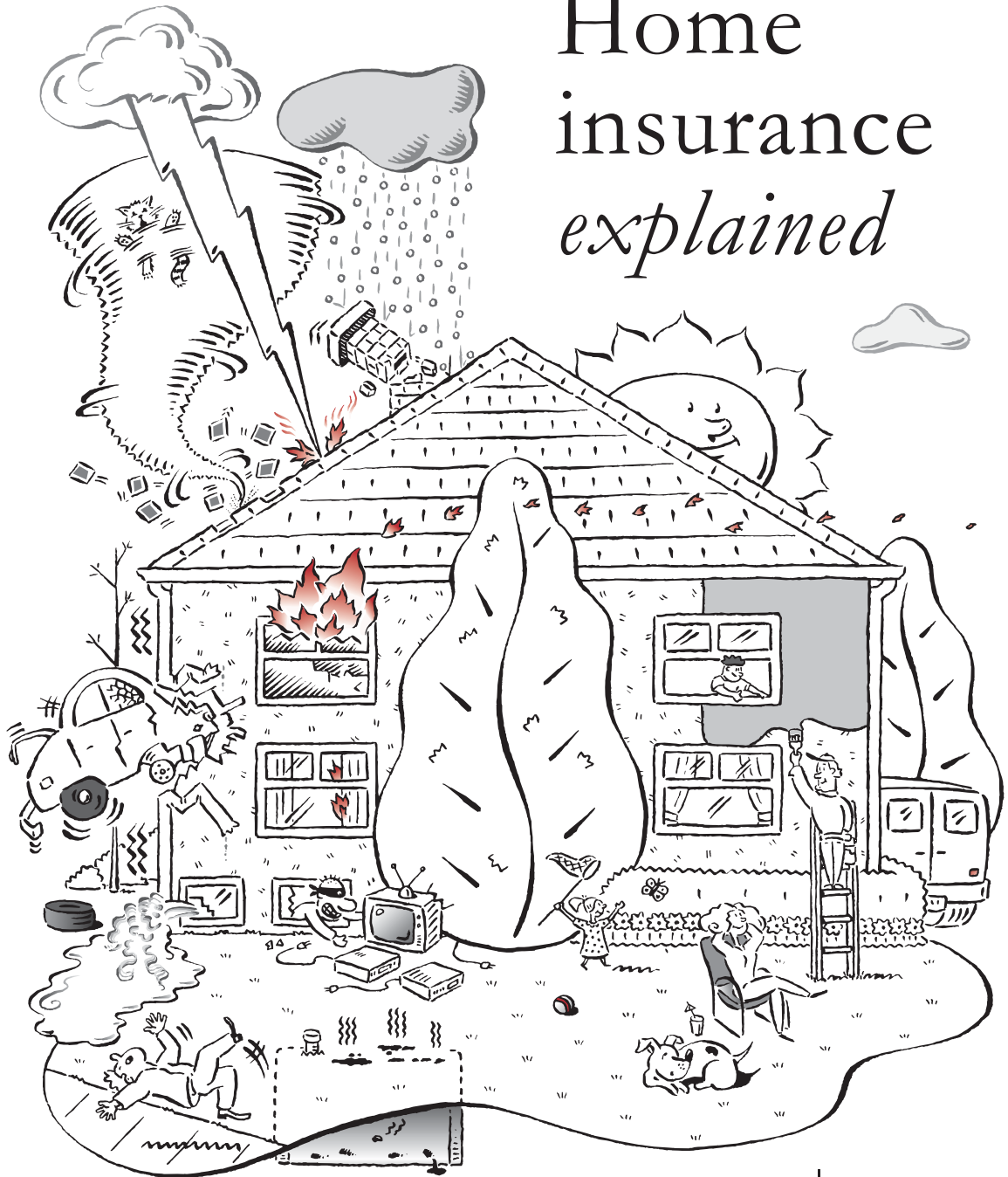


# Home insurance *explained*



*While this pamphlet offers tips on buying home insurance, preventing losses, and making claims, it is not a legal document and in no way modifies the wording of your policy.*

INSURANCE  
BUREAU  
OF CANADA



BUREAU  
D'ASSURANCE  
DU CANADA



## Contents

Insuring your home .....	1
Do I need to have home insurance? .....	1
When to buy home insurance .....	1
It pays to compare .....	1
Know your insurer .....	2
But what if...? .....	2
Insurance shopping tips .....	2
Home insurance policies .....	3
Insurable perils .....	4
Optional coverages .....	5
Replacement cost and actual cash value .....	5
Extra coverage you can purchase .....	5
Other considerations .....	6
Additional living expenses .....	6
Uninsurable perils .....	7
What else is not covered .....	8
Coverage limits .....	8
Your liability to others .....	8
Tenant insurance .....	10
Condominium insurance .....	11
Insuring your cottage .....	12
Insuring your mobile home .....	13
Making a claim .....	13

Know what you own! .....	14
Insurance fraud, illegally acquired property ...	14
“Insurance-speak” simplified .....	15
Your right to privacy .....	16
Questions? Concerns? Just ask! .....	16
Index .....	17
Insurance Bureau of Canada .....	back page

Aussi disponible en français



National Library of Canada Cataloguing in Publication

Bain, Tony, 1943

Home insurance explained : including tenant and condominium insurance / Tony Bain, John Mitchell. -- 2nd ed.

Includes index.  
ISBN 1-895792-06-1

1. Homeowner's insurance--Canada. I. Mitchell, John, 1932-  
II. Insurance Bureau of Canada III. Title.

HG9986.4.C3B33 2004 368'.096'0971 C2004-903018-3



## Insuring your home

If you are like most people, you will probably never need to submit an insurance claim. But no one is immune to bad luck, and it is good to know that the premiums of many people like you are available to pay for your mishaps and misfortune, should they occur. Within limits, home insurance reimburses you for your financial loss arising from mishaps that are generally “sudden and accidental” and, therefore, hard to predict and prevent.

Throughout Canada, private insurance companies compete for your business either directly through their own agents, or through independent brokers. They compete not only on price, but also on service and coverage. There is no such thing as a *standard*

home insurance policy. Because coverage may vary from one insurer to another, it is important to have your broker or agent explain the policy to you before you agree to purchase the coverage. You

**Note to tenants:** If you're renting your home, you may wish to skip the grey sections on pages 11, 12, 13 and 15; these will likely apply to homeowners only. Please be sure to read the special section on **tenant insurance** (page 10).

are also welcome to call any of Insurance Bureau of Canada's (IBC's) consumer information centres listed at the end of this pamphlet.

