Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

UNDERSTANDING INSURANCE BASICS

Financial Consumer Agency of Canada
IT PAYS TO KNOW.

Canada

TABLE OF CONTENTS

About Financial Consumer Agency of Canada (FCAC)

With educational materials and interactive tools, the Financial Consumer Agency of Canada (FCAC) provides objective information about financial products and services to help Canadians increase their financial knowledge and confidence in managing their personal finances. FCAC informs consumers about their rights and responsibilities when dealing with banks and federally regulated trust, loan and insurance companies. FCAC also makes sure that federally regulated financial institutions, payment card network operators and external complaints bodies comply with legislation and industry commitments intended to protect consumers.

You can reach us through the FCAC Consumer Contact Centre by calling toll-free 1-866-461-3222 (TTY: 613-947-7771 or 1-866-914-6097) or by visiting our website: **fcac.gc.ca**.

Contact Us:

Website: **fcac.gc.ca**

Toll-free: 1-866-461-3222

TTY: 613-947-7771 or 1-866-914-6097

Follow @FCACan on Twitter

Subscribe to FCACan YouTube Channel

Mixed Sources
Cert no. SW-COC-001506
© 1996 FSC

IT PAYS TO KNOW

Cat. No.: FC5-24/2011E-PDF ISBN: 978-1-100-18125-7 November 2012

WHAT IS INSURANCE?

Insurance is a way of reducing your potential financial loss or hardship. It can help cover the cost of unexpected events such as theft, illness or property damage. Insurance can also provide your loved ones with a financial payment upon your death.

How does insurance work?

You pay a fee called a premium and, in exchange, the insurance company agrees to pay you a certain amount of money if the event you are insuring against is covered and happens during the term of the policy.

The details of insurance protection, such as exactly which events are covered and for how much, are defined in your insurance policy. The insurance policy is a contract between you and the insurance company.

Why would I need insurance?

Insurance can protect you and your loved ones from financial loss if something unexpected happens.

For example:

- Auto insurance could pay the cost of repairs to your vehicle if you have an accident.
- Life insurance could provide your family with money to support themselves when you die.
- Home or tenant insurance could pay for the cost to repair your home if there is a fire in your house, condominium or apartment.

The decision to get insurance will depend on your circumstances and your stage in life. For example, you may want to consider getting life insurance if you have a partner or if you decide to start a family. However, if you are a single person with no dependents, you may not need life insurance. Similarly, your provincial or territorial health plan may be enough to cover your basic medical needs, but if you travel outside of Canada frequently, you may want to get travel health insurance.

There are many insurance products available to cover different types of risks. Auto insurance is mandatory if you own a vehicle. Most other types of insurance are optional. However, if you think that you cannot afford the potential financial loss or damage, then you should consider buying insurance.

This publication will provide you with a brief description of some of the most common types of insurance, what is involved in getting insurance, and what to do if you need to make a complaint.

UNDERSTANDING THE LANGUAGE OF INSURANCE

Here is a list of some basic insurance terms that you may encounter as you look into insurance.

Term	Definition
Agent	Someone who represents one insurance company and sells its insurance products. In some cases, a life insurance agent may represent several different insurance companies. Agents must usually be licensed in the province or territory in which they do business.
Broker	Person or company who sells the insurance products of several different insurance companies. Brokers must usually be registered in the province or territory in which they do business.
Claim	Official notice you provide to your insurer requesting payment for a loss or event covered by your insurance policy.
Claim investigation	Process used by insurers to get the claim information necessary in order to decide whether to pay a claim.
Coverage	Amount of protection you have purchased. The maximum amount of money the insurance company will pay you if you make a claim for a loss or event covered by your policy.
Deductible	Amount of your claim that you agree to pay before the insurer pays the rest. Choosing a higher deductible will decrease the cost of your insurance premiums because you agree to pay for a larger part of your loss. This term may be used with health, dental, home and auto insurance policies.

<table>
<tr><th>Term</th><th>Definition</th></tr>
<tr><td>Exclusions</td><td>Things that are not covered by your policy. Read your policy carefully and make sure you understand what is and is not covered.

For example:

• Some health insurance policies may exclude certain medical conditions you had before you applied for the insurance.

• A travel policy may exclude claims made if you travel to a high-risk country.

• A home insurance policy may exclude claims for some types of water damage.

You may be able to buy extra insurance, known as a rider or endorsement, to pay for risks not covered in your basic policy.</td></tr>
<tr><td>Insured</td><td>Person(s) protected by the insurance policy.</td></tr>
<tr><td>Insurer</td><td>Insurance company that issues the insurance policy.</td></tr>
<tr><td>Policy</td><td>Legal contract between you and the insurer.

