



Renewing an Insurance Policy

This renewal procedure is designed to help representatives respect their obligations when renewing an insurance policy.

Essentially, these obligations are spelled out in sections 39 of the *Act respecting the distribution of financial products and services* and 37(6) of the *Code of ethics of damage insurance representatives*, and concern, respectively: the obligation, when renewing an insurance policy, to take the necessary steps to ensure that the coverage provided corresponds to the client's needs; and the obligation to act as a conscientious advisor by informing the client of his rights and obligations and giving him all necessary or useful information concerning the renewal of his policy.

Please note: This procedure replaces the existing procedure for renewing personal-lines insurance policies and is intended to apply to both personal lines and commercial lines.

A representative must treat insurance policy renewals as carefully and conscientiously as he would new business. He must be proactive and, in particular, he must not simply automatically renew a policy without taking any further steps. The representative must therefore:

1. **VERIFY THE INSURED'S NEEDS AND REASSESS THEM;**
2. **VALIDATE THE COVERAGE THAT IS IN FORCE AND ADVISE THE CLIENT;**
3. **VERIFY THE RENEWAL THAT HAS BEEN ISSUED AND REVIEW THE TERMS OF PAYMENT.**

The representative's obligation is to ensure that these steps are all taken during the renewal process, using the method and means he deems most appropriate. He may fulfill his obligations by:

- verbally contacting the client;
- contacting the client in writing;
- visiting the client on-site; or
- meeting the client at his office.

At all times, the representative must be able to demonstrate that he has taken the necessary steps to ensure that the coverage offered meets the insured's needs.

IMPORTANT

It is therefore important to stress that an insurer's practice of issuing and directly sending the insured his renewal does not relieve the representative of his obligation to properly perform all his professional duties in order to ensure that the renewal is suitable for his client.



1. VERIFY THE INSURED'S NEEDS AND REASSESS THEM

- The representative must have a system or a method that enables him to track and manage the renewals as they come due for processing.
- The representative must begin processing a renewal within a reasonable period of time, in other words, within a period of time in which he can properly perform all the necessary steps. Since the insured should preferably receive the conditions of renewal of his policy at least 30 days before his policy expires (a strict deadline for car insurance in certain cases), it is advisable for the representative to begin processing the renewal at least 60 days before the expiry date.
- In order to verify the client's needs, the representative must update the client's information. He must therefore contact his client in order to prepare the insurance policy renewal:
 - **If he communicates with his client verbally**, the representative must not forget to note down in the file the information he gathers from his client.
 - **If he communicates with his client in writing**, communication may take the form of a notice that draws the client's attention to the importance of contacting his representative to declare any change to the risk. However, this notice should not be reduced to a simple sentence at the bottom of the policy or the cover letter. It should take the form of a separate document or a paragraph that is both visible and explicit.

NOTICE OF RENEWAL

The notice of renewal should:

- Appear on a separate sheet from the other documents sent when the policy is renewed (using paper of a different colour is suggested);
- Be written in simple and concise language;
- Mention the importance of notifying one's representative of any changes to the risk;
- Provide examples of changes that could influence the acceptance of the risk or its pricing.

Please note that renewal notices designed by the ChAD are available on its website:

- Notice concerning the renewal of a commercial-lines insurance policy;
- Notice concerning the renewal of a commercial-lines automobile insurance policy;
- Notice concerning the renewal of a home insurance policy;
- Notice concerning the renewal of an automobile insurance policy.

- Regardless of the type of communication used, the representative must:
 - Make a certain number of phone calls per year, following a method determined by the firm. This method can use different criteria, for example:



- according to the targeted risks (for example, when there is a significant difference between the amount of insurance and the value of the house or building, or the company's assets or revenues);
- according to a computer programme that generates a list of clients (for example, a list of clients who have not been contacted or who have not contacted the firm over the past three years);
- according to a set percentage (for example: 1/3 of clients every year) in order to ensure that the entire client base is contacted;
- etc.