## Do I need to have home insurance?

Most banks or mortgage companies will insist that you purchase coverage, and will ask for proof of insurance before lending you money to buy a home. If you are renting, your landlord will likely require

that you have a certain amount of liability insurance, to pay for any damage you may cause to the property.

## When to buy home insurance

Insurance coverage on your home should begin as soon as you become the legal owner or tenant, even if the home is still under construction. (Your home insurance policy can also cover related building materials on or adjacent to your property.) Before moving, call your broker or agent and go over any special insurance needs related to the move (e.g., covering contents in transit, or simultaneously at both old and new locations, etc.). Please be advised that theft insurance applies only when a building is ready for occupancy; vacant buildings are not normally insured for theft for more than 30 days (see “Vacant premises,” page 8).

## It pays to compare

Not all home insurance policies are created equal, nor are they priced the same. When buying a new policy or renewing a current one, you may wish to obtain quotes from a variety of insurance agents (who work for one insurer), and independent brokers (who represent different insurers). When dealing with independent brokers, it is important to know which companies they represent and where they place most of their business.

When comparing quotes and coverage, don't forget service! While good service may cost a bit more, it may well be worth it.

## Know your insurer

You may wish to enlist the aid of a reference library in researching insurers' financial ability to meet their obligations to policyholders. Most insurance companies buy *reinsurance* (insurance for insurers) to enhance their ability to pay claims. Be sure to talk to your agent or broker about this as well.

## But what if...?

In the unlikely event of an insurer's collapse, the industry-funded **Property and Casualty Insurance Compensation Corporation (PACICC)** will respond to claims of policyholders under most policies issued by property and casualty insurance companies. The maximum recovery from PACICC will be \$250,000 with respect to all unpaid claims for losses arising from a single occurrence. PACICC will also refund 70% of the "unearned" (unused) premium (maximum payout \$700) applicable from the date of the insurer's collapse until the policy's expiry date.

## Insurance shopping tips

### *Discounts*

Some insurers offer discounts or other incentives for policyholders who install sprinkler systems and monitored intruder alarms. Some reduce premiums for seniors. Employment by a particular organization, or membership in an organization such as a credit union or alumni association may qualify you for an "affinity" discount. Some insurers offer discounts to loyal, long-term policyholders – a factor worth considering if you have been happy with your insurer's prices and service. Your insurer may also be willing to offer you a discount if you choose to insure both your car and your home with them.

### *Deductibles*

Consider lowering your premiums by opting for higher deductibles for claims relating to your home and its contents. A deductible is the self-retained part of each loss (the part you pay for yourself); it is not a feature of liability insurance, however.

### *Don't under- or overinsure!*

Don't underinsure the contents of your home. Estimate the value of your possessions and update your inventory (see page 14) at least once a year. Remember to include taxes. If the value of your possessions is greater than the amount of contents coverage specified in your policy, have it changed accordingly. Minimum contents coverage for homeowners is normally a percentage of the value of the building.

Resist any advice to overinsure the building by including the market price of the land in the insured value. Whatever the limits of your policy, you cannot claim for more than the actual loss to insured property. "Insured property" does not include the market value of the underlying land.



## Home insurance policies

Homeowner insurance policies cover the building and its contents (contents only for tenants and condominium owners) for “direct loss” (see page 15) or damage caused by insured perils, which may be stated individually or merely described as “all risks” (see page 15).

### COMPREHENSIVE\*

A “comprehensive” policy covers both the *building and contents* for all risks **that are NOT specifically excluded**. (See “Optional coverages,” page 5 and “Uninsurable perils,” page 7.)

### BASIC/NAMED PERILS\*

If you are inclined to save money by carrying more of the financial risk yourself, you may wish to consider a “named perils” policy, which covers *only* those perils, such as fire or theft, **that ARE specifically included** in the policy. (See “Insurable perils,” page 4.)

### BROAD\*

If the “comprehensive” policy costs more than you want to pay, and you find the “named perils” policy too risky, a mid-price compromise is the so-called “broad” policy, which provides “comprehensive” coverage on big-ticket items like buildings, and “named perils” coverage on contents. (See “Insurable perils,” page 4; “Optional coverages,” page 5; and “Uninsurable perils,” page 7.)

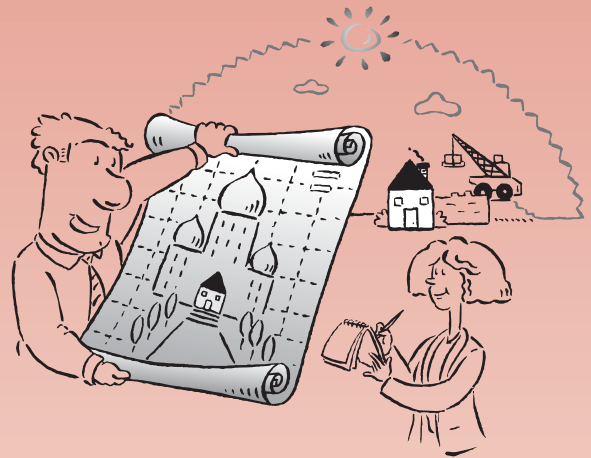
### NO-FRILLS\*

Some insurers offer very basic or “no-frills” coverage for properties that don’t meet their normal underwriting standards. Contact your agent or broker for details. *If physical problems with your home are the only reason it does not meet insurers’ standards, you may save money in the long run by correcting the deficiencies in order to qualify your home for better coverage.*

\*Policy wordings and coverages may vary within these general policy categories from one insurer to another; trade names may also be used.

## Tell your insurer about major changes

If you plan to build a rental apartment into your home, duplex it, begin operating a business there, or make any other significant alterations to the structure or the way it is used, be sure to tell your insurance representative. For insurance to work well, full disclosure of risk is required. With insurance, the best surprise is no surprise at all!



## Wood-burning stoves

Caution: Wood stoves are a common source of fires and carbon-monoxide poisoning, particularly if they are not properly installed and maintained. Insurance companies often want to inspect such installations. Consult your agent or broker before buying or renting a home with a wood-burning stove or before installing one.

