

Selling Dealer Guide.

Replacement Insurance

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CONTACT US

Consumer Website: www.securedrive.ca

Each selling dealer will have a unique login profile to the LGM HUB to gain access to dealer-only materials such as Sales Tools.

LGM Financial Services Inc. (Administrator, Sales & Support)

Claims:

Phone: 1-844-798-6180

Email: Claims@lgm.ca

Hours: <https://www.lgm.ca/contact/>

Sales & Customer Service:

Phone: 1-800-510-8372

Fax: 1-800-510-7605

Email: service@lgm.ca

Hours: <https://www.lgm.ca/contact/>

Accounts Receivable:

Email: ar@lgm.ca

WHAT IS REPLACEMENT INSURANCE?

Replacement Insurance distributed by dealers authorized by LGM and under the brand *SecureDrive*, is based on Quebec Automobile Insurance Policy Form (Q.P.F.) No. 5 – Complementary Insurance for Damage Caused to Insured Vehicle Form (Replacement Insurance), also known as Q.P.F. No. 5. It is an insurance product sold by Quebec dealers to residents of Quebec and enables you to increase customer satisfaction with their vehicle purchase. Replacement insurance is designed to enable customers to protect themselves against the loss of their vehicle due to total loss or partial loss (lower depreciation amounts) that may be applied to their vehicle by their vehicle insurer.

Since replacement insurance is a product governed by the *Act respecting the distribution of financial products and services*, you must comply with certain requirements as a product distributor. This guide sets out the policies and procedures to be a product distributor.

Replacement Insurance distributed by SecureDrive is a complimentary product to other SecureDrive products. It specifically allows for customers to be provided with a similar or like vehicle in case of total loss. It can be used when a:

- total loss (new, demonstration or used vehicle) occurs and customer must replace their covered vehicle
- partial loss occurs whenever repairs must be made to the vehicle by replacing unrepairable parts with new manufacturer's original parts (new or demonstration vehicles only)
- customer must pay a deductible to his/her primary insurer (total or partial)
- customer must lease (rent) a courtesy vehicle following a loss (total or partial)

REPLACEMENT INSURANCE IS UNDERWRITTEN BY THE SOVEREIGN GENERAL INSURANCE COMPANY, ADMINISTERED BY LGM FINANCIAL SERVICES INC. AND DISTRIBUTED BY DEALERS AUTHORIZED BY LGM FINANCIAL SERVICES, IN THE PROVINCE OF QUÉBEC.

ADVANTAGES FOR THE CUSTOMER

- Replacement Insurance quotes are valid for 30 days.
- Switch primary insurers without losing coverage
- May purchase a higher priced model by paying the price difference
- Covered against increases in vehicle prices
- Price is determined at purchase for the entire duration of the contract
- Includes reimbursement of deductible up to the amount selected at time of purchase
- Includes coverage for a rental vehicle up to the amount selected at time of purchase
- Receive an indemnity directly from the insurer for replacement of the vehicle
- Includes coverage for original equipment manufacturer's new parts (when they cannot be repaired) in the event of partial loss (new and demonstrator vehicles only)
- No kilometre limit
- Insurance contract can be cancelled by the insured for a full or partial refund (refer to cancellation table included within the contract)

ADVANTAGES FOR THE DEALER (DISTRIBUTOR)

- Increased profits
- Customer satisfaction

- Helps to retain customers if they come back to the dealership to purchase the replacement vehicle
- Included vehicle rental reduces service expenses if customer comes back to dealership for repairs
- Increased sales of parts and labour if customer comes back to dealership for repairs

SELLING GUIDELINES

When selling Replacement Insurance, **before** the sale of the contract, the following must be explained to the customer:

- 1) **Summary of Quebec Automobile Insurance Policy Form (Q.P.F.) No. 5 – Replacement Insurance** must be provided to the customer. The Summary Guide explains what replacement insurance is, what to do in the case of a claim, and who to contact if there is a problem.
- 2) **Let's Talk Insurance Fact Sheet** (Fiche de Renseignement Parlons Assurance)
 - a. Informs customers of their rights
 - b. Customer must read.
 - c. If the amount of commission for the sale exceeds 30%, it must be disclosed.
 - d. Customer has the right to cancel Replacement Insurance within 30 days.
 - e. Confirm that the customer is not already covered under Q.E.F. No 43 (Change to Loss Payment Endorsement) and if not, that you mention this is a similar product. **You cannot discuss the differences between Q.E.F. No 43 and Q.P.F. No. 5.**

One Fact Sheet must be completed for each product. For example, if you are selling Loan Protection and Replacement Insurance, two sheets must be completed.

