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Choosing Home Insurance



**AUTORITÉ
DES MARCHÉS
FINANCIERS**



ABOUT THE AMF

The *Autorité des marchés financiers* (AMF) is the body mandated by the Québec government to regulate Québec's financial sector and assist consumers of financial products and services. The AMF is an integrated regulator, ensuring oversight of the insurance, securities, derivatives and mortgage brokerage sectors, deposit institutions (other than banks) and the distribution of financial products and services.

NOTICE

The AMF, its management and staff disclaim any liability for the consequences of any errors that this brochure may contain. It is for your general information. The AMF does not provide any advice regarding the purchase or use of specific financial products or services.

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Table of Contents

Choosing Home Insurance	3
1 Assess your needs	4
2 Choose your coverage	7
3 Decide whether you need additional coverage	9
4 Ask for quotes	12
5 Finalize your insurance purchase	15
6 Avoid problems after your policy takes effect	16

Choosing Home Insurance

Fire, theft, vandalism, water infiltration, lawsuits: you already know the risks involved in owning or renting a home.

Are you looking for home insurance to cover the potential costs if any of those risks were to occur?

This publication will give you the tools you need to confidently purchase a home insurance policy. You'll also learn the basics of renewing or cancelling your insurance. Lastly, you'll know what to do and what not to do to help avoid potential disagreements with your insurer.

If you own or rent, home insurance provides you with financial protection against damage or loss. It can also protect you in case you accidentally damage another person's property or injure them.

1

Assess your needs

Whether you're an owner or a tenant, making an inventory of what you own is the best way to figure out how much home insurance you need.

Do you have any valuable items, such as artwork or a high-end bike? It's very important to make a list of your belongings and determine their value, because you may need additional coverage (see section 3). Having photos can also be helpful.

Are you a homeowner?

Don't rely on your home's municipal valuation or its market value to establish the amount of insurance needed to cover the building. In some cases, this amount could be insufficient to rebuild your home if it were completely destroyed.

A professional appraiser can calculate the amount accurately, but you'll have to pay for this service. Most consumers tend to rely on a short appraisal by the insurer using a questionnaire about the features of their home. Even if your insurance agent or broker isn't an appraiser, he or she can help you fill out the questionnaire and decide on the coverage amount. Insurers that offer products over the Internet can also assist you with this.



Do you own a condo?

Insuring your condo requires two separate and complementary policies: one to cover the building and its common portions (building insurance), purchased by the condo syndicate, and one to cover your condo unit (personal home insurance).

The building, common portions and original plans and specifications of each of the building's units are covered by the building's insurance policy. You pay your share of this insurance through your condo fees. Check whether the coverage under the contract reflects the reconstruction value of your condo building. Also check the deductible you would have to pay in the event of a claim.

For your unit (personal home insurance), you have to decide how much insurance you need to cover your belongings and civil liability, and the amount of the deductible.

Your insurer will also include an amount for improvements you made to your condo unit that aren't covered by the building insurance. For example, if you did renovations and replaced a molded plastic shower with a ceramic one. Make sure that this amount is sufficient to cover all improvements made to your original unit.

Before and after June 13...

Was your condo established on or after June 13, 2018? The condo syndicate must keep a description of each condo unit and make it available to co-owners. If the condo was established before June 13, 2018, the condo syndicate must provide this description by no later than June 13, 2020. The description should indicate all the details of the original plans and specifications of each condo unit. Anything not included in the description will be considered an improvement and will have to be covered by your personal home insurance.

For more information about condo insurance, see the home insurance section of the [AMF](#) website.

Are you a tenant?

It's up to you to choose how much you want to insure your belongings for. This will be easy to figure out if you have a complete inventory. Remember that the higher the coverage amount, the higher the cost of your insurance (the premium) is likely to be.

Did you know?

Water damage is the leading cause of home insurance claims in Québec. Make sure you have the right coverage for this risk in case you need it!

Source: Insurance Bureau of Canada.

* See the insert about water damage on page 11.

2

Choose your coverage

You'll have to choose from two broad types of coverage for your property, in addition to choosing an amount for civil liability insurance.

