



# Replacement Insurance

Product Knowledge

# Objectives

Understand Replacement Insurance and how to introduce this type of coverage to customers

Describe vehicle eligibility and Replacement Insurance Terms and Conditions

Become knowledgeable on your obligations as a distributor of Replacement Insurance

# What is Replacement Insurance?



## Customer Protection

Protects customers against the loss of their vehicle due to a total loss (Examples: accident or theft).

This insurance also protects customers from the cost of parts that are needed to repair their vehicle in the event of a partial loss.



## Additional Coverage

Helps customers get back into an equivalent vehicle\* in the event of a total vehicle loss. Also provides customers the ability to use Genuine OEM Parts during the repair of a vehicle, instead of aftermarket parts, in the event of a partial loss.



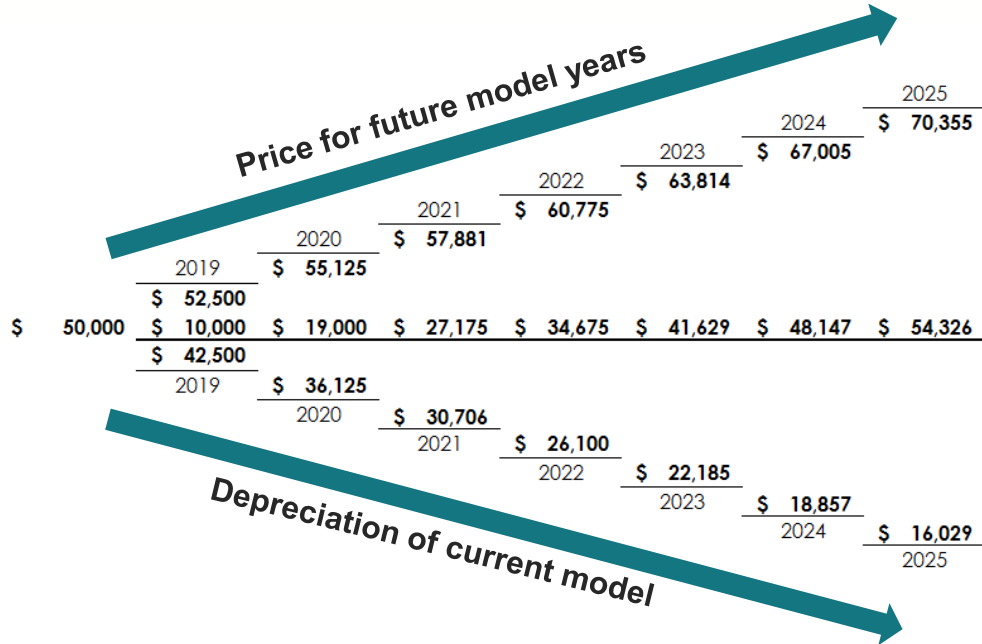
## Sold only in Quebec

Only available in Quebec. This product can only be sold by dealers in Quebec and can only be sold to Quebec residents.

**\*NOTE:** An equivalent vehicle is a new vehicle of the same kind and quality with similar options, equipment and accessories. Considering that vehicle models change over the years, it is understood that the insurer's obligation consists of replacing the vehicle with a similar model. All options, equipment, and accessories are taken into consideration when the vehicle is replaced.

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# Why is there a need for Replacement Insurance?



**Value of Similar Replacement Vehicle**

**Amount paid by Replacement Insurance**

**Amount paid by Primary Insurance**

NOTE: The above example is on a used 2019 vehicle

# How does Replacement Insurance Work?

## Total Loss Coverage

Provides customers with a reimbursement that is equal to the difference between the actual cash value of the vehicle on the policy and a replacement vehicle with similar product specifications.

## Partial Loss Coverage

Provides customers with a reimbursement that is equal to the difference between the cost of Genuine OEM Parts and the cost of regular parts paid for by the insurer in the event those parts are no longer made. Dealers will be reimbursed the list price of parts used for the repair.

## Deductible & Rental Benefit

### Deductible

The deductible paid to the primary insurer of the vehicle will be reimbursed to the customer. The maximum limit is \$1,000 for a Total Loss event and \$500 for a Partial Loss event.

### Rental Benefit

Rental expenses incurred will be reimbursed to the customer up to a maximum of \$50 per day. The maximum aggregate limit is \$1,500 for a Total or Partial Loss occurrence.

