




Staying in Touch

Tips, strategies and advice to help you choose the right insurance coverage

Could this be you? *A True Story*



John was driving south on County Road 9. It was clear and sunny and traffic was light as it usually was at 3:30 in the afternoon.

He was enjoying the autumn colours of rural Southern Ontario and listening to the final innings of Game 2 of the World Series on his radio. Suddenly, a car appeared in front of him having just pulled out from an intersecting side road. Despite braking immediately and skidding 50 feet, John's new pick-up smashed into the car's passenger door.

To his horror, John saw a man and a baby thrown from the car. The driver remained hunched over the wheel, in shock and badly injured. The passenger, who was the father-in-law of the driver, was killed instantly. Thanks to quick action by paramedics, the baby's life was saved, although significant brain injury resulted from the accident.

The driver of the car admitted to police that he had not seen the stop sign and was at fault for the accident. Under the Ontario No Fault insurance system, John's vehicle was replaced, temporary transportation was arranged and his wages and medical expenses were paid without any cost to him.

John was also advised that since he was to be held totally blameless for the accident, there would be no right of suit against him for the injuries and damages sustained.

You can imagine John's surprise when he was served with a \$5 million lawsuit within six months of the accident. As he only carried a \$1 million limit on his auto policy, he was advised that he must retain his own legal counsel for the uninsured \$4 million.

Because the baby will require lifelong care, its' injuries were considered catastrophic and the right of suit existed. The courts will be looking for access to funds to pay for the ongoing care required. If John is found even partially liable, the plaintiffs could have access to John's insurance limits.

Will the court decide that since John was listening to the ball game and enjoying the scenery, that 100% of his attention was not on his driving? Will it determine that he is partially liable?

How can you protect yourself against the threat of legal action beyond your policy limits? The answer is Umbrella Liability. Most insurers offer competitively priced policies that provide an additional layer of protection over and above your auto and homeowners liability limits. In addition, the Umbrella will respond to situations not covered by the underlying policies.

It only takes a few seconds to change your life forever. A call to us to find out more about this very valuable protection could be the most important ten minutes you will ever spend.



Boating this Summer?

Over the past three years the Canadian Coast Guard has implemented new restrictions and regulations regarding who can and cannot operate watercraft. Together with Canadian Power and Sail Squadrons, the Coast Guard has been offering testing across Canada for its Operators Proficiency Card.

The new restrictions are currently directed toward young boaters. Soon there will be a phasing in process for the general public. The most notable restriction is that no one under the age of 16 can operate a personal watercraft whether supervised or not.

On September 15, 1999 it became law that anyone born after April 1, 1983 must have an Operators Proficiency Card to operate a vessel of any size.

On September 15, 2002 it will be illegal for anyone to operate a vessel less than 4 metres in length (13.2 feet), including personal watercraft, without an Operators Proficiency Card regardless of age.

By September 15, 2009 anyone operating a vessel of any size will be required to have the card. The card is "good for life" once you have obtained it.

For more information on how to obtain your Operators Proficiency Card you can visit the Canadian Coast Guard site at www.ccg-gcc.gc.ca or the Canadian Power and Sail Squadron at www.cps-ecp.ca.

The Changing Insurance Marketplace

Most consumers will be seeing noticeable premium increases compared to last year. We feel it's important that you understand why this is happening.

First, insurance companies have two major sources of revenue. They receive money from the premiums you pay and they earn investment income on that money. Through the 80's and early 90's, investment returns were high, allowing insurers to place less emphasis on premiums. Over the last few years, investment revenues have declined dramatically. As a result, premiums must now rise to ensure the viability of the insurance market.

Second, the insurance industry's revenue shortfall has been magnified by increased claim costs. Both the number of claims and their dollar value have risen faster than the industry anticipated.

Even before the September 11th tragedy, premiums were in the process of being increased.

At times like these, it is important to understand the principle of insurance. Namely, *the premiums of many pay for the losses of a few*. It's unfortunate that even people who have not made any claims will see their premiums rise.

Although the insurance industry is made up of many large companies, individually they actually operate much like you and me. They buy insurance to protect themselves from large

losses. They calculate how much they can afford to lose on one accident or one occurrence and then purchase additional insurance to cover losses above those amounts. This is called "reinsurance".