- 3) **Notice of Rescission of an Insurance Contract** notifying customer of their right to cancel the contract without penalty. Replacement Insurance provides the customer with 30 days to cancel.
- 4) Confirm that the vehicle is not intended for an excluded use

These documents are available on the Dealer Tools website and must be provided and completed **before** discussing Quebec Automobile Insurance Policy Form (Q.P.F.) No. 5 – Replacement Insurance

LEVELS OF COVERAGE

Coverage levels depend on the:

- Amount of deductible to reimburse for total and/or partial loss
- Amount of coverage when a courtesy vehicle is required due to total or partial loss

ELIGIBILITY

Replacement Insurance must be sold within 90 days of the vehicle purchase date.

For customers to take advantage of Replacement Insurance distributed by SecureDrive, they must:

- reside in Quebec
- hold a valid primary insurance policy (Q.P.F. No. 1) covering the vehicle

Replacement Insurance is available on all makes and models classified as either a new vehicle, demonstrator vehicle (treated as new) or a pre-owned vehicle. The program eligibility for each is as follows:

ELIGIBLE VEHICLES

New Vehicles

'New Vehicle Rates' require vehicle to be within the current or one previous/future model year and less than 1,500's km at time of purchase.

Terms available from 2-7 years.

Demonstrator Vehicles

Demonstrator vehicles are treated as new for 'New Vehicle Rates.' Requires vehicle to be within the current or one previous/future model year and less than 15,000 km's at time of purchase.

Terms available from 2-7 years.

Used Vehicles

Pre-Owned Vehicle Rates' are available for all makes and models within 10 model years and less than 140,000 km's.

Terms are available from 2-7 years.

DEDUCTIBLE

Replacement Insurance will cover the primary insurance deductible for the chosen amount at time of purchase of the Q.P.F. No. 5 policy. Choices available:

Total Loss – \$250, \$500, or \$1000

Partial Loss - \$100, \$250, or \$500 per event

COURTESY VEHICLES

Replacement Insurance will cover costs to lease a similar replacement vehicle with the Q.P.F. No. 5 policy if your primary insurer does not assume these expenses or assumes only part of them. Choices available:

Total Loss – \$150, \$500, \$1000, or \$1500

Partial Loss - \$150, \$500, \$1000, or \$1500 per event

Expenses are reimbursed to a maximum of \$50 per day. Not available for partial loss on used vehicles

TRANSFERS

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

EXCLUSIONS

The Q.P.F. No. 5 contract specifies the following exclusions:

- vehicles used for commercial purposes (some examples: plumber, electrician, delivery vehicles, snow removal vehicle, landscaping vehicle);
- utility vehicles whose gross vehicle weight is equal to or greater than 4,500 kg (10,000 lbs);
- vehicles used for public service purposes, including:
 - ambulances;
 - buses;

- driving school vehicles;
- funeral directors' vehicles;
- government or municipal service vehicles, including police or fire department vehicles;
- taxicabs
- equipment and accessories, as well as any other option added to the described vehicle by the named insured, if they do not appear in the purchase contract, long-term lease or contract of leasing
- Rebuilt, severely damaged vehicles

The following are also excluded under the insurance contract:

- any claim arising from a loss not covered by the primary insurance contract;
- any claim that the primary insurer refuses to indemnify for any reason whatsoever;
- any reduction in indemnity applied by the primary insurer for any reason whatsoever.
 - This means that if the primary insurer deems that they will only cover a certain percentage of the claim due to some other undisclosed circumstance (which led to a lower premium paid), replacement insurance will not cover this difference.

Please contact the Administrator if you are uncertain if a vehicle qualifies.

CONTRACT AMENDMENTS

Please refer the customer to Administrator to make amendments to the policy.

CONTRACT CANCELLATIONS

Replacement Insurance coverage may only be cancelled by the original contract holder.

When a customer asks for their contract to be cancelled:

- Within the first 30 days,
 - They will receive a full refund
 - They must complete the Notice of Rescission form provided at time of contract purchase or available in Dealer Tools on the HUB.
- Past 30 days,
 - Complete the Notice of Rescission form available in the Sales Tools on the HUB
 - Cancellation refunds will be calculated based on the Cancellation Table included in the customers contract

E-CONTRACTING

Replacement Insurance contracts are sold exclusively online at www.lgmhub.ca.

