

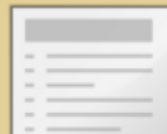


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Implementing Bill 59: consumer brochures, SABS, and new/revised forms

FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQs.

Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.



Bulletin

No. A-08/96
- Auto
Property & Casualty

[bulletinToTheAttentionOf]

To the attention of all insurance companies licensed to transact automobile insurance in Ontario

This Bulletin, along with previous and future Bulletins relating to *Bill 59*, the *Automobile Insurance Rate Stability Act, 1996*, provides important information on insurers' responsibilities and the time lines associated with these responsibilities.

MASS MAILING OF TWO CONSUMER BROCHURES

Under the leadership of the Insurance Bureau of Canada, an industry-government working group has produced two consumer brochures. The publications explain how the automobile insurance system is changing and outline how the new system will work.

The titles of the two brochures are: [What You Should Know About Car Insurance in Ontario: Automobile Insurance Rate Stability Act, 1996](#), and [On November 1, 1996 Ontario Car Insurance Changes: Automobile Insurance Rate Stability Act, 1996](#).

Insurers should note that the first printing of the latter publication contains an error in the "Deductibles on your Vehicle Coverages" section. The error reads: "However, if you have selected a deductible, the full amount of it will apply, regardless of your degree of fault for the accident." Instead, the sentence should read: "If you have selected a deductible, it applies only to the extent to which you were not at fault for the accident." The publication has been reprinted with the corrected sentence. Insurers receiving the first printing are asked to clarify

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this point with their brokers and agents.

The industry-government working group has agreed that the distribution of the two brochures **before November 1, 1996** by all insurers to each policyholder is a key step towards a smooth and efficient transition into the new insurance environment.

It is expected that insurance companies that plan to distribute the publications through brokers and agents will provide sufficient copies of the brochures to these intermediaries, and that they will oversee the distribution process to ensure that all policyholders receive the two brochures before November 1, 1996.

The brochures in English and French are available through Informco Inc., in Toronto, Ontario (tel. (416) 285-1700; fax (416) 285-0595). Film to be used in printing the brochures is also available at cost from Informco.

TREATMENT OF POLICIES IN FORCE PRIOR TO NOVEMBER 1, 1996

Application of new SABS

The Government of Ontario has approved the *Statutory Accident Benefits Schedule (SABS)* under *Bill 59*. Effective November 1, 1996, the scheduled proclamation date of *Bill 59*, the new SABS applies to all policies (existing and new). Insurers are reminded that Section 70 of the SABS provides transitional accident benefits coverage for policyholders whose existing policies expire on or after November 1, 1996. This transitional coverage remains available until the first expiry date or termination of the policies on or after November 1, 1996.

The Ministry of Finance has already mailed copies of the SABS to insurers. Should you need to obtain additional copies, please download the information through the Ontario Ministry of Finance

Web site located at <http://www.gov.on.ca/fin/sabs96.html> Alternatively, please fax your request to the Administrative Officer at the Ontario Insurance Commission (OIC) at (416) 590-7070.

Deductibles

Insurers are reminded that *Bill 59*, when proclaimed, will preserve existing provisions regarding deductibles. Thus, all deductibles for loss or damage in current automobile insurance policies remain in force until the first expiry date or termination of the policies on or after November 1, 1996.

Policy cancellations before expiry dates on or after November 1, 1996

Some policyholders may wish to forego the transitional benefits available under the *SABS* and avail themselves of the new rates, optional coverages or retiree discount that will be offered by insurers when *Bill 59* is proclaimed.

Therefore, for policyholders who cancel their existing automobile insurance policy prior to the scheduled expiry date on or after November 1, 1996, and renew with the same insurer, insurers will prorate, not "short rate", the policy.

TREATMENT OF POLICIES FROM NOVEMBER 1, 1996

On and after November 1, 1996, the scheduled proclamation date for *Bill 59*, insurers are responsible for ensuring that for new and renewing policies, the following provisions are implemented.

For new/renewing policies

All new/renewing policies are required to provide consumers with mandatory coverage (third party liability, uninsured automobile coverage, statutory accident benefits and direct compensation for property damage). The policies must also provide the **option to buy** accident benefits outlined in Section 27 of the *SABS* as well as the retiree discount to eligible retirees.

In the case of mandatory coverages, insurers are reminded that Bill 59 changes the deductible for uninsured automobile coverage from \$100 to \$300, effective the date of the first renewal on or after November 1, 1996. Insurers should also note that Section 27 optional accident benefits cannot be automatically added to the policy; **the customer must select the option.**

Note: As the "Application for Automobile Insurance" is not always filled out when a policy is being renewed, insurers will need to establish a process to identify policyholders who are eligible for the retiree discount.

