



The purpose of this document is to assist homeowners with a general understanding of their insurance policies. The information presented below depicts the most common types of insurance policies and is applicable to all types of losses (flood, fire, etc.). It is critical that you understand your insurance policy. Contact your broker and/or insurer with questions.

## Homeowner Insurance

### Common Insurance Terms Explained [1]

#### ACTUAL CASH VALUE

The cost of replacing an item with a similar one in the same condition taking into account factors that could reduce the item's value (depreciation).

**EXAMPLE: YOU BOUGHT A TELEVISION**

ORIGINAL COST AT TIME OF PURCHASE	\$1,200
<b>ACTUAL CASH VALUE (WITH DEPRECIATION)</b>	<b>\$250</b>
IF IT IS DESTROYED IN A FIRE:	
<b>COST FOR YOU TO BUY A SIMILAR TELEVISION WITH SIMILAR FEATURES TODAY</b>	<b>\$600</b>

#### ADDITIONAL LIVING EXPENSES (ALE)

If you have to leave your home due to an evacuation order most homeowner and tenant policies will provide ALE. ALE provides reimbursement for reasonable additional costs of living elsewhere when your home has been destroyed or is uninhabitable due to an insured peril. There will likely be a time and dollar limit for ALE coverage. ALE only covers costs of living which go above and beyond your normal costs.

**EXAMPLE:**

**IF THE ALTERNATE ACCOMMODATIONS YOU ARE STAYING IN WHILE YOUR HOME IS BEING REPAIRED DOES NOT HAVE A KITCHEN AND YOU HAVE TO PURCHASE MEALS IN A RESTAURANT - ALE WILL TYPICALLY COVER THE ADDITIONAL AMOUNT THAT IT WOULD COST YOU TO BUY MEALS OVER AND ABOVE YOUR USUAL GROCERY COSTS.**

Contact your insurer to determine what ALE costs you are entitled to be reimbursed for, what your limit is and the time period covered. Most insurers administer ALE on a reimbursement basis, however, should you experience extenuating circumstances, you should discuss with your insurer whether an upfront lump sum payment can be issued.

#### DEDUCTIBLE

The portion of a claim that you are responsible to pay before your insurance coverage will kick in. It is common to have different deductible amounts for different types of claims.

**EXAMPLE:**

<b>YOUR FIRE INSURANCE DEDUCTIBLE</b>	<b>\$1,000</b>
<b>YOUR SEWER BACKUP DEDUCTIBLE</b>	<b>\$2,500</b>

#### DEPRECIATION

Decrease in the value of property over a period of time due to condition, wear and tear.

#### EARTHQUAKE INSURANCE

Coverage for damage caused by an earthquake event. This coverage is not normally included in a standard home insurance policy and can be purchased as optional coverage.

#### ENDORSEMENT

An amendment to your insurance policy used to add or delete coverage.

**EXAMPLE:**

**SEWER BACKUP COVERAGE COULD BE ADDED AS AN OPTIONAL ENDORSEMENT.**

#### EXCLUSIONS

Items or perils listed in the policy which are not covered and are specifically excluded.

#### FIRE INSURANCE

Coverage for damage due to fire. Most home insurance policies include coverage for this peril and most include coverage for your contents as a result of a fire loss.

#### FLOOD INSURANCE

Coverage for loss due to surface water flooding. This coverage is typically not included in a standard insurance policy and can be purchased as optional coverage. Flood insurance may not be available to some home owners if they live in areas that are of a high risk of flooding.

#### INDIRECT LOSS OR DAMAGE

Damage resulting from a covered event or peril, but not caused directly and/or immediately by that event or peril. For example: Damage to property from a fire is a direct loss, while drainage problems caused by the lot trees being burned, would be indirect loss. Indirect losses may not be covered by your policy.

#### INSURED

The person named on the policy and includes their spouse, any relative living in the same household and any person under the age of 21 in their care. Sometimes call the "policyholder".

#### INSURER

The Insurance Company.

#### PERIL

The cause of an event, damage or loss. Usually, the reason you are submitting an insurance claim.

#### PERSONAL PROPERTY

Items that you own, other than your house/dwelling.

#### PROOF OF LOSS

A formal statement made by the insured to the insurance company regarding a claim. This document sets out what items you are making a claim for against your policy and the values of those items. A Proof of Loss form helps the insurer quantify the amount of your claim.

#### REBUILDING TO CODE

Coverage for the increased cost of rebuilding or repairing your home to current municipal or building codes. "By Laws" coverage is typically an optional endorsement.

