

# **Newcomer Finances Toolkit**

# **Insurance**

## **Worksheets**



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# Insurance

Insurance is a contract between you and an insurance company.

When you buy **insurance**, you pay an amount of money every month or every year. The insurance company pays you if an accident happens that lowers the value of the insured item (a **loss**).

Insurance works by collecting small amounts of money from many people and paying the few people who have a loss. The amount that the insurance company will pay is in the contract.

People use insurance to protect themselves against big losses, like a fire or a car accident.

You must have some kinds of insurance (like car insurance) by law.

You can choose to have other kinds of insurance. Many people have insurance to protect themselves and their families from big losses.

## Types of Insurance

**Property insurance** protects you against a loss of “things,” such as cars and homes.

For example, a fire damages your home. The insurance company pays to repair your home and to replace things that were damaged by the fire, such as furniture and clothes.

Property insurance also gives **liability** insurance, which pays people who get hurt or have their property damaged when **you** are responsible for an accident.

For example, someone falls on the ice and gets hurt because you didn't shovel the snow out of the way.

The insurance company may pay for special nursing care to help the person get better and for the person's lost wages.



**Life insurance** and **disability insurance** protect you against lost income if the insured person dies or becomes disabled.

**Health insurance** pays for some expenses that the province's health insurance doesn't cover.



## Insurance Policies

Usually, you fill out an application for insurance. You get a **policy** or **contract** (a written agreement) from the insurance company. You are the **policyholder** or the **insured**.

You are insured against **perils** (things that cause loss or damage, like a fire or theft). Some insurance policies cover all perils, and some don't.

**Exclusions** are things that your insurance policy does not cover. Make sure you know about all the exclusions so you don't get a surprise.

If you add coverage for something extra on the policy, it is called a **rider**. For example, you can get a rider to your home insurance policy for extra insurance for valuable jewellery.

## Paying for Insurance

The amount you pay for the insurance is the **premium**.

The insurance company decides on the premium using the information in your application.

For life and health insurance, the application will ask questions about your health.

You may need to have a doctor or nurse examine you or have your doctor give the insurance company some information.

The insurance company will decide on your premium depending on your age, gender, whether you smoke, and other information.

For property insurance, the application will ask you to describe the property and tell how you use it.

For example, if you drive your car to work every day, you will probably pay a higher premium than if you only use it on evenings and weekends.

## Making a Claim

If you have a loss, you make a **claim** to the insurance company.

You need to show proof of the loss, such as receipts for health care expenses or a death certificate for a life insurance claim.

For property insurance, an **adjuster** from the insurance company will decide on the value of the damage to the property.

For property and health insurance, you pay for part of the loss – the **deductible**. The amount of the deductible is in your policy.

For example, if your claim is for \$3,500 and your deductible is \$200, the insurance company will pay you \$3,300.

## Who Sells Insurance?

**Agents** sell insurance for one company.

**Direct sellers** sell insurance for one company by telephone or over the internet.

**Brokers** sell insurance for more than one company.

An agent or broker who sells life and health insurance may also sell savings and investment plans, and is often called an **advisor**.

**Group plans** can be for many kinds of groups, like people who work together or people who went to the same university.

Group plans are usually less expensive than individual plans.

You get group insurance with your employer or with an association.

But when you are not a member of the group any more (such as when you leave a job), your group insurance may stop. You may be able to get an individual policy that continues the benefits of your group insurance.

Any person acting as an agent or broker must have a **licence** to sell insurance in Canada. The licence should be from your province.

Some companies offering insurance (such as payday loan companies or car dealers) may not be licensed.

Ask to see the agent's or broker's insurance licence before you buy.

You can check to see if the person has a licence by calling your province's Superintendent of Insurance or Financial Services.

### Safety Tips

You may see an ad offering cheap insurance, but it may not be true.

Some people pretend to be insurance agents or brokers.

They tell you that you can have a much lower premium for your insurance.

They ask you for a payment or charge you a fee in cash or by wire transfer.

They may just take the money and not get insurance for you at all.

They may call a real insurance agent and pretend to be you. They may lie about your application to get a lower rate.

If you don't have **valid** car insurance and the police stop you or you are in a car accident, you will pay a big fine.

You may have to pay to fix the other car and for medical costs for anyone who got hurt in the accident.

This could be many thousands of dollars.

If an agent or broker fills out an application for you, check to make sure everything is true before you sign it.  
Don't sign a blank form for the agent or broker to fill in later.  
If anything is not true on your application, the insurance company can refuse to pay any benefits if you make a claim.

