Understanding Alberta's Auto Insurance

A Guide for Alberta Drivers

AIRB AUTOMOBILE INSURANCE RATE BOARD

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Alberta airb Automobile Insurance Rate Board

Canadian Western Bank Place
#2440, 10303 Jasper Avenue
Edmonton, AB T5J 3N6

Phone: 780.427.5428
Email: airb@gov.ab.ca

albertaairb.ca

CLASSIFICATION: PUBLIC

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Why This Guide?

Auto insurance should be easy to understand. Alberta drivers have told the Automobile Insurance Rate Board (AIRB) they need insurance policy information in plain language. While we cannot change the policy wording we can offer information to assist drivers to understand their coverage.

This guide introduces key terms and concepts about auto insurance in Alberta in an understandable way. This guide provides information to help you have discussions with your licensed insurance agent or broker, who can provide tailored advice as you review your insurance policy and options in the future.

This guide does not replace the knowledge of licensed insurance agents or brokers or the contents of your auto insurance policy (also known as SPF 1: Alberta Standard Owner's Automobile Policy). SPF 1 details the rights and responsibilities of drivers and their insurance companies.

Explaining the Basics

All drivers are required to carry valid auto insurance for their vehicles in Alberta. Drivers cannot register their vehicles without proof of insurance. Driving without insurance is a serious offence, and you can be ticketed or have your driver's license suspended. While many drivers know carrying insurance is mandatory, not everyone is familiar with what their insurance policy covers, the available optional coverages, or the key terms and processes.

Who is Insured?

An auto insurance policy covers drivers, passengers, and potentially any pedestrians involved in an accident with a vehicle for injuries sustained.

The insurance company refers to the main driver of the vehicle as the principal driver and any other listed drivers as occasional or additional drivers. An auto insurance policy may also provide coverage for damage to the vehicle.

What Does My Auto Insurance Cover?

By law, the Government of Alberta requires all drivers to purchase basic auto insurance coverage. If you lease or finance your vehicle, your lender may require you to buy optional coverages like collision.

To operate private passenger and commercial vehicles in Alberta, drivers must have auto insurance with a minimum of $200,000 in third-party liability and accident benefits coverage. Most Alberta drivers purchase coverage in excess of this minimum legal requirement.

Alberta has a competitive auto insurance market. The AIRB website includes a list of insurance companies offering coverage for private passenger, commercial and recreational vehicles.

Basic Auto Insurance Coverage

Auto insurance is **mandatory** in Alberta. The required basic insurance coverages are:

Accident Benefits

Covers occupants of a vehicle, and potentially any pedestrians, in the event of injury. These benefits include medical and rehabilitation costs, funeral expenses, death benefits, and income replacement.

These benefits are also known as "no-fault benefits," which means your insurance company pays them to you, regardless of who caused the accident.

Direct Compensation for Property Damage (DCPD)

Covers damage to your vehicle, damage to contents, and loss of use in the event you are not at fault for an accident or a portion of the repairs based on the percentage you were not at fault for an accident.

It is called direct compensation because even though someone else caused the damage, you will collect directly from your insurance company.

Third-Party Liability

If you are in some way responsible for an accident causing injury or damage to a third party, your third-party liability coverage pays for a legal claim against you.

Third-party liability covers a person's injury and non-vehicle property damage, such as a fence.

Additional Auto Insurance Coverage

Insurance companies also offer **optional or additional** insurance coverages to protect your vehicle. For collision, comprehensive, all perils, and specific perils there is usually a deductible amount for this coverage. The deductible is either paid by you, the policyholder, toward the cost of repairs or deducted from the claims settlement.

Collision

If your vehicle is damaged by colliding with another vehicle or object, collision coverage pays for your vehicle's repair.

Comprehensive

Covers your vehicle for damage resulting from an event other than a collision, such as hail, vandalism, theft, or fire.

Talk to your insurance representative about any limitation on your glass coverage.

All Perils

Covers your vehicle for everything under Collision and Comprehensive. Plus, if your vehicle is stolen by an employee, someone making repairs or by someone who lives in your home, your insurer will cover the loss or damage caused.

Specified Perils

This coverage is a more limited version of comprehensive coverage. It covers vehicle damage from specific events such as fire, lightning, theft, etc.

