



## Current Articles 2010 – January

### Get Ready! Auto Policy Changes are Coming

The government has recommended 41 changes to the Ontario Auto Insurance. The forecast is that the amendments, all or some of them will meet approval in early spring of 2010 and to be implemented mid year.

The amendments that will affect the broker are the changes that will reduce certain benefit payments. Many of these benefits, particularly with regard to the Accident Benefits were introduced in 1991. Whenever any benefit is reduced, the consequences of such a reduction can create problems for the brokers. If the broker does not bring the change to the attention of the client, not only at the first renewal after the implementation of the changes but even several renewals later, an E & O can occur.

If you asked your clients if they know what Accident Benefits and what limits they have, most will be unable to answer and may not even know if they have such benefits. This is normal as we have the most complicated auto policy in Canada. But when an existing benefit that they have had for many years, whether they have had a claim or know about the coverage, any subsequent reduction that affects a claim will prompt the client to bring an action against the broker. The attitude is "If I had known about it, I would have increased the benefit or made other arrangements". If the broker has not REGULARLY brought these changes to the attention of the client, the broker has little defense.

Your provincial association and I am sure that many insurers also will be preparing specimen explanations of the changes and probably offering training seminars. However, a "one time" brochure or discussion about the changes may not be enough. For example: The Caregiver Benefit will become an Optional Benefit. If you explain this to your client and your client replies that all his children are married and away from home, then realistically that client does not need the Caregiver Benefit AT THAT TIME. But what happens if the client's elderly mother moves in with them some 3 years later. Now one of your clients (or both) have become a caregiver and with no benefit. If the client is not regularly reminded of the change and in this situation, if not reminded, could they bring an action against the broker for improper advice?

The purpose of such reductions is to try to contain premiums. Personally, by reducing benefits and making options available to buy them up to where they were is a misleading remedy!

With awareness that the legislation has not been approved yet, here are the suggested changes which are part of the 41 recommendations that will affect the current benefits:

- ✓ Reducing the non-catastrophic Medical/Rehab from \$100,000 to \$50,000 and introducing options to increase to \$100,000 or \$1,000,000 **and for additional premium**
- ✓ Reducing Attendant Care benefit for non-catastrophic from \$72,000 to \$36,000 with an option to buy it up to \$72,000 **and for an additional premium**
- ✓ Deletion of Caregiver Benefit and Home Maintenance Benefit except for catastrophic injuries. An option will be available to add these benefits for non-cat injuries **and for additional premium**
- ✓ Income Replacement will maintain the same limits and options but will be based on 70% of **Gross Income** as compared to the current 80% of **Net Income**. This will require individual review.

✓ Renewals will **include** a \$500.00 deductible on Direct Compensation with options to reduce the deductible to \$300.00 or No deductible **and for an additional premium**. Negative selling of the options will not be permitted.

In addition a proposed change is to the Pain and Suffering deductible is to allow a client to buy an option to reduce the \$30,000 deductible for not-at-fault victims and \$15,000 under the Family Law Act to \$20,000 and \$10,000 respectively.

There are many other proposed changes but these are the ones that will greatly impact on the broker. Over the next few months we will try to keep you up to date with these and perhaps other proposed changes.

**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