## Insurable perils

This section applies mainly to “broad” coverage for *contents*, to “named perils” and “basic” coverage for both building *and* contents. Insurable perils include:

### AIRCRAFT OR VEHICLE IMPACT

### ELECTRICAL CURRENT

### EXPLOSION

**FALLING OBJECT** (not including objects propelled by snowslide or earth movement)

### FIRE

### LIGHTNING

### RIOT



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

### THEFT

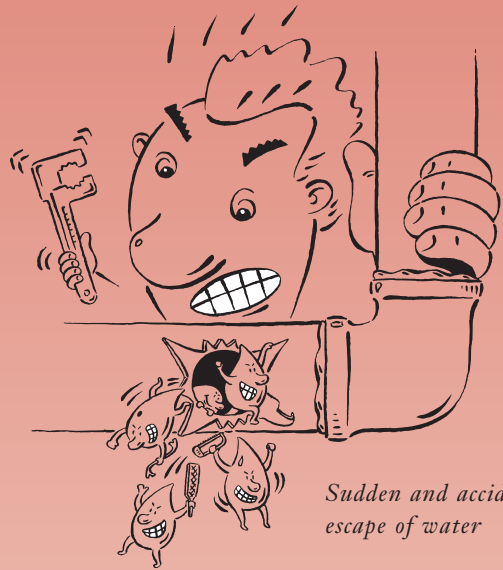
**TRANSPORTATION** (of personal property while it is temporarily away from your home; includes building fixtures and fittings being repaired or in seasonal storage)

**VANDALISM** (while building is normally occupied)

**WATER DAMAGE** (this is a complex issue; be sure to discuss it carefully with your agent or broker)

**WIND AND HAIL** (applies to the outside of a building except for antennas, satellite dishes, etc.; the interior of a building and its contents are covered only if the storm has first created an opening)

**WINDOW GLASS** (breakage in a building that is normally occupied; not covered by tenant insurance)



*Sudden and accidental escape of water*

## Water damage

Coverage 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. “Domestic appliance” is defined in the policy and includes water heaters, water beds and swimming pools. “Water” may be in liquid form, or it may be steam or ice. However, coverage for freezing damage is restricted to property *inside* your home and there are special requirements if your home is unoccupied for more than four consecutive days during the normal heating season. (Read carefully the comments about freezing under “Uninsurable perils,” page 7.)

Coverage usually **excludes** damage arising from [1] floodwater (see also page 7) such as that from an overflowing creek; [2] repeated or continuous water seepage (from a cracked basement wall, for example, or from an unrepaired pipe); [3] sewer back-up (see “Optional coverages,” page 5).





## Optional coverages

Coverages for the following perils, *not* normally included in *any* type of home insurance policy, may often be purchased separately:

**EARTHQUAKE** – Particularly worth considering in quake-prone regions of Quebec and British Columbia. Cost varies according to location and type of construction. Your insurer may be able to advise you of steps you can take to minimize the risk of earthquake damage to your home.

**FURNACE OIL SPILLS** – Consider replacing steel tanks more than 20 years old. Beware of damage to concealed pipes and tubing. (See also page 9.)

**SEWER BACK-UP** – Useful in some low-lying areas, particularly those with combined storm and sanitary sewers. Your insurer can advise you about the merits of back-flow prevention devices.

## Replacement cost and actual cash value

The calculation of how much money your insurer will pay to you following an insured loss is described in your policy, usually under “Basis of Claim Payment.”

### ACTUAL CASH VALUE (ACV)

Insuring property for ACV means that it will be replaced with something of like kind and quality, minus an allowance for depreciation due to wear, condition, age, and obsolescence. So, for example, if your five-year-old, \$1,700 stereo is stolen, you may get only \$300.

## REPLACEMENT COST

Insuring property for Replacement Cost means that it will be replaced with something of like kind and quality, with no allowance for depreciation. So in this case, you would get \$1,700 for your five-year-old stereo.

## CONTENTS

Unless it is otherwise noted in the policy, claim settlements for damage or loss to the contents of your home are for ACV. (See “Replacement cost endorsement” below.)

## BUILDINGS

Home insurance policies usually include Replacement Cost coverage for building losses. The settlement can be up to, but not greater than, the amount of insurance on the building as stated in the policy. If the replacement cost of the building has been underestimated, the policy will not pay more than the cost stated in the policy. (See “Guaranteed replacement cost endorsement,” page 6.)

**A note about roofs:** Some policies will pay only depreciated values, as low as 25%, for damaged roofs that are near the end of their designed service life.

## Extra coverage you can purchase

### REPLACEMENT COST ENDORSEMENT

**(FOR CONTENTS):** This endorsement removes the depreciation deduction on loss or damage to contents. Items are insured for the amount it would cost to replace them with a brand new item of like kind and quality.

**GUARANTEED REPLACEMENT COST ENDORSEMENT (FOR BUILDINGS):** This endorsement will make up a shortfall in the event that the replacement cost of your home is underestimated.

**BY-LAW ENDORSEMENT (FOR BUILDINGS):** When construction codes and zoning bylaws change, existing buildings are usually exempted. But when a severely damaged building has to be substantially rebuilt, the entire building may have to comply with current standards. The “by-law” endorsement covers any additional expenses to bring the building up to standards.

### Other considerations

- ▲ A claim for replacement cost on a building usually requires that reconstruction occur on the original site.
- ▲ Whether you are insured for ACV or Replacement Cost, a deductible may apply (see “Making a claim,” page 13).
- ▲ When you and your insurer agree on cash settlement of a claim, there are “no strings attached;” you can spend the money as you please.
- ▲ If you have Replacement Cost coverage for the contents of your home, and you suffer a loss or damage, you may receive actual cash value as a down payment while an adjuster assesses the claim further (see “Making a claim,” page 13).
- ▲ Keep in mind that most home insurance policies have limits on the amount you can claim for cash and securities, and for other items such as bicycles, jewellery and boats (see “Personal property,” page 15).

### Additional living expenses

There are three circumstances that may entitle you to additional living expenses: UNFIT TO LIVE IN, LOST RENTAL INCOME and DENIED ACCESS (see details below). Note that this coverage does not reimburse you for all expenses, only those which are over and above your *normal cost of living*. A single claim limit normally applies to any combination of the three circumstances. For homeowners, the limit is usually equal to 20% of the building coverage; for tenants it is 20% of contents coverage.

#### UNFIT TO LIVE IN

If an insured peril makes your home unfit to live in, and you have to move out while insured damage is being repaired, your insurer will cover any necessary increase in living expenses – including moving costs – so that your household can maintain its normal standard of living. Payment is limited to the reasonable time required to repair or rebuild your home, or for you to settle elsewhere.

#### LOST RENTAL INCOME

If you have a tenant paying you rent, and he/she is forced to leave because of insured damage to your home, your policy will reimburse you FAIR RENTAL VALUE for the reasonable time required for repairs or rebuilding. Rent-related expenses, such as heating or electricity, that don’t continue during reconstruction, would be deducted. If your tenant cancels the lease due to the inconvenience, lost rental income beyond the period of repairs/rebuilding would not be covered.

