

C81: General Insurance Essentials—Part 1

C82: General Insurance Essentials—Part 2

Addendum—May 2020

(To be used with 2018 editions of the texts.)

The following is a list of updates since the last printing of the text, including Newfoundland and Labrador's shift from a tort-based system to a direct compensation system as of January 1, 2020, as well as other content refinements.

C81

Study 2

Page	Section	Update
2-13	Example—Loss Control Techniques	Add the following to the list of Loss Prevention examples: Adding firewalls and security features to networks

Study 3

Page	Section	Update
3-5, 3-6	Introduction / Aid to Security	In first sentence of the introduction, change "supplementary" to "secondary." Add the following to the end of the paragraph under the heading "Aid to Security": Removing this uncertainty for individuals and business can make taking certain risks acceptable. For example, buying a home, or even opening the doors of a business for many would be too risky if insurance could not be purchased. Enhancing the feeling of security by removing uncertainty allows for many actions that are critical to society (like property ownership and entrepreneurship).
3-10	The Principle of Indemnity	Add new paragraph to the end of this section: Another form of replacement cost the exists between replacement cost and guaranteed replacement cost. It is called capped guaranteed replacement cost. Some insurers will offer replacement cost coverage subject to a percentage over the limit of insurance--most commonly 25 percent of the building value. This is a newer offering mostly from commercial realty insurers.
3-12	Types of General Insurance	Change the paragraph beside run-in heading <i>Surety bonds</i> to the following: Surety bonds are usually required for contractors by owners of construction projects or by law as, for example, for various types of licensees, executors of estates, and bonded warehouses.
3-13	Types of General Insurance	Change the paragraph beside the run-in heading <i>Crime (burglary and fidelity)</i> to the following:

		...covers loss to cash, cash equivalent, and other financial instruments due to criminal activity.
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Study 4

Page	Section	Update
4-5	Assessment or Premium Note Mutuals	Fix typo in the last sentence of the first paragraph of this section: Change “one other” to “one another”
4-19	Methods and Types Reinsurance	The text currently says that reinsurance methods are proportional and non-proportional and reinsurance types are treaty and facultative. This should be reversed: types are proportional and non-proportional and methods are treaty and facultative.

Study 5

Page	Section	Update
5-3	Study introduction	Change the first sentence in the second paragraph to the following: “One commonality across jurisdictions is that intermediaries are the link between insurers and consumers.”
5-4	Distribution of Insurance	Insert the following sentence at the end of the first paragraph of this section: “(There may be regional variations in the way these distribution systems are defined.)”
5-7	Function of Insurance Intermediaries	Change the first paragraph of this section to the following: “The role of the insurance intermediary is to assist customers with selecting the appropriate insurance coverage based on their needs (that is, risks).”

Study 6

Page	Section	Update
6-4	Agreement	Change “offer” to “offeror” in the third bullet of number 2 in this section: <ul style="list-style-type: none"> Made in the manner required by the offer—otherwise there are cases where the offeror would not be bound by the acceptance
6-26	Assignment of Insurance Contracts	Add to the end of the first paragraph of this section: Insurers consenting to the assignment of contracts is very rare but may occur when the insured dies and the contract is transferred “in trust.”
6-27	Assignment of Insurance Contracts with Consent	Delete this section.

Study 7

Page	Section	Update
7-4	The Application Process	Add the following to the bulleted list in this section: <ul style="list-style-type: none"> have an issue with their current insurer, but wish to remain with the same broker (possibly if there has been an unsatisfactory claim experience with the insurer, but a supportive broker);
7-5	Oral Applications	Add the following to the bulleted list in this section: <ul style="list-style-type: none"> Record phone calls and maintain copies of audio recordings

		Add the following paragraph after the bullet list: Audio signatures are commonly accepted as well. They consist of a statement read and confirmed as agreed to by the client verbally on the phone when the call is being recorded.
7-10	Signatures	Add the following sentence to the end of the first paragraph in this section: Audio signatures consisting of a statement read and confirmed as agreed to by the client verbally on the phone when the call is being recorded are acceptable.

