



Portfolio Confidential

Barbara Stewart

I read that some people suffer injuries due to car accidents and don't have enough insurance to compensate them for their losses. How much car insurance is the right amount?

I had also heard some horror stories about being underinsured and the severe implications, and I reached out to Josh Nisker, Partner at Beyond Law LLP. I know many readers normally think insurance is a boring topic (myself included), but I found Josh's answers fascinating!

How much car insurance is the right amount?

Josh: The short answer is: as much as you can reasonably afford (and you can probably afford quite a bit). The longer answer requires an understanding of how auto insurance works in Ontario and elsewhere.

Auto insurance is mandatory in Ontario, and the minimum third-party liability limit is \$200,000. The cheapest policy you can buy in Ontario will protect you up to \$200,000 if you injure somebody else with your car. If the injured person's claim exceeds that amount, then you will be called upon to personally pay any damages over and above the \$200,000 in coverage.

The majority of drivers in Ontario carry third-party liability limits of \$1 million, and so they are protected up to \$1 million in the event they injure somebody else in a car accident. In addition, most auto policies contain an endorsement called a "Family Protection Endorsement" (or an OPCF-44R). The Family Protection Endorsement serves to protect you and your family in the event you are injured by an uninsured, underinsured, or unidentified driver (e.g., a hit-and-run), and it will protect you up to your own insurance limits if called upon. If you look at your auto insurance policy, you will likely see that you have this endorsement, though you have probably never noticed it nor given much thought as to what it does.

The Family Protection Endorsement works like this: If you (or your spouse or child) are seriously injured in a car accident, be it as a driver, a cyclist, or a pedestrian, you would then sue the at-fault driver for your injuries and losses. If you are seriously injured and unable to work or live independently, your damages could be significant and very well could exceed the \$1 million that most people carry on their auto policies. If the driver that injured you had only \$1 million in coverage, and you too have only \$1 million in coverage, then your claim will practically be "capped" at \$1 million (anything above that would have to be sought against the driver personally). However, if you had \$2 million in coverage, even if the other driver only has \$1 million, then you would be protected up to that higher amount by virtue of your Family Protection Endorsement. You would collect the first \$1 million from the at-fault driver's insurance company and the second \$1 million from your own insurance company for a total of \$2 million.

Can you provide a real-life example of how this works?

Josh: I represented a lovely gentleman who suffered catastrophic injuries in a car accident when another driver ran a red light and t-boned his car. He was a business owner and made a very good living, but the accident had devastating effects on his quality of life. He cannot work anymore and cannot live independently in his home. He depends upon his wife and personal support worker to assist him with day-to-day tasks. He has also had to undertake significant and costly home modifications to make his house safe and livable.

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