



Understanding Homeowners' Insurance

If you have home insurance, your policy may cover damages or losses in the event of

- fire,
- smoke,
- lightning, and
- other unexpected events (as described in your policy).

Flood coverage may be available from your insurance provider. But standard policies do not typically include it. It is an additional option (see [page 5](#)).

Tips: Read your policy closely. See [Understanding Your Insurance Policy](#) to help you understand the terms used in your insurance policy.

If you have any questions about your policy, ask your **insurance broker**. An insurance broker is trained to help clients with their insurance needs. Insurance brokers are **licensed** to do this work. Your insurance broker works for **you**, not the insurance provider.



Insurance coverage

Standard insurance policies typically cover damages to

- your home,
- other buildings on your property, and
- your **contents** (your personal belongings such as your furniture and electronics).

Standard insurance typically covers four types of costs:

- **additional living expenses** or **ALE** (the costs of not being able to live at home)
- cleanup
- repairing or rebuilding your home
- replacing contents

You must purchase home insurance **before** a disaster such as a fire occurs. Insurance providers may not allow you to purchase a new policy if a disaster is approaching.



Additional living expenses

When there is an event such as a wildfire, you may be unable to live at home:

- You may have been evacuated.
- You may be unable to access your home due to road closures.
- Your home may be damaged and unsafe to live in.

If you are unable to live at home, you will have additional costs:

- You may need to stay in a hotel or motel.
- You may need to buy food and clothing.

Your policy may cover these additional living expenses.

Your insurance probably will not cover every expense you have. Usually, insurance is intended to cover **reasonable living expenses**. Or it is intended to cover **additional** daily costs. These costs must be more than what you would typically spend every day.

Example: You normally spend \$800 a month on groceries. But you are staying at a motel without a kitchenette. You spend an **additional** \$300 on restaurant meals. Additional living expenses coverage may cover the \$300.

Usually, your policy will specify **how long** it covers these expenses for. Your policy will also specify a dollar limit for **how much** it will cover.

Typically, you pay for these costs up front. Then you can claim the costs when you open an **insurance claim**. An insurance claim is when you formally ask your insurance provider to cover damages from an event such as a fire.

Tip: For more information, see [Submitting an Insurance Claim](#).

Your insurance provider will then have an **adjuster** review the costs. An adjuster is someone who **validates** your claim. This means that they will determine if you can be paid back for some or all of the costs.

Keep all your receipts during this time. Your receipts will help the adjuster process your claim. Give all your documentation to the adjuster upon request.





Cleanup costs

After an event such as a fire, your home and contents may be damaged by

- smoke,
- water,
- **fire retardants** (chemicals that prevent or slow fires), or
- the event itself.

Cleaning up this damage can take a long time. But when there is water damage, work must be started quickly to avoid mould. To prevent mould after water damage, often the drywall needs to be torn out. And the carpets and floors need to be lifted.

Cleaning up your home and property

Typically, your insurance pays for cleanup and repairs to the home. For example, your insurance would pay for repairs to the walls and floors.

Your policy may also cover the costs of cleaning up debris on your land.

Cleaning up your contents

Your policy may cover cleanup costs associated with your contents. For example, your policy may cover the costs of steam cleaning your furniture. But if your contents are too damaged to be cleaned, you may need to replace them instead. Your insurance provider will determine what is best.



Costs of repairing or rebuilding your home

Remember: Insurance is intended to bring your home back to the state it was in before the event. It is not intended for improving your home.

After an event such as a fire, your home may be damaged. It may need repairs to make it safe to live in again. Or your home may be destroyed. This means it will need to be rebuilt. Your insurance provider will determine what is best.

Tip: For more information about repairing or rebuilding your home and everything that is involved, see [Substantial Repair and Reconstruction Contract Checklist](#).



Costs of replacing contents

After an event such as a fire, most of your contents will likely be damaged or destroyed. Your insurance may cover the costs of replacing your contents. For example, your insurance may cover the costs of replacing things like your furniture, television, and clothing. To be covered,

- you must **own** the items and
- they must be **insured**.