The September 11th tragedy affected all who insured the World Trade Center and the buildings around it. The losses were larger than insurers had ever expected and the reinsurers were forced to pay huge sums of money. For the reinsurers, this loss was far beyond their worst expectations. We are aware of one insurer whose direct loss from the September 11th disaster is over \$900 million and of this, a staggering \$730 million was paid by its' reinsurers.

There are far fewer reinsurers in the world than insurance companies. The losses of September 11th took away one third of their available capital. It is expected that a number of small reinsurers will have difficulty staying in business. What this means is there will be fewer sellers of reinsurance – with less resources – to reinsure a world that wants the same insurance as before.

So how does this affect you?

Insurance rates will go up! Insurance companies are seeing dramatic increases in their cost of reinsurance. The combination of previous poor experience, the drop in investment income and the disaster of September 11th that reduced surpluses in the reinsurance market, will force many insurance companies to implement changes. These could include premium increases of 15 – 20% or more, increased deductibles and reduced or excluded coverage for terrorism.

To sustain their financial stability and deliver on the promise of insurance, that is, many paying for the losses of a few – increases are necessary. Insurers do not foresee a major catastrophe in 2002, however, the surplus must be re-built while regular claims continue to increase.

Additional changes to automobile insurance?

In September of 2001, The Ministry of Finance reviewed the current automobile insurance legislation. They wanted to make sure automobile insurance in Ontario followed the government's mandate of being *available, affordable and understandable*.



Sewer Back Up Restrictions

Ask anyone who's experienced it. A sewer drain backing up is a very unpleasant experience.

Sewer back up coverage provides insurance coverage for damage caused by water entering a dwelling as a result of accidental escape of water from a sewer, sump or septic tank.

There are certain areas within the Province that are more likely to experience sewers backing up. Frequent and severe rainstorms in these areas have led to a large number of losses. As a result, many insurance companies are placing restrictions on this type of coverage such as

increasing deductibles, limiting the amount of coverage, or in some cases, excluding the protection completely.

If you are concerned about sewer back up, check with a plumbing expert in your area to see what can be done to reduce or eliminate the possibility of this type of loss. Also, we recommend you contact us to determine if there are any sewer back up restrictions in your area.



A number of questions dealing with efficiencies of treatment, overlapping of coverages, policy limitations and cost balancing were addressed. In addition, after-market collision parts, road safety initiatives, the newly established clear rating system and discounts for immobilizers or alarm systems were reviewed.

A similar government review of accident benefits is currently taking place. This review is being undertaken to ensure that the few unscrupulous health care providers and assessment centres are not removing money from the system that should be going to injured policyholders.

Legislative changes are underway to correct some of the flaws and deficiencies in auto insurance while attempting to maintain reasonable costs. The dramatic increase in claims cost, primarily in the health benefits section requires premium increases. We suggest you review your insurance premiums from several years ago. You may well find that even with these increases, your premiums then were similar or greater than what you're being asked to pay now.

There are ways to reduce your premiums, through higher deductibles, installation of alarm systems or through other available discounts. The reasons for premium increases are complicated, but we are here to help you balance your premiums against possible deductibles or other coverage changes. If you have any questions, please let us know. We will be more than happy to discuss the issues with you.

How to Lower Your Property Insurance

There are numerous discounts available from insurance companies. Some are automatically applied to your policy, while others are not. Examine your policy to see if you presently receive any discounts. If you don't, ask us what special offers may be available to you.

Claims Free Discount

Generally allowed if you have had no claim in the past 3 years.

New Home Discount

Generally allowed for homes between 0 and 10 years of age. Some may go as high as 15 years.

Non-Smokers Discount

All residents must be non-smokers.

Mature Property Owner

The qualifying age varies with different companies.

Alarm Discount

Generally allowed for local or centrally monitored systems.

Mortgage Free Discount

You may receive a discount if you have no mortgage on your home.

Loyalty Discount

Many companies automatically include a discount if you have been insured with the same company for a period of 3 to 5 years.