### Rental Vehicle Options

Total Loss: \$150, \$500, \$1,000 or \$1,500  
Partial Loss: \$150, \$500, \$1,000 or \$1,500

### Deductible Options

Total Loss: \$250, \$500, or \$1,000  
Partial Loss: \$100, \$250, or \$500

**TIP:** The Deductible Options and Rental Vehicle Options above may be used to reduce the premium to meet a customer's budget or reduced coverage needs

# Reimbursement Amounts

Once a replacement vehicle has been purchased, all documentation has been received, and the claim has been approved, the customer will receive one of the following indemnities:



## New Vehicles

Indemnity Amount =  
Value of a new Replacement Vehicle  
minus the Insurer Payout within 60  
days of first notice of loss or  
documents received



## Used Vehicles

Indemnity Amount =  
\*Marked-up Value of the Vehicle  
minus the indemnity paid by the  
primary insurer.



## Genuine OEM Parts

The customer will be reimbursed for  
the difference between the primary  
insurer's valuation of the damaged  
parts and the cost of replacing those  
parts with new OEM parts.

**\*NOTE:** If the vehicle was purchased or leased from a dealer within 60 days of the effective date of the insurance contract, the marked-up value will be the purchase price of the vehicle plus 5% compounded annually, calculated in proportion to the number of days elapsed between the effective date of the contract and the date of the total loss.

# Replacement Vehicle Options



## Equivalent Vehicle

If the replacement vehicle is not available, then it must be replaced with an equivalent vehicle.\*



## Higher Value Vehicle

If desired by the customer, replace the vehicle with a higher value vehicle and have the customer pay for any additional amount



## Lower Value Vehicle

If the customer chooses to replace the vehicle with a lower value vehicle, then the indemnity is equal to the Value of the Lower Value Vehicle minus the indemnity paid by the primary insurer. The client will not be reimbursed for the difference between the described vehicle and replacement vehicle.

**\*NOTE:** All equipment and accessories are taken into consideration given that these appear on the Initial Purchase Agreement; additional accessories, equipment added after the initial sale, are not covered

# Eligibility



## New & Used Vehicles

### New Vehicles

Vehicle within one previous/future model year that was never previously registered and have less than 1,500 kilometers qualify for New Vehicle Rates.

### Used Vehicles

Vehicle within 10 model years and 140,000 kilometers.



## Vehicle Specifications and Transaction Types

Replacement Insurance is available for all makes and models up to a maximum of 7 model years. The vehicle can be leased, financed, or purchased with cash.



## Date of Contract Sold

The contract can be sold up to 90 days after vehicle purchase. Customers must reside in Quebec and hold a valid primary insurance policy in order to take advantage of Replacement Insurance.

**NOTE:** Vehicles used for demonstration purposes also qualify for Replacement Insurance. Demonstrator Vehicles are a vehicle of the current year or one previous/future model year with less than 15,000 kilometers.

**EXCLUSIONS:** Vehicles used for commercial or public services and utility vehicles are not included. Vehicle equipment and accessories are not covered, as well as any other options added to vehicle that do not appear in the purchase contract.



# Terms and Provisions



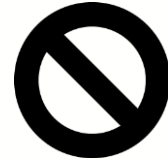
## Terms Available

**New & Used Vehicles**  
Terms of 2 – 7 years  
(24, 36, 39, 42, 48, 60, 72, or 84 months)



## Transferability

Replacement Insurance **cannot** be transferred to another vehicle once purchased.



## Cancellation Provision

Replacement Insurance is fully refundable within 30 days.

After 30 days, the customer must complete the Notice of Rescission. The cancellation refund will be calculated based on the Cancellation Table included in the customer's contract.

**NOTE:** Refer to your Selling Dealer Guide for detailed instructions on how to complete the cancellation process

# Claims Process

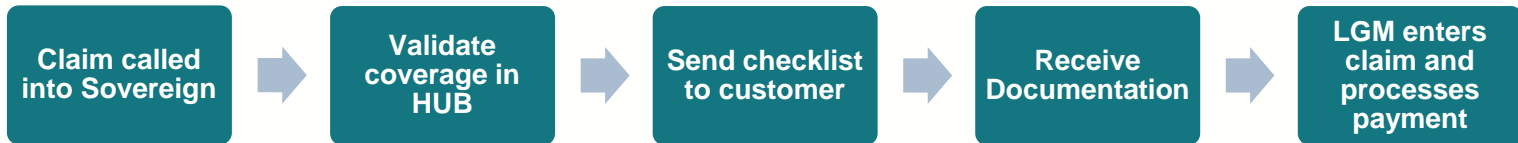
This information is available in the Summary.

