

## General

### Home insurance

Home insurance falls into three categories:

- 1) **Homeowner's policies**—which are for persons who own and live in a detached home and covers both the building and the contents:
- 2) **Strata insurance**
- 3) **Renter's insurance**—which covers personal property only (i.e. clothing, furniture)

#### There are three types of general insurance policies:

**The “Standard”** provides protection against a number of “named perils” that might cause damage to the dwelling and its contents. Named perils could include such things as fire, lightning, windstorm, hail, theft, and specific types of water damage.

**The “Broad”** policy improves named perils coverage on a dwelling to “all risks” coverage, but leaves the contents coverage on a named perils basis. (“All risks” coverage provides protection from anything that can result in a loss or damage, (unless the policy specifically excludes that cause of damage).

**The “Comprehensive”** policy provides all risks coverage on both the dwelling AND the contents. In addition to the dwelling, the possessions inside the dwelling or in your vehicle—such as your furniture, televisions, computers, washer/dryer, clothes, jewellery etc.—are also protected.

#### What it covers:

Homeowner's insurance helps compensate for perils that may befall your property. These include:

- Fire or Lightning damage
- Windstorm or Hail damage
- Freezing of plumbing system
- Theft
- Vandalism

Many property insurance policies will afford some protection when travelling. For example, luggage stolen from a hotel room or your car. Read your policy to identify coverages and limits.

If a home is considered unfit to live in due to an insured peril, home insurance may cover necessary and reasonable additional living expenses.

## Supplementary insurance coverage:

- **Contents replacement cost coverage.** Pays the replacement value on property damaged by a covered loss—with no deduction for depreciation—subject to your policy limits and deductibles. Special limits apply to certain items such as jewellery, watches and furs.
- **Additional replacement cost coverage.** If the limit of insurance on your home is too low to cover a total loss, this coverage makes available an additional amount to help rebuild your home.
- **Valuable items plus.** Provides higher limits and expanded protection for special classes of property such as jewellery, silverware, fine art, furs, cameras, musical instruments, and home computers.
- **Small business coverage.** Any assets used for those purposes will probably not be covered by a general insurance policy. This might include a laptop, cell phone etc.
- **Personal articles floater.** Should higher amounts of coverage than that offered by the Valuable Items Plus endorsement be needed, this separate valuable items policy is also available.
- **Coverage for water back-up.** Provides coverage up to a specific dollar amount if water backs up through your sewer or drain, or if water overflows or is discharged from your sump pump.

### **What basic water damage policies cover:**

- damage caused by overflow of the plumbing system
- water from burst pipes
- possibly frozen pipes

### **Basic policies do not cover:**

- damage caused by continuous seepage, sewer backup, etc. With this very significant peril that can cause so much damage, it is important to understand precisely what your policy covers – and what is excluded.
- washing machine overflow
- forgetting to turn off a tap, causing water to overflow into the unit below (sometimes this is covered)
- **Identity fraud coverage.** Provides up to \$25,000 to help cover costs to restore your identity if it's used fraudulently.

## Factors that affect home insurance rate:

- The level of home insurance coverage and deductible desired
- Your home's proximity to a fire hydrant and a fire hall
- Where your home is located and when it was built
- The cost to rebuild your home
- The heating system in your home

## Why have tenant insurance?

Because it covers furniture, electronics and other belongings. It also provides personal liability coverage in case someone is accidentally hurt while visiting. If damage is accidentally caused to your own apartment and/or those of others, such as in a kitchen grease fire or the overflow of water from your sink, tenant insurance covers it. Clothing is also something to consider. If all your clothing is lost in a fire, money will be needed right away. A clothing sale can't be waited for.

A tenant's landlord's insurance most likely does not cover any of the tenant's own upgrades made to their rental unit, such as, upgraded carpets or added built-in shelving units in the closets.

## The importance of having the correct insurance

**Do not underinsure home.** It is important to have the correct amount of insurance. Being “underinsured” can affect a subsequent claim. As an example, if a home is worth \$500,000, but is only insured for \$250,000, if a substantial loss were to occur, an insurer may pay 50% of the claim.

