

# Insurance and Wildfires: Frequently Asked Questions



If you have insurance questions, or need help finding your insurance provider, please contact IBC's Consumer Information Centre at 1-844-227-5422 or [askibcwest@ibc.ca](mailto:askibcwest@ibc.ca)

## 1 What does my insurance cover?

- A. Virtually every home insurance policy covers damage caused by fire, even if the fire began on a neighbouring property, as long as the insured did not intentionally start the fire to cause the damage.

If your vehicle sustained fire or smoke damage, contact ICBC at 1-800-910-4222.

If you live outside of BC, your vehicle's insurance will likely have fire damage covered if comprehensive or "all perils" auto insurance was purchased. This coverage is not mandatory, so check your policy. "All perils" or comprehensive coverage means that most causes of loss (fire, wind, hail) are covered under the policy unless they are specifically excluded.

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## 2 How do I file a claim?

- A. If you know who your insurance representative is, contact him or her. Otherwise, call your insurance company.

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## 3 What happens when I file a claim?

- A. When you report a loss to your insurance representative, you will be assigned a claims adjuster. It could take some time for your claims adjuster to contact you, given the number of claims in BC. But rest assured that you will be contacted. Making sure that your insurance representative has your correct email address and cellphone number will help the claims adjuster reach you.

The claims adjuster will investigate the circumstances of the loss, examine the documents you provide and explain the claims process. Take notes during these conversations and speak up if you have questions.

Your insurance company will ask you to complete a “Proof of Loss” form to list the property and/or items that have been damaged or destroyed and the value or cost of the damaged or lost items. You will be asked to sign and swear that the statements you make on this form are true.

Ask your insurance representative or claims adjuster to clarify anything you are unsure of.

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#### **4** What are additional living expenses (ALE)?

- A. Most home, condominium and tenant’s insurance policies cover the cost of alternative accommodations and living expenses for people who are prohibited from returning home or because their home is unlivable as a result of insured damage; in this case, fire or related damage.

ALE coverage is triggered by a mass evacuation order or if there is prohibited access to properties or your home is unlivable because of insured damage.

If you are under evacuation alert and choose to leave voluntarily, your insurance policy will not provide additional living expenses.

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#### **5** My insurer says I can go home, but I don’t think it’s safe. Can I still get ALE?

- A. When the evacuation order is lifted, the coverage of prohibited access ends. If your home is not damaged, and the governing authority has given an “all clear to return” and you choose not to return, you will not be eligible for ALE. If there are extenuating circumstances, policyholders should contact their insurer.
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#### **6** What is a reasonable length of time to wait for insurance companies to reimburse living expenses?

- A. Reimbursement periods vary from insurer to insurer; however, insurance companies understand that families need to be able to pay their expenses. Keep all of your receipts and speak with your adjuster about the timing and frequency of reimbursement.
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#### **7** What does ALE cover?

- A. ALE covers additional living costs over and above your normal expenses. For example, if your temporary accommodations didn’t have laundry facilities and you had to use a laundromat, those laundromat expenses should qualify. ALE does not cover all of your living expenses while you are displaced; it covers your increased cost of living as a result of being displaced.

ALE starts from the date of evacuation.

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#### **8** Can I keep my fridge and freezer?

- A. Yes, you can keep your fridge and freezer, and continue to use them if they’re safe to use. Some fridges and freezers may have sustained damage from a prolonged power outage, and the food may have spoiled. Check with your insurance representative if you have questions about using these appliances.

If you need to dispose of your fridge or freezer and have homeowner’s or tenant’s insurance, start by following these two rules:

1. Call your insurance representative before disposing of your fridge or freezer to notify him or her and check your coverage.
2. If you need assistance with disposing your fridge or freezer, check with your insurance representative. He or she may be able to recommend a service provider to assist you. Ensure that the appliance is removed carefully to avoid damaging your home.

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### **Will a landlord's policy cover uninsured tenants?**

A. No. A landlord insures only the building and commonly the appliances. The personal property of tenants is theirs to insure on their own.

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### **Are "acts of God" excluded from insurance policies?**

A. Contrary to popular belief, there is no such thing as an "act of God" exclusion in any property insurance policy in Canada. Insurers pay for damage resulting from natural disasters, including windstorms, rain, hail and wildfires.

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### **I've heard that my claim may be denied if I don't file right away. Is this true?**

A. No. Misinformation is circulating that if you don't get your claim in immediately, you will not be covered. The main reason for getting the claims process started as soon as you can is so you can be reimbursed as soon as possible.

Generally, claims related to the damage to personal insured property must be reported within two years from becoming aware of the damage or loss. For commercial property claims, business owners should speak with their insurance company representative.

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### **If a fire was human caused or started intentionally, does my insurance still cover the damage?**

A. Yes, your home and business insurance policy will cover damage from fire, regardless of the source or cause of the fire, unless you caused the fire intentionally.

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### **Can I do some of my own cleanup?**

A. After fire damage, you should not enter your home until emergency officials say it is safe to do so. Don't turn on any electrical switches until the electrical system has been checked.

Once authorities say it's safe to begin cleanup, take all of the proper precautions to protect yourself. Your adjuster may advise that you use a professional cleaning service if the damage is extensive.