## Claims Process:

1. Insured calls Sovereign General Insurance Company (SGIC) at: 1-844-798-6180.
2. Claims Adjuster reviews claim with claimant.
3. Claims Adjuster at SGIC sends checklist forms to claimant.
4. Claimant provides documentation and completed forms to SGIC.
5. SGIC confirms all documentation is received.
6. SGIC to pay indemnity within 60 days.

## Complaint Procedures:

- Let us know if you have questions or concerns: Contact LGM or your claims adjuster.
- Escalate your concern: Escalate to a Claims Manager or Product Manager.
- If you are still dissatisfied, ask that the issue be escalated to senior management at SGIC.
- Complaint escalation through SGIC at 1-877-847-8615.





# Replacement Insurance

Regulatory Compliance

# Regulatory Compliance

5

Q.P.F. No. 5

This product is based on Quebec Automobile Insurance Policy Form (Q.P.F.) No. 5 – Complimentary Insurance for Damage Caused to Insured Vehicle Form.



Law

This product is governed by the Act respecting the distribution of financial products and services. You must comply with certain requirements as a product distributor.

Please refer to your Selling Dealer Guide and the Summary for complete details.



Customer Fairness

There are policies and guidelines in place to ensure the fair treatment of customers during the sale of Replacement Insurance. The sale of this product must adhere to the Consumer Protection Act.

**NOTE:** Dealers are **NOT** required to obtain a license to sell Replacement Insurance. However, dealers are required to complete and sign a dealer agreement.

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# Changes to Q.P.F. No. 5

- Customers have the option to replace the vehicle through a dealer of the customer's choice (they no longer need to go to the original selling dealer)
- The remuneration-earning period should correspond to the lifespan of the insurance product
  - The vesting period for compensation has been extended to a minimum of 180 days
- Dealers cannot offer similar products from the same insurer that have different rates of remuneration
- Dealers are required to put in place robust oversight processes and accountability controls to ensure they meet their obligations

**REMEMBER:** Explain to your client the consequences of a request to remove (or add) coverage. You should never simply carry out your client's request. Rather, you must be absolutely sure you understand the client's needs and properly explain the coverage and exclusions.

# Distributor Obligations



When offering an insurance product, the distributor must:

- ✔ Provide customers with the Fact Sheet and the Summary
- ✔ Inform the customer of other insurance products in the market that feature similar coverage
- ✔ Ask the customer if they are already covered by this type of insurance and encourage the customer to check if they are uncertain
- ✔ Describe the coverage offered and clearly state the exclusions
- ✔ Verbalize the remuneration for the sale of the product (if it exceeds 30% of cost)
- ✔ Explain how to submit a claim and advise the customer of the deadline to submit a claim

**IMPORTANT:** If you do not have an insurance license then you CANNOT compare Replacement Insurance (Q.P.F. No. 5.) with Replacement Cost Endorsement (Q.E.F. No. 43)  
Customers CANNOT have both coverages as this constitutes as double insurance.

# Distributor Obligations



When offering an insurance product, the distributor must:

- ✔ Advise customers how long the insurer has to pay their claim and explain the recourse if the insurer refuses to pay
- ✔ Explain to the customer what to do in case they are dissatisfied with the claims process
- ✔ Advise the customer that they have 30 days to cancel the policy from the date the contract has been signed
- ✔ Inform the customer that they can take out insurance with the insurer of choice
- ✔ Give the customer a Confirmation of Insurance from the insurer

# Additional Compliance Requirements

## Consumer Protection in Quebec

*It is important that you are sufficiently familiar with the Summary related to this product. In order to provide the customer with the information they require to make an informed decision, the items below must be discussed.*

### What are the key elements?

- In Quebec, the Fact Sheet prescribed by AMF needs to be reviewed and a copy must be given to the customer **BEFORE** the insurance is purchased
- The Summary must be provided **BEFORE** the insurance is purchased
- Inform the customer that other insurance products offering similar coverage are available on the market
- Describe the exclusions and limitations of the products available and allow the customer to determine if any of the situations apply to their situation
- Inform the client of who to call in the event of a claim and the time limits associated with the claims processes (as indicated on the next slide).