Endorsements

An endorsement is an attachment, which increases or reduces coverage to a standard auto insurance policy. Some common endorsements include:

- **Accident Rating Waiver** (known as AB-SEF 39) This protects the renewal of your insurance from increasing due to an at-fault accident involving your insured vehicle.
- **Comprehensive Cover Limited Glass** (known as AB-SEF 13D) This limits the coverage on a vehicle's glass for a reduced premium.
- **Family Protection** (known as AB-SEF 44) Protects you and family members in your vehicle if you are in an accident with an uninsured or under insured driver. Even though you may have the right to collect money from an at-fault driver to reimburse you for your claim, if the driver does not carry enough insurance or has no insurance, your claim may not be fully paid. This endorsement pays the difference between your claim settlement amount for injuries arising from the accident and the third-party liability limit of the at-fault driver's policy up to your third-party liability limit.
- **Legal Liability for Damage to Non-Owned Automobiles** (known as AB-SEF 27) Provides the physical damage coverage (ie. collision, comprehensive or all perils) to a rental vehicle - subject to a deductible.
- **Limited Waiver of Depreciation** (known as AB-SEF 43R) This waives any depreciation on repair or replacement of a new vehicle should it suffer an insured loss (subject to certain restrictions).
- **Loss of Use** (known as AB-SEF 20) If your vehicle is damaged and your insurance policy covers repairs, this attachment provides you with a total amount and possibly a specified daily dollar amount towards either a vehicle rental or the use of taxicabs and public transportation. Coverage ends when repairs are completed, the total loss value is presented or you reach the policy limit.

What Is Not Covered By Auto Insurance?

Your auto insurance covers the driver, the passengers and anyone else involved in an accident involving your vehicle, and depending on your policy, the car itself. What is not covered is any other contents carried for reward, such as related to your home-based business, if stolen from your car or damaged in an accident. Check with your insurance representative regarding specific coverage for the contents of your car.

In addition, insurance does not cover mechanical failure or breakdown, rusting, wear and tear, freezing or explosion within the engine and damage to tires unless they result from an insured peril (such as a collision).

You are not covered for damage to your vehicle as a result of an at fault accident unless you have purchased collision coverage.

Who Can Sell Auto Insurance?

Only licensed insurance representatives can sell insurance.

There are three ways to purchase auto insurance, the method you select is a matter of personal preference:

- Contacting an office either in person or on the phone;
- Phoning a call centre; or
- Visiting a website.

There are two types of insurance representative who can sell you insurance:

- **Agent** – An insurance agent sells the products of one insurance company. The agent provides information about the insurance products and pricing for that company.
- **Broker** – An insurance broker has contracts to sell insurance for more than one insurance company. The Insurance Brokers Association of Alberta can help you find a broker in your area.

What Should You Consider When Buying Auto Insurance?

When selecting an auto insurance company, there are important factors to consider:

- **Coverage** – You should consider what coverage you need to protect you and your vehicle. Do you need to insure your vehicle for more than the minimum basic auto insurance coverage of $200,000? The majority of Alberta drivers carry $1 million in liability coverage. Do you want any of the additional coverages?
- **Policy Options** – Auto insurance companies offer a standard policy and many different coverage options and endorsements. You should make sure the coverage offered meets your insurance needs.
- **Cost** – Insurance costs can vary from one insurance company to another. Also, some insurance companies offer discounts. The AIRB encourages drivers to shop the market to get the best price for their coverage needs. Use the AIRB Comparative Rate Tool to see the impact of shopping the market.
- **Payment Options** – What payment plan options and methods are available? Some options may include full payment, installment payment, monthly payment plan, credit card payment, and online banking.
- **Customer Service** – The service you receive from the broker or agent representing your insurance company and the adjuster you deal with in the event of a claim can also determine your purchase decision. Ask friends and family for referrals to companies with reputable and friendly customer and claims services. Online reviews may be a good recource.
- **Convenience** – Is the insurance company's location accessible and business hours convenient to you? Can you go online to purchase or change your auto insurance policy?

You and Your Policy

After learning about the basics and the different coverages in the previous sections, this section expands your knowledge about your auto insurance policy. There are a few things to consider when purchasing an auto policy to help you figure out which one best suits your needs – like cost and customer service.

Cost is often the biggest consideration when purchasing auto insurance, but you should also consider the level of service you are provided by your agent or broker at purchase, and renewal as well as the claims adjuster in event of an accident.

This section will explain how premiums are calculated, when to notify your insurance company of changes, and renewing your policy.

How Auto Insurance Rates Are Calculated

Like all businesses, an insurance company must cover its expenses to stay viable. The difference with an insurance company is they do not know how much the product costs at the time of sale.

An insurance company collects premiums to pay for insurance claims, administration, and taxes.

Claims are the largest expense for an insurance company. They pay for bodily injury and vehicle repair or replacement. They are also the most unknown expense at the time of purchase, making them difficult to predict and posing a considerable risk to the insurance company.

To cover the high risk and expense of claims, an insurance company:

- Considers the number of past claims when setting their base rate;
- Uses premiums collected from all of their policyholders to pay for the few who will make a claim; and
- Invests the money collected from policyholders to reduce financial risk.

