

ALL ABOUT HOME INSURANCE



HOME INSURANCE → VISIT IBC.CA



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TABLE OF CONTENTS

DO I REALLY NEED HOME INSURANCE? 4

BUYING HOME INSURANCE 5

Who is insured? 5
Who can sell you insurance?..... 5
Do you qualify for discounts? 6

COVERAGE 7

Liability 7

PERSONAL PROPERTY 7

Know your stuff 7
What is covered?..... 8
Examples of coverage limits 8
What is not covered?..... 8
Work from home?..... 9
Other optional coverage 9

THE BUILDING ITSELF 10

Know your home 10
What is a peril? 10
Insured perils 11
Uninsured perils 12



DIFFERENT TYPES OF POLICIES	13
SETTLEMENT TERMS AND CONDITIONS	14
Personal property	14
Building.....	14
YOUR PREMIUM	15
What is a deductible?	15
How to save on your premium	16
PAYMENT OPTIONS	16
CONDOMINIUM INSURANCE	17
TENANT INSURANCE	18
INSURING YOUR COTTAGE OR MOBILE HOME	18
MAKING A CLAIM	19



DO I REALLY NEED HOME INSURANCE?

The short answer is yes!

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 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 home insurance – and show proof – before they'll lend you 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 often varies 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 of you (the policyholder), your spouse or partner and your children (age limited).

The policy also covers:

- Dependents under the age of 18
- Dependents 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 let your insurance representative know.*

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?

Before you decide on an insurer, shop around to compare prices, coverage options and quality of service. Ask about available discounts for:

- Homes with smoke detectors and monitored intruder alarms
- Membership or employment with particular organizations
- “Loyalty” 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
- Homes of a certain age



Please contact any of
Insurance Bureau of Canada
(IBC)'s consumer information
centres with any questions.

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 to others. The personal liability portion of your home insurance provides coverage in the event this happens on your property or anywhere in the world.

For example, if a visitor were to be injured by slipping 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 would cover the damages resulting from the injury up to the coverage limit. No deductibles 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, you can make 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 all the items in each room and update it regularly. You can also photograph or videotape your belongings. An MP3 player or Smartphone could be useful for making 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 other secure location away from your home. This will simplify things should you need to file a claim.

What is covered?

While home insurance covers personal belongings such as appliances, clothing, furniture and electronic equipment, some policies have limits on specific items.

Examples of coverage limits

<ul style="list-style-type: none">• Computers and computer software	<ul style="list-style-type: none">• Manuscripts
<ul style="list-style-type: none">• Jewellery, gems, watches	<ul style="list-style-type: none">• Cash and negotiable securities
<ul style="list-style-type: none">• Furs	<ul style="list-style-type: none">• Fine arts
<ul style="list-style-type: none">• Bicycles	<ul style="list-style-type: none">• Sporting equipment
<ul style="list-style-type: none">• 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 (i.e., receipts) to your insurance representative.

What is not covered?

Business equipment is covered only while at your home, typically up to a \$2,000 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 this time, 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.

Property of people who live with you but are not related to you (unless declared legal dependents) is also not automatically covered by your policy. For more information, speak with your insurance representative.



Work from home?

Be careful. Home insurance is not business insurance; thus, it is 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 impact your home insurance.

Be sure to let your insurance representative know if you store or carry business materials, tools or equipment to ensure you have the right coverage for your professional activities. Regardless of the type of business you're running from your home – for example, a daycare, hair salon or communications firm – you're obligated to notify your home insurance representative. Failure to do so can impact your home insurance.

Other optional coverage

Speak to your insurance representative regarding coverage options available for the following:

- Identity theft
- Seasonal (cottages) and secondary properties
- Rental properties
- Watercraft coverage, including liability
- Computers, fine art and sports equipment
- Home-based businesses

THE BUILDING ITSELF

Know your home

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

To determine your home's replacement value, your insurance representative will need to know basic information about your home: age, size or area (square footage and number of storeys); type of construction; type and age of roofing; type and age of heating; number of fireplaces or woodstoves; any unique features (custom built appliances, swimming pools); distance from the nearest fire hydrant and responding fire department (municipal or volunteer); any security measures within your home (alarms or smoke detectors); and any other structures on the property (detached or attached garages, sheds, etc.).