The policy specifies:

• what risks are covered by the insurer

• under what circumstances the insurer will make a payment to you

• how much money or what type of benefit you will receive if you make a claim. The amount of money or level of benefit you would receive depends on the amount of your damage or loss.</td></tr>
<tr><td>Policyholder</td><td>Person who owns the insurance policy; usually, but not always, the insured.</td></tr>
<tr><td>Premium</td><td>Amount you pay to buy insurance.

The premium is usually paid monthly, quarterly or annually. The amount of your premium may change over time.</td></tr>
</table>

Term	Definition
Rider	Clause or term added to your insurance policy to provide protection, for an additional cost, for risks not covered in a basic policy. Also known as an endorsement. Check with your insurer to find out what is and is not covered by your policy and for what risks you might need extra coverage.
Risk	Probability that an insured event, such as loss, injury or death, will happen while your policy is in effect.

LIFE AND HEALTH INSURANCE

Here is a list of some insurance terms that you may encounter as you look into life and health insurance.

Term	Definition
Beneficiary or beneficiaries	The person(s) named on the life insurance policy who will receive the death benefit when you die. For example, you may want to name your spouse or child as the beneficiary of your life insurance policy. Beneficiaries may be revocable or irrevocable. If the beneficiary is revocable, the policy owner can change the beneficiary at any time without advising the beneficiary. If the beneficiary is irrevocable, the policy owner must have the irrevocable beneficiary's written permission before making beneficiary changes.
Benefit	Amount that the insurer will pay you if the insurer accepts your claim.
Cash value	Cash amount that the life insurer pays to the policyholder when a life insurance policy is cancelled. It may also be possible to take out a loan against the cash value of the policy. The cash value is **not** usually added to the face value of your policy, which is paid out upon your death. This term is normally used with a permanent life insurance policy.

Term	Definition
Contestability period	Period of time during which the insurance company can contest a life or health insurance claim based on incomplete or incorrect information the insured provided when applying for insurance. In cases of fraud, there is no time limitation.
Death benefit	Amount of money that the insurer will pay your beneficiary or beneficiaries upon your death. This term is normally used with a life insurance policy.
Material facts	Things you know that could affect an insurance company's decision about whether to insure you and what price (premium) you will pay. For example, if you are applying for life insurance, you must tell the insurer if you smoke. If you do not tell the insurer about material facts, the insurer could cancel your policy and refuse to pay any claims.
Pre-existing condition	Medical condition you know you already have before you apply for insurance — for example, asthma, high blood pressure or heart disease.
Rescission right	A policyholder's right to cancel a life insurance policy within 10 days of paying for it and to be refunded any premiums paid.
Underwriting	The process that the insurer uses to evaluate the risk associated with potential clients and to assess their eligibility to receive coverage. The underwriting process will determine: • how much coverage to provide the client • which conditions are excluded, if any • premium to be paid by the client.

Life insurance

Life insurance can provide a financial payment to your family and loved ones upon your death. When you purchase a life insurance policy, you name a beneficiary who will receive the death benefit specified in the policy upon your death. Your beneficiary will receive the death benefit tax-free.

You may also choose to leave the money to your estate or to a trust. However, if you leave the death benefit to an estate or trust, it will be subject to taxes when the estate is settled.

There are two main types of life insurance: ***term*** and ***permanent***.

Term life insurance provides coverage if you die within a specific period of time, unless you do not pay your premium.

Term life insurance premiums are generally less expensive than permanent life insurance premiums when you first buy the policy.

Premiums are usually fixed for the length of the term, often at intervals of five or ten years. However, your premiums may increase when you renew the policy. For example, premiums would increase every five years on a five-year renewable policy. Most life insurance policies will only cover you up to a maximum age. For example, you may not be able to buy coverage once you reach age 75.

The death benefit is paid if your death occurs during the term or duration of the policy. For example, your policy will pay the death benefit to your beneficiary if you die before the policy expires. However, once the term ends, the coverage ends, and you or your beneficiaries will not receive any payment. Most term insurance policies do not accumulate a cash value.

Permanent life insurance provides coverage throughout your lifetime, unless you fail to pay your premiums.

Permanent life insurance premiums are generally more expensive than term life insurance premiums when you first buy the policy, but may be lower than term life insurance premiums in later years.

Permanent life insurance policies generally accumulate a cash value that is returned to you if you cancel your policy. Most policies will also allow you to use their cash value as collateral for a loan. Loans that you have not repaid reduce both the death benefit and any cash value.

The two most common types of permanent insurance are ***whole life*** and ***universal life*** policies.

- **Whole life insurance** is a type of permanent life insurance that guarantees the amount of your premiums.

  Your premiums will not change as you get older, and your policy will often have a guaranteed minimum cash value. The death benefit, or amount paid out upon your death, is also guaranteed.

