



**13** I'm going on sabbatical for a year and plan to rent out my home. Does my home insurance cover any damage that tenants may cause? Will my home insurance protect me if they steal my TV, stereo and bedroom furniture? Do I need special insurance?

Whenever you have a lifestyle change like this, notify your insurance representative because there will usually be restrictions on coverage for things such as theft and damage by tenants. You may require a rental policy and your tenant should buy tenant's insurance. Other lifestyle changes that warrant a call to your insurance representative include home renovations, home exchange programs, running a small business from your home, installing a home security system and purchasing a cottage or boat, to name just a few.

Remember, there is no such thing as a dumb question, so don't hold back!

Understand your insurance. Make it your policy.

For more information about home insurance in your region, get in touch with your insurance representative, or contact Insurance Bureau of Canada at one of the numbers listed in this brochure or at [www.ibc.ca](http://www.ibc.ca).

# Questions about insurance?



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## Home Insurance



HOME INSURANCE Q & A



Questions to ask your insurance representative

Home insurance coverage and premiums vary from one company to another and from one policy to another, so it pays to ask questions before you buy.

While this brochure is intended to provide information in regards to basic insurance questions, your insurance representative is the best resource for any specific questions you may have.

## 1 What does my home insurance policy cover?

Some policies cover only you against **named perils** – in other words, if the cause of the damage isn't listed in your policy, it isn't covered. This is generally referred to as a **standard** or **basic** policy.

- Other policies cover you against **all risks** on the building and named perils on the contents of your home. All risks policies provide insurance for losses due to a wide range of causes. But instead of listing what is covered, an all risks policy excludes what is *not* covered. This is generally referred to as a **broad form** policy.
- Still, other policies cover all risks on both the building and its contents, but are subject to some exclusions. These are generally referred to as **comprehensive** or **special** policies.

Unlike auto insurance, insurers have their own policy wordings, so be sure you understand the type of policy and coverage you have purchased.

## 2 Is there a specific kind of insurance for my type of home?

Yes. Speak with your insurance representative about tailored package policies designed to insure your home, condo or apartment.

- If you own a house, homeowner's insurance is available to protect your property and personal liability as policyholder, and that of your spouse/partner and your dependent children.
- If you own a condo, there are specific types of coverage you can purchase in addition to liability and contents coverage.
- If you rent, tenant's insurance is available to help you replace your belongings and rebuild your life after an insured loss. Tenant's insurance policies generally include personal liability and contents coverage on a named perils or all risks basis. Liability coverage offers you protection for any damage you may accidentally cause to your apartment. For more information, review Insurance Bureau of Canada's *What is Tenant's Insurance* brochure.
- If you own a mobile home, it can be insured under a basic named perils policy. Mobile home insurance may also include liability coverage.
- If you own a vacation home, it can be insured separately



or under the same policy as your home. Coverage for vacation homes is usually more limited.

## 3 Are there certain risks or potential perils that aren't covered?

Because premiums for an all-inclusive policy would be impractically high, no policy covers everything that can go wrong. Insurance is intended to cover losses caused by unforeseeable events. Losses that are predictable and/or inevitable are typically not covered by insurance, but there is optional coverage you may want to consider.

## 4 What are some items that might require additional insurance?

The standard dollar limits to replace stolen cash, garden tractors, watercraft and computer software are relatively small, so you may want to buy additional coverage for these items. Coverage limits may also apply if the following items are stolen: bicycles, jewellery, watches, furs and coin, stamp and card collections. Reasonably priced supplementary insurance for these types of specific items, often called **scheduled articles** or **floater** coverage, is usually available. Coverage can be worldwide and there's usually no deductible.

## 5 What things could happen to my property that won't be covered unless I make special arrangements?

Here's one example: damage arising from the freezing of indoor plumbing is seen as preventable. If you're planning on being away from home for more than three consecutive

days during the normal heating season (be sure to verify your insurer's stipulations), you must drain the plumbing or arrange to have your home checked daily by a knowledgeable person to ensure that heat is maintained. If you don't make these arrangements and your pipes freeze and burst, you may end up having to cover the clean-up bill yourself.

## 6 Is optional coverage available for perils that aren't normally included in my homeowner's policy?

Yes. For example, you might consider buying optional earthquake coverage. If you are worried about water damage from rainstorms, you might want sewer backup coverage. If you have jewellery or furs which exceed the policy limits for these items you may want to consider optional scheduled articles coverage. Ask your insurance representative which optional coverage you may need.

## 7 What is a deductible? How does it affect the price of my home insurance?

The higher your deductible – the portion of a claim that you have to pay out of your own pocket – the lower your premium will be. It's worth comparing premiums for higher versus lower deductibles and then deciding whether a lower premium is worth the higher amount you would have to pay out of pocket if you made a claim.

## 8 Am I entitled to any discounts?

Many insurance companies offer discounts to policyholders who have installed safety features like burglar alarms or those who have made no claims for a certain period of time. Some offer discounts to non-smokers or those who bundle home and car insurance policies with the same insurer. Speak with your

insurance representative about discounts for which you may be eligible.

## 9 What is the difference between replacement cost and actual cash value?

Most claims on home insurance policies are paid on a replacement cost basis, meaning that the insurance covers the cost of replacing a damaged or lost item with a new one that is as close to the original as possible in functionality and quality. Note that you must actually replace the item within a certain time frame in order to receive the replacement cost for it. If

you choose not to replace a damaged item, your insurer will pay only the actual cash value of that item – that is, the replacement cost less any depreciation in the value of the item. Some policies always pay the actual cash value, even when reimbursing you for items you decide to replace. This is reflected in the premium you pay.

## 10 I plan to renovate my home. Do I have to tell my insurance provider?

Your home insurance is designed to cover your home and its contents in the event of an insured loss. Anything that affects your home's replacement value – what it would cost to rebuild with materials of the same quality in the event it's destroyed – affects your insurance and the amount for which you're covered. This includes remodelling your home. It's always best to notify your

insurance provider before you begin any renovations.

## 11 Should I make a claim for every loss?

Although this is a personal decision, consider the amount of the loss compared to your deductible before making a home insurance claim. If the difference is negligible, you may choose not to make a claim, especially if

it means losing your no-claims discount (if offered by your insurance company). Ask your insurance representative about how this may impact your premiums.

## 12 What kind of liability coverage do I have? How much do I need?

Home insurance policies generally provide coverage for your actions or those of a third party resulting in unintentional property damage, bodily injuries and legal costs. This applies anywhere in the world. Speak with your insurance representative about what liability coverage is right for you and if you should consider optional **umbrella liability** coverage, which would provide extra liability coverage in addition to your regular insurance policies. Since home insurance policies can vary in many ways, speak to your insurance representative regarding specific limitations and/or exclusions in your policy.

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