

NEWS



PROTECT YOUR POSSESSIONS
Make sure all home business equipment has its own coverage.
PHOTO: COURTESY OF SUNLIFE

TIP
2
INSURE YOUR HOME OFFICE EQUIPMENT SEPARATELY

THE INSURANCE QUESTIONNAIRE

Why do I need insurance?

➔ In the case of an accident or illness, your family may require funds to cover loss of income and expenses. Regular costs such as education, mortgage payments and day to day living expenses will still need to be paid. Sudden expenses such as medical bills and funeral expenses could also arise.

What types of insurance are available?

➔ The insurance that first comes to mind for most people is life insurance which pays a benefit on the death of the insured. The main choices for life insurance are whole life or term. Whole life insurance premiums are higher and remain level. A cash value may be available and these values increase tax-free within the policy. Whole life insurance, as the name suggests, provides coverage for life. Term insurance premiums start out lower than whole life but they often increase periodically, for example every 5 or 10 years. Term insurance coverage terminates at a predefined point in time such as 20 years or at age 75 or 80.

There are other insurance products called disability income and critical illness. Respectively, these pay a monthly benefit upon disability or pay a lump sum upon the occurrence of a serious medical condition. As you can imagine, there is a significant need for insurance in these situations where life insurance will not provide a benefit.

If you're interested in controlling how the excess funds in a policy are invested, there are whole life insurance products called Universal Life.

What factors determine my insurance needs?

➔ Your insurance need depends on your estate planning goals as well as your current stage in life. For example a younger person, with more years to retirement and with a generally heavier debt load, will require more insurance. If you have children, the insurance needs will be greater and even more so if a child is disabled. Your spouse should also have insurance in case he or she is unable to work or take care of the home. In general, as the years pass, the outstanding mortgage is smaller and children will complete their education and begin to earn a living. These factors will reduce your insurance needs.

How much insurance do I need to protect my family?

➔ Your insurance need changes over time depending on your stage in life. For example, if there were 15 years to go on your mortgage, \$150,000 would be required today in order to fund each \$1000 of future monthly mortgage payments. If your house is paid off, then a mortgage doesn't come into play. Insurance advisors have insurance needs analysis software to help with these calculations. One such example can be found here... www.cpp.ca/calculator/pages/quote_calculator.html

How much will it cost?

➔ Insurance premiums vary widely depending on your age, gender, health and the type of insurance you're buying. An insurance broker or advisor will guide you through the process.

SOURCE: CANADA PROTECTION PLAN



Home business can't shelter under house coverage

■ **Question:** How can you protect your business when you work from home?

■ **Answer:** Don't assume your home insurance will provide the coverage your business needs.

NEWS

Who hasn't dreamed of working from home? The prospect of being your own boss, setting your own hours and doing it all in the comfort of your own home is attractive to many people, particularly in these changing economic times. Yet, running a home-based business without adequate insurance can turn that dream into a nightmare.

Know what your coverage includes

Many home-based business owners mistakenly believe that their current homeowner's or tenant's insurance policy will cover their new business enterprise. But a homeowner's policy is designed and priced only to cover the contents and risks as-

sociated with a residential dwelling. Regardless of the product or services you're selling—whether it is food storage containers or financial planning—running a home-based business exposes you to certain risks. Your inventory, computer and other equipment as well as any clients or couriers visiting your home are not covered under your homeowner's policy. For example, if your business-related inventory is stolen or destroyed by a house fire, it will not be covered by homeowner's insurance alone. Moreover, you should take into account the risk of taking business-related equipment, such as laptops or product samples, outside of your home. If they are damaged or stolen, a regular homeowner's policy will not cover the loss.

The unexpected risk

Liability is perhaps the greatest risk associated with your home-based business. What if a client falls while walking up to your home? What if you are sued because of problems

with the product or service you provided? Failing to account for this when running your home-based business could have disastrous results. The reality is that the legal system is increasingly being used to settle business disputes and you leave yourself very vulnerable by not having adequate business insurance. What you think you're saving by not paying for an additional insurance policy is nothing compared to what you stand to lose.

To minimize potential losses, create a comprehensive risk management plan for your home-based business. The risk management process provides a clear and structured approach to identifying risks. It doesn't need to be complicated, but should cover these three questions:

- What can go wrong?
- What will you do to prevent the harm from occurring and in response to the harm or loss?
- If something happens, how will you pay for it?

From keeping all walkways in and

around your home clear to keeping your business-related inventory and computers protected from theft and viruses, managing risk is critical to the success of your home-based business. It will not only provide protection against direct financial loss but also help to safeguard the reputation and public image of your endeavour.

The best course of action is to speak to your insurance representative. Let him or her know about your home-based business and ask what kind of coverage you need to protect both your business and your home. Proper insurance coverage for your home-based business can help you to minimize the risk and maximize the excitement of being your own boss.

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New reforms bring stabilization to Ontario's auto insurance system



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CHANGE

Reforms to Ontario's auto insurance system came into effect on September 1, 2010. The provincial government introduced these reforms to help stabilize the system and to give consumers more choice.

Ontario drivers currently pay more for their auto insurance than do any other Canadians. One of the reasons the Ontario system is so expensive is continually escalating claims costs, particularly those associated with

the treatment of minor injuries (e.g., strains, sprains and whiplash), which represent the vast majority of traffic injuries.

In fact, between 2004 and 2009, average accident benefits claims costs increased a staggering 102%, from \$26,339 to \$53,371. For similar injuries sustained in collisions in Alberta, claims costs totaled only \$3,700 on average. Clearly, something is wrong in Ontario.

With claims costs increasing significantly over the years, insurance companies have found themselves paying out more in claims than what premiums cover. In response to this unsustainable position, the provincial regulator (the Financial Services Commission of Ontario or FSCO) approved successive auto insurance rate increases. Finally, in order to help stabilize the system and shield Ontarians from

further price hikes, the provincial government introduced much-needed reforms to the system.

Ontario's new standard auto insurance policy continues to offer the most generous Accident Benefits coverage in Canada. Under the new rules, a standard auto insurance package will be available providing up to \$50,000 in medical and rehabilitation benefits, and up to \$36,000 in attendant care benefits. Consumers will have the choice to increase these and other benefits limits and tailor their policies according to their needs. As before, all medically necessary (acute) care collision victims may require is provided by OHIP and paid for by insurers who collectively pay an annual levy of approximately \$150 million to OHIP to cover these costs.

Some things aren't changing. All auto insurance policies will conti-

nue to include Third-Party Liability, Uninsured Auto coverage, Direct Compensation-Property Damage and Statutory Accidents Benefits. Further, all optional coverages (Collision or Upset, Comprehensive, Specified Perils and All Perils) will remain the same and will be automatically renewed for policyholders who currently have them.

The changes will take effect for individual policyholders when they renew their auto insurance on or after September 1. Because consumers will have more choice to customize their auto insurance, it's important that they be well informed about the reforms. Insurance Bureau of Canada (IBC) encourages all Ontarians to speak with their insurance representatives before making decisions concerning their auto insurance policies.