Study 8

Page	Section	Update
8-7	Coinsurance	Replace the first paragraph of this section with the following: Coinsurance is common for contracts covering commercial property. But it may be included on contracts covering residential dwelling risks or personal property, such as on a homeowners policy on an older home (where the replacement coverage is not on a guaranteed basis) or residential rental dwellings.
8-9	Introduction	Change first bullet point to the following: <ul style="list-style-type: none"> Insured party reports the loss to a broker, broker's online reporting tool, agent, insurer's online reporting tool, or insurer call centre

Study 10

Page	Section	Update
10-6	Provincial and Territorial Control	Add Newfoundland and Labrador and Prince Edward Island to the third bullet of the list in this section: <ul style="list-style-type: none"> The operations of insurance adjusters—all independent adjusters must be licensed. Salaried insurance company adjusters need not be licensed except in New Brunswick, Newfoundland and Labrador, Prince Edward Island, and Quebec. In the event of any irregular or improper practices, the provincial or territorial regulator may take disciplinary action against independent adjusters by cancelling their licences and against staff adjusters by taking appropriate action against the insurance companies that employ them.
10-9	Statutory Conditions and Quebec General Conditions	Replace the third paragraph in this section to the following: The insurance acts generally require that the Statutory Conditions be identified and printed in every A&S, automobile, and fire insurance policy. If an insurer fails to do so, it may incur a penalty, and the Statutory Conditions would still apply. For automobile insurance in Nova Scotia, they are also referred to as "Mandatory Conditions," and in British Columbia, as "Prescribed Conditions."
10-14	Termination of Insurance	In last bullet of this section, add "premium" after "short-term rate": <ul style="list-style-type: none"> Termination by insured—insureds may terminate the contract at any time on request and will be refunded any excess premium that was paid over the short-term rate premium for the expired time.
10-16	Action	Add to the end of the paragraph: (In British Columbia, action must also be commenced in two years, but this is specified in the <i>Limitation Act</i> , not in the fire statutory conditions.)

C82

Study 1

Page	Section	Update
1-7	Evolution of Direct Compensation–Property Damage (DCPD) Coverage	Add Newfoundland and Labrador to the second sentence of the first paragraph in this section: Similar direct compensation for vehicle damage came into effect in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island at later dates.
1-12	Provinces and Territories with Private Insurance Schemes	Add Newfoundland and Labrador to the last bullet in the list: • Direct Compensation–Property Damage (in New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island)
1-12	Saskatchewan	Change the last sentence of the second paragraph of this section: There is a separate system based on accumulated driving points where hazardous drivers are assessed fines and are not permitted to transact with SGI (registration, insurance, or licence) without the fines first being paid.
1-13	Saskatchewan	Replace the last bullet of the list in this section (top of page): • Physical damage coverage (called comprehensive insurance in Saskatchewan but comparable to all perils in other jurisdictions)—covers basic amounts of loss or damage to the automobile and is subject to a deductible
1-12, 1-13	Provinces with Government Insurance Schemes	Change the headings within this section to the following: Saskatchewan (Auto Fund) Manitoba (Autopac) British Columbia (Autoplan)

Study 2

Page	Section	Update
2-3	Introduction	Change the first sentence of the second paragraph in this section: In provinces without government insurance schemes, if they are convicted of driving without valid automobile insurance, their insurance company may consider them “high-risk” drivers and charge them higher premiums or refuse to sell them insurance altogether.
2-8	Accident Benefits	Change the third sentence of the second paragraph in this section: In Ontario and Saskatchewan, lawsuits are permitted in certain situations.
2-12	No-Fault Benefits	Change the first sentence of the second paragraph in this section: All provinces except Alberta, British Columbia, and Newfoundland and Labrador have passed legislation that prohibits or severely limits liability lawsuits against third parties for injuries arising out of automobile accidents caused by negligence.
2-14	Exhibit—Tort and No-Fault Across Canada	In the exhibit: Move British Columbia under Tort Move Newfoundland and Labrador under No-Fault Change the title of the exhibit to “Exhibit—Tort and No-Fault Property Damage Coverage Across Canada”
2-15	Direct Compensation–	Replace the paragraph under the Example box:

	Property Damage Coverage	Direct compensation systems are in place in New Brunswick, Newfoundland and Labrador, Prince Edward Island, Nova Scotia, Ontario, and Quebec.
2-16	Comprehensive	Change the last sentence of the first paragraph in this section: It should be noted that collision with a live animal is usually covered under the Comprehensive section rather than the Collision section, while collision with a dead animal is insured under Collision.
2-23	Summary	Add Newfoundland and Labrador to the list of DCPD provinces in the paragraph at the top of the page.