- **Universal life insurance** is a type of permanent life insurance that combines life insurance with an investment account. The investment account has a cash value. Withdrawals, as well as loans, may be permitted.

  You can increase or decrease your premiums within the limits specified in your insurance policy. You can also select how your premiums are invested.

  The death benefit and cash value of your investment account may increase or decrease depending on the types of investments you choose to hold in your account and the returns on those investments.

  The premiums you are required to pay could increase if returns on your chosen investments fall.

Naming a beneficiary is important to ensure that the life insurance benefit paid upon your death goes to whomever you want to receive it.

You can name more than one beneficiary. If you name more than one beneficiary for your life insurance policy, the insurance company will divide the death benefit among them.

Naming a beneficiary

Beneficiaries may be ***revocable*** or ***irrevocable***:

- If the beneficiary is **revocable**, you can change the beneficiary at any time without advising the beneficiary.
- If the beneficiary is **irrevocable**, you must have the irrevocable beneficiary's written permission before making beneficiary changes.

  If you live in Quebec and name your spouse as your beneficiary, the designation is automatically irrevocable, unless you specifically make it revocable when you first designate your spouse.

The person(s) you name on the life insurance policy will receive the proceeds of the death benefit when you die. For example, you may want to name your spouse or child as the beneficiary of your life insurance policy:

- If you name your spouse, another family member, friend or charitable organization as beneficiary, the death benefit will be paid directly to them and will not be subject to taxes when your estate is settled.
- If you name your estate as beneficiary, the death benefit will become part of your estate and be distributed according to the terms of your will.

In this case, the death benefit will be subject to estate taxes and will not be accessible to your beneficiary until your will has been dealt with by the courts.

If the death benefit is part of your estate, it can be seized by creditors to pay for your outstanding debts.

- If your named beneficiary is under legal age at the time of your death, you may want to set up a trust and designate a trustee or administrator who can receive and hold in trust the proceeds of the death benefit on behalf of the minor.

  Otherwise, the death benefit, plus accrued interest, will be held in trust by the province or territory and paid out when the beneficiary reaches legal age.

  Consult a lawyer or financial advisor for more information.

- If you do not name a beneficiary, your estate will be the default beneficiary.

  The proceeds of the death benefit will become part of your estate, subject to estate taxes, and also be vulnerable to claims from creditors.

When you purchase life insurance, you will need to complete a beneficiary designation form. ***Be sure to complete and sign the designation of beneficiary form and return it to the insurer. Otherwise, the insurer will consider that you have not properly designated any beneficiary.*** You will need to name a beneficiary for each policy that you have.

Also, consider naming a ***contingent beneficiary***. This is the person(s) who will receive the proceeds of the death benefit should your named beneficiary die before you or die at the same time as you.

Review your beneficiary designations from time to time and update them if necessary.

Health insurance

There is a variety of health insurance products available that could help you:

- pay for services that your regular health care plan does not cover
- supplement your income if you suffer a major illness or severe injury
- pay for your medical expenses if you become ill while on vacation.

Check your policy to find out if there is a deductible or if the amount payable is limited to a maximum percentage of the overall claim, or a maximum annual amount.

Supplementary health insurance pays for health services, such as prescription drug and dental services, not generally covered by provincial and territorial government health plans.

Before buying supplementary health insurance, check your employer's benefits plan to make sure that you do not buy coverage you already have. For example, you may already have dental coverage through your employer's plan.

Disability insurance replaces a portion of your regular income for a specified time if you cannot work temporarily or are permanently disabled due to an injury or illness, such as loss of a limb, a heart attack or an operation.

Some plans pay tax-free benefits while others are taxable. Generally, if you pay the entire amount of the disability premium yourself, any disability benefits you receive will be tax-free. However, if your employer pays all or part of the disability premium, your disability benefits will be considered taxable and subject to income taxes.

Keep in mind that permanent disability insurance does not necessarily mean that you will receive benefits for the rest of your life. The term "permanent" refers to the nature of the disability, not to the payments from the insurance company.

Each insurance provider has different definitions of what permanent disability means and the criteria that must be met before you can file a claim.

Travel medical insurance pays for medical treatment while you travel outside of Canada.

The policy may not provide coverage for medical conditions you had before applying for coverage, so read the policy carefully.

Critical illness or trauma insurance pays a one-time lump-sum payment if you are diagnosed with a critical illness that is specified in your policy, such as cancer or Alzheimer's disease.

There are often exclusions, so read the policy carefully. Be sure you know what is and is not covered.

Long-term care insurance can provide coverage if you enter a long-term care facility such as a nursing home. It may also provide coverage for the services of a caregiver while in your own home. Some conditions and restrictions may apply.