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 to make any changes or renovations to your home (for example, installing a wood stove or fireplace, 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.*

What is a peril?

A **peril** is a chance event that is unexpected and accidental as far as the policyholder is concerned. For example, if a garage door is spray painted with graffiti and must be removed and cleaned, the damage is due to the peril of vandalism. However, the gradual deterioration of shingle roofing or the rotting of wooden fencing is natural and expected, and therefore, not an insured peril.

Home insurance policies offer coverage for either named perils, such as fire, wind, theft, etc., except those excluded or a combination of both.

Insured perils

This applies to coverage for both the building and contents. Insured perils include:

Aircraft or vehicle impact

Electrical current

Explosion

Falling object (*excluding objects propelled by snowslide or earth movement*)

Fire

Lightning

Riot

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

Theft

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

Vandalism (*where building is normally 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 appliance” 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 (*applies to the exterior of the building excluding antennas and satellite dishes; interior of building is covered if the storm has first created an opening*)

Window breakage (*in a building that is normally occupied*)

Uninsured perils

A home insurance policy is not a maintenance contract. Predictable events such as flooding of a home built on a flood plain, or preventable events, such as frozen indoor pipes, are not covered. Uninsured perils generally include:

Flooding or water damage caused by floodwater

(due to overflow from a body of water)

Certain areas are prone to floods, and so damage caused in this way is considered predictable. However, water damage arising from a sudden rupture of an indoor pipe would be covered. Sewer backup/water damage coverage may be purchased as an add-on to your existing policy.

Landslides, earthquakes and other earth movements

While this is not covered on a home policy, damage from a fire or explosion caused by earth movement would be covered. Coverage for damage caused by an earthquake may be purchased as additional coverage.

Damage arising from the freezing of indoor plumbing

This is generally regarded as preventable. If you are away from your home for more than four days during the normal heating season, you must drain the plumbing or have your home checked regularly to ensure that heat is maintained. If freezing-related damage were to occur despite such precautions, it would likely be covered.

Damage from freezing outside the home

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

Direct damage resulting from intentional application of heat

(e.g., 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 collateral damage would be covered.

Damage by insects and rodents

This is excluded, except for damage to building glass.

Pollution

Damage to property acquired illegally

Losses caused by criminal acts by the policyholder

Losses due to war, terrorism, nuclear risks

DIFFERENT TYPES OF POLICIES

Once you and/or your insurance representative assess the value of your property, 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 building and personal property for all risks of direct physical loss or damage not specifically excluded. Check your policy to make sure you understand such exclusions. If you have questions, ask your insurance representative.

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

A **STANDARD, BASIC** or **NAMED PERILS** policy only insures your house and personal property for the perils specifically named in the policy.

A **NO-FRILLS** policy offers very basic coverage for properties that don't meet the normal underwriting standards. Contact your insurance representative for details.

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 PROPERTY

Following an insured loss, your insurer will *indemnify* you, that is, 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 based on **replacement cost**. 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. In other words, your five-year-old stereo will be replaced with a new stereo of similar type and quality. While most home insurance policies include replacement cost coverage for your personal property, you should clarify this with your insurance representative.

BUILDING

It is important to insure your home according to what it will cost to rebuild it, of the same quality, in the event it is destroyed. This amount is called the **replacement value**, and differs from the market and municipal tax assessment values of your home, depending upon its age and type of construction. An accurate assessment of your home's replacement value is essential to making sure you have enough coverage, in the event your home is 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 residential building is covered for the full replacement value, regardless of the amount of insurance. Talk to your insurance representative for further details.

YOUR PREMIUM

A number of factors help determine your home insurance premium:

THE RESIDENCE ITSELF:

- Type of residence (*single- or multiple-family, rental property, apartment, seasonal residence, etc.*)
- Construction material used (*brick, cement, etc.*)
- Age, size, location
- Heating, plumbing, electrical systems, roofing
- Replacement value

FIRE PROTECTION:

- Distance from fire hydrant, type of fire station, etc.