## DENIED ACCESS

If you are denied access to your home by the police or other civil authority as a direct result of damage by an insured peril to neighbouring premises – such as when a burning house collapses and breaks a gas main – you may be reimbursed by your insurer for additional living expenses and/or lost rental income for up to two weeks. Additional coverage may be available in the event of mass-evacuation, for example, following a toxic spill from a train wreck. Check your policy.

## Uninsurable perils

A home insurance policy is *not* a maintenance contract. Home insurance is generally intended to help policyholders cope with the financial consequences of unpredictable events that are “sudden and accidental.” Predictable events, such as flooding of a home built on a flood plain, or preventable events, such as frozen indoor pipes, are not covered.

The following perils are generally uninsurable:

### WATER DAMAGE CAUSED BY FLOODWATER –

Certain areas are prone to floods, and so damage caused in this way is considered predictable. Water damage arising from a sudden rupture of an indoor water pipe would be a different story; that damage would be covered.

### DAMAGE ARISING FROM THE FREEZING OF

**INDOOR PLUMBING –** This is generally regarded as preventable. If you are away from home for more than four days during the normal heating season, you must drain the plumbing or arrange to have your home checked daily by a competent

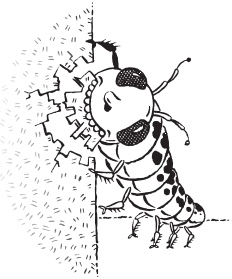
person to ensure that heat is maintained. However, if freezing-related damage were to occur despite such precautions, it would likely be covered.

### DAMAGE FROM FREEZING OUTSIDE THE HOME –

This is not covered; nor is damage from waves, melting or moving snow and ice, and heaving frost.

### DAMAGE BY INSECTS AND RODENTS

**(E.G., TERMITES, SQUIRRELS, MICE, RATS) –** This is not insurable, except for damage to building glass. Many policies also exclude damage by raccoons.



### DIRECT DAMAGE RESULTING FROM THE 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 SNOWSLIDE, LANDSLIDE AND OTHER FORMS OF EARTH MOVEMENT

**(SEE “EARTHQUAKE,” PAGE 5) –** This is not insurable. However, damage from a fire or explosion caused by earth movement would be covered.

## What else is not covered?

There are certain items that may be in or around your home, but which are not covered by a basic home insurance policy:

### BUSINESS PREMISES, EQUIPMENT AT HOME

Loss or damage to buildings or structures is not normally insured if these are used for business or commercial farming. 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 these limits are a problem, you may wish to consider buying an insurance policy – or an endorsement to your home insurance policy – that is designed for home-based businesses.

### VACANT PREMISES

Insurance coverage on dwelling and contents ceases automatically when the premises have been vacant for more than 30 consecutive days without the insurer's prior approval. Coverage for certain perils such as vandalism lapses immediately. A "vacant" building, regardless of the presence of furnishings, is one that you have moved out of, not intending to return. Be sure to notify your insurer before you vacate your home.

### YOUR LAWN

Damage to your lawn is not covered by a typical home insurance policy.

### PROPERTY OF ROOMERS OR BOARDERS

If you have roomers or boarders who are not related to you, their property is not automatically covered by your contents insurance.

## Coverage limits

In addition to overall dollar limits for liability, contents, etc., there are sub-limits on the amount you can claim for some items. Check your policy to be sure, but listed here are some items that are typically subject to coverage limits:

- ▲ negotiable securities
- ▲ cash
- ▲ garden tractors
- ▲ watercraft
- ▲ computer software
- ▲ bicycles
- ▲ jewellery and gems
- ▲ watches
- ▲ furs
- ▲ coin, stamp and card collections
- ▲ manuscripts

Many insurers no longer limit coverage of silverware.

Reasonably priced supplementary insurance is usually available. These "riders" or "floater" policies provide all-risks coverage for specific items – often fragile and/or valuable – subject to certain exclusions. Coverage can be world-wide and there is usually no deductible.

## Your liability to others

*(See also "Tenant insurance" and "Condominium insurance.")*

The personal liability portion of home insurance applies at your home or *anywhere in the world* to bodily injury you may unintentionally inflict on others – often referred to as "third parties" – or to accidental damage you may do to their property. For example, suppose a visitor or a household employee were to be injured by slipping on a wet floor in your home, and you were judged to be legally responsible, you would be covered for the damages you were legally obliged to pay because of the injury. No deductibles apply.

Liability coverage does not apply to injuries sustained by you or by members of your immediate household. There is no liability coverage for disease transmission and physical – including sexual – abuse. Also, there is no coverage for “punitive” damages awarded by a court; only “compensatory” damages are covered.

Sometimes an insurer may not wait for a claim to occur before taking remedial action, as when a spill of home heating oil threatens to migrate (see also page 5) to adjacent property. Regardless of the insurance coverage for oil spills on your own property, your insurer may elect to clean up the mess quickly so as to prevent you from incurring liability for damaging your neighbour’s property.

### **YOUR BOATS, GOLF CARTS, TRAILERS... AND LIABILITY**

Your homeowner’s liability insurance automatically covers losses arising from your ownership or non-business use of:

- ▲ a trailer, except when it’s attached to a motor vehicle;
- ▲ boats with outboard motors up to 16hp (inboard up to 50hp); sailboats up to 26ft long (see your policy for exact limits);
- ▲ golf carts on a golf course;
- ▲ self-propelled lawnmowers, snowblowers, garden tractors (25hp maximum, used mainly on your own property); and
- ▲ motorized wheelchairs or scooters (3 wheels minimum, designed for disabled persons).

If you own a vehicle that is not included in the list above, you may need to purchase an endorsement for that vehicle. Talk to your insurance representative.

### **LIABILITY ARISING FROM USE OF WATERCRAFT OR MOTORIZED OFF-ROAD VEHICLES OWNED BY OTHERS**

You are covered for claims arising from your use of watercraft owned by others (without restriction as to size or power), so long as the owner has given consent, and you are not using the craft for racing or business.

You are also covered for claims arising from your use of off-road vehicles owned by others (ATVs, dirt-bikes, etc.), with the same conditions.

Such watercraft and vehicles must *not* be subject to registration or licensing, and must *not* be owned by you or any person insured by your home insurance policy. Damage to the actual *craft/vehicle* is not covered.

### **BUSINESS ACTIVITIES**

Home insurance is *not* business insurance. However, you are insured against liability claims arising from certain business activities, as follows:

- ▲ Rental of portions of your two- or three-family dwelling, usually occupied in part by you, as a private residence, providing that no family unit includes more than two roomers or boarders.
- ▲ Rental of space in your residence for incidental office, school or studio occupancy.
- ▲ Rental of up to three garage spaces for cars.
- ▲ Occasional rental of the part of your home that you normally live in.
- ▲ Temporary or part-time business pursuits – such as babysitting – of an insured person under 21.

