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Choosing home insurance



**AUTORITÉ
DES MARCHÉS
FINANCIERS**



About the AMF

The Autorité des marchés financiers (the “AMF”) is the regulatory and oversight body for Québec’s financial sector. Its mission is to assist consumers of financial products and services and protect the public in particular by applying the laws and regulations that govern insurance, securities (for example, stocks and bonds), deposit institutions (other than banks) and the distribution of financial products and services.

The AMF has published four brochures on insurance. This one will help you choose the right home insurance and make it easier for you to file a claim. The other brochures are: Choosing Auto Insurance, Choosing Life and Health Insurance and Choosing Travel Insurance.

NOTICE

The AMF, its management and staff are not liable for the consequences of any errors in this brochure, which is provided for your information only. The AMF does not offer any advice on the purchase or use of specific financial products or services.

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Choosing home insurance

Your insurer can offer you protection against certain risks

Home insurance provides homeowners and tenants with financial protection against damage or loss. Besides covering your property, it includes coverage for civil liability that can protect you in case of accidental damage caused to others.

Insurance policies are not all the same

The Insurance Bureau of Canada, an association representing Canada's private home, automobile and business insurers, provides sample insurance contracts for home insurers. However, not all insurers use them. There are many products and endorsements (additional protection) on the market.

How can you know whether your insurance policy provides all the protection you need? Follow the five steps in this brochure to help you decide on the right coverage for you and avoid problems in the event of damage or loss.

ARE YOU PREPARED FOR THE UNEXPECTED?

You walk in from work to find that your dishwasher has flooded the kitchen. Worse yet, your neighbours one floor below knock on the door to tell you that the water has damaged their ceiling and even their furniture...

Who can advise you about home insurance?

You can buy home insurance from a damage insurance agent or broker or by contacting certain insurers and firms directly.

Only damage insurance agents and brokers are authorized to advise you about home insurance. An agent sells the products of one insurance company while a broker can offer the products of multiple insurers.

Whether he is an insurance broker or agent, your representative will begin by evaluating your needs and then recommend the best coverage for you.

Do you know what is covered and what is not?

Which of the following items are usually covered by a homeowner's policy?

Your outdoor pool...	Not covered. You need an endorsement.
Your home theatre...	Covered.
Your Jean-Paul Lemieux painting...	Covered, but there are limits*.
Your collection of vinyl records...	Covered, but there are limits*.
Your new spouse's property	Probably not covered. Contact your insurer about extra coverage.
Your dog...	Covered, but there are limits*. You could also be covered for damage caused by your dog to others**.

* See the limits on page 10

** Be careful! Some insurers will refuse to sell you home and civil liability insurance if you have certain pets or a certain breed of dog. Ask your insurer about the restrictions.



Five steps to choosing the right home insurance

Below we set out five steps you can follow to choose the right home insurance.

1.

Evaluate your needs

What do you own?

Taking an inventory of what you own is the best way to determine how much home insurance you need. List all items in each room and their approximate purchase price. Don't forget clothing, bedding, dishes and other things that add up over the years. In another column, jot down what it would cost to replace the item if it is stolen or damaged. The total of this column is how much insurance you should take out.

An inventory is useful in case of damage or loss

If you keep your inventory in a safe place, you will be able to show it to your insurer in case of damage or loss. Complete the inventory with photos or a video and proofs of purchase.

Find out the cost of rebuilding your home



You should know that in the event of damage or loss, homeowner insurance contracts offer two types of compensation: cash value on the day of the damage or loss (the depreciated value of your home) and the cost of repairing or rebuilding your home without depreciation (replacement cost).

Don't rely on your home's municipal valuation or its market value to determine the replacement cost because it may not be enough to rebuild your home from A to Z.

Although a professional appraiser can determine the exact cost to rebuild your home, most consumers tend to rely on a short appraisal by the insurer using a questionnaire about the features of their home. Although they're not appraisers, your insurance agent or broker can help you fill out the questionnaire and determine the coverage amount.

Find out the cost for enhanced repair or replacement without deduction for depreciation

Mark insured his house with AllNew Insurance for \$200,000, the amount suggested by his insurer following an appraisal of how much it would cost to rebuild the home. Two months later, the house burns down due to an electrical fault. It's a total loss. Professional appraisers say it will cost \$220,000 to rebuild the house. If Mark is covered for enhanced repair or replacement cost without deduction for depreciation, he will be able to rebuild his house and receive full compensation from his insurer.

Under this option, your insurer agrees to reimburse the actual cost to rebuild your home, up to a certain percentage above the coverage amount. Some insurers suggest that their clients add this coverage through an endorsement (a change to the insurance contract) whereas others automatically include it. Ask your insurer!

2.

Choose your coverage

Choose the amount of coverage

Are you a tenant?

