

Insurance Shopping:

Understand how auto insurance rates are set

If you're shopping around for auto insurance it's important to know how insurance companies set their rates. Many factors are at play, so here are some useful tips from the Financial Services Commission of Ontario (FSCO), the regulator of the auto insurance industry in Ontario, to keep your rates as low as possible.

The auto insurance rate you are charged will depend upon:

- **The type of vehicle you drive.** Auto insurance companies evaluate vehicles based on their makes and models, according to their claims experience. Vehicles with lower costs for repairs, lower rates of injury, and lower incidences of accident and theft, will receive lower rates.
- **Your driving record,** which includes your years of driving experience, past at-fault accidents, completed training courses, and convictions such as speeding or impaired driving.
- **Driving routine and frequency.** The more time you spend on the road, the higher the chances of becoming involved in an auto accident.
- **Where you live.** If you live in a busy urban area, there is greater risk for accidents and theft, thus higher rates are charged.
- **Your age.** Costs are generally lower for drivers 25 years of age and older.
- **The amount of coverage you purchase.** Your insurance rates will be higher if you purchase additional protection beyond what is mandatory, such as the optional collision coverage, which protects you for damage to your vehicle, regardless of who caused the accident.
- **The deductible,** which is the portion of a loss that you are required to pay. Your deductible can vary depending on the type of coverage you purchase and the percentage of fault you are assigned in the event of an auto accident. There are deductibles for direct compensation-property damage, collision or upset, comprehensive, all perils, and specified perils coverage. If you opt for a higher deductible, your rates will likely be lower.
- **The insurance company you choose.** It's important to shop around because financial factors unique to each insurance company will influence your rates. Insurance works according to a "pooling" concept. Your rates are based on the claims experience of the entire group. Some insurance companies have claims that are much higher than others. This results in some insurance companies setting higher rates than others for the same type of insurance coverage.

Factors that cannot affect insurance rates

Under Ontario law, insurance companies cannot use certain criteria to set your auto insurance rates, such as: credit history or rating, past bankruptcy, income and employment status, debts, whether you rent or own a home and not-at-fault accidents.

More information on auto insurance is available online at www.fSCO.gov.on.ca where you can download the brochure *Understanding Automobile Insurance*.

Auto Insurance Tips:

Young drivers save money with a good driving record

If you are under 25 years of age and want the lowest auto insurance rates, start by building a good driving record, free of at-fault accidents and driving convictions. This includes having good driving habits and obeying the rules of the road, such as wearing a seat belt and not using a cell phone or handheld device while driving. Insurance companies also favour the completion of a recognized driver training course, and the experience acquired by being an occasional driver on the policy of a parent or guardian.

You can also save money by following these tips from the Financial Services Commission of Ontario (FSCO), the regulator of the auto insurance industry in Ontario:

- **Ask about student discounts.**
- **Compare rates, either online or by making phone calls and getting recommendations.** The rate you pay could vary significantly from company to company.
- **Don't pay for coverage you don't need.** For example, if your vehicle is worth less than \$1000, collision coverage may not be cost effective if your deductible is \$1000 or higher.
- **Consider a higher deductible.** This means you'll contribute more towards the loss if you have an auto accident, but it will give you a lower rate.
- **Make payments on time.** If you're late the consequences can include the cancellation of your policy, which can impact your ability to get insurance in the future.
- **Make a wise choice on the vehicle you drive.** For example, if you buy a vehicle with a high theft rate, your insurance rates will be higher. Consider choosing a vehicle with good security features.

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Auto Insurance Tips:

Fault determination is regulated

With auto accidents, someone is always determined to be "at-fault", either partially or fully. Here's why:

Insurance companies—guided by provincial law called the Insurance Act and its Fault Determination Rules—must assess the degree of fault to be assigned to each driver, to determine the type of property damage coverage that applies to the accident. Fault is also used by insurance companies to determine future rates for the at-fault driver(s).

To get a better understanding of fault assessment, take a look at the most frequently asked questions on the subject, answered by the Financial Services Commission of Ontario (FSCO), the regulator of the auto insurance industry in Ontario:

Q: Can fault in an auto accident be shared?

A: Yes. The circumstances may show that more than one driver was partially at-fault for insurance purposes.

Q: How does an at-fault accident affect me?