Evidence of insurability

As part of the underwriting process, life and health insurance companies may require that you complete a medical questionnaire or exam, also called Evidence of Insurability, before approving you for a policy.

Basic medical questionnaire

Some types of insurance, such as group policies, may require only that you sign a general statement about your health or respond to a short medical questionnaire before approving you for coverage.

- Coverage will usually begin immediately.
- Illness is assessed at the time of the claim.

  The insurer may review your medical information and confirm whether you qualify for coverage only when you make a claim.
- The insurer may cover pre-existing conditions if you have been free of the illness for a period of time as defined in the Certificate of Insurance or the terms and conditions.

Detailed medical questionnaire

In addition to completing a detailed medical questionnaire about your past health history and lifestyle, some types of insurance, such as individual policies, may also require that you provide medical records and undergo medical testing, such as saliva or blood tests.

- Coverage will not begin until the insurer has reviewed your medical information and confirmed that you qualify for coverage.
- Illness is assessed at the time of the application and the medical information provided will determine whether you qualify for coverage.
- The insurer will review your medical information and decide whether to cover or permanently exclude any pre-existing conditions.

  Some insurers may agree to cover pre-existing conditions at a higher premium.

For most types of life insurance, the insurance company cannot increase your premiums based on a change of health **after** your policy is issued.

Be sure to read your policy carefully and be aware of any exclusions relating to pre-existing conditions.

Contestability period

The contestability period is the time, usually two years, during which the insurance company could contest a claim if it believes you committed fraud on the insurance application.

If the insurance company finds that you did not disclose all of the relevant information about your medical history, such as symptoms you may have experienced, the insurer could void the contract and refuse to pay the claim, even though you have already paid premiums.

If your insurance company denies your claim, it might cancel the policy and return the premiums paid to your beneficiaries. Premiums would not be returned in cases of fraud. ***The contestability period applies even if leaving out the information was an oversight and not done intentionally*.**

However, the insurance company cannot deny a claim after the contestability period has passed, except in cases of fraud.

No matter what type of insurance you are applying for, be sure to answer all questions on the application fully and honestly. If you don't, your policy could be cancelled and any claim you make in the future could be refused.

PROPERTY AND CASUALTY (GENERAL) INSURANCE

Property insurance can provide coverage for loss or damage to:

- your home or personal possessions
- your car
- your business.

Casualty insurance can provide coverage against legal liability for losses caused by:

- injury to other people
- damage to the property of others.

Property and casualty insurance is also known as general insurance. Here is a list of some key terms that you may encounter as you look into property and casualty insurance.

Term	Definition
Actual cash value	The cost of the insured item when it was new, minus depreciation (loss of value due to the age and condition of the item). This is one method of determining the amount of money the insurer will reimburse you if you make a claim. How the depreciation is calculated depends on the item insured and the insurance company. Premiums for policies with actual cash value are generally less expensive than those for policies with replacement value.
Replacement value	The actual cost to replace an item destroyed or damaged in the event of a covered loss. This is another method of determining the amount of money the insurer will reimburse you if you make a claim. Premiums for policies with replacement value are generally more expensive than those for policies with actual cash value.

Home insurance (house, condominium and tenant)

For most people, a home, whether it is a house or a condominium, is the largest single purchase or investment they will make. Home insurance can help protect your home or contents in case of theft, loss or damage.

Insurance is also important for protecting tenants. You should have enough insurance to cover the cost of replacing everything in your home if it were all destroyed or stolen and to cover your liability to others.

The amount of money you receive from your insurer for a covered loss will depend on whether your coverage is for ***actual cash value*** or ***replacement value***. Actual cash value policies are usually less expensive than replacement value policies, but generally pay less when you make a claim.

For example, imagine that your television was damaged in a fire and is covered under the contents portion of your home insurance policy. The television is five years old; when it was purchased, it cost $2,000.

A **replacement value** policy would generally cover the cost of buying a new television that is of similar quality to the one you lost.

However, if you have an **actual cash value** policy, the insurer would only reimburse you for the value of the used television at the time of the claim, which may be much less than the purchase price.

When shopping around for home, condominium or tenant insurance, find out if the quotes you receive are based on actual cash value or replacement value.

Home insurance pays for damage to or loss of the interior and exterior of your house or property.

Home insurance can cover:

- damage, theft or loss of your personal possessions
- personal property stolen from your vehicle
- damage or injury to others who visit your home or property

  For example, if someone slips and falls in your driveway, that person may be able to make a claim against you for the expenses incurred as a result of damage or loss caused by the injury.
- accidental damage you cause to others' property.

  For example, if a fire starts in your house, your home insurance can pay for the damage the fire causes to your neighbour's house.

Home or property insurance is usually required as a condition of getting a mortgage. Most financial institutions will not give you a mortgage without proof of insurance.