It's up to you to decide how much you want to insure your personal property for. This will be easy to figure out if you have a complete inventory of your belongings. Remember that the higher the coverage amount, the higher the premium.

Many tenants tend to underestimate their insurance needs. Think how much it would cost to replace your appliances, kitchen, bedroom and living room furniture, computer and electronic devices. Don't forget the cost of your clothing, bedding, cookware and sports equipment... You may have more belongings than you think!

Are you a homeowner?

Your insurance agent or broker can help you calculate the amount of coverage you need to rebuild your house and then help you check whether the amount you have in mind for your personal property is enough. An inventory of your home's contents may also be helpful for this.

Your children are leaving home; are their insurance needs covered?

If your children think they don't need home insurance, remind them that civil liability insurance could avoid a lot of financial headaches. They could be held liable for damage caused to a building or other people.*

Insurance for students

If your child pursues full-time studies and is still a dependant, your policy will cover his belongings and his civil liability. Talk to your insurer to find out if there are conditions and if you have enough coverage.

* See the explanation about civil liability insurance on page 9

Are you a condo owner?

The building and common areas are covered by the condominium insurance policy. What's left for you to do is to decide how much coverage you need for your personal property.

Your insurer will include an amount to cover improvements made to your condo that are not covered by the building's insurance. Make sure it is enough to cover such improvements as the floor covering added last year or the new kitchen cabinets.

Did you know?

Water damage is the number one cause of home insurance claims in Québec.

Source: Insurance Bureau of Canada.

* See insert about water damage on page 12

Two broad types of coverage

Basic coverage offers protection against the risks listed in the contract. It protects you against the following risks:

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

BASEBALL IN THE LIVING ROOM

Your two kids start playing baseball in the living room while you're sleeping. Your brand new home theatre gets hit by a curve ball. The \$2,200 damage will be covered if you bought comprehensive coverage for the contents but not if you only have the basic coverage.

The **comprehensive coverage** protects your home and belongings against all risks. Regardless of your choice, you will have to deal with limits and exclusions. For example, flooding and landslides are risks that are excluded from both types of coverage.

Did you know?

Exclusions are risks that are not covered under a clause in your insurance policy.

Choose an amount of coverage for civil liability

You can be held liable for damage you, your children or your pets accidentally cause to others. Civil liability insurance can be very useful when you consider the financial consequences of a simple accident.

Insurers generally offer civil liability coverage ranging from \$1 million to \$5 million. Do you travel outside the country often? Do you have children or a dog? Depending on your needs, your agent or broker may suggest increasing the amount of coverage.

VACATION SPOILER

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

3.

Decide whether you need additional protection

Pay attention to limits

Your insurance agent or broker should check if you have possessions that could be subject to limits in your contract and suggest additional insurance (an endorsement) if necessary.

The amounts of the limits can vary from one insurer to another. The table below shows some of the limits suggested by the Insurance Bureau of Canada (insurers may have higher limits).

Property covered	Limit
Cash	\$200
Boats, software, animals, wine, bicycles	\$1,000
Jewellery (limit applicable in case of theft only)	\$1,000
Vinyl records (limit applicable in case of theft only)	\$1,000
Lawn tractors and snow blowers	\$5,000

This is not a complete list. Take the time to look at the contract to find out which items have a limit. Do you have special belongings such as a collection, antiques or any luxury items?

Find out whether they will be sufficiently covered in the event of a loss. If not, your agent or broker can offer you additional coverage in the form of an endorsement.



Do you rent out your home?

Would you like to earn extra income by renting out a room or your home? Your insurer might not cover loss or damage when a home is rented for more than 30 days a year, for example, unless this is covered under the contract.

Contact your insurer to let it know your plans and avoid any problems when making a claim.

Do you have a home office?

You must tell your insurer if you work at home, even if you don't see how that could affect your insurance. Your insurance agent or broker will suggest adjustments to your property and civil liability coverage.

If you don't disclose this information, your insurer could refuse all or part of your claim, even if the claim has nothing to do with your work.

Do you own a cottage or a boat?

Your cottage is a separate property that needs its own insurance. Contact your insurer.

Your insurance contract sets a limit on boats or pleasure craft (\$1,000 or more depending on the insurer). However, if your boat exceeds a certain length or horsepower, you will have to buy additional coverage, especially civil liability. Check the limits in your contract.

Important exclusions

Some property like swimming pools and spas in your backyard are not covered. Some risks are also excluded such as earthquakes, oil spills and leaks. Not all water damage is covered. See the insert in this regard on the next page

Earthquake insurance

Did you know that the likelihood of a severe earthquake hitting Québec in the Québec City-Montréal-Ottawa corridor over the next fifty years is between 5% and 15%?*

This is not a risk covered by home insurance. However, this type of coverage can be obtained through an endorsement.