Package Discount

If you insure your automobiles and home with the same company, you may qualify for a discount on one or both policies.

FAQs

Q. Why are my premiums going up?

A. Claim costs have risen dramatically in the past few years. This is an industry-wide situation and most, if not all, insurance companies are raising their premiums to cover their increased costs.

Q. I haven't had a claim. Why should increases affect me?

A. Insurance is basically a pool of funds into which everyone contributes a little to pay for the losses of a few. When this pool is depleted, which happens when there are more claims or larger pay-outs than usual (both of which have happened recently), everyone needs to put in a little more than before in order to sustain the pool.

Q. My premiums have increased substantially. Have claims really gone up that much?

A. In the past few years Ontario has experienced some unusual events that have caused claims to rise dramatically:

- i) The 1998 ice storm resulted in over \$178 million in claims;
- ii) Major snowstorms in January 1999 cost insurers almost \$128 million;
- iii) Winter storms throughout the province in February 2001, followed by mild weather and ice build up, resulted in pay-outs of more than \$24 million.
- iv) Heavy rainstorms in May 2001 generated more than \$104 million in claims;

Outside Ontario there have been numerous catastrophic losses including tornadoes, tropical storms, floods, fires and, of course, September 11 that have depleted industry reserves.

How do I insure my Trailer?

We're often asked if a trailer should be covered under an auto policy or a property policy? The answers may surprise you.

Personal use trailers fall into several categories - utility trailers, camper trailers and cabin trailers. Camper or tent trailers and cabin trailers may actually require the combined coverage of both your auto and property policies.

Utility trailers including boat, ATV and snowmobile trailers, are automatically insured for liability by your automobile policy. If protection for physical damage is required, you must add this specifically to your auto policy, or in the case of a boat trailer, it may be added to your property policy.

When a trailer is temporarily parked in a trailer park, it is your homeowners or tenants policy that provides liability coverage.

If you use your trailer for seasonal purposes, like a cottage, an endorsement to your homeowners policy should be added to cover the trailer and its contents.

While it is possible to add a trailer to your auto policy, a better way is to choose a special trailer package. Designed mainly for camper and cabin trailers, this coverage protects you against most physical damage perils. Trailer packages typically include coverage for contents, attachments like awnings and sunrooms and for loss of use.

People often lend or rent their trailers. You should make sure this practice is covered by your policy. Before you lend your trailer you should clearly understand who pays in the event of a loss.

Insuring a trailer can be confusing. If you own a trailer of any kind, please call us to ensure you are properly covered.

Preventative Maintenance Tips

Most people remember when daylight savings happens it's time to change the battery in their smoke detectors. Here are 8 more useful tips to keep your home in top shape:

1 Clean out your dryer vent

Make your dryer more efficient, reduce condensation build-up and prevent possible fires;

2 Change the rubber washers on your garden hoses

Stop that annoying drip, save money on your water bill and prevent damage to your house foundation;

3 Replace burnt out light bulbs outside your home

A well-lit home is an inexpensive way to deter break ins;

4 Cut back hedges and trim trees near your house

Eliminate hiding places for thieves and remove branches that could damage siding or break windows;

5 Check the downspouts

Clean all blockages and point spouts away from the foundation to prevent excess moisture problems;

6 Remove unwanted clutter from garages and sheds

Free up storage space and eliminate potential fire risks;

7 Make sure furnace and roof vents are clear of obstructions

Leaves and bird's nests can cause serious problems if left unattended;

8 Check the water hoses that run to your washing machine

These are relatively inexpensive hoses that are under constant pressure. If one happens to break, you could have a major expense on your hands. Change them every 5 years and with small investment you could save hundreds of dollars.



September 11th World Trade Center Tragedy Insurance Loss Estimates

	LOW	HIGH
Property	\$13.5 billion US	\$19 billion US
Liability	\$5 billion US	\$20 billion US
Workers Comp	\$3 billion US	\$5 billion US
Aviation Liability	\$3 billion US	\$6 billion US
Event Cancellation	\$1 billion US	\$2 billion US
Life AD&D	\$4.5 billion US	\$6 billion US
Total	\$30 billion US	\$58 billion US