A: It's a matter of degree. A driver can be anywhere from 100 percent to zero percent at-fault, but if it's anything more than zero percent, it will put an "at-fault accident" on your insurance record, and your rates will likely go up.

Important: Did you know that when you lend your vehicle to someone, you are also lending your insurance? If that person has an at-fault accident, it will go on *your* insurance record, and it will be *your* insurance rates that will go up.

Q: How do police charges or convictions affect an insurance company's decisions?

A: Police charges are a significant factor, but if you are charged with an offence, you will not necessarily be found at-fault for insurance purposes. Similarly, if the police don't file charges, it does not necessarily mean that the insurance company review won't find one or more of the drivers at-fault. Drivers are individually assessed under the Fault Determination Rules.

Q: What should I do if I disagree with the decision of my insurer?

A: Speak to the claims adjuster handling your file and ask which Fault Determination Rule has been applied to your case. Generally, an insurance company will only revise or reconsider its decision on fault if new and relevant information is provided. If you still disagree with your insurance company, contact the company's complaint officer, who will guide you through the complaint-handling procedures.

More information on auto insurance and the Fault Determination Rules is available online at www.fSCO.gov.on.ca where you can download the brochure *After an Auto Accident: Understanding the Claims Process*.

–News Canada

Auto Insurance Tips:

Will my car be repaired, or written off?

In the aftermath of a traffic accident, it helps to have an understanding of how decisions are made by your insurance company. The assessment of whether your vehicle will be fixed or replaced is always top of mind. Here's some insight:

Guided by the province's Insurance Act, your insurance company will pay the lower of the following when you make a claim for damages to your vehicle:

- the cost to repair the loss or damage, or
- the "actual cash value" of your vehicle to replace it with a comparable one.

The "actual cash value" of your vehicle is determined by its age, total mileage, overall condition and more. If you've recently completed work on your vehicle that you think would increase its value, tell your claims adjuster.

According to Ontario's insurance industry regulator, the Financial Services Commission of Ontario (FSCO), your insurance company will not pay more to repair your vehicle than its "actual cash value" at the time it was damaged—less the deductible, specified on your *Certificate of Automobile Insurance*. If necessary repairs would cost more, the company is likely to treat your vehicle as a total loss and offer you a cash settlement.

If you disagree with the insurance company

In the event that a fair cash settlement has not been reached, take the time to gather facts, figures and evidence to support your claim, then speak to the insurance company claims adjuster.

If you still disagree over the value of the vehicle, its contents, or the cost of repairs, the matter can be settled by an appraisal under the Insurance Act, if both parties agree to the process. Each side will appoint an appraiser, and if the appraisers are unable to agree, a final decision will be reached with the assistance of an umpire.

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Auto Insurance Tips:

Not reporting an accident could lead to more peril

Traffic accidents cause stress, fear and worries about costs. Many of us are not aware however, of the risks and consequences in store if we don't report an auto accident to our insurance company. Not reporting an auto accident could be a breach of your insurance contract leading to many unexpected consequences.

Insurance companies become aware of unreported accidents in many ways, such as from police reports, collision reporting centres, claims databases, driving records and other insurance companies. When you buy your insurance policy, you have agreed by contract to inform the insurance company within seven days, or as soon as possible, of all accidents that must be reported to the police. Your contract also obligates you to inform the insurance company if you intend to make a claim, or if there is any significant change to your status as a driver, such as a suspended licence.

According to the provincial insurance regulator, the Financial Services Commission of Ontario (FSCO), the consequences of breaching the contract with your insurer could include:

- A rejection of future claims on the unreported accident.
- A refusal to defend you if a lawsuit is filed against you.
- An increase in your insurance rates.
- The cancellation of your insurance policy.
- A refusal to renew your insurance policy.

When to involve the police

According to FSCO, the police must be called if:

- someone is injured;
- the total damage to the vehicles appears to be more than \$1,000; or
- there is damage to the roadway or to property on or bordering the roadway.

In addition to these requirements, you must remain at the scene of an auto accident. Failure to do so may subject you to criminal prosecution.

You should also call the police if you suspect the involvement of alcohol or drugs, or criminal activity.

For more information on auto insurance, visit FSCO's website at www.fSCO.gov.on.ca.

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