## **Buying Insurance**

Make sure you know what your policy doesn't cover. Ask questions until you understand any exclusions.

If you are comparing prices between companies, make sure it is for the same level and kind of insurance.

An insurance company that has much lower prices may not want to pay if you make a claim.

Be careful to tell the truth on your insurance application.

If you don't tell the insurer something important, you may pay your premiums and not be paid when you make a claim.

For example, you can't say you are a non-smoker if you smoke a few cigarettes every month.

## **Changing Insurance Companies**

If you cancel your policy before it comes up for renewal, you may pay a penalty.

If you want to cancel your policy or change companies, tell your insurer in writing.

Don't stop paying your premium until you tell the company, or you will be charged a higher rate because you are a 'bad risk.'

If you are changing companies, make sure your new policy is issued before you cancel your old policy.

## Health Insurance

Almost everyone in Canada has basic government health insurance. You can buy extra health insurance for the things that government health insurance does not cover, like buying glasses and prescription medicine. A few companies sell health insurance for visitors to Canada and returning Canadian residents who can't get basic government health insurance yet. The insurance is often just for emergency medical treatment.

**Extended health** plans often cover prescription medicine, ambulance services, and vision care.

Check your policy to see what it covers.

**Dental** plans usually cover check-ups, cleaning, fillings, and dental x-rays.



Usually health insurance covers the plan member and dependants (spouse or partner and children under 19). Older children may be covered if they are full-time students or if they are disabled.

Usually you pay a deductible every year (\$25 or \$50 per person).

Some plans have a deductible every time you use a service (such as \$5 for every prescription).

Some plans have **co-insurance**, which means you pay part of the expenses (from 10% up to 50%).

Many plans also have a maximum amount you can claim per year for a kind of service (like glasses).

Some plans don't cover expenses for a **pre-existing condition** (a health problem you had before you got the insurance).

### Making a Claim

Usually you pay the bill, and then you fill out a form and attach a receipt to make a claim. The insurance company pays you back.

Sometimes the insurance company pays the pharmacy or dentist for your claim, and you only pay the part that is not covered by your insurance. The insurance company gives you a card with your policy information to show at the pharmacy or the dentist.

Usually you get money back quickly from your claim.

Some insurance companies pay by direct deposit and some pay by cheque.



**Questions to ask:**

- What does the plan cover? What does it not cover?
- Do I need a medical examination?
- How much is the deductible?
- Is there co-insurance? How much do I pay?
- Does it cover expenses for a pre-existing condition?

## Life Insurance

You may want to buy life insurance to pay for expenses if you die. Life insurance is important if you have children or other dependants, so that they will have money to live on if you die. The person who will get the money when you die is the **beneficiary**.

There are two kinds of life insurance.

**Permanent** life insurance covers you for your entire life, until you die. **Term** life insurance covers you for a fixed number of years or until you are a certain age (such as 60 or 65). Term insurance is less expensive in the beginning but you will pay higher premiums if you renew the policy after it **expires**.

Term life insurance is good if you have bigger expenses now and not too much money for insurance (such as if you have a young family). Make sure that your term life insurance is **renewable** (you can get a new term at a higher premium without a health examination). Make sure it is also **convertible** (you can change it to permanent life insurance later on without a health examination).

Most life insurance policies will let you cancel without a penalty if you change your mind in the first 10 days after you get the written policy. If you return the policy to the company within 10 days, you will get back any premium you paid.

### Questions to ask:

- How long has the company been in business?
- What qualifications does the salesperson have?
- What is guaranteed in the policy (premiums, benefits, riders)? What is not guaranteed?
- What is the difference between the policies you are looking at?
- For term policies, how much will it be to renew in the future? Are renewal rates guaranteed? When does the policy expire? When does any conversion right expire?

## Disability Insurance

Disability insurance gives you money if you can't work because you become disabled.

Individual disability insurance is very important for self-employed people and for people who don't have a group disability plan at work.

An employer may offer **Short Term** or **Long Term** disability coverage (or both) to employees. You may pay your own premiums or your employer may pay premiums for you.



If you have paid into Employment Insurance (EI) or Canada Pension Plan (CPP), you may be able to get disability benefits from EI or CPP.

You may have disability insurance on your mortgage or car loan.

When you make a claim for disability insurance, all of these kinds of insurance work together so that you get benefits up to 60-80% of your income.

### Types of Disability Insurance

There are three kinds of individual disability insurance.

**Noncancellable** policies mean the insurer must renew the policy and the premiums can't go up.

**Guaranteed renewable** policy premiums can go up.

**Commercial** policies let the insurer refuse to renew the policy. The insurer can also change the premiums when you renew.