Insurance companies use a formula based on several identified risks to determine the price (cost) of your auto insurance policy. These risks include where you live, your age, vehicle type, how much you drive, any past insurance claims, and convictions.

Base Rate

The base rate covers an insurance company's expected claim, operating expenses, and a reasonable profit to ensure the company's viability.

Rating Factors

An insurance company has access to significant amounts of data. They may consider your personal characteristics like age, years licensed, and marital status, to predict the risk of you making a claim.

Generally, they also focus on the following four types of rating factors:

1. How Much and Where You Drive

If you live or drive in a city, the cost of your auto insurance will likely be higher due to the greater risk of vehicle theft or accidents.

Also, insurance companies may determine risk by examining the number of kilometers driven. The more you drive, the higher your risk of being in an accident, which raises your insurance rate.

2. Your Driving Record

Insurance companies may use your driving record to determine how much of a risk you pose on the road. Generally, the better your driving record, the lower your insurance rate.

For example, a driver with at-fault accidents poses a higher risk to an insurance company. Your rate may also increase if you have more than one traffic conviction in the last three years, such as speeding or careless driving.

When looking at your driving record, insurance companies consider the following:

- The number of years you have been licensed;
- The number of traffic convictions due to driving infractions, such as speeding tickets;
- The number of accidents you have had; and
- If you have taken driver training.

3. Your Vehicle

Your vehicle make, model, and year affect your insurance rate. Insurance companies consider the cost of repairing or replacing your vehicle if it was stolen or damaged.

Your insurance rate might be lower if the vehicle model has been statistically proven less likely to be stolen or involved in an accident. It also might be lower if the vehicle has better safety and handling features or is less costly to repair.

Generally, auto insurance rates are higher for new vehicles and sports cars, but a vehicle's safety features may help lower the cost.

The Insurance Bureau of Canada has a thorough list ranking how expensive a vehicle is to insure, which will give you an indication of how your vehicle is rated by your insurance company.

4. Type and Amount of Coverage

The more coverage you have, the higher the cost of your auto insurance.

You can customize your insurance to meet your needs by adding or removing specific types of coverage, such as collision or comprehensive.

If you drive an older vehicle, you may choose to remove collision coverage, if you can afford to repair your vehicle if you are in an at fault accident. If you are leasing or financing your vehicle, you may be required to carry collision and comprehensive coverages as a condition of financing.

To learn more about different ways of purchasing auto insurance, visit the AIRB's Purchasing Insurance webpage.

You can find a quick reference guide about how insurance rates are calculated on the AIRB's Infographics webpage.

What Affects The Cost Of Your Auto Insurance?

Many factors affect the cost of your auto insurance. You have some control over many of these factors, such as:

Driving Record

Having a clean driving record will keep the cost of your auto insurance down. Drivers with at-fault accidents are a risk to the insurance company. If you have had more than one ticket for things like speeding or careless driving in the past three years, you will likely pay more for your auto insurance.

A ticket will remain on your driving record for three years from the date you paid it or a court found you guilty. This ticket will affect the cost of your insurance for those three years. If you get more driving tickets in that time, your insurance costs will be even higher.

There is an exception for technologies like photo radar or red light cameras, which photograph the licence plate of vehicles speeding or failing to stop at a red light. A ticket is issued and sent to the registered owner of the vehicle. Since the ticket is sent to the vehicle and not a specific driver, photo radar and red light camera tickets will not affect your insurance costs.

Driving Convictions

Insurance companies categorize driving convictions (traffic tickets) as minor, major or criminal code. Minor convictions **can** affect your insurance costs, such as speeding under 50 km/h over the limit or running a red light. In comparison, major and criminal code convictions **will always** affect your insurance costs, such as driving under the influence or distracted driving.

Each insurance company charges the impact of convictions differently. For your first conviction, your insurance costs could increase up to:

- **20%** for minor conviction;
- **50%** for major conviction;
- **100%** for criminal code conviction.

Deductible

Most insurance claims are subject to a deductible, the amount you pay when you make an accident claim. While a higher deductible will decrease your insurance costs, it also increases your financial risk.

Choose your deductible based on your financial ability to pay in case of a claim. Speak with your insurance representative about the best option for you.

New vs. Older Cars

Your vehicle's make, model and year can significantly affect your auto insurance costs.

When purchasing a vehicle, some drivers will explore auto insurance options beforehand and factor the insurance cost into their final decision.

Understanding the type of coverage you might want for a newer car versus an older one can be useful when choosing a vehicle. Some people choose to protect their newer cars with optional Comprehensive and Collision coverage (the finance company may even require it). Others may choose no optional coverage if they purchase an older used car, which might be relatively inexpensive to replace.

Winter Tires

Insurance companies may provide a discount on auto insurance for drivers who install a set of four matching winter tires designed for use on snow and ice. Ask your insurance representative for more details on discounts.