In addition, the industry-government group suggests that renewed policies should be sent to policyholders with a \$0 deductible for direct compensation - property damage, and an option to buy a \$300 deductible.

New rate structure

Insurers (and their brokers) must ensure that, in providing insurance premium quotations to actual and potential policyholders, they provide only rates that have already been approved by the OIC. If an insurer does not have an approved *Bill 59* rate filing and is sending out renewal notices on or after November 1, 1996, it is recommended that the insurer inform policyholders of the situation: that the company has applied for a new rate structure; that a new rate structure will be in force from the proclamation date of *Bill 59*; and that, if an overpayment had been made, a refund will be issued to the policyholder.

NEW AND REVISED FORMS

Special task groups representing the industry and the OIC are revising all existing forms regarding automobile insurance in Ontario. The task groups are also creating new forms to meet the needs of insurers in the changing insurance environment.

On August 15, 1996, we distributed the general form, the "Revised Certificate of Automobile Insurance Form (Declaration Page) and Approved Data Elements." With this Bulletin, we are distributing 3 new and 10 revised "General" and "Policy Change" forms (new forms are marked by an asterisk *):

General forms

1. "Ontario Application for Automobile Insurance - Owner's Form" (OAF 1).
2. "Automobile Insurance Declaration for Retiree Discount" (RD-1).*

Policy Change forms

3. "Drive Government Automobiles" (OPCF 3)
4. "Agreed Value of Automobiles" (OPCF 19A)
5. "Monthly Reporting Basis Fleet (Applicable to Ontario Licensed Automobiles)" (OPCF 21A)
6. "Blanket Fleet Coverage for Ontario Licensed Automobiles" (OPCF 21B)
7. "Lienholder Protection" (OPCF 23A)
8. "Mortgage (Broad Form)" (OPCF 23B)
9. "Alteration" (OPCF 25A)
10. "Limitation for Automobile Electronic Accessories and Equipment" (OPCF 37)*
11. "Agreed Limit for Automobile Electronic Accessories and Equipment" (OPCF 38)*
12. "Removing Depreciation Deduction" (OPCF 43)
13. "Removing Depreciation Deduction for Specified Lessee(s)" (OPCF 43A)

OTHER FORMS

- **"Ontario Automobile Policy - Owner's Policy" (OAP 1)**

It is anticipated that the OAP 1 will be approved and available for distribution the week of September 9, 1996. It will be forwarded to insurers under separate cover. Accompanying the approved OAP 1 will be a second version that highlights the changes that have been made.

- **"Excess Economic Loss Endorsement" (OPCF 45)**

Insurers are reminded that the OPCF 45 form will be revoked under *Bill 59*. This will be done by a Regulation which will appear in The Ontario Gazette.

Other new and revised forms related to accident benefits, dispute resolution, garage policy and other related automobile insurance areas are being prepared and will shortly be sent to the Commissioner for approval.

PREVIOUS BILL 59 IMPLEMENTATION BULLETINS

The OIC has previously issued other Bulletins regarding the implementation of *Bill 59*. They are entitled:

- "Bill 59 Simplified Rate and Risk Classification Filing Guidelines". OIC Bulletin No. A-6/96, Property & Casualty - Auto, issued July 31, 1996.

- All insurers are reminded to submit a rate and risk classification filing for all classes of automobile insurance they write. Approved rate and risk classification structures must be in place by November 1, 1996.

- "Revised Certificate of Automobile Insurance Form (Declaration Page) and Approved Data Elements". OIC Bulletin No A-7/96, Property & Casualty - Auto, issued August 15, 1996.

- Insurers who are experiencing difficulties with programming the Provincial Sales Tax (PST) element (Element 87) are reminded that they may file their Certificate as a non-standard form by November 1, 1996, omitting this element.

- "Establishment of Office of Insurance Ombudsman and Insurers' Complaint Handling Protocol". OIC Bulletin No. G-5/96 - General, issued September 3, 1995.

- Please note that this *Bill 59* customer service initiative applies to all insurers in Ontario, and must be in place by November 1, 1996.

If you wish to receive additional copies of any of these Bulletins, please fax your request to the

Administrative Officer, OIC, at (416) 590-7070.

D. Blair Tully
Commissioner
September 6, 1996

Attachment:

- Ontario Applications for Automobile Insurance

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