

# Insurance Guidebook

Ontario



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# Back to Basics

Explaining Auto Insurance in Ontario



*In Ontario, it is a requirement for all drivers to carry valid automobile insurance. While many people know that carrying insurance is mandatory, they aren't familiar with some of the key terms and processes — or even what's inside their policy. Too often, drivers become educated once they need to make a claim, and that can be too late.*

*This guidebook is intended to provide an introduction to some of the key elements of auto insurance in Ontario. It is not meant to be a replacement for the knowledge of licenced Insurance Agents or Brokers, or the contents of your auto insurance policy (known as OAP 1: Ontario Automobile Policy Owner's Policy).*

*The OAP 1 policy details the rights and obligations of both the insured and their insurance company, and can be accessed from the Financial Services Regulatory Authority of Ontario ([FSRA](#)).*

*The following pages contain key terms and concepts explained in a simplified manner. This information will help you have deeper and more productive discussions with your licenced Insurance Agent or Broker, who can provide tailored advice as you review your insurance policy and options in the future.*



**Insurance should be clear and easy to understand. That's why we created this handy insurance guidebook to explain some of the most commonly used terms you should know.**

**Remember, always speak with your Insurance Agent or Broker if you have any questions. They're available to help.**



# Auto Insurance

There is no one-size-fits-all solution when it comes to purchasing auto insurance. To make sure you get the right coverage for your specific needs, it's important to talk to your Insurance Agent or Broker.

## Accident Forgiveness

Accident Forgiveness is offered by most insurance companies and can be added to your insurance policy if eligible. This may protect your premium in the event of a loss.

For example, when you have Accident Forgiveness coverage and have your first at-fault accident, this may protect your current driving record. It may also keep your premium from going up as a result of the accident.

Accident Forgiveness eligibility and rating varies by insurance company. Ask your Insurance Agent or Broker about this, as not all insurance companies offer it.

## Actual Cash Value (ACV)

Actual Cash Value is the current market cost to repair or replace an item, less its depreciation (how the item has aged, deteriorated or became obsolete over time). This term is often used when discussing a **Total Loss**.

## Insurance Agent vs. Broker

An Insurance Agent sells insurance for a specific insurance company.

An Insurance Broker sells insurance for many different insurance companies.



## Cancelling Your Insurance

An insurance company can cancel your insurance during the policy term but must provide you with registered written notice with specific reasons. A complete list of reasons can be found on the Financial Services Regulatory Authority of Ontario (FSRA) website, as part of the Ontario Automobile Policy Owner's Policy (OAP<sup>1</sup>).

You can also cancel your policy at any time, but you must always have valid insurance if you are driving. Be sure to ask if there is any penalty for cancelling your active policy before it's up for renewal.

## Claim

An insurance claim is a formal request by a policyholder to your broker or insurance company for compensation of a covered loss. Filing a claim does not necessarily mean you will receive a payment. (The reason for the loss must be covered under the policy and its terms met).

## Commuting (driving to and from work, school or transit terminal)

Commuting takes into account the distance you drive to work, school or to a public transit parking lot.

*For example,* if the distance from your home to your work is 10 km, your roundtrip **commute** would be 20 km per day.

## Deductible

Insurance companies use deductibles to share the cost of any claims with the policyholder. When you file an insurance claim, a deductible is the amount of money that you are responsible to pay, as outlined in your policy.

*For example,* if your policy's **deductible** is \$500 and you have a covered loss under your policy that totals \$10,000, you'll pay \$500 and your insurer will cover of the remaining \$9,500.

## Demerit Points

Drivers in Ontario who are caught failing to follow road rules can have demerit points applied to their driving records. They range from two points added for minor offences (e.g. speeding, improper turns) to seven points for more serious traffic offences (e.g. impaired driving, fleeing the scene of a collision).

When calculating your Ontario car insurance premium, your insurance company considers the type and class of conviction you received. Factors in determining your premium include any minor, major or criminal convictions you have been charged with.

*For example,* if you are convicted of exceeding the speed limit by 16 to 29 km, you will have three **demerit points** added to your driver's licence.