**Do not underestimate the cost of a home's contents.** Replacement costs to rebuild a home can be calculated by an insurance agent, but figuring out the cost of replacing your belongings can be more difficult. People often underestimate the cost of their belongings. It's best to go through every room thoroughly with an inventory checklist.

**Keep coverage current.** Coverage should be reviewed each year to be sure it reflects the cost to rebuild. Inform your insurance agent of any home improvements or remodeling projects completed in the past year. Consider that even small home improvements can affect the value of your house.

**Documenting possessions.** One way to do this is to make a video of your possessions. Another is to use a free smart phone app called Encircle ([encircleapp.com](http://encircleapp.com)). With Encircle, an image of your possessions can be created, to which and model and serial numbers may be added. As an added service, Encircle registers your possessions with the manufacturer and provides links to manuals and recall notices. Encircle also works with a digital camera and computer.

# Strata Insurance

## What it covers:

Strata insurance is for condominiums. Typically, a strata unit ownership is represented by the walls, ceiling and floors within the unit and includes any improvements to the unit. The remainder of the property (common property) is covered by a separate policy purchased by the strata corporation.

There are two types of strata insurance: one for the corporations and one for Condo Unit owners. The differences are laid out below.

## Condo unit owner's policy

### What it covers:

- Personal property such as clothing, household items and furniture as well as items stored in a locker.
- Upgrades to a unit (for example, custom hardwood flooring, custom counters, etc.)
- Additional living expenses, over and above the *normal cost of living*, in the event of an insured loss.
- A unit owner's share of a deductible incurred by the strata corporation resulting from an insured loss.

### What it does not cover:

- Business pursuits. A unit owner who runs their own business from home will not have their business-related property insured under a typical policy. A typical policy will also not provide liability insurance if anyone visiting the unit owner for business-related purposes should be injured on their property.
- Property and Liability insurance for aircraft, motor vehicles, and certain watercraft.
- Although the condominium corporation must carry insurance on the building, it does not cover everything and there are deductibles involved. When a fire or leaky pipe in a unit damages another, the owner of the unit the damage originated from may be held personally responsible, not the strata corporation.
- Certain water perils. It should be noted that the “water escape” peril is an insured peril that excludes floodwaters (i.e. overflowing creek), water seepage that is repeated or continuous (from a cracked wall, perhaps), malfunctioning sump pumps, leaky eaves troughs and downspouts. Sewer back up is excluded unless specifically added to a policy.
- Policies will not normally cover damage caused by freezing that occurs during the usual heating season if the owner has been away from their premises for more than four consecutive days. However, if they had arranged for a competent person to enter their home daily to ensure that heating was being maintained and everything else is in good order, then they would still be insured.

## Strata corporation insurance policy

### What it covers:

- All common or limited common property as indicated on the strata plan. Common property can include hallways, stairs, roof, pools, garages, driveways, etc.
- Fixtures built or installed in areas designated as common property, such as floor and wall coverings, electrical and plumbing fixtures.
- Strata assets such as furniture, equipment, etc.
- Liability of the strata corporation for claims of property damage and bodily injury suffered by others.

### Additional types of coverage:

**Increased unit improvements and betterments coverage provides** additional coverage for upgrades to a unit above the standard limits of a condominium unit owner's policy.

**Unit additional protection coverage** insures the strata unit itself (such as the walls, ceiling, floors) so that the owner is protected in the event their strata corporation's insurance is insufficient.

**Loss assessment coverage** is also available. Since strata unit owners share responsibility for common property, this coverage typically pays a unit owner's share (up to a stated limit) to cover major property and liability losses on *common property* that may exceed the strata corporation's policy limits.

**Strata insurance deductible assessment coverage** provides the deductible for damage to *common property* for which *a unit owner is at fault*. If the damage is due to the unit owner's actions, or if it originated from their unit (e.g. a leaky pipe, fire), the unit owner is responsible for the entire deductible, which is where this coverage comes in.

**Access denied coverage** reimburses the insured for additional living expenses and/or lost rental income for up to two weeks if the police or other civil authorities deny them access to their unit as a direct result of damage by an insured peril to neighbouring premises. Additional coverage is sometimes available in the event of mass-evacuation (such as a toxic spill from a train wreck).