Property insurance

There are two broad types of coverage for your home and its contents.

Basic coverage protects against the risks listed in the contract. These include:

- Vandalism
- Certain water damage
- Wind storms
- Theft or attempted theft
- Fire
- Explosions
- Accidental breakage of the windows in your home



All-risk (or comprehensive) coverage protects your home and belongings against all risks.

Regardless of which one you choose, you'll have to consider the limits and exclusions. Risks such as flooding and landslides are generally excluded from both types of coverage.

Owners may be offered mixed coverage, meaning all-risk coverage on the building and basic coverage on the contents.

Did you know?

Exclusions are risks that aren't covered under a clause in your insurance policy.

Civil liability

You can be held liable if you, your children or your pets accidentally injure another person or damage their property or belongings. To cover the financial consequences of this damage, insurers generally offer civil liability protection ranging from \$1 million to \$5 million.

While on vacation in Cape Cod, Cassandra doesn't notice that her dog has slipped off its leash and is running down the beach. Suddenly, she hears a scream. The dog has bitten a child's hand! The child's father immediately threatens to sue Cassandra.

Your personal home insurance should include civil liability protection. Find out how much coverage you need.

3

Decide whether you need additional coverage

Some of your belongings may be subject to limits in your contract and could require additional insurance (an endorsement). For example:

- Your basic home insurance may only cover the first \$200 in cash. If thieves steal \$500, you won't be compensated for the full amount.
- Coverage is also limited for certain items, such as jewellery, collections and works of art.

Take the time to review the list of items for which the insurer has set a limit. If you have any of these items, check that you will be sufficiently covered in the event of a loss.

Important exclusions

Some property, like outdoor swimming pools and spas, isn't covered. Certain risks, such as earthquakes, oil spills and leaks, are also excluded. Water damage isn't always covered. See the insert on this topic on the next page.

You can take out additional coverage (endorsements) to protect yourself against risks that aren't included in your insurance contract's basic coverage. Be sure to ask your insurer for details.

Earthquake risk in the Québec City-Montréal-Ottawa corridor, which is home to more than 75% of Québec's population, is very much misunderstood and underestimated. According to Natural Resources Canada, this area is the second seismic zone in the country.

Although this risk **isn't covered** under your basic insurance contract, most insurers offer additional coverage that you can buy in the form of an endorsement. Check if the amounts, deductibles and price are right for you.



Special situations

You need to inform your insurer of any situation relating to your home, such as that you have a home office or that you rent out all or part of your home.

Would you like to earn some extra income by renting out a room or your entire home? Your insurer might not cover loss or damage if your home is rented out for more than 30 days a year, for example, unless this is covered under your contract. It's important to let your insurer know your plans, particularly so that you avoid problems when making a claim.

Water damage

Your home insurance covers damage caused by plumbing problems (a dishwasher pipe breaks, for instance) and broken water mains (such as a municipal water pipe).

Additional coverage required for water damage

You usually need an endorsement to cover the following situations:

- Water infiltrations in your house below ground level (for example, seepage through the foundation in spring);
- Water infiltrations in your house above ground level (for example, water leaks through the roof during a heavy rainfall);
- Sewer back-ups;
- Flooding, dam breaks and overflow from a waterway. Note that insurers may refuse to provide this coverage if you live in a flood-prone area. For information about flooding risks in your area, use the on-line service [Géo-Inondations](#).

Pay careful attention to all water damage coverage offered by your insurer. If necessary, shop around.

4

Ask for quotes

The best way to get the coverage you want for a good price is to comparison shop. Take the time to ask for a few quotes. Here are four common ways to get a quote for home insurance.

Call two or three insurance companies

Many insurers give quotes over the phone.

Make sure you have all the relevant information handy. You may be asked for:

- Your name, date of birth, occupation and contact information.
- The type of dwelling to be insured, the number of floors, the surface area, if there is a basement and, if so, its specifications, the type of exterior wall, roof and heating.
- The year of construction.
- If there is a fire hydrant close by.
- If you have a home office or run a business, such as a daycare, out of your home or if there is a store in your building.
- If you have filed any home insurance claims in the last few years.