## Depreciation

Depreciation considers how the value of an item has decreased over time — usually due to everyday wear and tear (e.g. ageing, deterioration, and obsolescence).

*For example,* your brand-new vehicle will **depreciate** (or decrease) in value over time, depending on how many kilometres you've driven and how well you've maintained the vehicle.



## Driver's Licence Levels

In Ontario, a graduated licence format is used for G level (passenger vehicle) licences. There are two learning levels (G1 and G2) that drivers must complete, along with two road tests to receive a full G licence.

G1 and G2 licences allow a new driver to practice and improve their skills but include restrictions on where and when they can drive.

Under a G1 licence, drivers are prohibited from driving on 400-series highways or high-speed expressways, and cannot drive between midnight and 5:00 a.m. In addition, a fully licensed driver with at least four years of driving experience is required to be in the vehicle with the G1 driver.

G2 drivers have fewer restrictions placed on when and where they can drive. They are not required to have an experienced driver in the car with them and are permitted to drive on all Ontario roads. G2 level drivers are required to have valid auto insurance coverage.

When you become a full G driver, all restrictions are lifted.

For a complete list of requirements under the graduated licencing system, please visit the Ministry of Transportation (MTO) website.

## Household Drivers

All licensed drivers in your household must be listed or noted on your auto insurance, even if they are insured with a different company. If you do not list everyone, it could impact your coverage.

## Occasional Driver

An occasional driver or secondary driver on a car insurance policy is a person who is not the primary or principal driver of the insured vehicle. This person could be a spouse, child or relative.

## Ontario Automobile Policy (OAP 1) Owner's Policy

The OAP 1 is your automobile policy. It explains the rights and responsibilities of the insured (you) and of the insurance company (insurance company).

The OAP 1 outlines your automobile coverage and the terms.



## Pleasure Driving

Pleasure driving means that you only use your vehicle for personal or leisure activities and not for commuting or business purposes.

## Policyholder

This is the person (also known as the named insured) who has an insurance policy with an insurance company and is the registered owner of the vehicle.

## Policy Term

A policy term outlines the length of time you are covered. It states the date and time that your policy begins and ends.

## Principal Driver

A principal driver is the person who drives the car most often. The driving record of the principal driver will affect the car insurance premium. Your auto insurance policy will typically cover all the people in your household and multiple vehicles.

## Premium

An insurance premium refers to how much your insurance policy will cost, generally paid on a monthly or annual basis.

Your premium is calculated by many factors including but not limited to:

- The type of vehicle you drive
- Your driving history, age and gender
- How you use your vehicle (driving to work, business or commercial use or pleasure driving only)
- Number of kilometres you drive a year
- Any accidents or driving convictions
- Any additional coverages chosen by the policyholder
- Where you live

These and other factors can make a difference in how much you pay for insurance.

## Proof of Insurance

A Motor Vehicle Liability Insurance Card (also referred to as Pink Slip) is the proof of insurance you receive from your insurance company once you have purchased coverage. The Pink Slip is designed to serve as proof of automobile third party liability insurance.

Many Ontario insurance companies now offer an electronic version which is accessible on your smartphone.

## Registered Owner

The registered owner is a person that owns a vehicle and is responsible for insuring the vehicle.

## Telematics

Telematics for auto insurance refers to technology that monitors your driving behaviour to provide an objective picture of your driving habits, in real-time.

**User-based insurance (UBI)** monitors your personal driving habits using a device in your vehicle. A plug-in device or an app is used to track your driving habits. This type of insurance may offer you savings on your premium at renewal, for your safe driving.

**Pay-as-you-go insurance** allows you to buy insurance for the distance you drive. Unlike UBI which records how you drive, pay-as-you-go insurance only uses the distance driven to determine how much you pay. Your kilometres are tracked through a device in your vehicle. You can monitor how much you drive through a smartphone app.