Endorsements

Endorsements are an addition to a policy which increases or reduces the amount of coverage and changes its terms and conditions. Find examples of commonly purchased endorsements visit the Alberta Government's website.

Discounts

Insurance companies offer several other discounts, including:

- Drivers who have never filed a claim;
- Drivers who have taken an approved driver training course;
- Insuring two or more private passenger vehicles within the same household;
- Combining home and auto insurance with the same insurance company;
- Being a member of a professional association or university alumni; and
- Insuring an electric vehicle.

When To Notify Your Insurance Company About Changes?

You should update your insurance representative if any of the following happens:

Your Address Or Status Changes

- You move within the province;
- If you move out of the province, you will need to get coverage in the new province and cancel your current policy; and
- There is a change to your marital status, such as marriage or divorce.

Your Vehicle Usage Changes

- If you are driving less, such as if you stop driving to work, you may be able to reduce your insurance costs if there are changes to the average number of kilometers you drive;
  - If you will be parking your vehicle and not using it at all for 45 days or more you may save on premiums by limiting your coverage to match your usage.
- You start driving more;
- You change your driving status, such as driving for pleasure, business or as a commuter;
- You start using your vehicle commercially, such as starting to drive for a ridesharing company like Uber or Lyft;
- You start using your vehicle for business;
- More people will be driving your vehicle;
- You are selling your vehicle or transferring the title;
- A driver on the vehicle has their license suspended;
- The main driver (principal driver) of the vehicle changes; and
- You need to add or remove vehicles from your policy.

You Lend Your Vehicle

- If the person borrowing your car **regularly uses it**, you must list the driver on your policy.
  - The person borrowing your vehicle must be a licensed driver; and
  - If you are lending your vehicle, you must consent to its use by the other driver.

Adding An Occasional Driver

- When adding an occasional driver on your policy, like a teenager.
  - If more than one vehicle exists on the policy, your insurance company may assign the occasional driver to the highest-rated vehicle, usually the vehicle with the highest insurance cost;
  - If they are commuting to work or school, you will need to provide the distance in kilometers going one way;
  - If the teenager is attending a post-secondary school and is living away from home, they may qualify for a student discount if offered by the insurance company;
  - You may be able to reduce the cost of adding your teenager by enrolling them in driver training or a telematics program, such as Usage Based Insurance (UBI). Find more about UBI on the AIRB website; and
  - If your teenager regularly drives their own vehicle, you may want them to get their own policy, so their driving record doesn't impact your premiums.

If You Go On Vacation

- This depends on where you are going, how long you will be away and if you are taking your vehicle.
  - If you are staying within Canada or travelling to the U.S., it is unnecessary to advise your insurance company, however, you may want to discuss the liability limits for your travel as some insurance companies may have a six-month, out-of-province time limitation; and
  - Your Alberta auto insurance will not cover you outside Canada and the USA. Contact your insurance representative to discuss how you may be covered where you are travelling to.
    - It is recommended you get an International Driving Permit (IDP) if your destination requires it, an IDP is a document enabling you to drive vehicles for tourism purposes in many foreign countries, when accompanied by your valid driver's license.

Renewing Your Policy

Your auto insurance policy renews each year. Your insurance representative will send you a renewal notice before the policy expiration date.

If you pay monthly, your policy may automatically renew unless you contact your insurance representative.

An insurance policy is a legal contract, speak to your insurance representative about the exact specifications of your policy.

Once you receive your renewal, you may want to shop the market to confirm you are getting the best price. Insurance companies regularly adjust the formula used to determine your insurance cost. From year to year, these changes may result in another insurance company having the best price and coverage for you.

You can look up all approved rate changes for your insurance company on the AIRB website.

Insurance For Other Vehicles

Albertans do not just own vehicles as a way to get from A to B. They also own recreational vehicles, such as all-terrain vehicles (ATVs), snowmobiles, motorhomes and motorcycles. These vehicles also require auto insurance.

Making A Claim

Your insurance company will let you know what information they need to collect in order to assess your coverage and responsibility in the case of an accident.

Damage To Vehicle vs Personal Injury

Physical Damage To Your Vehicle

They will use the fault determination rules to determine your responsibility. Responsibility is the extent you are at fault for an accident. If you are at fault for the accident, the insurance company will only pay to repair your vehicle if you have purchased collision coverage. If you are not at fault, your insurance company will provide coverage through Direct Compensation for Property Damage. If someone steals your vehicle, your insurance company will only compensate you for the loss or damage if you purchased specified perils, comprehensive, or all perils coverage.

You have the right to have your vehicle's damage estimated and repaired at the auto body shop of your choice, your insurance company may accept the repair shop's estimate of the damage, or may want to appraise the damage to the vehicle. When you select the shop, the responsibility for a satisfactory repair job rests with you, not the insurer.

