

# Memo

To: Penny Davoren;  
From: Patrick J. Feehan  
Re: Quebec Insurance

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Penny:

Per your instructions I have chased down the issue with Quebec laws and how it affects our Substitute Auto Program.

Specifically I reviewed materials from Quebec and then went over those materials with Jim Stephens from Lockton. We arrive at the same conclusion.

It appears that there is coverage for temporary substitute autos, however, there is no coverage for any auto other than described auto outside the province of Quebec if the auto is being used for commercial delivery, so in other words, when a lease customer has a need for a substitute in the U.S. and he's in the commercial business, the coverage would not extend to that vehicle.

Naturally this creates problems for our Quebec affiliates that are traveling in the United States or even outside Quebec. Our substitute auto policy assumes that there is coverage underneath a lease for "any auto" and because of Quebec law, our Quebec affiliates do not have that luxury.

They can still rent from US affiliates, as Lockton pointed to me, it is just that the US Affiliate better secure a Certificate of insurance from the Quebec Company's Agency specifically naming the Unit Number involved in the rental. Hopefully this will not cause much delay.

Additionally, temporary substitute autos that will remain in Quebec are covered under this policy. Even if rented from a fellow Quebec member and to leave Quebec though, our affiliate should secure a certificate of insurance from that Quebec member.

Physical Damage is even more restrictive in that Quebec Law limits the coverage temporary substitute auto only to cover the deductible of the primary auto carrier for that vehicle – so the company that leases a truck will find coverage from a Quebec Renter only for what the leasing company has as a deductible. A renting company needs to be aware that physical damage has to rely on the credit of the Quebec affiliate.

I am not sure why Quebec made these changes but for us it means that Quebec affiliates cannot be in the Substitute Auto program. Recall though, that the Substitute auto program is only meant to streamline the rental process. These affiliates can still rent subs for their customers, just with certificates of insurance provided in advance of the rental and careful attention paid to the physical damage issue.

Call me with any questions.