If you do not already have access, please contact the Administrator at 1-800-510-8372 or your local LGM Dealer Development Manager for assistance.

E-contracting provides you with these valuable benefits:

- No need to hand complete pre-printed forms;
- Easy to use and quick to complete;
- Guaranteed accuracy of rates and coverage;
- Track results electronically;
- Complete monthly remittance automatically;
- Professional documents for the customer;
- Instant confirmation of coverage; and
- VIN decoding makes processing faster (auto-population).

Please note that your dealership is responsible for retaining a customer signed copy of each contract sold, which must be promptly provided to the Administrator upon request.

INVOICING & PAYMENT

SecureDrive Replacement Insurance plans are sold exclusively via an online sales portal at www.lgmhub.ca. Your Retailer is required, on the last day of the month, to report all valid business for invoicing to the Administrator via the LGM HUB or the Administrator will generate them on your Retailer's behalf. The Administrator shall prescribe the method and form of invoicing.

Payment is required by your dealership to the Administrator no later than the tenth business day of the following month. Invoices sent to your dealership pertaining to cancellations and amendments must be paid immediately upon receipt. Payment submitted later than this date may result in claim service delays to your customers.

Your dealership can make payment through the HUB via bank withdrawal, credit card submission or with a cheque made payable to LGM Financial Services. and mailed to the Administrator. Any cheques not made payable to LGM Financial Services. will be returned to your dealership.

When paying with a cheque, please ensure following:

- Cheque is made payable to LGM Financial Services
- Invoices generated by the online sales portal.
- Cancellation invoices provided to you by the Administrator;

Please remit to:

LGM Financial Services
#142 - 757 West Hastings Street
Vancouver, BC V6C 1A1

When calculating remittances, please note the following taxation regulations:

- Dealers in Quebec are required to remit QST and GST

Indigenous Customers

Please note that tax regulations pertaining to sales of SecureDrive Replacement Insurance to Indigenous customers with Indian Status must be observed by your dealership. It is important that your dealership maintains records of such transactions, including the retention of copies of Indian Status Cards, in the event a taxation audit requires this information to be produced.

IMPORTANT

The Administrator will issue the refund directly to the contract/policy holder (and Lienholder if applicable) and your Retailer will be invoiced for their unearned profit as may be required. Please do not deduct cancellations from your remittances for NEW business.

WAIVER FORM

The SecureDrive Replacement Insurance waiver form is provided as a suggested selling tool in the Business Office. It is recommended that your dealership seeks independent legal advice before adopting any waiver form in your dealership.

It is also recommended that the waiver form be used extensively or not at all in your dealership. Dealers may face liability issues if the waiver form is only used on select customers rather than for all customers that decline any of the protection plans.

When used appropriately, this waiver form will add further credibility during your sales presentation in the Business Office. This waiver reminds the customer that they have been given the option to purchase protection plan products following the manufacturer's limited warranty term and that they have chosen to decline coverage. When properly applied, this waiver form may alter the customer's buying decision. It will also serve as a valuable reference in your deal jacket in the event there is ever a dispute about whether protection plans were offered to your customers.

The SecureDrive Replacement Insurance waiver form is accessible via Sales Tools which can be accessed at www.lgmhub.ca,

CLAIMS ASSISTANCE

If the customer informs you of a claim, contact the claims team at **1-844-798-6180**.

Total Loss of New or Demonstrator Vehicle

In the event of a total loss, the indemnity will cover the difference between the value of a replacement vehicle and the amount of the indemnity paid (plus the applicable deductible) by the primary insurer, with any amount in excess thereof to be borne by the named insured.

Since the indemnity includes a replacement vehicle, the insurer may (as provided for under the Description of Coverages section of the Quebec Automobile Insurance Policy Form (Q.P.F.) No. 5.):

- if the replacement vehicle is unavailable, replace it with an equivalent vehicle.
 - An equivalent vehicle is a new vehicle of the same kind and quality with similar equipment and accessories. Considering that vehicle models change over the years, it is understood that the insurer's obligation consists in replacing the vehicle with a similar model. All equipment and accessories are taken into consideration when the vehicle is replaced.
- at the insured's request, replace the described vehicle with a higher value vehicle with the insured paying any additional amount.
- if the insured chooses to replace the vehicle with a lower value vehicle, the insurer's obligation is limited to the difference between the value of the lower value vehicle and the amount of the indemnity paid by the primary insurer,