*Source: *Rapport annuel sur les institutions financières 2015*, Autorité des marchés financiers

Your insurance agent or broker may offer you various endorsements:

- To add coverage to your contract;
- To fully or partially eliminate some of the exclusions in your contract.

For example, he may suggest an above-ground pool endorsement or an earthquake endorsement. The scope of the coverage and choice of endorsements can differ from one insurer to another.

There are exclusions for which you cannot obtain coverage, for example landslides and losses due to war or terrorism.

Water damage

Your home insurance covers damage caused by plumbing problems (for example, a dishwasher pipe breaks) and broken water mains (for example, a city water pipe breaks and floods your basement).

Additional protection required

However, 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;
- Flood waters, dam breaks and overflow from a waterway.

Some insurers also offer to cover the cost of demolition and restoring the premises to repair the water intake (pipe connecting your house to the city watermain or artesian well) after it breaks.

Pay special attention to the water damage protection offered by your insurer and shop around.

It is important to check this to avoid surprises when making a claim.

4.

Shop around

Prices can vary significantly from one insurer to the other. That's why you should shop around for your insurance every year. If you do this by telephone, explain that you're only looking for a quote to avoid any misunderstandings.

Factors that influence premiums

Whether you are a tenant or a homeowner, the premium charged by your insurer will depend on many factors, including the following:

- The number of housing units
- The year of construction
- Proximity to a fire hydrant
- The selected coverage
- Main heating system (wood, electricity, etc.) and auxiliary system

How can you pay less?

There are several ways to reduce the amount of your home insurance premium:

- Take the time to shop around for insurance. The premiums can vary from one insurer to another.
- Discounts are often offered if you insure both your automobile and your home with the same insurer. Ask the insurer.
- Some insurers give you a discount if your home has an alarm system. Find out what discount is offered before having the system installed.
- Raise your deductible if you can afford it and the savings on your premium is worthwhile.

Compare apples with apples

While home insurance premiums can vary a lot among insurers, make sure you're comparing the same coverage. The basic form costs less than the comprehensive form. The insurance amount and endorsements you choose also play a big role in determining the premium.

BE FORTHCOMING IN YOUR DECLARATIONS

You must declare to the insurer any situation that could influence its decision to insure you or what premium to charge. For example, you own a pet, you have a criminal record, you carry on a particular business or another insurer has refused to provide you with home insurance.

Do you think you'll pay a lower premium if you don't declare this information? The insurer could refuse to compensate you even if the claim has nothing to do with your omission. You could also have trouble obtaining insurance in the future.

If you're not sure whether you have to declare something, check with your insurance agent or broker or contact the Autorité des marchés financiers.

Same place, different premiums

Carol and Julia live in separate units of a suburban duplex. They purchase insurance of about the same amount, so shouldn't they pay the same premium?

Not necessarily. Carol's insurer gave her a discount because she is over age 55 and her apartment has a central alarm system. Julia's policy has an office equipment endorsement and she chose a smaller deductible.



5.

Buy home insurance that meets your needs

You've found the home insurance that you need. Before buying:

- Find out whether your insurer and its representative are registered with the Autorité des marchés financiers to sell home insurance. Call the AMF Information Centre or check the Register on-line at www.lautorite.qc.ca.
- Make sure the insurer has answered all your questions and reviewed all your needs. Confirm the insurance amounts and coverage selected.

Checklist for buying home insurance

- Does the coverage meet your needs?
- Did you select the basic or comprehensive form? What is the price difference between the two?
- How much is the deductible? How much will your premium go down if you increase the deductible?
- Are you eligible for other discounts?
- Do you have personal possessions that are subject to a limit in the contract?
- Are the belongings of everyone living in your home covered and what about their civil liability?
- How can you cover your pool, spa, sauna or home office?
- Do you have replacement cost insurance?
- Do you need extra coverage for water damage (e.g.: spring run-off, sewer back-up or seepage through a foundation or roof), earthquakes, oil leaks or spills?
- Have you given all relevant information to your insurer?

Four important things to know about home insurance

1. Renewing your home insurance

Home insurance is not automatically renewed. Make sure you receive a renewal offer before your policy expires. When you do, check whether there are any changes to the contract (premium and endorsements) but also check whether your needs have changed. Have you, for example, acquired more possessions, adopted another pet, renovated your home or added a home office, etc.?

