

ALL ABOUT HOME INSURANCE



HOME INSURANCE → VISIT IBC.CA



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Introduction to Home Insurance

A house is often the single largest financial investment you can make. Without insurance, your most valuable asset is vulnerable to fire, theft and other disasters.

Home insurance can help you pay for big expenses you couldn't afford after a disaster – for example, replacing your home and all your possessions after a fire. It also includes additional living expenses in the event that you are temporarily unable to live in your home due to an insured loss.

Unlike car insurance, home insurance is not mandatory by law. However, most banks or mortgage holders will insist that you purchase and show proof of home insurance before they'll lend you the money to buy a home.



Buying Home Insurance

Home insurance is more than just a policy guarding against fire, theft, hail or windstorms – it represents peace of mind. Because coverage may vary from one insurer to the next, it is important to select a policy suited to your specific needs. Here are some things to consider:

Who is insured?

Home insurance covers the property, contents and personal liability for you (the policyholder), your spouse or partner and your children (age limited).

The policy also covers:

- Dependants under the age of 18
- Dependants under the age of 21, who are students either living in the household or temporarily living away from the insured principal residence

Remember: *If you share your home with a friend or relative, or rent out part of your residence, you must inform your insurance representative.*

Who can sell you insurance?

- **Insurance brokers** who deal with a number of companies and try to find you the best coverage
- **Insurance agents** who sell insurance for a single company



Do you qualify for discounts?

Shop around to compare prices, coverage options and quality of service. Ask about discounts for:

- Homes with monitored smoke detectors and intruder alarms
- Membership or employment with particular organizations
- Loyalty or multi-lines discounts for existing insured clients (*for example, if you choose to insure both your car and home with the same insurer*)
- People who have never had an insurance claim (*"claims free"*)
- Senior citizens
- Newer homes



If you have questions, contact IBC's Consumer Information Centre at **1-844-2ask-IBC**.

Coverage

Liability

Regardless of whether you own or rent your home, you could be held liable for any bodily injury or property damage unintentionally caused by you to others. The personal liability portion of your home insurance provides coverage in the event that this happens on your property or anywhere else in the world.

For example, if a visitor slipped and was injured on a snow-covered walkway on your property, you may be held legally responsible. If you were found negligent, the personal liability portion of your home insurance policy would cover the damages resulting from the injury, up to the coverage limit. No deductibles would apply.

Liability coverage does not apply to injuries sustained by you or members of your household.

Personal Property

Know your stuff

To find out how much insurance you'll need, create an inventory of all your possessions, noting the approximate replacement value of each item, along with makes, models, serial numbers and other identifying marks. Draw up a list of items in each room and update it regularly. Photographing or videotaping your belongings is also helpful. A smartphone or tablet could be useful for keeping a list of collections – books, tools, stamps, etc. Keep receipts for major items.

Be sure to store your inventory records in a safety deposit box or another secure location away from your home. This will simplify things if you need to file a claim.

What is covered?

While home insurance covers personal belongings such as appliances, clothing, furniture and electronic equipment, some items are subject to specific limits.

Examples of items subject to coverage limits

• Computers and computer software	• Manuscripts
• Jewellery, gems and watches	• Cash, negotiable securities, cash cards
• Furs	• Fine arts
• Bicycles	• Sporting equipment
• Coin, stamp and card collections	

If the limited coverage in your policy does not reflect the value of your possessions, additional insurance is usually available upon providing proof of their current value (for example, receipts or appraisals) to your insurance representative.

What is not covered?

Your business equipment is covered only while at your home, typically up to a specified limit. There is no coverage for samples and merchandise for sale.

If you plan to be away from your residence for an extended period, speak to your insurance representative about any actions you need to take during your absence, particularly during the winter months when pipes may freeze. Insurance coverage on your home and its contents may cease automatically if your home becomes vacant without prior notification to your insurance representative.

Damage to your lawn is not covered although some insurers may offer extended coverage.

The personal property of people who live with you but are not related to you (unless declared legal dependants) is also excluded from your policy. For more information, speak with your insurance representative.

Work from home?

Home insurance is not business insurance – it's not designed to adequately meet the specific needs of self-employed individuals who work from home. You are obligated to notify your home insurance representative of your home-based business. Failure to do so can compromise your home insurance.

Be sure to let your insurance representative know if you store business materials, tools or equipment at home, to ensure you have the right coverage for your professional activities. Some insurers may include home-based business coverage within a home insurance policy. Be sure to shop around for the policy best suited to your needs.



The Dwelling

Know your home

If you own your home, your home insurance policy will cover the building, contents and outbuildings (shed, detached garage) on the property, with some limitations. For insurance purposes, the amount required corresponds to what it would cost to replace your home in the event it is completely destroyed. The replacement value of your home reflects its insurance value, which will differ from the market value and municipal tax assessment value.