# Fact Sheet

*Effective December 1, 2018 every customer must be presented with a Fact Sheet:*

*The Authority believes that completing, signing and giving this fact sheet to customer upon offering insurance products, in addition to the other required documents, will enable consumers to be better informed and prevent improper commercial practices.*

## What are the key elements?

- Fact Sheet has been developed by the AMF
- Must be provided to the customer **BEFORE** the insurance is purchased (at the same time as the Summary)
- All of it should be read line by line
- Must verbally notify customer if the commission is greater than 30%
- Dealers must keep Fact Sheet in the “deal jacket”

**TIP:** The Fact Sheet and the Summary can be used as a Sales Tool.

The purpose of this fact sheet is to inform you of your rights.  
It does not relieve the insurer or the distributor of their obligations to you.

## LET'S TALK INSURANCE!

Name of distributor: \_\_\_\_\_

Name of insurer: \_\_\_\_\_

Name of insurance product: \_\_\_\_\_

### IT'S YOUR CHOICE

You are never required to purchase insurance:

- that is offered by your distributor;
- from a person who is assigned to you; or
- to obtain a better interest rate or any other benefit.

Even if you are required to be insured, **you do not have to** purchase the insurance that is being offered. **You can choose** your insurance product and your insurer.

### HOW TO CHOOSE

To choose the insurance product that's right for you, we recommend that you read the summary that describes the insurance product and that must be provided to you.