Injury To You Or Your Passengers

If you have been injured in an automobile accident in Alberta, you are entitled to accident benefits coverage regardless of whether you were at fault for the accident. See a Primary Health Care Practitioner (chiropractor, medical doctor, physical therapist) as soon as possible for an assessment of your injury and, if needed, treatment advice. File an injury accident report with the police then contact your insurance representative for next steps.

Steps To Follow After An Accident

The AIRB hopes you never have an accident, but if it happens, there are specific steps you must take:

1. Contact the police or ambulance depending on the nature of the accident or the extent of the injuries. If your car was stolen or damaged from a hit and run, file a report at the nearest police station.
2. Gather information about the accident.
   - Be sure to collect the other driver's name, address, phone number, driver's license number, registration certificate, and insurance information;
   - Record the accident details – how, when, and where it happened, the time, date, location, speed, weather and road conditions;
   - Take photos if you can do so safely; and
   - Look for any witnesses to the accident and take down their names and contact information.
3. Call your insurance representative as soon as possible. Describe the circumstances of the accident as best you can.
   - Keep supporting documents – photos, police report numbers, towing bills, etc. Your insurance representative may ask you to complete a written declaration ("proof of loss") within 90 days of the accident.
4. A claims specialist or adjuster will contact you to examine the damage to your car. You must agree on the settlement amount. Your insurance company will also determine the terms and conditions of your car's repair or replacement, depending on your policy coverage.

Download and keep the AIRB's "What To Do After a Vehicle Accident" guide in your vehicle. It provides tips on what to do and what information to collect when you have an accident.

Understanding At-Fault & No-Fault Auto Insurance

There has been confusion over Alberta's insurance system and if the implementation of Direct Compensation for Property Damage (DCPD) is a no fault system, **it is not**. The definitions below will help you understand the difference.

At-Fault

The at-fault driver is responsible for an auto accident. Their auto insurance can cover liability resulting from injury and property damage claims against the driver.

No-Fault Insurance

No-fault insurance means you deal with your insurance company, regardless of who is at fault for the accident. Your insurance company will handle benefits resulting from injuries to you or damages to your vehicle, regardless of who was at fault for the accident, based on the fault determination rules.

DCPD

Under DCPD coverage fault is established through fault determination rules, and you will have coverage to the extent you are not at fault for the accident.

Fault Determination Rules

By law in Alberta, insurance companies have to decide on the percentage of fault for each driver involved in the accident for DCPD claims. This assessment is done by using fault determination rules established by government regulation.

For example, Driver A stops at a red light, and Driver B hits them from behind. According to the DCPD Regulation, Driver B is 100% at-fault for the accident.

Find more accident examples on the AIRB website.

Key Terms In Auto Insurance

Accident Forgiveness

Most insurance companies offer accident forgiveness. It can be added to your insurance policy if you are eligible. This may protect your insurance costs in the event of a loss.

For example, when you have accident forgiveness coverage and have your first at-fault accident, this may protect your current driving record. It may also keep your insurance costs from going up due to the accident.

Accident forgiveness eligibility and rating vary by insurance company. Ask your insurance representative about this, as not all insurance companies offer it.

Actual Cash Value (ACV)

Actual cash value is the current market cost to replace a vehicle, less its depreciation (how the vehicle has aged, deteriorated or has become obsolete over time). This term is often used when discussing a total loss.

Accident

A traffic accident occurs when a motor vehicle contacts another object. Another object can be, but not limited to, another motor vehicle, a bicycle, a pedestrian, or a fixed object (street sign, light pole, etc.).

Agent vs. Broker

An **insurance agent** sells insurance for a specific insurance company.

An **insurance broker** sells insurance for many different insurance companies.

Cancelling Your Insurance

An insurance company can cancel your insurance during the policy term but must provide you with registered written notice with specific reasons.

You can also cancel your policy anytime, but you must always have valid insurance if you drive. Be sure to ask if there is any penalty for cancelling your active policy before it is up for renewal, refer to short rate cancellation under key terms.

Claim

An insurance claim is a formal request by a policyholder to your insurance company for compensation for a covered loss. Filing a claim does not necessarily mean you will receive a payment. The reason for the loss must be covered under the policy and its terms met.

Claim Settlement Terms

Repair or Replace

If you have physical damage coverage (collision, comprehensive, all perils, specified perils or DCPD), your insurance company will pay for the repair or actual pre-accident cash value of your vehicle (including original equipment but not contents.) You are responsible for the deductible. Whether your vehicle is repaired or rebuilt, it should be in the same condition it was before it was damaged.