**Dismemberment** coverage gives you money if you lose a limb, vision, or hearing.

**Critical Illness** insurance covers you if you become disabled because of illnesses such as cancer, heart attack, or multiple sclerosis.

**Long Term Care** coverage helps to pay for care if you become very ill and need to be looked after 24 hours a day.

## **Benefit Payments**

Some plans pay benefits based on loss of income and some pay based on ability to work.

Some plans pay if you can't work in your **own occupation**.

Some plans only pay if you can't work in **any occupation**.

Some only pay if you can't work in any occupation for the rest of your life (called **total and permanent** disability).

Often, plans combine these definitions of disability and give time limits.

For example, a plan may pay benefits for two years if you can't work in your **own** occupation. After two years, the plan may only pay if you can't work in **any** occupation.

Most disability insurance gives you monthly payments while you are ill.

Critical illness insurance pays the whole amount in one payment.

### **Questions to ask:**

- How does this policy define a disability?
- Will I be paid if I can't do my current job or any job?
- Is the policy noncancellable, guaranteed renewable, or commercial?
- Are there limitations or exclusions?
- How long will I get benefits? How much will I get paid?
- What is the waiting period before I can claim benefits?
- If I go back to work part-time, can I get partial benefits?
- Are the benefits taxable?

## Travel Insurance

Travel insurance can include trip cancellation, lost baggage, emergency medical treatment, and accidental death insurance.

If you have group health insurance, it may include travel health insurance. You can get travel insurance from an insurance or travel agency, auto club, or bank.

Some credit cards include travel insurance, but only if you use that credit card to purchase your trip.

Check to see if the policy will cover you for the whole time you are outside Canada.

See if the policy excludes medical emergencies from pre-existing conditions. Some policies cover all family members travelling together, and some need policies for each person.

Travel to some countries may not be covered by the policy.

Some policies have exclusions (like dangerous sports, war, alcohol or drug abuse).

Many policies have maximum benefit amounts or travel time limits.

### Making a Claim

Carry a copy of your policy and the insurance company's telephone number for emergency help.

If you have to make a claim, call the emergency number.

If you have coverage through more than one policy, the first insurance company you call may be able to coordinate the claim with the other company.

Try to get the medical bills and other papers in English or French.

You may have to pay the bill yourself and then get the money back from your provincial health insurance and your insurance company.

Some hospitals outside Canada may bill the company themselves.

Usually you make a claim with receipts to your provincial health insurance plan first. Keep a copy of your receipts.



When you get a payment from the provincial plan, make a claim to your insurance company for the rest of the money.

In some provinces, your insurance company can make the claim to the provincial plan for you.

If you have a claim, tell your insurance company right away, even if you are waiting for a document or for your provincial plan to pay.

If you take a long time to tell the insurance company about a possible claim, the company may not have to pay the claim.

## Home Insurance

Home insurance covers sudden and accidental losses, like fires and burglaries.

It doesn't cover items that are damaged because of ongoing problems (like an old leaky roof) or items that wear out over time.

It doesn't cover things that you should prevent, like indoor pipes freezing.

Home insurance can cover the building and the contents (everything you have inside the building).



Usually, you need to show proof of home insurance to get a mortgage. You decide how much insurance to buy. Add up the cost of replacing the building (but not the land) and all the contents.

**Comprehensive** policies cover the building and its contents for all risks, except for the risks that are excluded.

**Basic/Named Perils** policies are less expensive. They cover only the perils that are written in the policy.

**Broad** policies are less expensive than comprehensive policies. They provide comprehensive coverage on the building and named perils coverage on the contents.

Some insurers offer **no frills** policies for homes with physical problems that don't meet the standard for regular policies.

You can insure your property for **actual cash value**, which means you get the amount that your property is worth when you make a claim.

For example, if you bought a TV two years ago for \$700, you may get \$200 now.

You can insure your property for **replacement cost**, which means you get the amount you paid for the property. (You get \$700 for your TV.)

You can pay extra for **replacement cost endorsement**, which means you get enough money to buy the same item now. (If the same TV costs \$800 now, you get \$800.)

Usually, the contents are insured for actual cash value, unless you pay for extra coverage for replacement cost.

Usually, the building is insured for replacement cost, up to the amount you're paying for with the policy.

There are usually limits on **valuables** (expensive things), like computers and jewellery.

### **Questions to ask:**

- What is covered by this insurance policy? What is not covered?
- Will I get replacement cost on my property?
- What are the limits on valuables?
- What is my deductible? How much money can I save on my premium with a higher deductible?