Study 3

Page	Section	Update
3-13	Automobile Storage	Replace the last bullet of this section: • Direct Compensation–Property Damage (DCPD) coverage for those jurisdictions where this coverage is mandated
3-18	Vehicle Use	Change the third sentence of the first paragraph in this section: For some insurers, the expression “pleasure use” is considered to include transportation to and from the insured’s place of business; for others, “pleasure use” does not allow the insured to use the vehicle as transport to and from work.

Study 4

Page	Section	Update
4-21, 4-25, 4-26, 4-33	Sewer Backup Endorsement/ Flood Insurance	<p>In the Introduction on page 4-21 and the summary on page 4-33, replace “Sewer Backup Endorsement” with “Water damage insurance” and delete “Flood insurance” in the list of coverages.</p> <p>On page 4-25, replace the “Sewer Backup Endorsement” section with the following:</p> <p>Water Damage Insurance Water damage is becoming the greatest cause of loss for property risks. Water damage coverage can be quite confusing for clients. People frequently use the term “flood” to apply to all kinds of water damage to their homes. The insurance industry breaks this coverage down into four perils: flood, sewer backup, overland water, and ground water. These coverages and the distinctions between them are most likely to arise when discussing a new business prospect’s coverage requirements or when reviewing renewals. Care should be taken to clarify what coverage the client actually wants.</p> <p>Sewer Backup Sewer backup is the backing up of sewer drains within the building without water entering elsewhere through external water that touches the insured’s premises. Damage caused by the backing up or escape of water from a sewer, sump pump, or septic tank is excluded under most personal-lines package policies, whether the coverage is for named perils or all risks.</p> <p>Sewer backup inside the building is the usual result of an overwhelmed municipal sewer system—the sudden and accidental entry of water into the building through pipes from sewer or drainage systems caused by heavy rain or snowmelt outside the building. It can also happen because of blockage of drainage systems. Typical causes of sewer backup losses include the following:</p> <ul style="list-style-type: none"> • Blockage of a city sanitary main, which could cause sewer water to back up into the dwelling

- Aging sewer systems that may require updates or repair; older watermains are prone to breaks and many municipalities are slow to upgrade their sewage systems
- Tree roots having found their way into older pipes, causing blockages
- Municipal-related pipeline issues such as combined sanitary and storm water pipelines; when a storm overwhelms the system, combined sewage and storm waters can back up into basements
- Overflow or backup of the drainage systems; if building gutter systems or rainwater pipes become blocked by debris or overwhelmed by sudden water flow, it may cause a backup into the dwelling

Insureds may purchase an endorsement for coverage for loss or damage due to the backing up (independent of any overland water) of sewer drains within the building. Damage due to lack of maintenance is excluded. The endorsement may be limited in that it excludes coverage if the sewer drain(s) back up within 72 hours before or after flood waters reach the insured's premises, as well as while flood waters are on the insured's premises. The limit of coverage may be either the same limit that the building is insured for, or a specified lesser limit. See Example—Limited Sewer Backup.

Example—Limited Sewer Backup

Zandar's house is insured for \$500,000 subject to a \$500 deductible. Sewer backup coverage is provided for a sub-limit of \$100,000 subject to a \$2,500 deductible.

The concept of sewer backup with or without flooding can make it hard to understand when coverage applies and when it does not. But where or why sewers back up does not matter; coverage under the endorsement applies *if* the sewer drains within the building back up and flood waters are *not* present outside the building anywhere on the insured's premises.

Overland Water

Broader water coverage—known as overland water coverage—is now widely available to personal-lines clients through many insurers. This endorsement adds coverage for sudden and accidental entrance of surface water from a point at or above ground level through foundations, basement walls, floors, or window wells. Most insurers consider overland water to be fresh water originating from rivers or lakes; water that suddenly accumulates as a result of heavy rainfall; the rising of lakes, dams, or rivers; or water resulting from rapid snowmelt. Some insurers do not differentiate between fresh and salt water, including storm surge of inland or sea water as a trigger for this coverage.

In addition, the backing up of sewer drains within the dwelling concurrently with an overland water incursion is considered overland water if the water reaches any exterior portion of the insured's premises. That is, the water need not be lapping at the door or pouring through basement windows, but it would have to be touching the insured structure somewhere.