Any other business pursuits require specific insurance arrangements; check the summary page of your policy.

## LEGAL DEFENCE AND SETTLEMENT

If someone alleges in a lawsuit that you are responsible for injuring him or her – or for damaging his or her property – your insurer will defend you against any resulting suit for compensation, even if the suit is groundless, false or fraudulent. Of course, the suit has to be related to your insurance coverage. Policy limits on third-party liability coverage do not include legal defence costs.

**Note:** Your insurer has the right to investigate, negotiate and settle any claim or suit as it sees fit. This includes choosing a lawyer(s).

## VOLUNTARY PAYMENTS

If you or another member of your household injures someone else or damages his or her property unintentionally (or even intentionally, if the injury or damage is caused by a child 12 years of age or younger), you may compensate that person for the losses, regardless of whether you are legally liable, and your policy will reimburse you (check your policy for dollar limits). This is called “voluntary payment for damage to property” and “voluntary medical payments” coverage, and is standard in most homeowner policies.

**Note:** This provision can apply to loss or injury experienced by household staff, but members of your household are not covered. The recipient(s) of voluntary payments must agree not to sue you. Limits for this coverage are relatively low.

## Tenant insurance

Landlords have relatively few legal obligations to compensate tenants for damage to or loss of their tenants’ **personal possessions**. Tenants, on the other hand, *are* responsible for harm they may cause to any part of the building in which they live or to others who live or visit there.

### THE BASICS

“Basic liability” and “contents” coverage are essential.

A fire ignited by a tenant’s defective toaster, or flooding caused by a malfunctioning dishwasher, could cause a great deal of damage not only to the tenant’s unit, but to the entire apartment complex, potentially leaving the tenant liable for hundreds of thousands of dollars in damage. For this reason, tenant insurance includes liability coverage comparable to that included in a typical homeowner policy.

In terms of insuring your own belongings, you may think you have very little of value, until you have to replace it all. A few pieces of furniture, no matter how modest, can easily cost several thousand dollars to replace. Your clothes, which you have likely accumulated over several years, would also cost thousands to replace all at once. If you bought a CD player on credit and it is destroyed by fire or stolen, you are stuck paying the balance of your debt, and will likely want to spend several hundred dollars more on a replacement. For all the reasons above, it is recommended that all tenants insure the contents of their homes.

## OPTIONAL COVERAGES

“Tenant’s improvements” coverage is important because policies generally have standard limits that are sometimes not high enough to cover all of the improvements that you may have made to your rented home or apartment. Such improvements could include broadloom (carpet), built-in cabinets or sound systems. Tenant’s improvements coverage can be purchased in addition to your standard policy, and ensures that, in the event of a loss, you can return your home to the way it was.

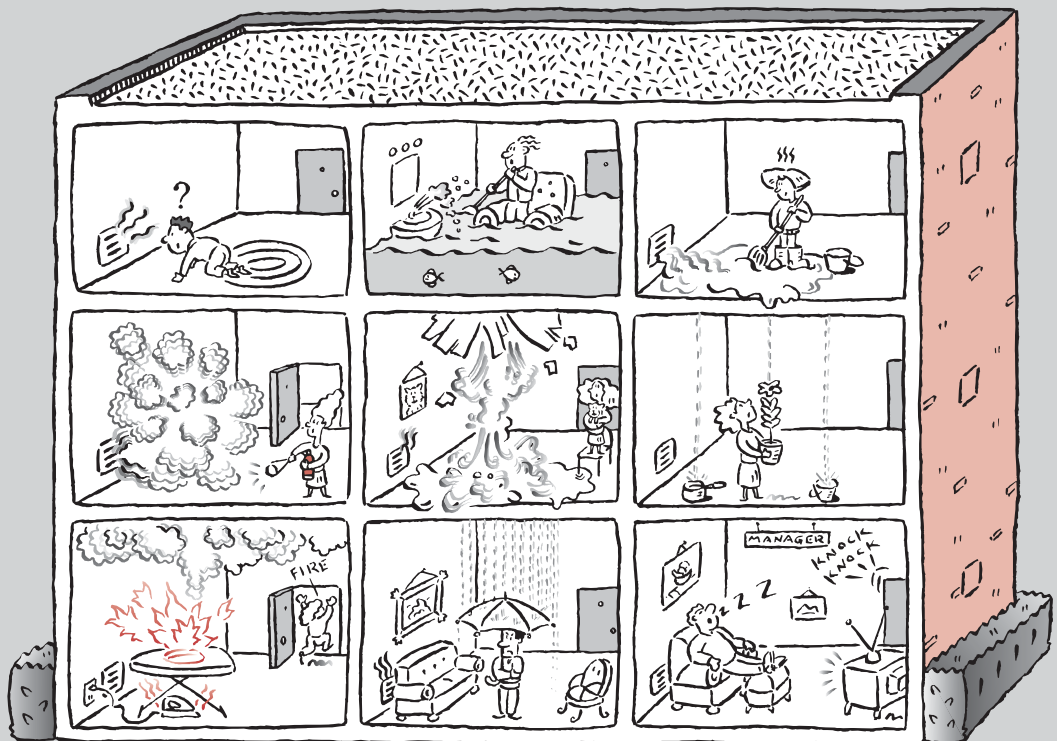
## Condominium insurance

Condominium 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. In fact, virtually the whole structure is common except, perhaps, for the interior paint and wallpaper and floor covering of your unit. However, you and your fellow owners can be held personally liable if things go wrong. A condominium insurance policy is a low-cost way to remove some of the financial worries of condominium ownership.

## THE BASICS

“Basic liability” and “contents” coverage are important for condominium owners as they are for all homeowners and tenants. (See the many references under “Liability to others” and “Contents” in the index.)



*Tenants and condominium owners  
may incur liabilities*

## OPTIONAL COVERAGES

“Owner’s improvements” coverage is an important consideration as most policies have standard limits, which may not be high enough to cover upgrades (carpet, hardwood, custom counters or light fixtures, built-in cabinets or sound systems, etc.).

“Supplemental” coverage insures your condominium unit itself so that *you* will be protected in the event that the *corporation’s* insurance is insufficient. Your agent or broker can explain in more detail.

“Loss assessment” coverage is an important feature of condominium insurance because you share responsibility with others for common property. The insurer will pay, up to a stipulated limit, your portion of any *special* assessment that is valid under your condominium corporation’s governing rules:

- ▲ if it is due to a direct loss that affects a shared part of the premises (see first paragraph) and if it has been caused by an insured peril;
- ▲ if it is due to legal liability arising out of shared ownership of common areas of the condominium premises (for example, to compensate a visitor for injuries incurred by tripping over a frayed carpet in a corridor);
- ▲ providing that the assessment has not been made necessary because of a deductible in the corporation’s own insurance policy.

