C14 Automobile Insurance—Part 1 (Ontario)
Textbook Addendum—June 2013

(To be used with the 2011 edition of the texbook.)

Study 1, page 7 – The last paragraph on the page was deleted.

Study 1, pages 13–17 – Exhibit 1—1: Compulsory Minimum Insurance Coverage for Private Passenger Vehicles has been deleted.

Study 5, page 14 – The following paragraph was inserted above the paragraph with the marginal heading “Non-economic loss conditions”:

> **267.5 (6.1)** of the Insurance Act also provides that subsections (1), (3), and (5) do not protect the owner or driver of a public transit vehicle from liability for damages for negligence if the public transit vehicle did not collide with another automobile or any other object.

Study 5, page 22 – In the table entitled “Priories of Payment,” the amount listed under bodily injury for Saskatchewan has been changed to $190,000.

Study 6, page 7 – The following paragraph was inserted above the paragraph on Section 268 (2):

> **268 (1.1**) of the Insurance Act also provides that no statutory accident benefits are payable from any source to an occupant of a public transit vehicle if the public transit vehicle did not collide with another automobile or object.

Study 14, pages 7, 8 – The section entitled **Statistical Body and Data Collection** has been replaced with the following:

Statistical Body and Data Collection

Industry-wide statistics
All private automobile insurers who write business in Canada must record and file automobile experience data to comply with the requirements of the Automobile Statistical Plans prescribed by the Superintendents of Insurance.

Effective April 1, 2006, a federally incorporated not-for-profit corporation, the General Insurance Statistical Agency (GISA), was established to carry out the activities of statistical agent on behalf of Alberta, New Brunswick, Newfoundland & Labrador, Nova Scotia, Ontario, Prince Edward Island, Yukon, Nunavut, and the Northwest Territories.

GISA is governed by a Board of Directors, with representation from the nine participating insurance regulatory authorities, the property and casualty insurance industry, and the public. It provides governance, accountability, and oversight of the mandated statistical plans.

GISA entered into a service agreement with Insurance Bureau of Canada (IBC) to provide statistical plan services under specified terms and conditions and to receive the information prescribed by the plans, from insurers. This information is used to provide industry-wide statistics for analysis by regulators and ratemakers.

Quebec
In Quebec, the Groupement des assureurs automobiles (GAA) is the appointed statistical agent, and produces a series of exhibits for that province. The results are known as the Quebec Automobile Statistical Plan (formerly the Grey Book), and are available in electronic format only.

Automobile Statistical Plan data
GISA prepares statistical exhibits for the three statistical plans: Automobile Statistical Plan (ASP)—commonly known as the Green Book; Commercial Liability Statistical Plan—Ontario (CLSP); and Ontario Statutory Accident Benefits Statistical Plan (OSABSP).

The exhibits present historical insurance statistics for the following classes of vehicles:

- **Individually rated**—an individually rated (including farmers') vehicle not on a fleet policy
- **Fleet rated on a per vehicle basis**—a fleet policy of individually scheduled/rated vehicles
- **Fleet rated on a bulk basis**—a fleet policy rated on a gross receipt or earnings basis
- **Miscellaneous—**miscellaneous policies other than individually rated or fleet rated vehicles
- **Private passenger vehicles**
- **Other personal use vehicles—**motorcycles, ATVs, snow vehicles, mopeds, trailer homes, motor homes, antiques, and classic automobiles
- **Commercial vehicles**—all commercial type of use vehicles
- **Public automobiles**—ambulances, daily rental vehicles, funeral hearses, private buses, public buses, school buses, and taxis
- **Garages, manufacturers, and automobile dealers**
- **Driver and non-owned policies**

Data is exhibited per **accident year**. All losses in a given year are captured regardless of the policy years to which they are attributable. The loss costs so demonstrated are the most recent indicators of what future loss costs may be.

Example

A policy is sold with an effective date of December 1, 2010, with a claim occurring in January of 2011. In this case, the claim is reported as a 2011 claim for actuarial purposes since the claim happened in 2011.