Ground Water

Ground water is water that enters a home suddenly and accidentally through basement walls, foundations, or floors, and can cause extensive damage. Frequently, insurers package this extension with other water damage coverages.

Since sewer backup, overland water, and ground water coverages are not automatically included in most personal-lines policies, intermediaries should offer clients these coverages to complete their protection. However, care must be taken when arranging this coverage, as the wordings and coverage available

	<p>vary by insurer. Some insurers sell sewer backup coverage on its own and offer extensions to broaden the coverage to include overland and ground water. Others provide a broad water protection endorsement that includes all three coverages on one form. The coverage may be called broad water protection or extended water damage.</p> <p>Whatever form the coverage takes, it can have the same limit as the homeowners or tenants policy, but it is more usual to find it subject to a sub-limit. The amount of the sub-limit may be minimal, or it may be possible to purchase one of several different limits. The deductible applicable to this coverage can be much higher than that applicable to the rest of the policy.</p> <p>When providing these coverages, many personal-lines insurers incorporate an <i>anti-concurrent causation clause</i> to limit coverage should one or more of these water-related losses happen simultaneously. An anti-concurrent causation clause only excludes a loss that results from multiple contributed causes when any of the concurrent or contributing causes of loss are excluded by the policy, as Example—Concurrent Causes illustrates.</p> <p style="text-align: center;">Example—Concurrent Causes</p> <p>Mary’s homeowners policy includes a water damage endorsement and an anti-concurrent causation clause. An unusually heavy rainstorm produces a rainfall of 72 cm (28 in.) in a 12-hour period, inundating the city’s storm water management system. Mary discovers water in her basement. Depending on the cause of the loss and the coverage provided by the water damage endorsement, Mary’s claim could have different outcomes:</p> <ul style="list-style-type: none"> • If it is determined that the water backed up into her basement through the sewer, the water damage endorsement must cover sewer backup for the loss to be paid. • If it is determined that the water entered her basement suddenly and accidentally through the above-ground basement windows, the water damage endorsement must cover overland water for the loss to be paid. • If it is determined that the water entered her basement both by the backing up of sewers and through the basement windows, there are multiple (or concurrent) causes of loss. The water damage endorsement must cover both sewer backup and overland water coverage for the loss to be paid. <p>If Mary’s policy only insures one cause of loss—that is, it provides sewer backup but not overland water, or it provides overland water but not sewer backup—there is no coverage because of the anti-concurrent causation clause.</p> <p>This clause applies when losses occur one after the other and the onset of the second loss cannot be separated from the end of the first loss, or when the loss has two causes that happen simultaneously. For instance, water enters the dwelling through the basement sewer drain and shortly thereafter through a basement window well. It is impossible to accurately state what damage was caused by the sewer backup and what was caused by the influx of ground water through the window. If the insured has both sewer backup coverage and overland water coverage, the loss will be paid. But if the client only has sewer backup coverage, there is no payment.</p>
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		<p>Flood Insurance</p> <p>Historically, the term “flood” in the Canadian insurance industry applied to water originating from a body of salt water. Flooding caused by any body of salt water (such as a tsunami, tidal waves, currents, and others) was commonly an excluded peril from habitational insurance policies. It is now available from some insurers and is likely to become even more accessible in the future. Generally, flood can be added to commercial property policies by endorsement subject to a larger deductible and an additional premium.</p> <p>An insured’s location may make it difficult or expensive to purchase flood insurance. Flood coverage tends to be more readily available in the United States than in Canada, in part for lack of government-funded flood maps in Canada. With the help of new data-modelling techniques, such maps are being developed in Canada.</p> <p>On page 4-26, delete the “Flood Insurance” section.</p>
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Study 5

Page	Section	Update
5-8	Loss Assessment Coverage	<p>Change the second-last sentence in the paragraph above the Example box:</p> <p>Generally, assessments made necessary by a deductible on the condominium corporation’s insurance policy are not covered, although some insurers will provide this coverage for an additional premium.</p>

Study 6

Page	Section	Update
6-26	A. Bodily Injury and Property Damage Liability	<p>Replace the first bullet in the list with the following:</p> <ul style="list-style-type: none"> o Products: Damage caused by the insured’s products is covered. See Example—Products Liability Businesses. Businesses that typically have product liability exposures include manufacturers, wholesalers, and retailers.