Condominium insurance

Condominium coverage is different from home insurance because it covers only the inside structure of your unit and your personal liability.

Condominium insurance can pay for:

- damage to or loss of the interior structure of your unit
- damage to or loss of your belongings
- improvements you or the previous owners made to your unit
- your personal liabilities in case someone is injured in your home
- accidental damage you cause to other units or the condominium common areas.

If you own a condominium, the condominium corporation will have a master insurance policy that covers the outside structure of the condominium and the condominium's common areas. However, this policy does not include coverage of your unit or other units.

Tenant (renter's) insurance

If you live in an apartment or rent your home from someone else, you should still look carefully at how tenant insurance could protect you.

Tenant insurance can pay for:

- damage to or loss of your possessions if you rent or lease your apartment or home from someone else
- personal property stolen from your vehicle
- accidental damage you cause to any part of the apartment building or home you are renting
- injury caused to visitors.

For example, if the bathtub overflows and floods your apartment, tenant insurance can pay for the damage caused to your apartment, the apartment building and other tenants or their property.

Auto insurance

Auto insurance is **mandatory** if you own a licensed vehicle. All Canadian provinces and territories require drivers to have at least liability and accident benefits/bodily injury coverage. Some provinces may require additional coverage.

Liability insurance covers losses (such as injury or death) that your vehicle causes to other people or damage to their property. It does **not** cover the cost of repairs to your own vehicle.

Accident benefits/bodily injury insurance covers the cost of your own medical expenses and loss of income when you are in an accident.

You can also purchase optional insurance such as collision and comprehensive coverage.

Collision insurance covers the cost of repairing or replacing your vehicle if you hit another vehicle or object.

Comprehensive insurance covers the cost of repairing or replacing your vehicle due to other types of damage or loss, such as vandalism or theft. Comprehensive insurance does **not** cover loss or damage to your vehicle if you hit another vehicle or object in a collision.

Most auto insurance policies do not cover the loss of personal possessions, such as golf clubs, clothing or personal electronics, stolen from your vehicle. Personal possessions stolen from your vehicle are usually covered by your home or tenant insurance. Check your home insurance policy to find out if it provides coverage for theft of personal items from your vehicle.

Business insurance

If you have a home-based business or work from your home, you should consider getting business insurance. Business insurance can protect you against loss or damage to physical property or the loss of your business' ability to operate and generate income.

Commercial property insurance pays for damage to or loss of your business premises. It also protects against damage, theft or loss of the business property or inventory.

Public liability insurance protects your business against third-party liability claims. For example, a delivery person who slips and falls at your place of business may be able to make a claim against you for the expenses and the effect of an injury, or you could be held responsible if your product causes damage to others.

Errors and omissions insurance protects service providers against claims made against them because of a mistake they may have made.

Home or tenant insurance will generally not pay for claims related to your home-based business or business activities that take place in your home. For example, inventory stolen from your home will not be covered by your home or tenant insurance policy.

If you have a home-based business or conduct business in your home, it is important that you declare it to your insurer and arrange for business or commercial coverage.

INSURANCE FOR YOUR DEBTS

If you have a mortgage, line of credit or other loan with a financial institution, you may also be offered insurance to make payments on that debt in the event that you are unable to, due to illness, accident or death.

These types of insurance are also known as creditor insurance because benefits are paid to the company that you owe money to. In most cases, the insurance product is linked to one specific debt, such as a mortgage, line of credit or a loan.

The most common categories offered are:

Life insurance on the debt

The insurance company pays the outstanding balance on the debt to which the insurance applies in the event of your death.

For mortgages and other loans for fixed amounts, the death benefit (the outstanding loan or mortgage balance) decreases as you make payments and the outstanding balance is reduced.

Premiums are based on the original amount of the debt. As you pay down your debt, the premiums generally remain the same even though you will owe less on your loan or mortgage over time.

The financial institution that is owed the debt is the beneficiary of any creditor life insurance policy. The death benefit is paid to the financial institution, and not to your family or heir(s).

You would need to buy a separate life insurance policy if you want your family or heir(s) to receive a death benefit in the event of your death.

Critical illness insurance on the debt

In most cases, the insurance pays the outstanding balance if you are diagnosed with one of the critical illnesses specified in the policy or Certificate of Insurance.

Each policy or Certificate of Insurance lists which illnesses are covered and the requirements to qualify. For example, cancer is usually one of the illnesses covered, but some policies may limit coverage to certain types of cancer.

Pre-existing conditions are usually not covered, but some policies will pay benefits if you have been free of the illness for a period of time, defined in the terms and conditions. Premiums are based on the amount of the debt.

Disability insurance on the debt

Disability insurance generally makes the **minimum** required payments on the debt, for a specified time, while you are disabled. It generally does not pay off the full outstanding balance.