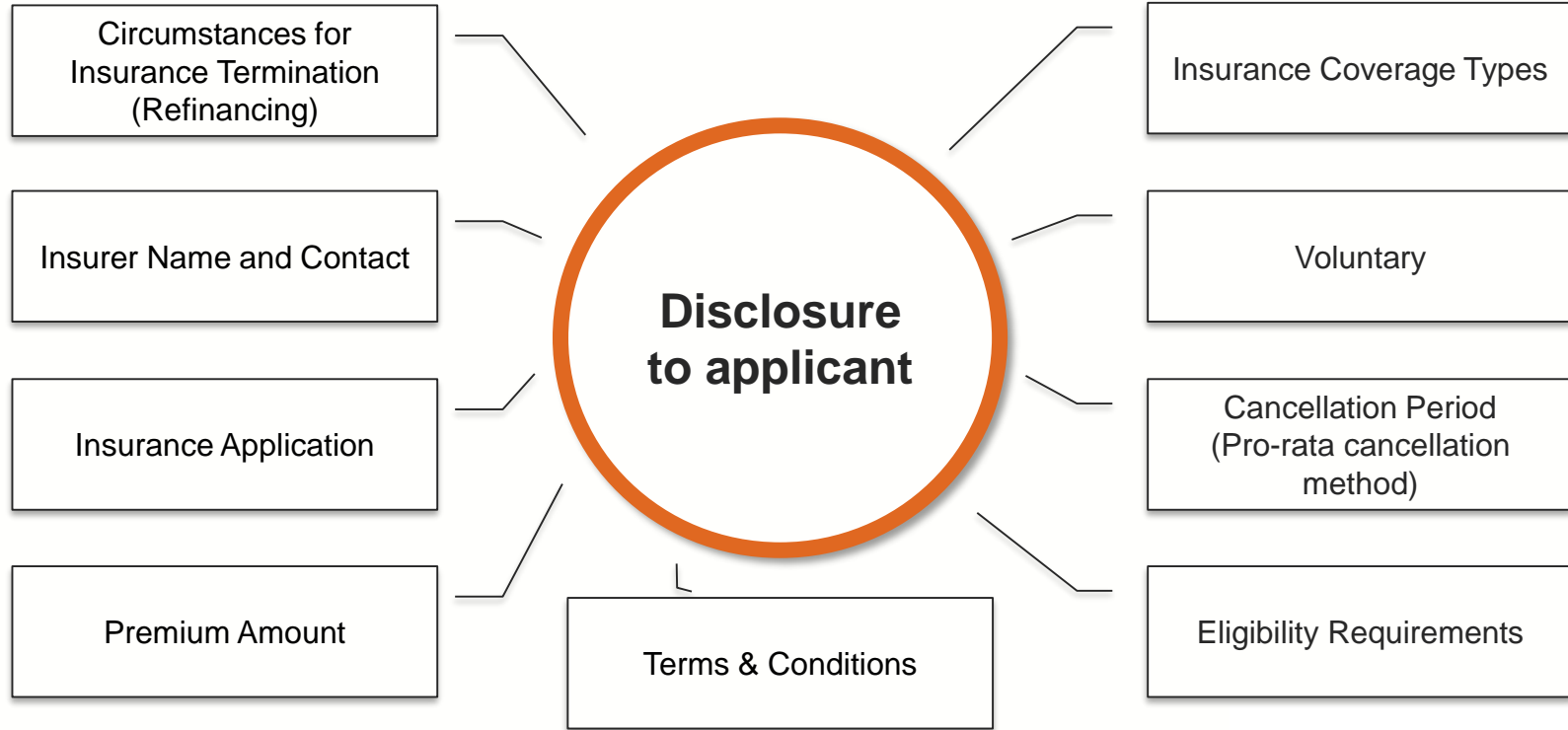
### DISTRIBUTOR REMUNERATION

A portion of the amount you pay for the insurance will be paid to the distributor as remuneration. The distributor **must** tell you when the remuneration exceeds 30% of that amount.

### RIGHT TO CANCEL

The Act allows you to rescind an insurance contract, **at no cost**, within 10 days after the purchase of your insurance. However, the insurer may grant you a longer period of time. After that time, fees may apply if you cancel the insurance. **Ask** your distributor about the period of time granted to cancel it **at no cost**.  
If the cost of the insurance is added to the financing amount and you cancel the insurance, your monthly financing payments might not change. Instead, the refund could be used to **shorten the financing period**. **Ask your distributor for details.**

# Disclosure Requirements



# Fair Treatment of Customers



Promote a culture of treating applicants fairly



Provide applicants with accurate and sufficient information



Ensure the customer has read and understands the contents of all documentation that has been provided



Avoid the risk of sales that are not appropriate to the applicant's situation



Communicate clearly about all aspects of the product – Ensure the customer is aware of the Eligibility Requirements, Exclusions, and Restrictions



Advise customers that the insurance is optional and voluntary.



# Replacement Insurance

Completing a Sale using the HUB

# The HUB

- Products are available as an online registration only - there is no need to complete pre-printed forms.
- Every policy must be registered through the HUB to ensure coverage is effective for your customer immediately.
- Simply log on to get started.



The screenshot shows the LGM-HUB login interface. At the top, there is a logo featuring a horse head profile next to the text "LGM-HUB". Below the logo, the text "F & I made simple" is displayed. A horizontal line separates this from the "Login to begin" section. This section contains two input fields: "Username" and "Password", both with yellow highlights on their left sides. Below the password field is a "Log In" button with a yellow highlight on its bottom edge. At the bottom of the login section, there is a link for "Forgot password?".

# The HUB – Vehicle Information

## Quick Quote screen:

1. Enter either the *VIN* or the *Year, Make,* and *Model* of the vehicle. The field that reads *Additional Vehicle Details* will populate.
2. Enter *kilometers, In-Service Date,* and *Vehicle Purchase Type*.
3. Click *Next* to continue.

The screenshot shows the 'SECUREDRIVE™ Quick Quote Start' interface. It features a VIN input field (callout 1) and a selection area for Year, Make, and Model & Series (callout 2). Below this is an 'Additional Vehicle Details' section showing '2016 Acura MDX Base w/Tech'. At the bottom, there are input fields for 'km' (99), 'In-Service Date' (06 Oct 2016), and 'Vehicle Purchase Type' (with 'Financed' selected). A 'Next' button is located at the bottom right (callout 3).

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Quick Quote Start

1 VIN  
- Enter Vehicle VIN -

OR

Year: 2016 | Make: Acura | Model & Series: MDX Base w/Tech

2 Additional Vehicle Details  
(2016 Acura MDX Base w/Tech)

km: 99 | In-Service Date: 06 Oct 2016 | Vehicle Purchase Type: Cash, **Financed**, Leased

3 Next

# LGM HUB – Customer Information

When vehicle information is submitted, you can now enter applicant information. This can be completed from expanding the applicant details field under the vehicle information.

Enter required information such as *Name, Primary Phone Number, Street Address, City, Province, and Postal Code.*

The screenshot shows a web form titled "Hide Vehicle/Customer Details" with a "PIN TO BROWSER" button. The form is divided into two main sections: "Vehicle Details" and "Customer Details".