To determine your home's replacement value, your insurance representative will need to know some of the following information about your home:

Year it was built
Total square footage (<i>finished/living area, not including basement</i>)
Use (<i>single or multi-family</i>)
Style (<i>bungalow, two-storey, etc.</i>)
Number of storeys
Foundation type
Finished basement (<i>including percentage finished</i>)
Exterior wall finish
Material types (<i>floor coverings, ceiling or wall surfaces, etc.</i>)
Number of kitchens and quality of finishes
Number of bathrooms
Roof materials
Garage/carport or other attached structures (<i>identifying size</i>)
Special access (<i>island, remote/northern location, etc.</i>)

With these details, your insurance representative can calculate your home's estimated replacement value and ultimately, the building coverage limit on your policy.

It is important to note that if you are planning changes or renovations to your home (for example, installing a wood stove, adding a new bathroom or building a basement apartment), you must contact your insurance representative before any work has begun. Failure to do so may affect coverage in the event of a loss.

Perils

What is a peril?

A peril is a chance event that is unexpected and accidental. For example, if a garage door is spray painted with graffiti and must be cleaned, the damage is due to the peril of vandalism. The gradual deterioration of shingle roofing or the rotting of wooden fencing is natural and expected, and therefore, not an insured peril. A home insurance policy is not a maintenance contract.

Insured perils

The list below applies to coverage for the building and its contents. Insured perils include:

Aircraft or vehicle impact

Electrical current

Explosion

Falling object

Fire or lightning

Riot

Smoke (*released suddenly from malfunctioning cooking or heating devices, but not from fireplaces*)

Theft

Transportation (*of insured personal property while it is temporarily away from your home, including fixtures and fittings being repaired or in seasonal storage*)

Vandalism or malicious acts (*where dwelling is fully completed and occupied*)

Water damage (*usually includes damage arising from sudden and accidental escape of water from an indoor plumbing, heating, sprinkler or air conditioning system; or from an indoor or outdoor “domestic water container” on your premises; or from a water main.*) Speak to your insurance representative regarding the specifics of your policy. If you have a swimming pool or hot tub, inquire about policy options to adequately insure it.

Wind and hail (*interior of dwelling is covered only if the wind or hail storm has first created an opening*)

Uninsured perils

Uninsured perils generally include:

Flooding or water damage caused by floodwater

Certain areas are prone to floods, especially when extreme weather and seasonal runoff are combined. Flood damage is not generally covered by homeowner's insurance. Some insurers have developed coverage for overland flood as an optional coverage. Sewer backup/water damage coverage may be purchased as an add-on to your existing policy.

Landslides, avalanches, earthquakes and other earth movements

While these are not covered in a home insurance policy, resulting damage from a fire or explosion caused by earth movement would be covered. Coverage for damage caused by an earthquake may be purchased as optional coverage.

Damage arising from the freezing of indoor plumbing

If you are away from your home during the normal heating season, you must drain the plumbing system or have your home checked regularly to ensure that heat is maintained. Ask your insurance representative under what circumstances you need to have someone regularly checking your home. Such precautions are necessary to ensure your policy will cover freezing-related damage.

Damage from freezing outside the home

This is not covered, nor is melting or moving snow and ice, and heaving frost. Optional coverage for damage caused by roof ice damming is available for purchase.

Direct damage resulting from intentional application of heat

(for example, clothing shrunk by a clothes dryer, burned by an iron)

This is not covered. However, if the dryer were to set the clothing on fire and the flames spread to the room and its contents, the resulting damage would be covered.

Damage by birds, vermin, raccoons, rodents or insects

This is excluded, except for damage to window glass.

Fuel oil leaks**Vacancy**

Loss or damage is not covered if your home has been vacant for 30 consecutive days.

Damage to illegally acquired property**Losses caused by policyholder's criminal acts****Losses due to war, terrorism or nuclear risks**

Different Types of Policies

Once your home's replacement value has been assessed, you must decide on the type of policy you need. Here are some of the various policy types:

A **SPECIAL/COMPREHENSIVE** policy covers both the dwelling and contents for "all risks" of direct physical loss or damage except those specifically excluded. Check your policy to make sure you understand what is excluded.

A **BROAD** form policy insures your dwelling for all risks of direct physical loss or damage, unless the loss is specifically excluded from the policy. It insures your contents only for perils specifically named in the policy.

A **STANDARD, BASIC** or **NAMED PERILS** policy insures your dwelling and contents only for the perils specifically named in the policy, subject to some exclusions. Check your policy to make sure you understand what is excluded.

A **NO-FRILLS** policy offers very basic coverage for properties that don't meet the normal underwriting standards. These policies typically do not offer the extensions of coverage found in most home insurance policies.

Some insurance representatives may classify their policies, using terms such as "platinum," "gold," "silver" or "bronze". Be sure to ask about the differences in cost and coverage.

Settlement Terms and Conditions

Personal contents

Following an insured loss, your insurer will indemnify you – or compensate you for damaged or lost items based on their **actual cash value**, taking into account depreciation, age and wear and tear. For example, your five-year-old stereo purchased for \$1,700 may only net \$300 by today's standards.

However, when you purchase your insurance policy, you can ask to have your personal belongings covered on a **replacement cost** basis. This means items will be repaired if they can be, or replaced with new items of the same type and quality with no allowance for depreciation. While most home insurance policies include replacement cost coverage for your personal contents, you should confirm this with your insurance representative.