You will still be responsible for paying the balance when you recover or after the coverage period ends.

Each policy will define the disabilities that would make you eligible for benefits and other terms and conditions, including the amount of the payments and how long they would last.

Credit card balance insurance

Credit card balance insurance is usually a combination of several insurance products, including critical illness, disability, job loss and life insurance.

If you become injured, disabled or lose your job, the insurance will make the **minimum** payments on your credit card, or will pay a specified percentage (usually 3-5%) of the outstanding monthly balance.

If you die or have a critical illness, the insurance company will pay off the credit card balance owing at the time of your illness or death. There is usually a maximum period of time for which benefits will be paid.

The premium is charged directly to your credit card every month and is subject to applicable provincial or territorial taxes. You will also be charged your credit card's interest rate if you do not pay the balance in full.

The premium will change each month depending on the balance you owe: the lower the balance, the lower the premium.

Credit balance insurance is optional and is **not** a condition for obtaining a credit card.

Things to consider before you sign up for insurance on your debts:

- Review your existing insurance coverage — for example, you may already have insurance coverage through your employer that will help pay off your debts in case of death or a disability.
- Compare the coverage offered with other options, such as a term life policy, to see which option meets your needs and offers the best value.

Be aware that creditor insurance often has exclusions relating to pre-existing conditions, such as asthma, high blood pressure or heart disease. Read your policy carefully and make sure you understand what is covered.

BUYING INSURANCE

Make sure you get the right insurance to meet your needs, which may change over time. Evaluate your situation from time to time, as you may need to update your policy after major life events such as:

- starting a family
- buying a home
- starting a business
- buying a new vehicle.

Your decisions about the type and amount of insurance you get will depend on your situation, your budget, your personal beliefs and the value of what you are insuring.

Know what insurance coverage you already have so that you do not buy unnecessary coverage. For example, your employer's benefits plan may offer supplementary health coverage, or travel health insurance may be included if you pay for your trip with a credit card.

Tip

You may be able to get better prices if you are a member of a union, association or club. Many insurers offer special lower rates for group coverage. However, coverage usually ends when you are no longer a member of the group or reach a certain age.

When buying insurance:

- Evaluate your situation to determine what risks you may need to insure against. You may also wish to have an emergency savings fund to protect you against some of the smaller financial risks.
- Check with your employer to see whether you already have certain types of insurance under your employer's plan.
- Shop around and compare both the coverage and the prices. Some policies may be cheaper but may not offer the same level of service or coverage.
- Be sure to get enough insurance. If you make a claim, your insurer will only pay up to the maximum amount insured by your policy. When deciding how much insurance you might need, consider the value of the item you are insuring and the full financial impact of paying for the loss or event you are insuring against.
- For those types of insurance that have a deductible, such as home and auto insurance, determine how much of a deductible you can pay if you need to make a claim. Generally, a higher deductible will reduce your premiums, but you will need to pay the full amount of the deductible if you make a claim.
- Before signing, read the policy carefully. ***Make sure you understand what is and is not covered by your policy.***

Where can you buy insurance?

You can buy insurance from:

- a licensed insurance agent
- a registered insurance broker
- an insurance company.

Most types of insurance can also be purchased over the phone or Internet or by mail; however, life insurance is usually purchased from a licensed agent.

Other types of insurance, such as mortgage default insurance or credit insurance, are usually offered by the lender when you apply for financing.

Tip

You may be able to get a discount if you buy more than one type of insurance policy from the same insurance company — for example, you may get a discount if you buy your home and auto insurance from the same insurance company.

Choosing an insurance agent or broker

Before choosing an agent or broker:

- Shop around.
- Ask friends and family if they can recommend someone they have dealt with. Ask the agent or broker to provide references from other clients.
- Ask about the insurance agent's or broker's qualifications. Find out what training the agent or broker has received.

  For example, if you are dealing with a life insurance agent, ask whether he or she has passed the Life Licence Qualification Program (LLQP).
- Find out if the agent or broker belongs to a professional association.

  For example, does the agent or broker belong to Advocis, the Financial Advisors Association of Canada or the Insurance Brokers Association of Canada?
- Contact the insurance regulator in your province or territory to confirm that your agent or broker is licensed or registered to do business in your province or territory.

  Dealing with a licensed agent or registered broker will help to ensure that he or she is properly trained and has the resources to provide you the insurance services you may need.

  A list of provincial and territorial insurance regulators is available on FCAC's website at **fcac.gc.ca**.
- Find out how long the agent or broker has been in business and what services the agent or broker provides after selling you the policy.

However, agents and brokers will often accept premium payments on behalf of an insurer. If you pay premiums to an agent or broker, the cheque or payment should be made out to the insurer and not to the agent or broker.