It is a good idea to take pictures or a video of your home, so that you can show what you lost if you have a fire or theft. You can also make a list. Keep purchase receipts for big items. Keep your pictures, list, and receipts in a safe place (not in your home).

If you have roomers or boarders who are not related to you, their property is not covered by your policy.

If someone gets hurt by accident and you are legally responsible for the accident, your home insurance will pay for the damages you legally have to pay.

The accident could happen in your home or anywhere in the world.

Your personal property is usually insured while it is temporarily away from your home, anywhere in the world.

So if something is stolen out of your car or while you are travelling, you can claim it on your home insurance, up to a limit.

### **Making a Claim**

If you have a problem and you want to make a claim, you call your broker or agent.

If there has been a burglary or theft, you **must** also tell the police.

You should also try to stop any additional damage (for example, by shutting off the water supply if you have a broken pipe).

Take pictures that show the damages.

A **claims examiner** from the insurance company will call you about your claim. This person will look after your claim at the insurance company.

The insurance company will send an **adjuster** to see the damage. Some adjusters work for insurance companies and some are contractors.

Don't fix anything until the adjuster has seen what happened.

Ask your insurer before you throw away anything that was damaged.



## Home Insurance Payments

You bought some items for your home two years ago.  
You had a fire.  
How much will you get paid by your home insurance?

Item	Actual Cash Value	Replacement Cost	Replacement Cost Endorsement
TV	\$200	\$700	\$800

## Tenant's Insurance

Your landlord's insurance doesn't cover your personal things, like clothes and furniture.

You can buy tenant insurance that covers your personal property for losses from theft and damages from accidents.

It also pays for losses if you are legally responsible for damage to the building or someone else getting hurt.

For example, your bathtub overflows and the water goes into the apartment below yours. Your policy would pay, not the landlord's policy or the policy of the tenant in the apartment below.

If you are on social assistance, you can ask Social Services to include the cost of insurance in your shelter allowance.



**Basic liability** coverage pays for losses if you or your guests cause damage to the building.

**Contents** coverage replaces your personal things if they are lost or damaged. You can get contents coverage on named perils or all risks.

Add up the cost of buying everything you own now to decide how much insurance you need.

With tenant insurance, your personal property is usually insured while it is temporarily away from your home, anywhere in the world.

So if something is stolen out of your car or while you are travelling, you can claim it on your tenant insurance, up to a limit.

### Questions to ask:

- What is covered by this insurance policy? What is not covered?
- Will I get replacement cost on my property?
- What are the limits on valuables?
- What is my deductible? How much money can I save on my premium with a higher deductible?

## What a mess!

Katarina took good care of her apartment.  
She kept it neat and clean.  
But one day, she started a bath for her child.  
Then she heard him crying.  
She ran to the living room to see what was wrong.  
He had bumped his head on the corner of a table.  
She checked his head to see if he was OK.

Then she heard a pot on the stove.  
It was boiling over.  
She ran to the kitchen to turn back the heat.

When she came out of the kitchen, she heard a strange noise.  
It sounded like a waterfall.  
She said, “Oh, no! The bathtub!”  
She ran down the hall to turn off the bath, but it was too late.  
There was water everywhere.

- Katarina’s tenant insurance will pay to fix the bathroom in her apartment and the damage in the apartment underneath hers.
- The insurance will pay for Katarina’s things that were damaged by water.

## Car Insurance

Some provinces (British Columbia, Saskatchewan, Manitoba, and Quebec), have government-run car insurance companies or plans.

Private insurance companies also sell car insurance in all the provinces and territories.

You **must** have **liability** insurance to cover losses you may cause to other people from an accident.

You **must** also have insurance to cover you if you are injured.

If you want, you can buy **collision** insurance to pay for damage to your car or **comprehensive** insurance to cover theft, vandalism, and other perils.

### Questions to ask:

- What kind of insurance does the law require me to have?
- What other coverage can I buy? What will it cover?
- Will I get a rental car if my car is being repaired?
- Does this insurance cover me when I am driving a rental car?

### If you are in a collision:

**Always** call the police if someone is hurt, if there is a lot of damage, or if the other driver may have broken the law (for example, drunk driving).

Write down the police officer's name and badge number.

The police officer will get all of the important information from the other people in the accident and give it to you.

If you don't call the police, move your car to the side of the road if you can.

If you can't move your car, turn on your hazard lights if possible.

Write down what happened, the time, date, and place, the speed of all cars and the road conditions. Make a drawing of the accident.