Normally, the condominium corporation’s own insurance coverage will be adequate. Insurance-related special loss assessments seldom occur.

## Insuring your cottage

If you own a cottage, not on the premises of your primary dwelling, you may insure it separately or have it insured on the same policy as your home insurance. Coverage is usually more limited than with dwellings that are occupied year-round.

Burglary can be covered, but not theft; in other words, for a claim to be considered, there must be signs of forcible entry and/or exit. In winter, make sure that snow does not accumulate on the roof; *a collapse due to the weight of snow would not be covered*. Your agent or broker can explain further.



*A little off the top, please!*

Remember to include outbuildings, fences, and so on when calculating the coverage you need.

Insurance to cover vandalism and malicious acts is not automatically included but can often be purchased separately. Although most policies covering cottages do not specify separate amounts of insurance for outbuildings, they do allow up to a specified percentage of the amount of insurance to be used for this purpose.



## Insuring your mobile home

Mobile (not motor) homes and their contents can be insured only for “named perils.”

Replacement cost insurance is available for contents, but usually not for the mobile home itself. The cost of removing the home from the path of an endangering peril such as fire or wind can be covered. To qualify for the same kind of basic insurance “package” as a regular home, mobile homes must usually be “tied-down” to keep them from shifting during strong winds. Any gaps in the foundation must be protected by a “skirt” to keep out animals and debris.

Some so-called “mobile” homes – often factory-built, “double-wide” assemblies – properly installed on substantial foundations and hooked up to water and sewer systems, may qualify for conventional home insurance.

With cottage insurance, it is particularly important to invest whatever time it takes to be certain that you understand the policy’s limits before you agree to coverage. Also, if your “cottage” is really more of a “second home” and has many of the features of a primary dwelling, you may be able to obtain better insurance coverage. Again, talk to your agent or broker.

## Making a claim

If you have suffered a loss for which you are insured, inform your insurance agent or broker of the nature of your claim. If there has been a burglary or theft, **the police must also be informed.** You’ll be required to supply information about the circumstances of the claim as well as

reasonable evidence to justify the amount claimed. Your insurer will want to know exactly what was stolen, when you acquired it, and what you paid for it. A claims adjuster may then be appointed – at no cost to you – to look after the details. You should take reasonable steps to protect against additional damage. If a pipe has burst, for example, shut off the water supply. Don’t dispose of damaged goods without first getting your insurer’s “okay.” In some instances, your insurer may arrange assistance for temporary repairs, such as covering a damaged roof, or boarding over a broken picture window.

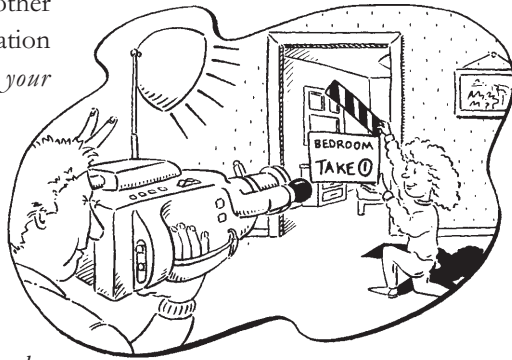
If you have replacement cost coverage, some insurers will assist you by providing the cash value of the used item immediately, topping up that amount later when you provide proof of replacement purchase within 180 days of the loss. There are exceptions, however, such as when you have been using an already damaged or obsolete item for some purpose other than its original one (e.g., a defunct refrigerator as a bookcase). When part of a pair or set of items is damaged, the loss will be calculated as a reasonable proportion of the whole set.

## DEDUCTIBLES

Most insurance claims are subject to a deductible – the initial amount of every claim that is paid by the policyholder. Deductibles help make insurance more affordable for everyone by eliminating minor “nuisance” claims. Keep the amount of your deductible in mind when making a claim. If a policy has a \$500 deductible, for example, you would receive only \$100 for a \$600 claim.

## Know what you own!

An up-to-date **inventory** of your possessions and a record of their value will be helpful to you, your insurer, police and others in the event of a burglary or fire. After a loss, it could be difficult for you to recall the details of things that are now damaged or missing. Some people like to make a drawer-by-drawer, room-by-room video recording of their possessions; some use a regular camera. An audio cassette recorder could be useful for making a spoken list of collections – books, tools, stamps, etc. This would capture more detail than you could achieve with a camera. Written or typed descriptions are useful, too; be sure to include makes, models, serial numbers or other identifying marks. Keep purchase receipts for major items. Store your inventory records in a safety-deposit box or another secure location *away from your home.*



*Keep a record  
of your possessions*

## Insurance fraud, illegally acquired property

1-877-IBC-TIPS

It is a serious crime to file a false or “inflated” insurance claim. Insurance fraud hurts honest policyholders by driving up the cost of insurance for everyone. Each year, insurance fraud costs insurers and policyholders in Canada \$3 billion. If you suspect that someone you know is involved in insurance fraud, call 1-877-IBC-TIPS (422-8477) or visit [www.abc.ca](http://www.abc.ca) to submit a confidential tip, and help keep insurance costs down for all Canadians.

**Note:** Illegally acquired property is not insurable and some policies exclude smuggled items which have not been declared to Canada Customs. Damage that results from your criminal activity would not be covered, nor would any intentional damage by you.

## “Insurance-speak” simplified

There is some language that is specific to the insurance industry. Other common words can also be given special meaning in the context of “insurance-speak.” We hope you find this glossary helpful; your comments and suggestions for future editions are welcome.

### “ALL RISKS” OR “ALL PERILS”

The term “all risks,” or “all perils,” describes insurance for losses due to a wide range of causes. Instead of listing each insured peril, such as fire, lightning and so on, the policy covers all loss or damage to insured property that is the result of any “risk” that is not specifically excluded. “All risks” is a confusing insurance term and does, in fact, incorporate numerous listed exclusions, allowing coverage to be priced more fairly. Perhaps a better description would be “all *common* risks.”

A “risk,” or “peril,” is a chance event that is unexpected and accidental *as far as the policyholder is concerned*. For example, if a dog’s tail sweeps an ornament off a table and onto the floor where it breaks, that is due to a “risk”; the ornament would not otherwise have broken. The gradual wearing out of clothes, however, or the rotting of fruit, are quite natural and expected, and therefore are not insurable “risks.”

### “DIRECT LOSS”

A “direct loss” arises when insured property or goods are damaged or lost. The term does not include other losses or expenses incurred as an *indirect* result of the damage, such as having to rent a video camera if your own is destroyed by fire shortly before you leave on a vacation trip.