Dwelling

It is important to insure your home to a limit equal to what it will cost to rebuild it using materials of the same quality, in the event it is destroyed. This amount is called the **replacement value**, and differs from the market value and tax assessment value of your home.

An accurate estimate of your home's replacement value is essential to making sure you have enough coverage, in the event your home is totally destroyed. Since there are many factors involved, your insurance representative will work with you to establish your home's replacement value. Many policies also include **guaranteed replacement cost** coverage for your residence. This means your dwelling is covered for the full replacement value, regardless of the amount of insurance on your policy. Talk to your insurance representative for further details.

Your Premium

A number of factors help to determine your home insurance premium:

THE RESIDENCE ITSELF:

- Type of residence (*single- family, rental property, apartment, etc.*)
- Construction material used (*brick, cement, etc.*)
- Age, size and location
- Roofing and heating, plumbing and electrical systems
- Replacement value

FIRE PROTECTION:

- Distance from fire hydrant and fire station

LOSS EXPERIENCE:

- Crime and fire statistics for the location of your home
- Your own claims history

POLICY AND COVERAGE CHOSEN:

- Type of policy (*comprehensive/special, broad or standard/basic*)
- Optional coverage for specific items or events (*for example, items of jewellery exceeding policy limit, sewer backup, ice damming or earthquake*)
- Deductible chosen
- Discount eligibility

Speak to your insurance representative about optional coverage for your situation

What is a deductible?

The deductible is the portion or amount of an insured loss you are willing to pay. Most insurance claims are subject to a deductible. Keep it in mind when making a claim. For example, if you filed a \$600 claim for a policy with a \$500 deductible, you would receive only \$100 from your insurer. The higher your deductible is, the lower your premium will be. Discuss all your options with your insurance representative.

How to save on your home insurance premium

- If you own a car, get a quote from your auto insurance provider. Alternatively, you can get your home insurance company to quote on your auto insurance. Companies often offer discounts when you “bundle” your home and auto insurance together.
- Shop around and obtain quotes from a variety of insurance representatives. Be sure to ask about discounts and promotions. When comparing quotes, consider coverage and service. Good service may cost a bit more but is well worth it.
- If you can afford it, opt for higher deductibles for claims relating to your home and its contents. The higher your deductible, the lower your premium.
- Install a burglar or fire alarm system linked to a central monitoring station.
- A newer heating system can generate an additional discount.
- Notify your insurance representative of any major home renovations or improvements. This will likely increase your premium but will avoid compromising your coverage.

Payment Options

Typically, insurance companies offer a variety of ways to pay your premium.

- One full payment
- Three instalment payments
- Monthly payments with automatic bank withdrawals

An insurance policy is a legal contract so be sure you understand what you are signing. It is important to note that policies are renewed on an annual basis. In other words, your premiums cover the year for which the policy is issued. An insurance policy is not like a bank account; your annual premiums do not accumulate to cover future claims.

Speak to your insurance representative about the exact terms and conditions of your policy regarding missed payments and/or cancellation specifications.

Insuring Your Cottage or Seasonal or Mobile Home

If you own a cottage or seasonal home, you need to insure it along with your year-round home. Coverage is usually more restrictive than with homes that are occupied on a year-round basis.

There are many types of mobile homes so it is important to make sure yours is adequately protected. Contact your insurance representative about coverage options for your cottage, seasonal home and/or mobile home.



Making a Claim

We hope you never have to file a claim, but if you do, here are some things to keep in mind:

- Depending on the nature of the loss, such as fire or theft, **contact the relevant authorities** (*police or fire department*).
- If damages have occurred, **act quickly to protect against further damage**. For example, if a pipe bursts, shut off the water supply. If a window breaks, board it up. Speak with your insurance representative before making any major repairs.
- **Call your insurance representative and/or company as soon as possible**. Be as detailed as possible regarding the circumstances of the loss and the possibility of subsequent damage. Most insurers have 24-hour claims reporting services.
- **If your home is unfit to live in**, speak to your insurance representative regarding what expenses you're entitled to and for what period of time. Remember to keep all receipts and invoices for additional living expenses following your loss. Your policy may cover you for additional expenses incurred if your home is unfit for occupancy.
- **Make a complete list of all damaged, destroyed or stolen items**. If possible, attach proofs of purchase, photos, receipts, instruction manuals and warranties. Take photos of the loss incurred and keep damaged items, unless they pose a health hazard.
- **An insurance claims adjuster will contact you** to investigate the circumstances of your loss, examine all the documents you provide and explain the next steps in the process. Don't be afraid to ask questions.
- Insurers offer three options for your damaged or stolen items: **repair, replace or reimburse**. Review your policy with your insurance representative so that you know your specified deductibles, coverage limits and replacement values.
- If repairs are needed, ask your insurance representative if you can use a **supplier or contractor of your choice** and if so, the amounts to be paid.




Details regarding the claims process, along with any specific claims assistance you may need, may also be available on your insurance company's website.

Questions about insurance? Call us.

Insurance Bureau of Canada

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