

C110 Essentials of Loss Adjusting

Addendum July 2006

(To be used with the 2005 edition of this textbook.)

Study 2, page 7, in the box, replace the Quebec administrative agency with

Autorité des marchés financiers

Study 2, page 17, remove last sentence on the page.

Study 2, page 30, amend the last sentence of the first paragraph as follows:

In this way, consumers can be served more efficiently and certain legal and court costs can be eliminated or reduced.

Study 2, page 31, after (6) add the following paragraph:

Member insurers have acknowledged their commitment to follow the ADR process in resolving disputes.

Study 3, page 1, add the following between Objectives and Contents:

Students are not required to memorize policy wordings. However, they must become familiar enough with them to understand the concepts presented in this study.

Study 3, page 6, delete the fourth paragraph.

Study 6, page 5, replace the first sentence of the second para. as follows:

Actual cash value is the fair value of the item at the time of loss. That is not the replacement value or necessarily the market value of the item.

Study 6, page, 7 in the first line put a period after provinces and delete the balance of the sentence. Replace 40 days with 45 days in the last sentence of this paragraph.

Study 6, page 7, in the next paragraph replace the first sentence with the following:

In the Quebec General Conditions, the replacement clause includes the rights of mortgagees or lienholders on the property (Article 2497). The timing for replacement is not identified.

Study 7, page 17, Amend the Limitation Periods Chart as follows:

Under Alberta, Fire Property, add: Multi-peril policies 2 years from discovery of action.

Under Ontario, Fire Property, add: Multi-peril policies: Limitations Act applies—2 years from discovery of claim .

Add to the bottom of the page:

The limitations of actions legislation does not prohibit insurers from contracting out of the legislated period, except in Ontario.

Study 8, page 8, add this after the second example box:

The duty of care could be diminished by legislation. Certain occupier liability statutes limit the occupier's duty to people using recreational trails.¹

Study 9, page 3, in the second box at the end insert an additional bullet:

- materials and supplies to be used to alter or repair the insured building

Study 9, page 15, remove the first bullet and accompanying text.

Study 9, page 22, Replace the first paragraph under Analysis with the following:

The policy is examined to determine whether there is a limitation to be applied to this circumstance. Consider that some policies limit coverage for personal property away from the insured premises to 10% of that limit. Under such a policy Dan's coverage would be limited to \$5,000 (\$50,000 x 10%). The policy wording provided in the Appendix section does not have such a limitation.

Study 9, page 22, amend the second to last sentence to include the words "off the premises" as follows:

Professional business use items are not covered off the premises...

Study 9, page 22, after the last sentence add the following:

In this case, there would have been ample coverage under a policy with a 10% off-premises limitation. The final settlement amount would be the same under either policy.

Study 9, page 34, in the second chart the value of the pearl necklace is \$6,250.

Study 10, page 7, amend the second to last paragraph as follows:

Legislation prohibits denial to third party

The automobile insurance contract provides compulsory insurance to protect innocent third parties against injury and damage. An **absolute liability** provision in provincial insurance legislation prohibits insurers from denying a claim to a third party based on the insured's contravention of a policy condition. Under such circumstances, coverage limits would be reduced to the jurisdiction's minimum limits.

Study 10, page 22, replace the example box as follows:

Example

Jim and Danielle, both residents of Ontario, are involved in an accident in Ontario.

¹Recreational Trail Property Owners Protection Act (Manitoba) (2005)

According to the fault chart, Jim is 25% liable for the accident and Danielle is 75% liable. Danielle was turning left at an intersection as Jim was overtaking her to pass. The point of impact on Jim's vehicle was the front bumper on the passenger side and on Danielle's it was the driver's door. Damage to Jim's automobile is \$1,000; damage to Danielle's is \$2,200. Jim incurred taxi charges of \$50 while his car was out of commission. Danielle rented a vehicle and incurred \$200 in charges.

Jim's Policy Coverage

Third party liability \$1,000,000
No collision coverage
DCPD deductible \$ none
No loss of use coverage

Danielle's Policy Coverage

Third party liability \$1,000,000
Collision deductible \$ 500
DCPD deductible \$ none
Loss of use coverage (subject to limitations)

The loss will be apportioned according to the DCPD arrangement.

Jim recovers under his policy (25% at fault)

Jim will recover $\$1,000 \times 75\% = \mathbf{\$750}$ from his own insurer on behalf of Danielle as though Jim were a third party.

Jim will recover $\$50 \times 75\% = \mathbf{\$37.50}$ for his transportation costs.

The total settlement is $\$750 + \$37.50 = \mathbf{\$787.50}$

Danielle recovers under her policy (75% at fault)

For the damage to her car, Danielle will recover under the DCPD to the degree she is not at fault, $\$2,200 \times 25\% = \mathbf{\$550}$

Under her collision coverage she will recover that part of her deductible for which she was not at fault according to the DCPD: $\$500 \times 25\% = \125 . Her deductible will be reduced to \$375.

Under her collision coverage, the balance of the outstanding damages at \$1,650 is reduced by the deductible of \$375 which amounts to **\$1,275**. For the vehicle damage, Danielle will recover $\$550 + \$1,275 = \mathbf{\$1,825}$.

For the car rental, Danielle will recover under the DCPD to the degree she is not at fault, $\$200 \times 25\% = \mathbf{\$50}$. The balance of **\$150** will be paid under the loss of use coverage.

The total settlement is $\$1,825 + \$200 = \mathbf{\$2,025}$

Appendix Section, Update Provincial Court Systems for Claims as follows:

Manitoba's limit is being increased to \$10,000
Nova Scotia's limit is being increased to \$25,000 ♦

**Applying
the
deductible**