## “DWELLING”

Your “dwelling” coverage applies to your home and “attached structures” such as a garage or carport. Permanently installed outdoor equipment on the premises, such as a swimming pool and the equipment attached to it, is included. Building materials for use in construction, alteration or repair of the insured dwelling or related structures on the premises are covered, too, if they are on the site or adjacent to it. Theft and vandalism losses during construction are usually *not* covered.

You may apply up to 10% of the amount of insurance on your dwelling to insure building fixtures and fittings, such as mirrors or air conditioners that may have been removed temporarily for repair or seasonal storage.

You may apply up to 5% of your insurance to trees, plants and shrubs (weather damage excluded); but there is often a limit for any one item.

Separate structures and buildings on the same premises as the primary dwelling are also covered for specified amounts, usually up to 10% of the main coverage. This could apply to detached garages, tool sheds, retaining walls, and even landscaping. If 10% seems too low, consider buying additional coverage.

## “PERSONAL PROPERTY”

Your home insurance policy will cover the contents of your home and other personal property that you own, wear or use (including clothing, cameras, furniture, etc.) while on your premises. It may even cover uninsured personal property of others, excluding roomers or boarders who are not related

to you. Your policy will normally cover personal property while it is temporarily away from your home *anywhere in the world*. Personal property *not* normally kept at home is not covered. Personal property in a warehouse is usually covered against theft without time limit; but other perils may not be covered, or may be covered only up to 30 days, so be sure to consult your agent or broker.

### “SUBROGATION”

Your insurer may try to recover some or all of its costs in settling your claim by suing others responsible for the loss. The effect is roughly the same as if you yourself were to sue the responsible party, except that you are compensated more quickly by your own insurer, often on a replacement-cost basis.



### “YOU” AND “YOUR”

When the text of an insurance policy uses the words “you” or “your,” it refers to insured person(s) named on the coverage summary page. The policy also includes, while living in the same household, a named insured person’s legal – and sometimes common-law – spouse, the relatives of either, or any person under 21 in their care.

## Your right to privacy

The nature of insurance requires consumers and claimants to supply some relevant personal information to insurance companies. Without such disclosure, insurers would find it difficult to assess premiums and pay claims fairly. Collection, use and disclosure of your personal information are governed by the Privacy Commissioner of Canada, under the *Personal Information Protection and Electronic Documents Act* (PIPEDA). PIPEDA requires insurers, agents and brokers wishing to collect, use or disclose your personal information to state all purposes for which the information will be used, and to obtain your consent for such collection, use and disclosure. If you have any questions or concerns regarding how your information is used, it is your right to have them addressed before you apply for coverage or submit a claim. For more information on PIPEDA (a.k.a. PIPED Act), visit [www.privcom.gc.ca](http://www.privcom.gc.ca).

## Questions? Concerns? Just ask!

When you buy home insurance, you buy peace of mind. Insurance is a product like any other, and it works better when both sellers and buyers are knowledgeable. If you have questions that are not answered in this pamphlet, all you have to do is ask!

For more information:

- ▲ Talk to your agent/broker.
- ▲ Look under “Insurance, Homeowners” in your local library for up-to-date, comprehensive books on insurance written expressly for consumers.
- ▲ Call IBC’s consumer information centre in your region (contact information on the back page of this brochure), and talk to a knowledgeable and experienced information officer.

## Index

Access denied	7
Actual cash value (ACV)	5, 6
Additional living expense	
lost rental income	6
if you are denied access	7
when home is unfit to live in	6
Affinity discounts	2
Agents and brokers	1
Aircraft impact	4
All perils	15
All-risks coverage explained	15
All-terrain vehicles (see “unlicensed motorized vehicles”)	9
Antennas	4
Babysitting	9
Basic liability, tenant insurance	7
Basic/named perils policy	3
Bicycles	6, 8
Boarders	8, 9, 15
Boats	6, 9
Broad policy	3
Brokers and agents	1
Building materials	1, 15
Burglary	12, 15
Business equipment, samples, merchandise	8
Business pursuits	9
By-law endorsement (when codes change)	6
Cancelled lease, not covered	6
Claims	2, 9, 13, 14
Claims adjuster	6, 13
Collections: coins, stamps and cards	8
Common-law spouse (see “household”)	16
Competition	1
Comprehensive policy	3
Condominium insurance	
contents	11
loss assessment coverage	12
owner’s improvements	12
when condo corporation’s insurance inadequate	12
Construction code changes, bylaw endorsement	6

## Contents

at old, new addresses and in transit	1
collateral fire damage from deliberate heating	7
comprehensive coverage	3
coverage anywhere while temporarily away from the home	4, 16
coverage important for condominium owners	12
don’t underinsure	2
insurable perils explained	4
limits of wind and hail coverage	4
low limits on jewellery, etc.	6
minimum coverage	2
mobile homes	13
named perils coverage in “broad” policy	3
tenants’ additional living expenses	6
tenant insurance	10
theft claims, forcible entry/exit	12
Cottage insurance	
general information	12
“second home”	13
snow collapse not covered	12
Coverage limits	8
Crime Stoppers, reporting insurance fraud	14
Criminal activity	14
Deductibles	2, 6, 8, 13
Denied access, additional living expense if you are...	7
Depreciation	5
Direct loss	15
Discounts	
affinity	2
intruder alarms	2
seniors	2
smoke alarms	2
sprinkler systems	2
Dwelling, insurance definition	15
Earth movement	4, 7
Earthquake, optional coverage	5
Electrical current	4
Endorsement	9
Explosion	4, 5, 7
Failure of insurance company rarely occurs	2
Falling objects (not propelled by snow/earth)	4