LOSS EXPERIENCE:

- Crime and fire rate where your residence is located
- Your claims history

POLICY AND COVERAGE CHOSEN:

- Type of policy (*comprehensive/special, broad or standard*)
- Additional coverage (*for items exceeding policy limits, speak to your insurance representative about a scheduled personal property endorsement*)
- Deductible chosen
- Discount eligibility

VALUE OF PROPERTY TO BE INSURED

What is a deductible?

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

How to save on your premium

- If you own a car, start by getting a quote from your car 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 car insurance together.
- Shop around and obtain quotes from a variety of insurance representatives. Be sure to ask about discounts or promotions. When comparing quotes, check the coverage, and don’t forget service! Good service may cost a bit more but is well worth it.
- Opt for higher deductibles for claims relating to your home and its contents. The higher your deductible, the lower your premium.
- Install an alarm system linked to a central monitoring system. Consider installing a newer heating system.
- Notify your insurance representative of any major renovations or improvements to your home. *This will likely increase your premium.*

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, trust or credit union 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. Your annual premiums do not add up to future claims. Speak to your insurance representative about the exact terms and conditions of your policy regarding missed payments and/or cancellation specifications.

CONDOMINIUM INSURANCE

Condominium and strata owners experience some of the best aspects of both home ownership and renting. As a condominium owner, you have title to your own unit, as well as a share in common areas such as the lobby, swimming pool, parking garage or garden. Bare land condominiums have less common areas – typically streets or roadways providing access to the units.

Condominium insurance differs from that of conventional homes. Coverage is available under two separate policies; that of each unit owner and that of the condominium corporation.

YOUR CONDOMINIUM CORPORATION'S INSURANCE TYPICALLY COVERS:

- The building and common property such as hallways, stairs, roof, pools, garages, driveways, etc.
- Fixtures built or installed as part of the original or standard construction such as floor and wall coverings, electrical and plumbing fixtures. Some condominium corporations have specific definitions for what is considered an “original” or “standard” unit.
- Condominium assets such as furniture, equipment, etc.
- Liability for claims of property damage and bodily injury suffered by others that occur on common property.

AS A UNIT OWNER, YOUR CONDOMINIUM UNIT OWNER'S POLICY TYPICALLY COVERS:

- Your personal property such as clothing, appliances and furniture as well as items stored in your locker.
- Additional living expenses, over and above the normal cost of living, in the event of an insured loss.
- Your personal liability for any bodily injury or property damage unintentionally caused to others.

Speak with your insurance representative about what coverage is best suited for your type of condominium (conventional, strata, bareland) where you live. Condominium by-laws vary by province so be sure to protect yourself and your property with the right insurance policy.

TENANT INSURANCE

While landlords have relatively few legal obligations to compensate tenants for any damage to or loss of their tenants' personal possessions, tenants are responsible for damage they may cause to any part of the building in which they live or to others who live or visit there.

Basic liability and coverage for your belongings are essential. A fire caused by a defective toaster could cause a great deal of damage not only to your unit and personal property, but to the entire apartment complex, potentially leaving you liable for the full amount of damages.

INSURING YOUR COTTAGE OR MOBILE HOME

If you own a cottage or seasonal home, you may need to insure it separately from your existing home insurance policy. Coverage is usually more restrictive than with homes that are occupied year-round.

There are many classifications of mobile home types 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, there 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. Speak with your insurance representative before making any repairs.
- **Call your insurance representative and/or company as soon as possible**. Be as detailed as possible regarding the circumstances and subsequent damage. Most insurers have 24-hour claims service.
- **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.
- **Make a complete list of all damaged, destroyed or stolen items**. If possible, attach proofs of purchase, photos, receipts and warranties. Take photos of damage incurred and keep ruined 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.
- 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 provider's website.

Questions about insurance? Call us.

Insurance Bureau of Canada

Toll-free: 1-844-2ask-IBC
(1-844-227-5422)

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