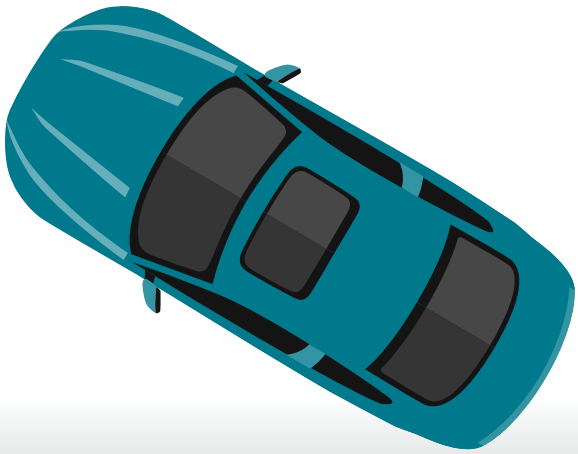
Betterment

Your insurance company is only responsible for paying to restore your vehicle to its condition prior to sustaining damage.

For example, suppose a rusty door panel dented in an accident were to be replaced with a new door. In this case, you may be expected to contribute financially toward the "betterment" of your vehicle.

Write Off

If the estimated cost to repair your vehicle exceeds its cash value before being damaged, your insurance company may treat the car as a write-off rather than repair it. You would receive the actual cash value of your vehicle minus your deductible, and your insurer would keep the salvage (damaged vehicle or parts).



Used or Reconditioned Parts

In repairing your vehicle, used or reconditioned parts may be utilized as long as they are of the same kind and quality as the originals and do not adversely affect the operation or safety of your car.

After Market Parts

If your vehicle is in its first production year, original equipment manufacturer (OEM) parts will likely be available to repair. These parts are new. New parts may also include "after-market" replacement parts, which can be an overrun from makers of original parts or made by manufacturers specializing in replacement vehicle parts. After-market parts approved by the Certified Automotive Parts Association meet or exceed OEM specifications and are suitable replacement parts. Safety-related replacement parts are usually new.

Commuting

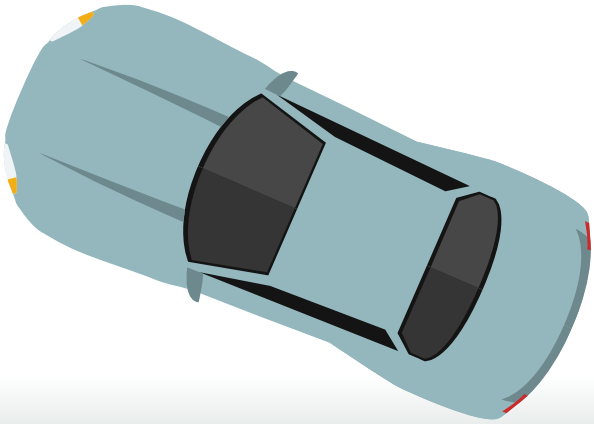
Commuting considers the distance you drive to work, school or a public transit parking lot.

For example, if the distance from your home to your work is 10 km, this is your one way commute.

Deductible

Insurance companies use a deductible to share the cost of any claims with the policyholder. When you file an insurance claim, a deductible is the amount of money you are responsible for paying, as outlined in your policy.

For example, if your policy's deductible is $500 and you have a covered loss under your policy totals $10,000, you'll pay $500, and your insurance company will cover the remaining $9,500.



Demerit Points

Drivers in Alberta who are caught failing to follow road rules can have demerit points applied to their driving record. They range from two points added for minor offences (e.g. speeding, improper turns) to seven points for more serious traffic offences (e.g. impaired driving, fleeing the scene of an accident).

When calculating your Alberta vehicle insurance premium, your insurance company considers the type and class of conviction you received. Factors determining your insurance costs include any minor, major or criminal convictions you have been charged.

For example, if you are convicted of exceeding the speed limit by 16 to 29 km/h, you will have three demerit points added to your driver's license.

Depreciation

Depreciation considers how the value of an item has decreased over time — usually due to everyday wear and tear (e.g. ageing, deterioration, and obsolescence).

For example, your brand-new vehicle will depreciate (or decrease) in value. The value may depend on how many kilometers you have driven and how well you've maintained the vehicle.

Exclusions

Exclusions are things specifically not covered by your policy. Talk to your insurance representative about what exclusions are on your policy.

First Notice of Loss

When you experience a loss, you must let your insurance company know. This first step in the claims process is called a First Notice of Loss.

Liability Insurance

Liability insurance covers you for claims where you are required by law to pay a third party for bodily injury and property damage. Bodily injury coverage covers the claim if another person is injured or killed, and you are deemed responsible. Property Damage coverage will cover the claim if someone else's property is damaged due to an accident.

Misrepresentation

Suppose you provide false information to an insurance company or leave out certain facts to receive a benefit to which you are not entitled. In this case, the insurance company may void, deny your claim, or cancel your coverage.