The manufacturer's discount must be applied in the total loss calculation. The insurer will replace the described vehicle at current cost (no discount) even if a discount was applied at the time of the purchase of the described vehicle. The same principle applies to a vehicle whose value fluctuates over the years. With regard to new vehicles, the Quebec Automobile Insurance Policy Form (Q.P.F.) No. 5 guarantees the replacement of vehicle and not the amount paid for the described vehicle, regardless of whether there is a discount or fluctuation in value

Partial Loss of New or Demonstrator Vehicle

If damaged parts cannot be repaired and they are then replaced with new original equipment manufacturer (OEM) parts, the insurer agrees to bear the difference between the cost of replacing the damaged parts with new OEM parts and the indemnity paid by the primary insurer for those parts

If any new original equipment manufacturer parts are out of stock or no longer manufactured, the liability of the insurer will be limited to the latest list price of those parts.

Total Loss of Used Vehicle

The insurer agrees to pay an indemnity equal to the difference between:

- the marked-up value of the described vehicle; and
- the indemnity paid by the primary insurer, plus the deductible assumed by the named insured.

Any amount not borne by the insurer will be borne by the named insured.

Marked up value $(P (1 + t)^n \times (1 + t)^{y/2})$:

- If the described vehicle was purchased or leased from a dealer of motor vehicles within 60 days of the effective date of the insurance contract, the marked-up value will be the purchase price of the described vehicle increased by 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.
- In all other instances, the marked-up value will be the value of the described vehicle on the date of total loss increased by 5 % compounded annually, calculated in proportion to the number of days elapsed between the effective date of the insurance contract and the date of the total loss.

Where:

P = purchase price

t = annual compound rate (5%)

n = number of complete coverage years

y = number of days between the previous anniversary date and the date of loss in days

z = number of days in the year (365)

Example:

Marked Up Value = **\$22539**

P	20000
Coverage Start	12-Mar-16
Loss Date	23-Aug-18
Last anniversary date	12-Mar-18
t	5%
n	2
y	164
z	365

Once you have the marked up value, it can be used to calculate the total indemnity that is payable under Q.P.F. No. 5.

Total Indemnity payable = Marked Up Value less Value on Date of Loss plus deductible

Working with our example above, let's say the value on the date of loss (payout under Q.P.F. No. 1) is \$17000 with a deductible of \$500. The amount payable:

Total Payout under Q.P.F. No. 1 = 17000 less deductible (500) = \$16500

Total Payout under Q.P.F. No. 5 = (Marked Up Value less value on date of loss) plus Reimbursement of deductible

= 22539 – 17000 + 500

= **\$6039**

Total Indemnity payable to the insured under Q.P.F. No. 1 and Q.P.F. No. 5:

= 16500 + 6039

= **\$22539**

Replacement Components

The Replacement Insurance contract defines approved replacement components to be new or remanufactured genuine OEM components.

The Claims Adjuster will count on the Parts Department to procure components that are covered by the service contract. The Insurer will assist whenever possible in the event that the repair facility cannot provide a reasonable solution.

Pre-existing Conditions

Replacement Insurance contracts exclude coverage for conditions which exist prior to the commencement of the contract.

Claims for any damage identified as existing at the time of contract purchase will not be covered under the Replacement Insurance program and the cost of such repairs will be the responsibility of the selling dealer and/or the contract holder.

PRIVACY OF INFORMATION

Maintaining the privacy of information is very important to LGM Financial Services Inc. The information each Dealer provides us for a customer is held in strict confidence and is not shared with any outside parties unless required for statutory or underwriting purposes.

Each consumer contract states the following:

“We and the Administrator only collect, use and disclose personal information about You that is necessary to consider your application for Services, confirm the accuracy of the information collected, process Your business, handle Your claims, deal with third party dealers, repairers or roadside providers, otherwise administer this Contract, and to insure Our liability under this Contract with Our underwriters. If You exercise Your right and refuse to provide the required information at the time of registering Your Contract, then We and the Administrator will not be able to provide Services under the terms of this Contract. Once We and the Administrator have provided confirmation of Services to You, You may not withdraw your consent to provide Your personal information since We and the Administrator may be required to use Your personal information in the normal course of handling Your business, such as contacting You in the event of a claim. For more information regarding the privacy of Your information please visit www.lgm.ca/privacy.

Each selling Dealer must ensure that in promoting, selling and maintaining the SecureDrive Replacement Insurance product at their dealership that they comply at all times with the current legislation pertaining to the privacy of information for all contract holders.

CUSTOMER AGREEMENT

A copy of the full Agreement is found in the Summary. For the purpose of administering claims, please refer to your customer's actual agreement.