At one time data were reported per **policy year**. The experience of all policies with policy effective dates within the year was grouped together. All claims arising from these policies

> were taken into account regardless of when they occurred, including late reported claims, so that premiums were matched with losses. This practice has now fallen into disuse because it did not utilize the most up-to-date data to discern current loss cost trends.
>
> Both accident year and policy year must be distinguished from **calendar year**, which is an accounting—not a ratemaking—concept. Claims activity during a given calendar year is included in the loss experience whether the date-of-loss is within the given period or a prior one. For example, if a loss is experienced in 2010 and is not reported until 2011, the claim is included in the loss experience for 2011. While it is necessary for insurers to publish their accounts in this way, calendar year exhibits lack proper matching of premiums with losses and the use of current loss costs as a starting point for ratemaking.

Study 14, page 11 – The first sentence on the page (sentence is continued over from page 10) has been changed to the following:

> Under the CLEAR system, rate groups are now calculated using data provided by IBC, GAA, ICBC, MPIC, SGI, and SAAQ on the cost of claims relative to such factors as wheelbase, body style, weight-to-horsepower ratio, price, and the theft record of individual models.

Study 15, page 9 – The first sentence in the paragraph beside the marginal heading "Insurer allowance" has been changed to the following:

> The PRR gives the insurer back an allowance of the premium transferred (GAA allowed 25 percent in 2010), to cover the policy issuing and servicing costs, regular claims settlement expenses, and premium taxes.

Study 17, page 14 – The heading **Alberta, Newfoundland, Nova Scotia, and Prince Edward Island** has been changed to **Alberta, Newfoundland, and Prince Edward Island**.

Study 17, page 14 – The first sentence in the paragraph beneath the heading **Alberta, Newfoundland, and Prince Edward Island** has been changed to the following:

> Alberta, Newfoundland, and Prince Edward Island all have tort-based systems of automobile insurance operated entirely by private sector insurance companies.

Study 17, page 16 – The first sentence under the heading **Summary of Coverage** has been changed to the following:

> The Standard Policy Form (SPF 1), or Owner's Policy, is the approved form for insuring the majority of automobile risks in Alberta, Newfoundland, and Prince Edward Island.

Study 17, page 16 – The paragraph beside the marginal heading "Third Party Liability mandatory" has been changed to the following:

> Third Party Liability coverage is mandatory in Alberta, Newfoundland, and Prince Edward Island, and insureds are required to have coverage the meets or exceeds the minimum compulsory limits of $200,000.

Study 17, page 16 – The paragraph beside the marginal heading "Accident Benefits" has been changed to the following:

Accident Benefits are also mandatory in all of these provinces, except Newfoundland. The Accident Benefits consist of modest amounts that are set out in the policy or separate schedules. Various limits apply. Benefits under this part of the policy are paid on a no-fault basis. Coverage comprises several separate sub-sections:

- Medical, rehabilitation, and funeral expenses
- Death benefits and loss of income payments
- Supplemental benefits respecting accidents occurring in Quebec

Study 17, page 18 – The heading **New Brunswick** has been changed to **New Brunswick and Nova Scotia**.

Study 17, page 18 – The last paragraph on the page has been changed to the following:

Coverages under the New Brunswick and Nova Scotia SPF 1 are the same as those outlined in the Summary of Coverage table on page 17 for Alberta, Newfoundland, and Prince Edward Island. There is one difference. New Brunswick implemented Direct Compensation Property Damage coverage (DCPD) in 2005, and Nova Scotia implemented DCPD in 2013.

Study 17, page 19 – The first paragraph on the page has been changed to the following:

The mandatory DCPD coverage in New Brunswick and Nova Scotia is very similar to the mandatory DCPD coverage in Ontario. Insureds are indemnified for property damage by their own insurer to the extent they were not-at-fault in the accident.

Study 17, page 19 – The paragraph beside the marginal heading Section A1—DCPD has been changed to the following**:**

The policy form and legislation specify when DCPD coverage applies to automobile losses. Below is a list of criteria that determine whether losses are covered under DCPD in New Brunswick (Nova Scotia has similar criteria):