Occasional Driver

An occasional driver or secondary driver on an auto insurance policy is a person who is not the primary or principal driver of the insured vehicle. This person could be a spouse, child or relative.

Pleasure Driving

Pleasure driving means you only use your vehicle for personal or leisure activities, not for commuting or business purposes.

Policy Term

A policy term outlines the length of time you are covered. It states the date and time your policy begins and ends.

Policyholder

A policyholder, also known as the named insured, has an insurance policy with an insurance company and is the vehicle's registered owner.

Premium

An insurance premium refers to how much your insurance policy will cost, generally paid monthly or annually.

Your premium is calculated by many factors, including but not limited to the following:

- The type of vehicle you drive;
- Your driving history, age and gender;
- How you use your vehicle (driving to work, business or commercial use, or pleasure driving only);
- Number of kilometers you drive a year;
- Any accidents or driving convictions;
- Any additional coverages; and
- Where you live.

These and other factors can affect how much you pay for insurance.

Proof of Insurance

A standard proof of insurance card (also called a Pink Slip) is the proof of insurance you receive from your insurance company once you have purchased coverage. The Pink Slip is designed to prove automobile third-party liability insurance.

Many insurance companies now offer an electronic version accessible on your smartphone.

Proof of Loss

You make this formal statement under oath to an insurance company regarding the details of a loss.

Replacement Cost

Replacement Cost is the vehicles actual cash value at the time of loss. It is the vehicle's value with no depreciation applied. If you have purchased AB-SEF 18, Replacement Cost Endorsement, your insurer will replace the vehicle, its accessories and its equipment, including taxes with a new vehicle having the same specifications, accessories and equipment, or if no such vehicle is available, with a new vehicle having similar specifications, accessories and equipment.

If you lease your vehicle, you should review your lease agreement to confirm if replacement parts must be new or if after market parts are acceptable.

Registered Owner

A registered owner is a person who owns a vehicle and is responsible for insuring it.

Reportable Claim

You must report an accident if the damage to both vehicles combined is greater than $2,000. You must also report if someone is injured, if property is damaged, or if it involves a driver who doesn't have auto insurance.

Short Rate Cancellation

If you cancel your policy before the expiry, your insurance company will charge a short rate cancellation fee. This is calculated as a percentage of the premium based on when the policy is cancelled.

Standard Owners Automobile Policy (SPF 1)

The SPF 1 is your automobile policy. It explains the rights and responsibilities of the insured (you) and the insurance company. The SPF 1 outlines your automobile coverage and the terms.

Telematics

Telematics for auto insurance refers to technology monitoring your driving behaviour to provide an objective real-time picture of your driving habits.

Usage Based Insurance (UBI)

Monitors driving habits using a device while driving your vehicle. A plug-in device or an app is used to track your driving habits. This type of insurance may help personalize your insurance premiums based on your driving behaviors and provide you with safe driving tips.

Pay-as-you-go Insurance

Allows you to buy insurance for the distance you drive. Unlike UBI, which records how you drive, pay-as-you-go insurance only uses the distance driven to determine how much you pay. Your kilometers are tracked through a device in your vehicle. You can monitor how much you drive through a smartphone app.

Total Loss

A total loss occurs when the vehicle's repair cost exceeds the Actual Cash Value (ACV). It is not always practical to repair a vehicle, even if the repair cost is less than its actual value. Factors such as vehicle safety, quality of the repair, costs and vehicle values are all considered in determining if a vehicle is repairable.

Depending on your insurance company, the value of your vehicle is determined based on factors such as the vehicle's pre-accident condition, the number of kilometers on the odometer, the options available on the vehicle and any existing damage before the accident. An insurance company reserves the right to deem your vehicle a total loss.

Underwriters/Underwriting

Underwriting is the practice of collecting information and assessing risk. This information is analyzed based on the insurance company's underwriting guidelines to decide whether an insurance company will accept the risk by offering you coverage.

Vehicle Repairs

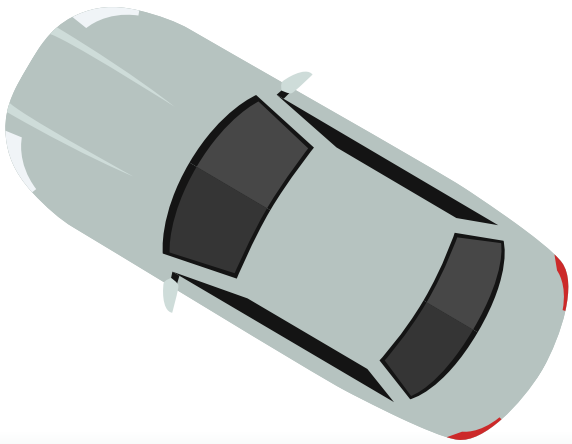
Depending on which costs the least, insurance companies will pay either the Actual Cash Value of the vehicle, or the cost to repair or replace it (with a similar kind and quality).