FOR COMMERCIAL-LINES INSURANCE

- Depending on the type of risk, it is advisable to visit the client's place of business or meet with the client regularly in order to observe and/or discuss any changes that could affect the nature of the risk or the underwriting standards. Amongst other things, an on-site visit allows the representative to make a good assessment of the physical risk, verify the condition of the site and the equipment, validate measures taken to protect the site, note any neighbouring risks and review inventory management.
- Whether it be through a visit or a meeting, it is wise to contact the client at least once a year to update the insurance proposal, validate the type of business activities and review the amounts of insurance. This review often enables the representative to suggest new products or coverage, for example:
 - A manufacturer may have developed a new product that uses a potentially environmentally dangerous material. New coverage for this type of risk could be offered.
 - A building contractor may have hired an engineer to sign off on building plans. A new professional civil liability product could be offered.
 - A jewellery store may have started offering tattooing services. This increased risk could be such that the insurer will refuse to renew the policy.
- When, for example, a client contacts his representative to make a change to his current policy, the representative should take advantage of this opportunity to review the file with his client.



2. VALIDATE THE COVERAGE THAT IS IN FORCE AND ADVISE THE CLIENT

- A representative must make sure that the coverage in force continues to be that which best suits the insured's needs. Should this no longer be the case, he must offer the insured suitable coverage and protection, which entails revalidating the amounts of insurance.
- Regardless of whether or not the client's needs have changed, the representative must advise him regarding newly available coverage. On occasion, certain new products that better meet the client's needs may only become available after the policy was purchased or perhaps the client is only now eligible for certain coverage that he could not have purchased the preceding year.
- The representative should also make sure that the insured remains uninterested in purchasing coverage that he previously refused.
- In order to properly fulfill his role as an advisor, at all times when carrying out his professional activities the representative must be on the lookout for new products arriving on the market.
- With respect to the amount of insurance, the representative must properly inform his client regarding the appraisal of the property and the corresponding coverage:
 - The representative is not obliged to assess the value of the property; however, if he has reason to believe that the amount of coverage is insufficient or that this will soon be the case, he is duty bound to inform the insured so that the insured may then consult a professional appraiser. The representative has the obligation to provide advice on the amount of insurance. It is up to the insured—after having been advised—to determine the required amount of insurance.
 - Using supporting documents, he should fully explain insurers' requirements with respect to the proportional rule (the co-insurance clause) and the resulting consequences.

NOTES IN THE FILES

The representative must carefully note in the file all relevant details including advice given, coverage offered and refused, instructions received, etc. To learn more about this topic, please read "Tenue des dossiers clients et notes aux dossiers" [How to keep client-files and make notes in the file], available in French only.

3. VERIFY THE RENEWAL ISSUED AND REVIEW THE TERMS OF PAYMENT

- Upon receiving the renewal, the representative must verify it to make sure that it does not contain any errors and that it complies with the instructions and the changes that the client requested.
- The representative must review the terms of payment with the insured and, for example, clearly indicate to him the date of the first withdrawal or whether or not the insurer requires payment in full in advance.
- If pre-authorized payments (pre-authorized debit) are used, the representative must comply with the requirements of the Canadian Payments Association and ensure that the form signed by the client is sufficient.



- Inasmuch as possible, the insurance policy renewal must be sent 30 days before it comes into force. If the representative is unable to send the policy, he must nevertheless notify the insured that he will receive his insurance policy in the near future and, in the meantime, send him an insurance binder that confirms the insurer's name, the insurance period, the coverage, the deductibles and the amounts of insurance.
- The policy renewal should be sent with a cover letter that specifically includes the following information:

THE RENEWAL LETTER*

The renewal letter should:

Mention under a separate heading the insurer's name, the policy number and the period in question;

- Summarize the coverage, the deductible and the amounts of insurance in force;
- Mention, where applicable, if changes were made with respect to the previous policy (i.e.: an increase in the amount of the deductible);
- If applicable, remind the insured of any coverage he has previously refused and update him on coverage that has become available in the meantime;
- Suggest new coverage related to the client's needs and an increase in the amount of insurance, if applicable;
- Mention that an increase in the amount of the deductible could bring down the cost of the premium;
- Confirm payment terms and offer alternative options that the insured could use if the current payment terms no longer suit him.

***This information may also be found in the insurance binder.**