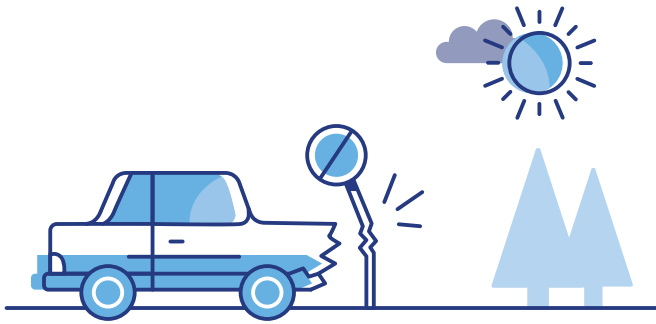
## Underwriters/Underwriting

Underwriting is the practice of collecting information and assessing risk. This information is analyzed based on the insurance company's underwriting guidelines, to decide whether an insurance company will accept the risk (you) by offering you coverage.

## Waiver of Depreciation

A Waiver of Depreciation is available for new vehicles and will vary by insurance company. It means that if you experience a total loss due to theft or an accident, and you are the original owner or lessee of the vehicle, you will be reimbursed for the full replacement value — not the vehicle's depreciated value. A Waiver of Depreciation can be added to your insurance policy at the time of purchase.





# Understanding At-fault and No-fault Insurance Terms

Understanding the ins and outs of at-fault and no-fault insurance can be confusing.

Here, we break down the most important terms you need to know.

## At-fault

This refers to the person who was responsible for an auto accident. The at-fault driver's auto insurance can cover liability resulting from injury and property damage claims made against the driver.

## No-fault Insurance

No-fault insurance simply means that you deal with your own insurance company, regardless of who is at fault for the accident. Your insurance company will handle benefits resulting from injuries to you or damages to your vehicle regardless of who was at fault for the collision, based on the fault determination rules.

## Fault Determination Rules

Even though it's called No-fault insurance, by law, insurance companies have to decide on the percentage of fault for each of the drivers involved in the accident for the purpose of direct compensation – property damage claims. This is done by using Fault Determination Rules.

*For example,* Driver A is stopped at a red light and is hit from behind by Driver B. According to the **Fault Determination Rules**, Driver B is 100% at-fault for the accident.

## Minor At-fault Accident

An accident is considered minor if no one was injured and the damage to any property — and to each vehicle — does not exceed \$2,000.

If you are at-fault in a minor accident and you pay for the repairs to the vehicles and property involved, it is important to check with your Insurance Agent or Broker to see whether the accident will have any impact on your insurance premium.

**Note:** Minor accidents may have an impact on your insurance if they happen more than once within three years. Ask your Insurance Agent or Broker for more information.



## What's Included in Insurance?

### Mandatory Insurance Coverage

Auto insurance is mandatory in Ontario. The required coverage includes:

- Accident Benefits
- Liability
- Uninsured Automobile

### Insurance coverages defined: Accident Benefits

This coverage regulated by the Statutory Accident Benefits Schedule (SABS) is required under Ontario's Insurance Act. It provides certain benefits like medical care, rehabilitation, income replacement and other needed services for recovery, regardless of who caused the collision. It provides compensation if you, your passengers or pedestrians are injured in an auto collision. Accident Benefits also provide certain benefits in the event of loss of life.

#### Accident Benefits cover:

- Medical and Rehabilitation Benefits
- Caregiver and Attendant Care Benefits
- Income Replacement benefits (Non-earner benefits)

#### Optional Benefits (coverage you can add on to your policy) include, but are not limited to:

- Housekeeping
- Home Maintenance Benefits
- Caregiver Benefits
- Enhanced Income Replacement Benefits

Additional and increased optional benefits are available.



## **Direct Compensation Property Damage (DCPD)**

This covers any damage to your vehicle and its contents at actual cash value, if another person is at-fault for the collision. It is called direct compensation because even though someone else caused the damage, it is you who collects directly from your insurance company.



## **Collision or Upset Coverage**

If you are considered at-fault for an accident, Collision coverage will pay for damages to your vehicle caused by an upset (tipping over) or collision with another vehicle, person, object or ground surface.

## **Comprehensive Coverage**

Comprehensive coverage focuses on damage that happens to your vehicle from things other than a collision.

Typically, it includes things like fire, vandalism, theft or attempted theft, weather-related damage (hailstorm, fallen tree), a natural disaster or a riot or civil disturbance. This coverage can be added to your policy.