False claim	14	Inventory facilitates claims	14
Family members (see “household”)	6, 8, 10, 16	Jewellery	6, 8
Fire	3, 4, 7, 10, 13, 14, 15	Land not insurable	2
Fireplaces	4	Landlord, few obligations to reimburse tenant	10
Fixtures and fittings, during repair and storage	4, 15	Landslide, uninsurable peril	7
Floater policy defined	8	Lawnmowers, liability arising from ownership	9
Flood, uninsurable peril	4, 7	Lawns not insurable	8
Fraud	10, 14	Lawsuits against you	10
Freezing	4, 7	Legal defence and settlement	10
Furnace oil, optional coverage for spills	5	Liability to others	
Furs	8	anywhere in the world	8
Garage spaces, rented to others	9	arising from your use of others’ boats, etc.	9
Gems	8	business activities	9
Glossary	15	condominium owners’...	11
Golf carts, liability while on golf course	9	disease transmission, physical abuse excluded	8
Guaranteed replacement cost, buildings	5, 6	fuel oil spill/migration	8
Hail	4	general information	8
Heat, damage from intentional application of..., uninsurable	7	homeowners’...	8
Heating Season	4	ownership of boats, golf carts, trailers	9
Household, defined	16	punitive damages excluded	9
Illegally acquired goods not insurable	14	tenants’...	1, 10
Improvements to condominium unit by owner	12	when you rent to them	9
Improvements to rented premises by tenant	11	Library, good source of more information	2, 16
Inflated claim	14	Lightning	4, 15
Insect damage, uninsurable peril	7	Limits, personal property claims	6
Insurable perils		Loss assessment coverage, condominium insurance	12
aircraft impact	4	Lost rental income	6
electrical current	4	Manuscripts	8
explosion	4	Medical payments made voluntarily to others	10
falling object	4	Minimizing risk of earthquake damage	5
fire	4	Mobile (not motor) home insurance	
hail	4	general information	13
lightning	4	qualifying for conventional coverage	13
riot	4	Motorized vehicles, owned by others, unlicensed	9
smoke	4	No-frills policy	3
theft	4	Office in your home	9
transportation of personal property	4	Oil spills, migration	5, 9
vandalism, building occupied	4	Optional coverages	
vehicle impact	4	earthquake	5
water damage	4	furnace oil spills	5
wind	4	sewer back-up	5
window glass	4	Other buildings and structures	15
Intruder alarm, premium discount	2	Outboard motors	9
		Owner’s improvements to condominium unit	12

Personal Information Protection and Electronic Documents Act (PIPEDA) . . . . .	16
Personal liability (see “liability to others”) . . . . .	8
Personal property . . . . .	15
PIPEDA . . . . .	16
Predictable events . . . . .	7
Preventable events . . . . .	7
Privacy, your rights and responsibilities . . . . .	16
Proof of insurance . . . . .	1
Property and Casualty Insurance Compensation Corporation (PACICC) . . . . .	2
Quotations, it pays to compare . . . . .	1
Raccoon damage, uninsurable peril . . . . .	7
Reconstruction . . . . .	6
Reinsurance, insurance for insurers . . . . .	2
Renting to others, liability you may incur . . . . .	9
Repairs (temporary) to prevent further loss . . . . .	13
Replacement cost	
cash value (used) may be paid immediately . . . . .	6, 13
endorsement . . . . .	5
guaranteed (for buildings) . . . . .	5
Rider (policy) defined . . . . .	8
Riot . . . . .	4
Rodent damage, uninsurable peril . . . . .	7
Roofs	
depreciated when old . . . . .	5
snow collapse . . . . .	12
Roomers . . . . .	8
Sailboats . . . . .	9
Satellite dishes . . . . .	4
School in your home . . . . .	9
Sewer back-up, optional coverage . . . . .	4, 5
Silverware, coverage limits eased . . . . .	8
Smoke alarms, premium discount . . . . .	2
Smoke from fireplaces not covered . . . . .	4
Smuggled goods not insurable . . . . .	14
Snowblowers, liability arising from ownership . . . . .	9
Snowmobiles (see “unlicensed motorized vehicles”) . . . . .	9
Snowslide, uninsurable peril . . . . .	4, 7
Spouse (see “household”) . . . . .	16
Sprinkler systems, premium discount . . . . .	2
Storage . . . . .	4, 15
Studio in your home . . . . .	9
Subrogation . . . . .	16
Sudden and accidental events . . . . .	1
Temporary repairs, to prevent further loss . . . . .	13
Tenant insurance	
general information . . . . .	10
improvements made by tenant . . . . .	11
Theft . . . . .	1, 3, 4, 12, 13, 15, 16
Tractors (garden), liability arising from ownership . . . . .	8
Trailers, liability arising from ownership . . . . .	9
Transportation of personal property . . . . .	4
Unfit to live in . . . . .	6
Uninsurable perils	
fire damage from deliberate heating . . . . .	7
flood . . . . .	7
freezing . . . . .	7
insect damage . . . . .	7
landslide . . . . .	7
policy not maintenance contract . . . . .	7
raccoon damage . . . . .	7
rodent damage (squirrels, mice, rats, etc.) . . . . .	7
snowslide . . . . .	4, 7
wave, melting/moving snow/ice damage . . . . .	7
Vacant building . . . . .	1, 8
Vandalism . . . . .	4, 8, 12, 15
Vehicle impact . . . . .	4
Voluntary payments, for injury to others or property damage . . . . .	10
Watches . . . . .	8
Water damage, insurable peril, but many exclusions . . . . .	4
Water seepage . . . . .	4
Watercraft	
as “contents” . . . . .	6
liability arising from your use of others’ . . . . .	9
Waves, melting/moving snow/ice, uninsurable perils . . . . .	7
Wheelchairs, liability arising from ownership . . . . .	9
Wind . . . . .	4, 13
Window glass breakage insurable (not for tenants) . . . . .	4
Wood-burning stoves . . . . .	3
“You” and “your” . . . . .	16
Zoning changes, by-law endorsement . . . . .	6

Insurance Bureau of Canada is the national trade association of the private property and casualty insurance industry. It represents more than 90% of the non-government home, car and business insurance in Canada. If you would like to know more about home insurance, please contact your insurance representative or one of the Insurance Bureau of Canada offices listed below:

**E-mail:** [webmaster@ibc.ca](mailto:webmaster@ibc.ca)

**Internet:** [www.ibc.ca](http://www.ibc.ca)

---

**ATLANTIC PROVINCES**

1969 Upper Water Street, Suite 1706  
Halifax, Nova Scotia B3J 3R7  
(902) 429-2730

**Consumer information:** 1-800-565-7189

---

**BRITISH COLUMBIA AND YUKON**

510 Burrard Street, Suite 1010  
Vancouver, British Columbia V6C 3A8  
(604) 684-3635

**Consumer information:** 1-877-772-3777

---

**PRAIRIES, NORTHWEST TERRITORIES  
AND NUNAVUT**

10722-103 Avenue, Suite 401  
Edmonton, Alberta T5J 5G7  
(780) 423-2212

**Consumer information:** 1-800-377-6378

---

**ONTARIO**

151 Yonge Street, Suite 1900  
Toronto, Ontario M5C 2W7  
(416) 362-2031

**Consumer information:** (416) 362-9528 or 1-800-387-2880

---

**QUEBEC**

800 Place-Victoria, Suite 2410  
Montreal, Quebec H4Z 0A2  
(514) 288-1563

**Consumer information:** (514) 288-4321 or 1-877-288-4321

---