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

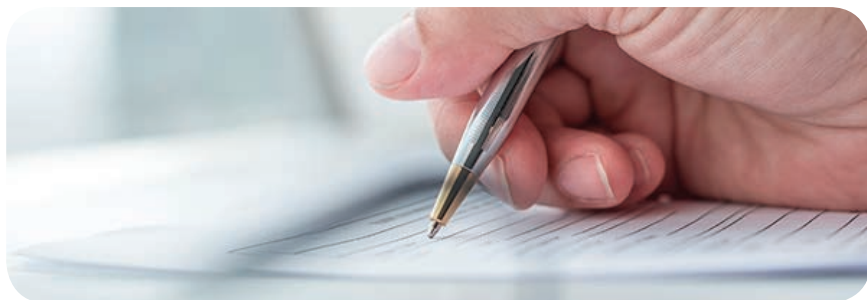
If you don't want to renew your policy, notify your insurer in writing before it expires.

2. Cancelling your home insurance

You can cancel your policy for any reason simply 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 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.



3. If you have trouble getting insurance

There could be many reasons: Your home is old, it's not renovated, you've made a lot of claims or you've had trouble paying your premiums.

There is no law requiring an insurer to sell you insurance. However, the Insurance Bureau of Canada has set up a mechanism for providing access to home insurance and can help you in this regard.

4. About replacement cost

Most insurance policies state that if property is damaged following a covered loss, you are entitled to replacement (unless it can be repaired). To find out whether you are entitled to replacement cost, read your contract or contact your insurer.

However, replacement cost does not always apply, for instance, if you're not replacing the property in question. In such a case, you will be entitled to the value as of the date of damage or loss, i.e. replacement cost less depreciation. In the case of a work of art or an antique, you will be entitled to the assessed value.





CONSTRUCTION? RENOVATIONS? NOTIFY YOUR INSURER!

- Additional exclusions can apply when a building is under construction (for example, glass breakage and vandalism are not covered).
- You may want to review what is covered or the amount of insurance.

Are you moving?

- If you're moving, tell your insurer ahead of time to make sure your coverage at your new address is adjusted accordingly. Your premium might change.
- If you're leaving your home permanently, for example, when you're moving but haven't yet sold your home, you must maintain your coverage but important exclusions apply. Ask your insurer.
- If you're leaving for a few days during the heating season, for instance, for a vacation down south, you should take certain precautions. Your insurer might give you two options:
 - Ask someone to check the heating system daily;
 - Shut off the water and drain the pipes and any appliances that could be damaged by frost.

To make sure you can make a claim, don't take a chance. Check with your insurer to find out what conditions must be met.

What to do in the event of damage or loss

In the event of damage or loss, notify your broker or insurer as soon as possible. He will tell you how to make a claim and whether you must do anything right away, such as to secure the premises.

The costs you incur (such as paying for other lodging or clean-up work) might not be reimbursed if the insurer investigates and determines that the claim was not covered. Ask your insurer before you incur these costs.

You have to provide your insurer with all the necessary supporting documentation (such as receipts, invoices and user guides) to demonstrate any damage or loss and answer your insurer's questions concerning the circumstances.

For its part, the insurer must compensate you – or notify you that it refuses to compensate you – no later than 60 days after receiving your notice of claim and the supporting documentation.



IN THE EVENT OF DAMAGE OR LOSS:

- Notify the police if you were the victim of a criminal act (fire, theft, vandalism).
- Make temporary emergency repairs to prevent further damage and keep the receipts. Wait for the insurer's go-ahead before making permanent repairs.
- Inform your broker or insurer as soon as possible.
- Make a list of the damaged property, then find the sales receipts and photos that help prove the items belong to you.
- Hold on to the damaged property; the insurer might wish to see it.
- The insurer will assign a claims adjuster to your file. The claims adjuster works for the insurer. You can choose to hire an independent one at your own expense to deal with the insurer's claims adjuster. Before doing so, check to make sure he is registered with the Autorité des marchés financiers.
- Your claim must include only the damaged or stolen property, which must be appraised at its fair value. A false claim may disqualify you from compensation. You might also have to find another insurer.

What happens if you have a problem with your home insurance?

Start by trying to reach an agreement with your insurer, your broker or your independent claims adjuster. If you can't, a number of recourses are available to you. You can always contact the Autorité des marchés financiers, the body responsible for regulating Québec's financial markets. An agent from our Information Centre will let you know your rights and responsibilities relating to your insurance contract.

The Autorité des marchés financiers

The AMF offers a complaint examination and assistance service to consumers of financial products and services. An agent from our Information Centre can explain how to file a complaint with the insurer, broker or claims adjuster with which you did business.

When it receives your complaint, the insurer, broker or claims adjuster is required to examine it and to notify you in writing of the outcome. If you are not satisfied with how the complaint was handled or with the settlement offered, you can ask that your file be transferred to the AMF.

The AMF will study your file and may offer its mediation service (amicable settlement). This service is free for consumers but the insurer involved must agree to participate. This service is an alternative to the courts and may help you and the parties come to a settlement rather than taking legal proceedings.





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