## **All Perils**

All Perils coverage combines collision and comprehensive coverage for your vehicle under one deductible. It also includes coverage for loss or damage to your vehicle if it's stolen by someone in your household. This coverage can be added to your policy.

## **Extended Health Benefits**

If you are injured in a collision and you have extended health benefits through your employer, you will use that coverage first before your insurance company will cover any healthcare costs related to the collision. This is not meant to replace existing extended health benefits that you may already have in place — it is only to supplement, if needed.



# What Can Impact Your Insurance Rates?

## Driving Record

A clean driving record translates into a lower premium. A driver with at-fault accidents represents a risk to the insurance company. You'll also probably pay more if you have more than one ticket in the last three years for things like speeding or careless driving.

***For example:*** A ticket in Ontario will remain on your **driving record** for three years from the date you paid or were found guilty in court. As such, it will affect your insurance premiums for those three years. If you get more driving tickets during that timeframe, the effect will be even more significant.

### Photo radar: the exception

New technologies like red light cameras or photo radar (also referred to as automated speed enforcement), photograph the licence plates of vehicles that speed or fail to stop for red lights.

**A ticket is issued and sent to the registered owner of the vehicle.**

Since the ticket is issued to **the vehicle and not the driver**, photo radar infractions **will not affect** your insurance rates.

## Endorsement

This refers to a change or addition to a policy that increases or reduces the amount of coverage and changes its terms and conditions.

## Liability Insurance

Liability insurance covers you for claims where you are required by law to pay a third party for bodily injury and property damage.

**Bodily Injury coverage** covers the claim if another person is injured or killed, and you are deemed to be responsible.

**Property Damage coverage** will cover the claim if someone else's property is damaged as a result of an accident.

## Misrepresentation

If you provide false information to an insurance company or leave out certain facts to receive a benefit to which you are not entitled, the insurance company may void, deny your claim or cancel your coverage.

## First Notice of Loss

When you experience a loss, you must let your insurance company know. This first step in the claims process is referred to as a **First Notice of Loss**.

## Proof of Loss

This is a formal statement you make under oath to an insurance company, regarding the details of a loss.

## Replacement Cost

This is the actual cash value of the vehicle at the time of loss.

## Reportable Claim

You must report an accident if the damage to both vehicles combined is greater than \$5,000. You must also report if someone is injured, if property is damaged, or if it involved a driver who doesn't have auto insurance.

## Total Loss

A total loss is when the cost to repair the vehicle is higher than the Actual Cash Value (ACV) of the vehicle.

It isn't always practical to repair a vehicle, even if the cost of repair is less than its actual value.

Factors such as vehicle safety, quality of the repair, costs and vehicle values are all considered in determining if a vehicle is repairable.

Depending on your insurance company, the value of your vehicle is determined based on things like pre-accident condition of the vehicle, the number of kilometres on the odometer, the options available on the vehicle and any existing damage prior to the accident.

An insurance company reserves the right to deem your vehicle as a **Total Loss**.

## Vehicle Repairs

Depending on which costs the least, insurance companies will pay either the Actual Cash Value of the vehicle, or the cost to repair or replace it (with a similar kind and quality).

## Winter Tires

Insurance companies in Ontario are required to provide a discount on auto insurance for drivers who install a set of four matching winter tires designed for use on snow and ice. Ask your insurance company for more details on discounts.



## When should I notify my insurance company about changes?

You should update your broker or insurance company if any of the following happens:

### Your address changes.

- If you move out of province, you will need to get coverage in the new province and cancel your current policy
- Any other address changes must be communicated to your insurance company

### Your vehicle usage changes.

- You drive further to work, stop driving to work, or your driving status changes (e.g. moving to pleasure, business, commuter)
- You start using your vehicle commercially (e.g. you started driving for a ridesharing company).
- More people will be driving your vehicle
- The main driver (principal driver) of the vehicle changes
- You are selling your vehicle or transferring title
- A driver on the vehicle receives a licence suspension
- You need to add or remove vehicles from your policy
- You start using your vehicle for business

This section provides a series of recommendations, however requirements and processes may vary by insurance company.