Tip: Complete the [Home Inventory Checklist](#). This checklist will give you an idea of how much it would cost to replace all your contents.





Coverage limits

Your policy has a limit for **how much** it covers. This limit is the **maximum amount** that may be applied toward **all your costs**.

Your policy may also have **sub-limits** for certain items. A sub-limit is a limit on the amount an insurance provider will pay for a specific type of loss. Sub-limits can apply to items such as sports equipment, jewellery, electronics, or art. Check your policy. Or ask your insurance broker for a full list of any sub-limits.

How much your policy covers also depends on whether your policy covers the **guaranteed replacement** cost or **actual cash value** of your property.

When you purchased your policy, you would have selected the coverage you felt was most appropriate.

Guaranteed replacement cost

A **guaranteed replacement** cost policy covers the **full cost** to replace or repair your property. It does not matter if the replacement cost is more than the coverage limit.

Example: Your **dwelling** coverage limit is \$400,000. (A dwelling is a home such as a house or apartment.) But it costs \$500,000 to rebuild. If you have guaranteed replacement cost coverage, your insurance would cover the full \$500,000.

Actual cash value

An **actual cash value** policy covers the **current value** of your property and contents. Your insurance provider will factor in **depreciation**. Depreciation is when your property reduces in value.

Example: Your kitchen appliances are five years old when they are destroyed in a fire. If you are insured for actual cash value, your insurance provider will cover the amount for similar appliances in similar condition. It would not cover the full amount for new appliances.

Guaranteed replacement cost vs actual cash value

The table below shows the differences in coverage between guaranteed replacement cost and actual cash value.

Policy coverage limits		Actual expenses	Guaranteed replacement cost payout	Actual cash value payout
Contents	\$200,000	\$350,000	\$350,000	\$200,000
Dwelling	\$400,000	\$585,000	\$585,000	\$400,000
Outbuildings	\$80,000	\$100,000	\$100,000	\$80,000





Exclusions

Even when you have coverage, your insurance may not cover specific circumstances. These are called **exclusions**. The following are examples of exclusions:

- Losses or damages that occur while your home is under construction.
- Losses or damages that occur while your home is **vacant**. A vacant home is a home that no one is living in.
- Losses or damages that occur because your home was not maintained properly.
- Losses or damages that are caused by rodents or **vermin**. Vermin are wild animals that are destructive.
- Losses or damages that are due to **arson** by you or someone else who would benefit from an insurance payout. Arson is a fire that is set on purpose.

Ask your insurance broker about any exclusions.



Flood coverage

Flood coverage is sometimes called **overland water coverage**. Flood coverage typically covers three types of costs related to water damage:

- The costs of not being able to live at home (**additional living expenses** or **ALE**)
- The costs of **cleaning up or repairing your home and any outbuildings**
- The costs of **replacing damaged or lost contents**

If you qualify for flood coverage, you must pay a **premium** to include it on your policy. A premium is an additional cost.

If you purchased flood coverage, you can find it on your policy's Declarations Page. The policy **endorsements** also describe your coverage. An endorsement is a change to your policy. When you add coverage such as flood coverage, it is an endorsement.

Note: For flood coverage to apply in the event of a flood, you must have purchased it **before** the flood occurred.

Your policy may have coverage restrictions based on the type of flood. For example, most policies do not typically cover storm surge and salt water. Sewage backup may have a separate sub-limit.





Flood coverage limits

Your policy's flood coverage also has a limit for how much is covered. This limit is the maximum amount that your insurance provider may apply toward **all your costs**.

Example: Your flood coverage limit is \$100,000. This is the total amount that your insurance policy would pay out for **all costs** associated with a flood. This limit includes additional living expenses, cleanup, and replacing contents.

It does not matter how much your overall losses total. **It does not matter how much your policy would typically cover for other types of losses.**

Flood coverage limit	\$100,000
Additional living expenses	\$ 5,000
Dwelling	\$100,000
Contents	\$ 30,000
Insurance payout	\$100,000

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