**Home-based business insurance** is useful because the standard types of condo insurance do not include coverage for home-based businesses. However, specific liability and business contents insurance can be added to a condo insurance policy.

For more information:

[http://www.ibc.ca/en/Home\\_Insurance/documents/brochures/BC\\_Strata%20brochure.pdf](http://www.ibc.ca/en/Home_Insurance/documents/brochures/BC_Strata%20brochure.pdf)

<http://www.bflrealstate.ca/FAQ.html>

## **4 essentials that strata corporation insurance doesn't include:**

### **1) Contents Insurance**

Strata property insurance does not cover improvements and personal property such as furniture and electrical appliances. The insurance that the strata corporation organizes basically covers the structure of the building and any fixtures inside lots such as sinks, baths and plumbing.

### **2) Unit Additional Protection**

If there is a loss to the property in amounts in excess of amounts insured by the strata corporation, the shortfall will be passed onto the unit owners in the form of a special levy.

### **3) Liability Insurance**

An owner will not be defended by the strata corporation's liability insurer against claims for property damage and/or bodily injury, even if the claim arises from an injury suffered on the common property.

### **4) Deductible Assessment Insurance**

It is always recommended that owners obtain a policy which includes deductible assessment coverage for at least the amount of the strata corporation's deductible. Under section 158 (2) of the Act, the strata corporation may sue an owner to recover the deductible if the owner is deemed to have been responsible for the claim. Many strata corporations have also adopted bylaws allowing the strata to bill the cost of the deductible back to the responsible strata lot without having to sue.

## **Key questions to ask the strata corporation before purchasing insurance for a strata unit:**

### **About policy coverage**

- 1) What does the building's insurance policy cover and what is excluded?
- 2) Does their contents coverage include the items that are stored in condominium lockers for safekeeping? If not, it will have to be disclosed to the insurer.
- 3) What is the deductible on the condo corporation's policy for damages to the building's common areas?
- 4) Does the strata corporation carry earthquake insurance?

### **About policy claims**

- 1) Who is responsible for damages to a unit as a result of flooding or fire that occurs in a neighbour's unit?
- 2) What is the condo corporation's deductible in the event of damage being caused in common elements of the building?
- 3) Who is responsible for the cost to replace items stolen from common areas like the lobby or exercise room?
- 4) Who is responsible for damage caused by flooding of a storage locker?

Once an insured has answers to these questions, they should speak with their insurance agent to ensure they have the right coverage for their needs.

## **Special considerations regarding strata insurance claims**

### **Issues specific to strata insurance claims:**

The first issue is determining what was damaged, and under which policy's purview it falls under. If the damages occurred to the original assets and fixtures, and the amount is equal to and greater than the deductible, then the claim will be covered under the strata policy.

If the claim is for the strata common assets and fixtures and it exceeds the value of the deductible rate, then it is a claim on the strata corporation insurance.

The second issue to assess is what caused the claim. Now we know what is being covered and under what policy, it is important to identify the cause of a claim and whether it was the responsibility of the owner or the strata corporation.

An underlying principle of the SPA is that owners are responsible to maintain and repair their strata lots to the extent that the repairs are not damages caused by an insurable claim, a critical issue that is missed by many strata owners.

*In the case of a claim in which an owner of another strata lot is responsible, the amount of the deductible or damages to other parties could be claimed against that owner. The strata corporation would normally seek to recover the deductible and hopefully the homeowner's policy will settle the claim.*

When the amount is below the deductible, which is much more common these days because of higher deductible rates, owners rely on their own insurance policies for coverage, or they have the damages repaired and sue the owner of the strata lot who caused the damages.

*A homeowner/tenant policy should be considered. It covers living expenses in the event one cannot occupy their home due to an insured claim, which can sometimes be for long periods of time. Without it, a unit owner will be assuming the losses and risks at their own peril.*

### **Strata insurance tips:**

Invest in proper condo insurance coverage as there would be a much smaller need to sue a neighbour who caused an underinsured claim because one failed to buy insurance.

It is important for owners to report all the damages to the strata corporation to ensure that there are no hidden losses or damages that could cause future claims or losses, such as mould or dry rot.

Townhouse owners will generally be more responsible for anything that occurs inside their home, and that they have their own sufficient insurance coverage over items that may not be covered by their condominium policy, such as flooding or sewage backup.