Call or meet with an insurance broker

Insurance brokers do business with more than one insurer and must be able to obtain quotes from at least three insurers. They can therefore compare coverage and premiums among the insurers with which they have agreements and present you with the best offer. However, that doesn't prevent you from also looking elsewhere.

Use a comparison website to get quotes

A comparison website lets you get multiple quotes with one request. If you decide to accept one of the offers, check the name of the insurer you end up dealing with and make sure it's registered with the AMF in damage insurance.

Request a quote on an insurer's or insurance broker's website

Some insurers offer their insurance products over the Internet. Although you can complete the entire transaction on your own, you can ask to speak with an AMF-certified representative at any time.



Whenever you request a quote:

- Check how much you could save by installing an alarm system in your home, opting for a higher deductible or taking out automobile insurance with the same insurer.
- Answer all the questions carefully and don't leave out any information. Misrepresenting your situation in order to hide something like a past claim or to get a better price could have consequences. You may lose your right to be compensated and you might have trouble getting insured. If you're not sure what has to be reported, then ask!
- Make your intentions clear after you receive a quote: do you want to purchase the proposed insurance or are you going to keep looking?



5

Finalize your insurance purchase

Great! You've found home insurance that suits your needs. Here are some points to check:

Before finalizing the transaction:

- Have you made sure the company or representative you're dealing with is registered with the AMF?
- Have you answered all the questions truthfully?
- Have you reviewed all the coverage offered?
- Are the payment terms acceptable to you?

When buying insurance on the Internet:

If you buy insurance on a website, you have 10 days to cancel it without penalty. Be careful, though: before cancelling, check to make sure you're covered under other insurance.

6

Avoid problems after your policy takes effect

You'll want to make sure everything goes smoothly with your home insurance, so here are some dos and don'ts that can help you. It's always best to avoid potential disagreements with your insurer.

You need to make a claim

If someone's been injured, call emergency services. Notify the police if you were the victim of a criminal act (theft, vandalism). You must inform your representative or insurer as soon as possible. They will tell you whether you need to do anything right away, such as securing the premises. Wait for approval before going ahead with any permanent repairs.

The costs you incur (such as paying for temporary lodging or clean-up work) might not be reimbursed if the insurer investigates and determines that the claim wasn't covered under your policy. Ask your insurer before making any out-of-pocket expenses.

Make a list of any damaged property, then find the sales receipts and photos that help prove the items belong to you.

Also, tell the truth when making a claim. If you don't, the insurer may refuse to pay an indemnity or might even cancel your contract.

You want to renew your insurance

Make sure you receive a renewal offer before your policy expires. When you receive your contract, see if there are any changes (premium and endorsements). Also ensure that the new contract reflects any changes in your needs. This may be the case if you acquired more possessions, adopted another pet, renovated your home or added a home office.

If you haven't received a renewal offer, contact your insurer.

You want to cancel your insurance

If you don't want to renew your insurance, let your insurer know before the renewal date.

You can also cancel your insurance policy (meaning, before it expires) by notifying your insurer in writing. The cancellation is effective as soon as the insurer receives the notice. You will then have to pay a financial penalty that varies based on the time remaining on your contract.



Your insurer can also cancel your contract but must give you a 15-day notice to this effect. No penalty applies in this case.

Regardless of the situation, pay particular attention to the dates your contract takes effect and ends so you don't find yourself without insurance.

You're having trouble making payments

The best thing to do is enter into a payment agreement with your insurer right away. Otherwise, your insurer may cancel your insurance and it may be hard for you find a new insurer.

You end up in a disagreement with your insurer

Say something. Ask to talk to a supervisor. If the disagreement can't be resolved, contact the AMF Information Centre for help with your complaint.



What does the AMF do for you?

We can provide you with unbiased, objective information about financial products and services and your rights and responsibilities.

We can help you file a complaint with your financial services firm.

Questions? Need assistance?

Contact our Information Centre.

Québec City: 418-525-0337

Montréal: 514-395-0337

Toll-free: 1-877-525-0337

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The *Autorité des marchés financiers* is the regulatory and oversight body for Québec's financial sector.



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