! Inflation alone would suggest an increase. It has been stated that only 5% of all auto policies in Ontario have **any** Optional Accident Benefits! Have there been any recommendations to increase or add Optional Benefits?

In a recent case and after the broker had recommended higher Income Replacement benefits, the client told the broker that his employer had a group benefit plan that would pay up to 80% of his income. Obviously there was no need for increasing the \$400.00. Two years later the client left his employer and with a relative started their own business. Some time after that, the client was seriously injured in a car accident and rendered a paraplegic. At the time of the accident he was earning approximately \$150,000 annually. The broker was not aware of his change in occupation but was considered negligent for not continuously advising of the options available.

When I started in this business, the minimum limits had just been increased to \$35,000 inclusive. Today in Ontario they are \$200,000. Nova Scotia, a year ago increased their minimum limits to \$500,000. Alberta is considering the same and if that happens Ontario will follow. Many brokers have recommended an auto liability limit of \$1,000,000. But is that enough? Maybe we should be recommending a limit of \$2,000,000 or higher. As a broker you can only recommend. Your function is to give the right advice. It is always up to the client to make the decision. If you set the limit and it is inadequate, you will have a problem.

Higher limits should be recommended for Personal Liability also. One of the best ways to solve the limit problem for both auto and personal is by recommending a Personal Umbrella Policy. Stangely enough there are very few Personal Umbrellas sold. Is the reason that the premium (and commissions) too low? You would have a difficult time with that excuse in court! Personal Umbrella's are even added to the Homeowners Declaration page in the USA. Would it be a good idea to offer Personal Umbrellas?

It is apparent that higher court awards will continue and if you don't regularly advise the client of the additional needs to increase or to offer a Personal Umbrella, the shortfall may come back to haunt you. It is equally important that you offer a uniform approach to such recommendations. If a circular, enclosure or form letter is used, you must keep a copy. Similarly it is a good defense that you can demonstrate that you have made such

recommendations to all you clients and that you have evidence to prove it. Good documentation and consistency with regard to these recommendations is a great defence.

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