Tip

Never pay a fee to insurance agents or brokers. This is not a normal practice in the insurance industry and could be a scam. Licensed insurance agents and registered brokers receive payment from the insurance company and generally do not charge you a fee.

Choosing an insurance company

Regardless of how you buy insurance, your policy will be issued by an insurance company.

Before accepting an insurance company recommended to you by your agent or broker, or choosing an insurance company yourself, contact the insurance regulator in your province or territory to confirm that the insurance company is licensed to do business where you live. Dealing with a licensed insurance company will ensure that you have access to an independent dispute resolution system if you need to file a complaint.

Make sure the company is a member of Assuris (**www.assuris.ca**) or PACICC, the Property and Casualty Insurance Compensation Corporation (**www.pacicc.com**).

If your life insurance company fails, Assuris protects your benefits up to certain amounts. A life insurance company authorized to sell insurance policies in Canada is required by the federal, provincial and territorial regulators to become a member of Assuris.

If your property and casualty insurance company fails, PACICC protects your benefits up to certain amounts. A property and casualty insurance company authorized to sell insurance policies in Canada is required by the federal, provincial and territorial regulators to become a member of PACICC.

QUALIFYING FOR INSURANCE

Insurance companies will evaluate whether they will issue a policy based on certain criteria, such as:

- your age
- your gender
- your medical history
- any previous claims you have made
- the amount of coverage you are requesting.

No matter what type of insurance you are applying for, be sure to ***answer all questions on the application fully and honestly***. If you don't, your policy could be cancelled and any claim you make in the future could be refused.

How are premiums calculated?

Your premium is based on the probability that you will make a claim. Factors such as the ones listed previously may affect the cost of your premiums.

Insurers usually charge higher premiums to people who they think are more likely make a claim. People whom insurers consider less likely to make a claim will usually pay lower premiums.

For example, if you have a history of medical issues, you may pay higher life insurance premiums than someone with few medical issues.

If you have several accidents on your driving record, you may pay higher auto insurance premiums than someone who has no accidents on his or her driving record.

MAINTAINING YOUR COVERAGE

There are certain things you need to do in order to maintain your insurance coverage.

Pay your premiums on time. If you do not pay your premiums on time, your policy may be cancelled for non-payment. Your coverage will stop and you will no longer be protected. If your policy is cancelled due to non-payment, you may find it difficult to get coverage in the future, or you may have to pay higher premiums.

For some types of insurance, you must ***tell your insurer as soon as possible about any change in your circumstances*** that may affect the insurer's ability to cover your loss. For example, your automobile insurer will need to know if you have convictions for driving offences.

To renew your policy, you may need to tell the insurer about any changes to that information within a certain time period before your current policy ends. Your policy will list the specific procedures you will need to follow to renew your policy.

CANCELLING YOUR COVERAGE

If you buy life insurance and have second thoughts, most insurers will allow you a 10-day review period from the time you received the policy, during which you can cancel the policy. If you choose to do so, you will be refunded any premiums you have paid. This option does not apply to home and auto insurance. Check the details in your life insurance policy to find out if a review period is available.

You can also cancel a life, health or property and casualty insurance policy at any time while it is in force by contacting the insurance company in writing. However, if you cancel your policy before the expiry date, a penalty will be applied.

Make certain that your new policy is in force before cancelling your previous policy or letting it expire. Otherwise, you may not be covered while waiting for the new policy to come into force.

MAKING A CLAIM

When you make a claim, you are officially asking the insurer to pay you for a loss or event covered under the terms of your insurance policy.

Before submitting a claim, check your policy's terms and conditions, as well as any exclusions, to see if your loss is covered. Insurance companies will pay only for the specific losses described in your policy. Your insurer will review your policy and advise you whether your claim is eligible under the terms of your contract.

Contact your insurance agent, broker or insurance company promptly about your claim. Most insurers have time limits within which you must submit your claim. The limit usually varies from 90 days to 12 months from the date of the loss or event.

The insurer may investigate the circumstances surrounding your claim to confirm that no fraud was involved. For example, the insurance company may request medical records or police accident reports. This information will be used to determine whether the insurer will pay your claim.

When submitting your claim to your insurer, make sure to provide all supporting documents. For example, in the case of an auto insurance claim, you may need to provide an accident report; for a life insurance claim, you may need to provide a death certificate.

Your policy lists the specific claims procedures you will need to follow.

Tip

Making a claim may increase your premiums. Some insurance companies offer a discount if you have not made any claims under your policy. This is often the case for home and auto insurance.

If the amount of your claim is only a little more than your deductible, consider whether you can afford to pay for the claim yourself.