Get names, addresses, and phone numbers of the other car owners, passengers, and anyone who saw what happened (**witnesses**).

Get insurance information from all the drivers, including the driver's licence and plate numbers and the names of their insurance companies and brokers.

Don't say you caused the accident or promise to pay for anything.



Call your insurance company right away if you are in an accident that must be reported to the police or if anyone may be making a claim.

Some provinces have **no-fault** car insurance laws, so each driver claims benefits from his or her own insurance company.

Then the insurance company of the **at-fault** driver (the one who caused the accident) pays back the other insurance companies.

### **Making a Claim**

If you are going to make a claim against another driver, tell that person as quickly as possible. You can also tell that person's insurance company.

A **claims examiner** from the insurance company will call you about your claim. This person will look after your claim at the insurance company.

The insurance company will send an **adjuster** to see the damage. Some adjusters work for insurance companies and some are contractors.

Don't fix anything until the adjuster has seen what happened or the insurance company agrees to get it fixed.

The insurance company may want you to take the car to a repair shop that the company uses for repairs.

If you have collision insurance, your insurance company will pay for the repair or replacement of your car.

The insurance company can also choose to give you the **cash value** of the car (the amount it was worth right before the accident).

The insurance company may decide the car is a **write-off**.

This means the cost of repairing the car and the **salvage value** (amount the company can get by selling it for parts) is more than the cash value of the car.

Then the company will pay you the cash value and sell the car for salvage.

If the insurance company is repairing your car, you should end up with a car that is as good as yours was just before the accident.

The car can be repaired with used parts.

If your car is worth more after the repairs (such as if a rusty door is replaced with a good door), you may have to pay for the increase in value ("**betterment**") of your car.

If the part is important for car safety (like tires), the insurance company will use new parts and you may have to pay for betterment.

## Using Insurance

Your premiums will increase if you make more claims, so try to be careful to prevent losses.

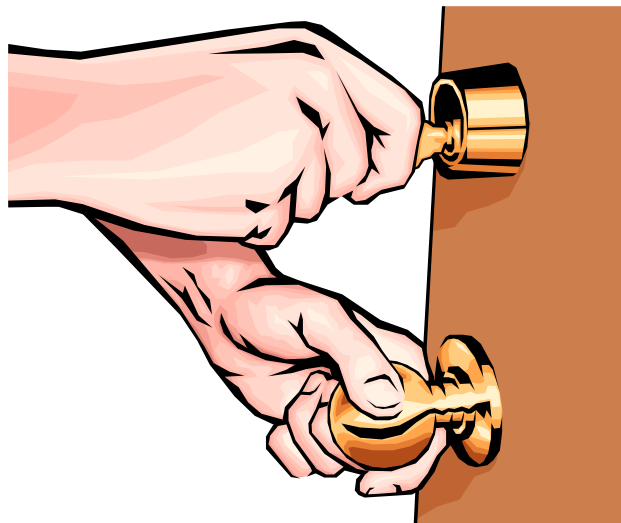
For example, get deadbolt locks on your outside doors at home so that thieves can't get in easily.

Turn off your car's engine and lock your car doors, even if you are just going into a store for a minute.

If a claim isn't much more than your deductible, don't claim it.

Your premiums may go up or you may have problems renewing your insurance.

Check every year to see if your insurance needs have changed. You may need more insurance or less insurance.



## Problems with Insurance

You must always try to fix the problem first by talking to the insurance company yourself.

If you can't fix the problem yourself, you can get help from the OmbudService.

You can't go to court about the problem while you are using the OmbudService.

You can't use the Ombudservice if you have already been to court about this problem.

If you have a problem with home, auto, or business insurance, you can call the General Insurance OmbudService at 1-877-225-0446.

If you have a problem with life or health insurance, you can call the Canadian Life and Health Insurance OmbudService at 1-888-295-8112.

If the OmbudService can't fix your problem, you may want to go to court. Find a lawyer who specializes in insurance problems.

Ask about the lawyer's fees.

If your case is for personal injuries, the lawyer usually gets paid from the **settlement** (court decision on how much you get paid), not in fees.

If your insurer goes out of business, you are covered for unpaid claims up to a limit.

For property insurance, the limit is \$250,000.

You can also get back part of your money for premiums you already paid for that year (up to \$700).

You may get all of your claim money back after the insurer's bankruptcy is settled.

You need to get insurance from a new company **right away**.

For life and health insurance, your insurance will be transferred to another company and you will keep at least 85% of the benefits you had.

If you had deposits with the insurer, you will get up to \$100,000 of your money back.