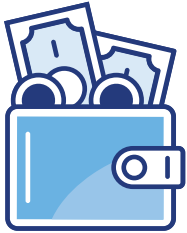


# You and Your Policy

## Can I reduce my insurance costs if I am driving less?

If you are driving less, your premium may be reduced if there are changes to the average number of kilometres you drive, or the type of drivers you have on your policy.

We also recommend that you contact your Insurance Agent or Broker to talk about any savings that may be available to you.



## My teenager just got their G1/G2. What do I need to know to insure them on my policy?

When adding an occasional driver on your policy:

- If more than one vehicle exists on the policy, they may be assigned to the highest-rated vehicle (usually the vehicle that charges the most premium).
- If they are attending a post-secondary school and are living away from home, they may qualify for a student discount if offered by the insurance company.
- Drivers at the G1 and G2 levels are subject to time-of-use restrictions, as well as a zero tolerance for alcohol and cannabis while operating a vehicle.
- If you're adding them as a driver of a new vehicle, in addition to the new vehicle details, you will need to provide their estimated annual driving mileage. Also, if they are commuting to work or school, provide the distance in kilometres (one way).
- You may want to consider enrolling them in a telematics program to help save on their premium.

## What do I need to know after being involved in a collision?

1. If you are injured, don't move. Stay in your vehicle.
2. If you are not injured, proceed to number 5.
3. Dial 911 if:
  - Someone is injured.
  - There is significant damage to any of the vehicles involved in the collision.
  - You think the other driver may be guilty of a criminal offence, such as impaired driving.

**NOTE:** In Ontario, all personal injury collisions and all collisions resulting in property damage of \$5,000 or more must be reported to the police.

4. Follow the instructions given to you by the emergency services on scene.
5. If it is safe to do so, move the vehicle(s) to the side of the road. Turn on your hazard lights and use warning triangles or flares if available.
6. Record details of the collision.
  - Include the time, date and location, speed of your vehicle, weather and road conditions.
  - Once you are in a safe location, take photos of the scene with a camera or mobile device, or draw a sketch of it.
7. Exchange information with the other parties involved.
  - Regardless of the circumstances, never admit fault for the collision or assign blame to the other driver. Your insurance company will determine fault based on Fault Determination Rules regulated by the Ontario provincial government.
  - Never sign any documents regarding fault or promise to pay for damages.





8. If there are witnesses, get their names and phone numbers.
9. If you need to be towed to a Collision Reporting Centre (CRC):
  - Contact your insurance company before signing or authorizing any towing or other documentation.
  - All vehicles that require a tow must go directly to a CRC from the scene of the collision. Have your vehicle towed to the CRC most convenient to you and accompany your vehicle.
  - Bring all documentation to the CRC, including driver's licence, ownership, insurance, details of the collision and information about the other parties involved.
  - You must report the collision in person, to a CRC within 24 hours of the collision if:
    - o Damage is valued at more than \$2,000 to vehicle(s) or property.
    - o The police were not present at the scene.
    - o The damage to your vehicle is minor and you can drive it safely to the CRC.
10. Call the Claims Department of your insurance company as soon as possible.
11. Check to see if your insurance company will arrange for pick-up and towing of your vehicle from the CRC to a repair facility.
12. Remember to exchange the following information:
  - Full name
  - Address
  - Phone numbers
  - Licence information
  - Vehicle information
  - Insurance company name and policy number

## **When I go on vacation, do I need to tell my insurance company?**

This depends on where you are going, how long you will be away and if you are taking your vehicle.

If you are staying within Canada or travelling to the U.S. it is not necessary to advise your insurance company, however you may want to discuss liability limits for the destination you are travelling to.

Some insurance companies may have a six month, out-of-province time limitation. Be sure to check with your Insurance Agent or Broker.

Additionally, your Canadian insurance may not fully cover you elsewhere in the world without obtaining specialized coverage. Contact your Insurance Agent or Broker if you need confirmation.

## **International Driving Permit (IDP)**

We strongly recommend that travellers get an International Driving Permit (IDP) if their destination requires it.

An IDP is a document which, when accompanied by a valid driver's licence, enables a person to drive vehicles for tourism purposes in many foreign countries.