There is an increasing trend for strata corporations to “pass-on” their deductibles to the individual unit owners. Unit owners may be responsible for their strata corporation's entire deductible if damage is determined to be from something that originated in the owner's unit, such as a fire or a leaky pipe.

# Home insurance cost-saving measures

## Improve security

Installing any of following may provide a security discount: smoke detector, sprinkler systems, carbon monoxide detector, monitored burglar alarm system and deadbolt locks.

## Take disaster-resistance measures

- 1) Add storm shutters for windstorm resistance.
- 2) Update the plumbing and electrical systems to reduce the risk of water and fire damage.
- 3) Update old wiring or heating systems to reduce the risk of fires.

## Seek out discounts

Everyone should check with an insurance representative to find out if they qualify for any additional discounts, such as:

**Affinity discount:** Employment by a particular organization, or membership in certain union, alumni, professional, occupational or non-profit associations, may qualify someone for an affinity discount.

**Loyalty discount:** An insurer may offer a loyalty discount for someone who's been with them for a minimum number of years.

**Retiree discount:** Those who are retired and meet certain conditions may be entitled to a retiree discount.

**Non-Smoker discount:** An insurer may offer a non-smoker discount if all family members in the house are non-smokers.

**Mortgage-free discount:** Those who have paid off their mortgage may be eligible for a discount on their home insurance.

## Review deductibles

A higher deductible will result in a lower premium. Deductibles can be either a fixed amount (i.e. \$500) or a percentage of the total insured value.

In deciding the appropriate deductible, there are a number of factors to consider, such as what amount can be absorbed in the case of a loss or what type of claims are likely to be made. It is important to remember that claim history can affect the premium amount. A series of small claims can have the same or more significant effect on premium as a single high-dollar claim. When purchasing home insurance, it is important to discuss the issue of deductibles with an insurance agent before making a decision. At the same time discuss the issue of claims and what effect a claims history can have on future insurance costs. A claims-free discount on home insurance policies can be significant.

## Buy multiple insurance products from the same company

While it is not permitted to tie the sale of one insurance product to another, insurance companies may offer better rates if it has all of an insured's business. As an example, if one insurance company insures the home, cottage, boat and all-terrain vehicle, the overall premium cost may be lower than if four policies from four different insurance companies were purchased. Where there are multiple items to insure, discuss options with an insurance agent before making a decision.



## **Annually review coverage**

It is good to document what one owns by keeping receipts and noting model and serial numbers is to make sure an insurer replaces exactly what is owned and not a cheaper substitute. This process may also lead to an insured discovering they have more coverage than they need for their possessions and thus can get by with a lower amount of coverage that can lower their premiums.

Some things that should be considered when reviewing coverage:

- Have any major purchases recently?
- Has the property decreased in value?
- Has some downsizing been done?

## **Suggest a credit check**

An insured can offer permission for their insurance company to check their credit rating. Some insurance companies take credit scores into consideration when determining a premium. As with many financial matters, it is important and beneficial to keep a healthy credit score.

## **Pay annually**

There may be extra administrative charges when paying monthly.

## **Move down from comprehensive to broad or basic coverage**

There are three levels of home insurance coverage: basic, broad and comprehensive. Before purchasing insurance, an insured should discuss the different types of coverage with their insurance agent to determine what best meets their needs and budget. In doing so it is important to have a clear understanding of exactly what amount/type of coverage is being purchased.

## **Reasons to read your policy:**

It should go without saying that you should read and understand your policy. You do not want to find out you aren't covered for something you're making a claim for when you thought you were covered for it.

Read your home insurance policy to determine if it covers your jewellery, furs artwork, cash, bicycles etc. up to a maximum amount. Special coverage will likely be needed to cover the full amount—ask your broker agent.

Insurers are shying away from some risks. For instance, owning certain types of dogs (Rottweilers, Doberman Pinschers, Pit Bulls), can limit or void your policy. Owning a swimming pool or a trampoline can increase your cost of coverage. Details such as what you are covered for and for how much are in your insurance policy. It is possible to buy additional coverage to protect yourself from certain exposures. Whenever uncertain, speak to your insurance agent.