

5 Auto Insurance Terms You Might Not Know.

We admit it – auto insurance policies are a tough read. Here’s a cheat sheet to five common terms and why it’s important to understand them.



Comprehensive

An **optional insurance** that gives you complete coverage, beyond just accidents.

- It **covers theft, fire, and vandalism** as well as **damage to your windshield**.
- It **doesn't cover wear and tear**, like replacing brake pads, or a punctured tire.

How is it different from...Specified Perils? Specified Perils is like Comprehensive, but you can lower your cost by covering only certain types of damage. Your policy will list these.

Deductible

The **portion of a claim you pay**.

With insurance rates rising, this is one of the ways to lower your insurance cost. Before choosing a higher deductible think about how much you could afford to pay during a claim, and whether it would be worth making a claim if your premiums were to go up as a result.

Here's an example: Your repair will cost \$1,000, but you have a \$300 deductible. If it's eligible under your policy, your insurance will cover \$700 and you'll pay the other \$300.

Actual Cash Value

The **current value** of your vehicle at the time of your claim.

Your car's current value could be a lot less than it will cost you to replace it. Your **auto insurance typically pays out the actual cash value**.

Here's an example: You paid \$40,000 for your car 3 years ago. Your insurer has decided it doesn't make sense to fix it after an accident. Based on the type and condition of your car before the accident, as well as the mileage, the Actual Cash Value is \$20,000. It may cost you more to replace the car with a new model though.

Occasional Driver

Somebody **in your household who drives your car from time-to-time**.

Particularly for a young driver in your home, it's a cost-effective way to make sure they have coverage. Coverage as an Occasional Driver also means they're starting an insurance history, which will be helpful if they buy their own car later.

Make sure you know if they're really an occasional driver. The definition can vary from company to company.

No-Fault Insurance

No matter who is at fault, **you deal with your insurer** and others involved deal with theirs.

Having "no-fault" insurance in your province doesn't mean you won't be found at fault for an accident. It just refers to how the claim is handled. And not every province has no-fault insurance. If you're not sure, check with your insurance professional.

How is it different from...Direct Compensation Property Damage? Known as DCPD, this is available in ON, NS, PEI and NB. Like "no-fault", you deal with your own insurance company for the claim. Under DCPD, you don't have to wait for the other person's insurer to decide who was at fault before your claim is paid.

Even though it's important to understand your auto insurance, we know it's not top of mind other than at renewal or claim times. The easy way to be sure you understand? Give your insurance professional a call and set up a quick chat about what you need to know. **RELAX. KNOW WHAT'S COVERED.**