**Vehicle Details:**

- VIN: - Enter Vehicle VIN -
- Year: 2017
- Make: Genesis
- Model & Series: G80 5.0L Ultimate
- Certified Pre-Owned
- km: 99
- In-Service Date: 12 Oct 2017
- Vehicle Purchase Type: Cash, **Financed**, Leased
- Purchase Price: [Empty field]
- Purchase Date: 12 Oct 2017
- + Advanced Options

**Customer Details:**

- First Name: [Empty field]
- Middle Name: [Empty field]
- Last Name: [Empty field]
- Business Name: [Empty field]
- Primary Phone Number: [Empty field] + Add Phone Number
- Email: [Empty field]
- Lookup Address: Start Typing Address Here
- Street Address: [Empty field]
- Unit/Suite: [Empty field]
- City: [Empty field]
- Province: BC
- Postal Code: [Empty field]
- Add Secondary Contract Holder

An "OK" button is located at the bottom right of the form.

# Total Payment and Monthly Payments

You can now calculate periodic payments using the tool on the top-right of your page. Click on the calculator icon and enter the *Interest Rate*, *Term in Months* and *Frequency*



Periodic Payment  
**\$0.00**

|  |                                      |
|--|--------------------------------------|
| Interest Rate                            | <input type="text" value="0.00 %"/>  |
| Term in Months                           | <input type="text" value="0"/>       |
| Frequency                                | <input type="text" value="Monthly"/> |
| <input type="button" value="Calculate"/> |                                      |

You can also use the *Quote Summary* on the bottom of the page to calculate the total cost of the product (or products) purchased by the customer.

|  |              |          |                   |
|--|--------------|----------|-------------------|
| Quote Summary  | Retail Price | GST      | Total Payment     |
|  | \$2,244.00   | \$112.20 | <b>\$2,356.20</b> |
| <input type="button" value="Save"/> <input type="button" value="Print"/> <input type="button" value="Purchase"/> |              |          |                   |



# Resources

- Brochures
- Selling Dealer Guide
- Waiver Form
- Total and Partial Loss Checklists
- Website: <http://www.securedrive.ca>



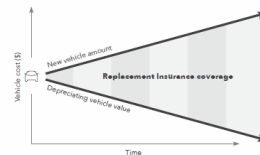
## REPLACEMENT INSURANCE



## Protect your investment

Driving your vehicle is the most exciting part of ownership, and protecting its value is equally as important. The reality is, a vehicle depreciates as soon as it is driven off the lot. The more the vehicle decreases in value, the more it will cost to replace it with a new model. Replacement Insurance is one option to this gap; covering a loss in vehicle value due to a damage, theft or total loss.

For more information contact your authorized dealer or call 1-866-287-6200.



### New vehicle coverage

If your new vehicle is declared a total loss, Replacement Insurance covers the difference between the amount paid by your primary insurer and the cost of a new vehicle with the same specifications and accessories. If your vehicle is damaged but repairable, new, original vehicle parts will be used.

### Used vehicle coverage

If your used vehicle is declared a total loss, you are covered for the difference between the amount paid by your primary insurer and the marked-up value of your vehicle. Speak to your authorized dealer for more information.