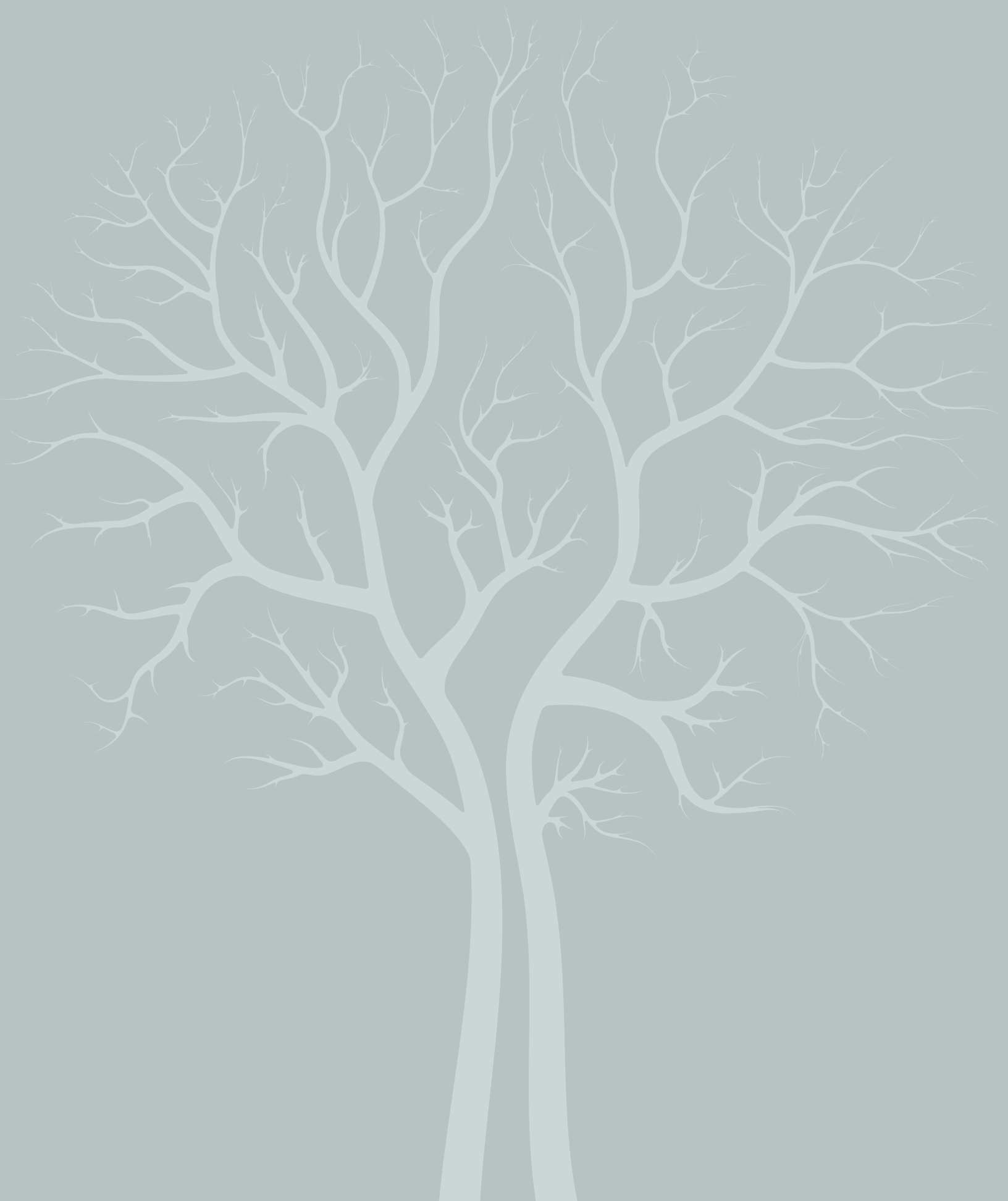
Waiver of Depreciation

A Waiver of Depreciation endorsement (AB-SEF 43R) may be available for new vehicles and will vary by insurance company.

Suppose you experience a total loss due to theft or an accident, and you are the owner or lessee of the vehicle, and have this endorsement, you will be reimbursed the lesser of the actual purchase price of the vehicle or Manufacturers Suggested Retail Price (MSRP) at the time of purchase.

A Waiver of Depreciation can be added to your insurance policy at time of purchase.





Automobile Insurance Rate Board
Canadian Western Bank Place
#2440, 10303 Jasper Avenue
Edmonton, AB T5J 3N6

Phone: 780.427.5428
Email: airb@gov.ab.ca

albertaairb.ca