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### **How much will I be covered for?**

A. Your coverage depends on your policy. Check with your insurance representative.

Typically, a homeowner's policy offers replacement cost coverage up to the limit specified in the policy. Or, if a policy is for guaranteed replacement cost coverage, the insurer pays whatever it costs to repair or replace your property even if it exceeds the policy limits. Most policies contain a "same site" requirement for guaranteed replacement cost coverage that requires that the home must be rebuilt where it was.

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### **Is the removal of fire retardant covered?**

A. Residents who return home following evacuations, or anyone with an insured home or business, may find that their property has been affected by fire retardant used in wildfire suppression.

Home and business policies commonly cover the costs related to the removal of fire retardant from the exterior of buildings. Please contact your insurance company representative to determine the exact nature of your coverage.

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### What if I don't rebuild on the same site?

- A. Typically, if the home is not rebuilt on the site where it was before the loss, your policy would cover you for your home's actual cash value (depreciated value).
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### What about the value of the land?

- A. Your policy insures your home, other structures and personal property, such as furniture and electronics (plus any extensions and personal liability). It does not insure the land. If you decide to take a cash settlement, you still own the land.
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### What if I have a mortgage and want to take a cash settlement?

- A. If there is a mortgage lender listed on the policy, the lender is entitled to the outstanding mortgage amount. Lenders are protected under the Standard Mortgage Clause.

If, for example, the home is totally destroyed and the policy has a \$450,000 limit and there was an outstanding mortgage debt of \$450,000, the bank would get the \$450,000. But if the property was insured for only \$350,000 and \$450,000 was owed on the mortgage, the bank would get the \$350,000 and the homeowner would owe the \$100,000 balance of the mortgage to the bank. Of course, the land is still the homeowner's to sell.

- The intent of insurance is to help people recover from the unexpected property losses. It is not intended to cover mortgage payments after a loss or an outstanding mortgage on a home.
  - Home insurance is designed to cover the costs associated with rebuilding a home and the costs of replacing its contents.
  - Homeowners whose dwellings have been destroyed by fire will still owe their lender the outstanding balance on their mortgage.
  - Any claims payment will be made jointly in the name(s) of the insured(s) and the mortgage lender.
  - If the homeowner chooses to rebuild the home on the same site, the limit of insurance or full replacement cost applies. Any outstanding mortgage would continue to be in place, and the homeowner would be effectively returned to the same financial position that he or she was in prior to the catastrophe.
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### Can you explain how cash settlements work?

- A. Insurance is intended to put you back in the position you were in prior to the loss. Alternatively, home insurance policies can provide cash settlements. There are financial implications associated with accepting a cash settlement. Policyholders considering cash settlements should weigh the financial aspects carefully to make the best choice.

In the event of a catastrophic event, such as a wildfire that destroys homes, an insured homeowner has the option of:

- Rebuilding the home on the same site, or
- Taking the depreciated actual cash value (ACV) of the home which they might use to build a home elsewhere.

There are several factors to consider when choosing whether or not to accept a cash settlement:

- The full replacement cost of the home versus its depreciated ACV;
- The outstanding value of a mortgage, if any, on the property; and
- The market value of the home and land.

If the homeowner chooses to take the ACV of the home and rebuild or invest those funds elsewhere, the homeowner also needs to consider the amount of any outstanding mortgage.

- If there is an outstanding mortgage on the property, then lenders, such as your financial institution, are protected under the Standard Mortgage Clause. If there is a mortgage lender listed on a home insurance policy, the mortgage lender is entitled to recover from your insurer up to the outstanding mortgage amount.
- In a situation where a property was insured for less than the outstanding mortgage balance, the homeowner would still owe the balance. Of course, the land where the home stood still belongs to the homeowner and can be sold to help pay off the outstanding mortgage.

The decision by an insured homeowner to take the ACV of the home instead of rebuilding on the same site is a personal financial decision.

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### **Can I get insurance in an active fire zone (including for homes that have just been purchased)?**

A. It could be difficult – but not impossible – to get insurance in an active fire zone.

Some insurance companies may suspend writing new policies or decline to provide more coverage on existing policies in a known, active fire zone. These restrictions are temporary.

Home insurance is designed to protect your property against unforeseen risks. When your home is in an active fire zone, the risk is no longer unforeseen, it is clear and present. Consequently, an insurer may decline to write new coverages.

It is important to note that renewals of insurance policies are not affected by the wildfires.

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### **Is property insurance readily available in British Columbia for dwellings and recreational properties that have limited access or water access only?**

A. Yes. Such coverage is available through most home insurers, as well as specialty insurers. This includes coverage for fires.

One thing to keep in mind is that when setting premiums for property coverage, insurers consider the availability of and distance from public fire protection such as fire services and firefighting water sources. More remote properties are generally more costly to insure.

**Insurance Bureau of Canada (IBC) is here to answer any insurance-related questions you have.**

For more information, visit [www.ibc.ca/bc](http://www.ibc.ca/bc), phone 1-844-2ask-IBC (1-844-227-5422) or email [AskIBCWest@ibc.ca](mailto:AskIBCWest@ibc.ca). You can also follow IBC at @insurancebureau on Facebook, Twitter and Instagram.

If you do not know who your insurer is, please contact your insurance representative or IBC.