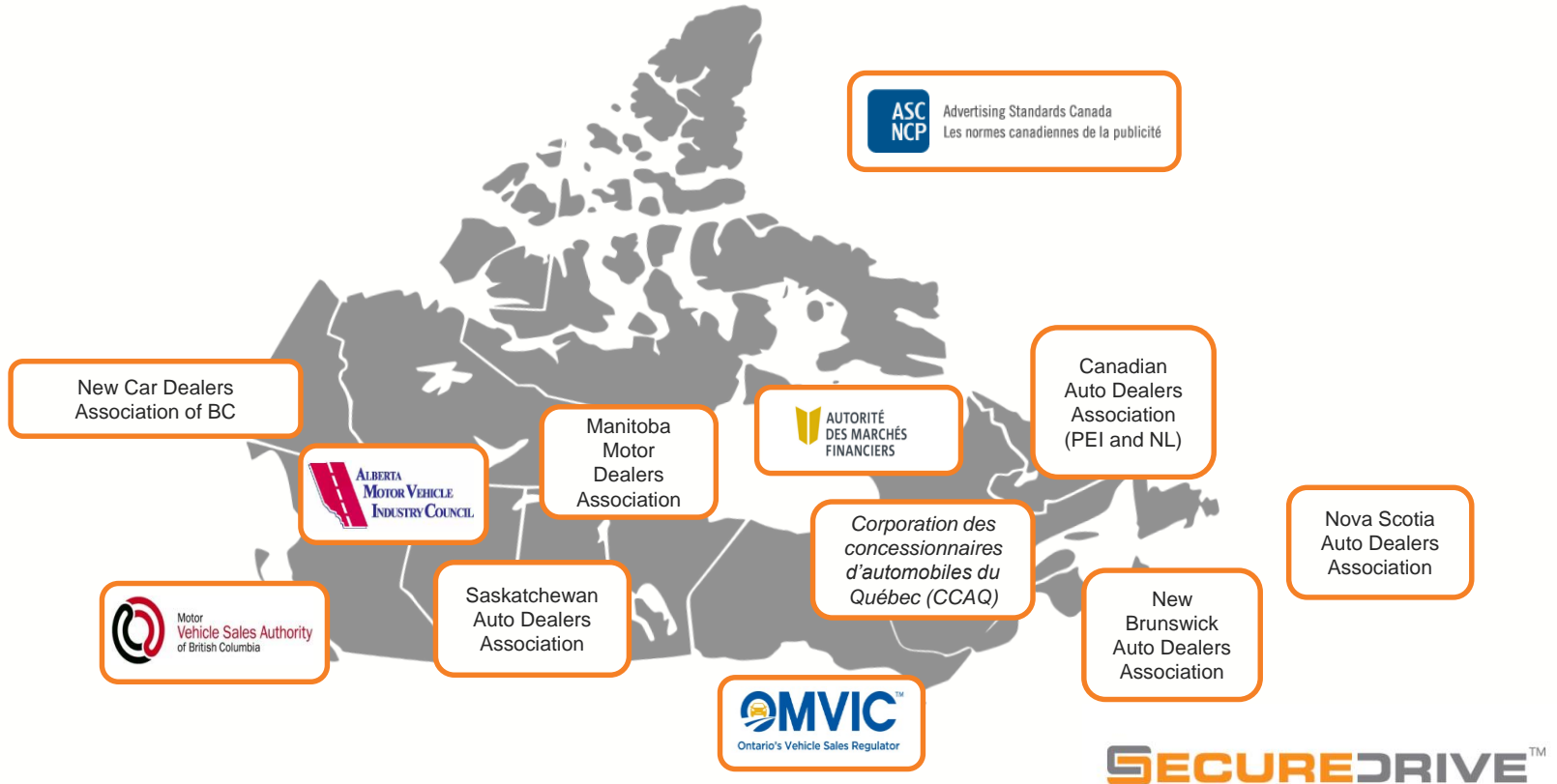
### Additional features

- ✓ **Coverage for all financing options**  
Available for new, used and demonstrator vehicles. Purchased by cash, financed or leased.
- ✓ **Your choice**  
Replace with a vehicle of your choice.
- ✓ **Deductible coverage**  
Put money in your pocket by getting a refund on all or part of your primary insurance deductible.
- ✓ **Rental coverage**  
Coverage for a rental vehicle of similar type while your vehicle is being repaired or replaced. Daily and maximum dollar limit applies.
- ✓ **Any provider, any time**  
Change primary insurance providers and remain covered under the Replacement Insurance plan.
- ✓ **No commitments**  
Cancel your contract at any time for a full or partial refund.
- ✓ **Fixed pricing**  
With a fixed policy premium, you are safe against increasing rates throughout your coverage period.

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# Resources for Ethical Sales



# About Sovereign General Insurance Company

- The Sovereign General Insurance Company is a Canadian insurer and a member of The Co-operators group of companies.
- Serve multiple industries with a variety of products being available
- Replacement insurance is underwritten by The Sovereign General Insurance Company and administered by LGM Financial Services Inc.
- Corporate Overview: <https://www.sovereigninsurance.ca/>

# About LGM

We specialize in customizing OEM branded business office products

LGM was established in 1998 and handles claims, administration, sales, support, training and marketing

LGM Training consists of English and French Regional Trainers, with an in-house content development and coordination team.

Our state of the art offices and training facilities are located in Oakville, Montreal and Vancouver.

Our dedicated Dealer Development Managers and Sales VPs are on the road to manage dealer relationships