PROTECTING YOURSELF AGAINST INSURANCE SCAMS

Insurance scams can take many forms. Here are a few tips on how to avoid them:

- Beware of any email message that claims to be from your insurance company and that asks you to confirm or give certain personal information. This could be a scam to obtain information about your personal finances and could lead to identity theft.
- Do not pay your premiums through a money transfer or money wiring service. This is not a normal practice and could be a scam to get you to buy fake insurance.

IF YOU HAVE A COMPLAINT

There are several options available to you if you have a complaint about your insurance agent, broker or insurance company. All federally regulated insurers must have a complaint-handling system in place. They must provide policy holders with information on:

- how to make a complaint
- how long the process will take
- the next steps if the complaint remains unresolved.

For a list of federally regulated financial institutions, visit the website of the Office of the Superintendent of Financial Institutions (OSFI) at **www.osfi-bsif.gc.ca** and click on "Who We Regulate."

The Complaint Process

It is important that you follow your insurance company's internal complaint-handling process before taking further steps.

1. Address the issue with your agent, broker or the company representative as soon as possible. This may be all that is required to solve the situation.

   If the problem relates to ***the insurance product*** and you are not satisfied with the response received from your agent or broker, make a formal complaint to your insurer and ask that your complaint be forwarded to your insurance company's internal ombudsperson. Formal complaints must usually be made in writing.

2. If the problem relates to ***the conduct of the agent or broker*** and you are not satisfied with his or her response, contact the insurance regulator in your province or territory.

   Each province and territory has its own insurance regulator that handles complaints. If the insurance company cannot resolve your complaint, contact the insurance regulator in your province or territory.

3. If your complaint has still not been resolved by the insurance company or regulator, you can contact one of the following organizations that can offer a third-party review of your complaint:

   a. Life and health insurers

   OmbudService for Life and Health Insurance (OLHI)
   www.olhi.ca
   1-888-295-8112 (English)
   1-866-582-2088 (French)

   Quebec: L'Autorité des marchés financiers (AMF)
   www.lautorite.qc.ca
   Québec: 1-418-525-0337
   Montréal: 1-514-395-0337
   Other regions: 1-877-525-0337

   b. Home, auto and business insurers

   General Insurance OmbudService (GIO)
   www.giocanada.org
   1-877-225-0446

   Quebec: L'Autorité des marchés financiers (AMF)
   www.lautorite.qc.ca
   Québec: 1-418-525-0337
   Montréal: 1-514-395-0337
   Other regions: 1-877-525-0337

FCAC has a complaint-handling process search tool on its website (**fcac.gc.ca**) that can help you find out about the complaint-handling process for your insurer.

When filing a formal complaint, remember to:

- State the facts, why you think there is a problem and what you would like to happen.
- Provide copies of all the available documentation such as brochures, account statements and copies of contracts and medical information, if appropriate. Keep the originals.
- Keep a record of whom you talked to and what was said.
- Ask for a final position letter that clearly states your insurer's final decision regarding your complaint.

RESOURCES

Federal, provincial and territorial regulators

Canada's insurance industry is regulated federally as well as by the provinces and territories.

Most insurance companies are federally incorporated. The federal government ensures that all federally incorporated insurance companies are financially sound. Federally incorporated insurance companies must also be members of a third-party dispute-resolution system to handle consumer complaints.

However, each province has its own insurance regulator and all insurers must follow the rules and regulations of the province or territory in which they carry on business. Provincial insurance regulators enforce consumer protection laws and also oversee the licensing and conduct of insurance agents and brokers in their province.

If you want to confirm that the insurance company, agent or broker you are dealing with is licensed or registered to do business in your province or territory, or you want more information on how to protect yourself, contact your provincial or territorial regulator.

A list of federal, provincial and territorial insurance regulators is available on the FCAC's website at **fcac.gc.ca**.

Life and health insurance

Information:

- **Canadian Life and Health Insurance Association (CLHIA)**
  www.clhia.ca

Information and complaints:

- **Quebec: OmbudService for Life and Health Insurance (OLHI)**
  www.olhi.ca
  1-888-295-8112 (English)
  1-866-582-2088 (French)

Property and casualty (general) insurance

Information:

- **Insurance Bureau of Canada (IBC)**
  www.ibc.ca
  Consumer Information Centres:
  - British Columbia, Saskatchewan and Manitoba: 1-877-772-3777 ext. 222
  - Alberta and The North: 1-800-377-6378
  - Ontario: 1-800-387-2880
  - Quebec: 1-877-288-4321
  - Atlantic: 1-800-565-7189 ext. 227
- **Groupement des assureurs automobiles**
  www.gaa.qc.ca
  - 1-514-288-4321 (Montreal area)
  - 1-877-288-4321 (elsewhere in Quebec)

Information and complaints:

- **General Insurance Ombudservice (GIO)**
  www.giocanada.org
  1-877-225-0446