**REBUILDING TO CODE:**

**ANY HOME REBUILT MUST BE TO PRESENT BUILDING CODES. IT IS SPECIFIC LOCAL BY-LAWS THAT ARE NOT COVERED IN BASE HOME POLICIES, BUT A HOMEOWNER CAN BUY OPTIONAL COVERAGE FOR IT. I.E. VANCOUVER HAS A FIRE SUPPRESSION SPRINKLER BY-LAWS FOR ANY NEW OR REBUILT HOME. THIS IS NOT A BUILDING CODE REQUIREMENT BUT A LOCAL BY-LAW REQUIREMENT.**

#### REPLACEMENT COST

The cost of replacing property without deduction for depreciation. If you have replacement cost insurance, your claim will cover the lesser cost of restoring items to their original condition or buying new items of a like kind and quality. Depreciation is not deducted from the item; however, the amount you receive may be less than you originally paid as the cost of replacing an item with similar features could be less expensive than when you purchased it (especially in the case of electronics).

#### SPECIAL LIMITS OF INSURANCE

For certain types of personal property, the limits in your insurance policy are the maximum amounts that will be paid. Verify your policy documents to see what Special Limits apply or contact your broker or insurer for further information.

**EXAMPLE**

**JEWELRY, FURS AND ANTIQUES MAY HAVE A MAXIMUM LIMIT PAYABLE IN THE EVENT OF LOSS OR DAMAGE.**

#### SEWER BACKUP INSURANCE

Coverage for damage caused by back up of water from a sewer, sump, septic tank, etc. This coverage is typically not included in a standard insurance policy and can be purchased as optional coverage.

#### TOTAL LOSS

The property has been destroyed to such extent that there is nothing left to be salvaged. The maximum amount payable under the policy.

[1] <http://assets.ibc.ca/Documents/Resources/Glossary.pdf>



## Homeowner Insurance

### How to Read Your Insurance Policy

#### DECLARATIONS SECTION

The Declarations section provides general information about your insurance policy, such as:

- The name of your insurance company
- Your name (who is insured)
- The limits of your policy (the maximum amount you **could** be insured for)
- Deductible amounts
- Endorsements
- The policy period or term and expiration date

#### INSURING AGREEMENTS SECTION

The Insuring Agreements section sets out when a claim is covered under the policy. It contains information such as:

- What types of losses are covered (or perils)
- A description of the property that is covered

#### POLICY CONDITIONS SECTION

This section sets out conditions that you, as the insured, must abide by in order to maintain coverage. If a condition is breached – payment of your claim could be refused.

#### POLICY EXCLUSIONS

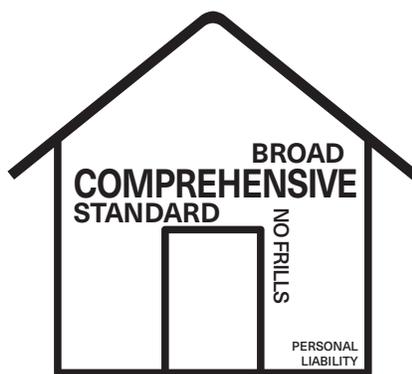
Exclusions are events, items or perils that are not covered under your insurance policy, and in fact, are specifically excluded. In some cases, you can purchase coverage for an item that has been excluded.

Some examples of typical exclusions or breaches of policy conditions are:

- You deliberately do something illegal.
- You notice that a loss is about to occur, or a loss has occurred, and you choose to do nothing to prevent or reduce the damage.
- You are negligent. For example: if you neglect to fix the holes in your roof your insurer may not approve a claim for water damage from a leaking roof and/or decide not to renew your insurance policy.

## Types of Home Insurance Policies

Generally, the main types of home insurance policies in Canada are:



**COMPREHENSIVE** Provides coverage to protect your home and contents against all risks, other than those that are specifically named in your policy as exclusions. Sometimes called an 'all-perils' or 'special' policy.

**BROAD** A broad insurance policy: (1) covers all risks to your home, except for risks specifically named in your policy as exclusions (similar to comprehensive policies); (2) it only covers risks to your contents that are specifically named in your policy (like standard policies).

**STANDARD** A standard insurance policy, provides less coverage than a comprehensive policy and, in some cases, less than a broad policy. If a risk is not specifically named in your policy as being covered, than a standard policy will not provide coverage for that risk. A standard policy can also be referred to as a "basic" or "named perils policy."

**NO FRILLS** This type provides the least amount of coverage. A no-frills policy offers very basic coverage for homes that don't meet typical standards for insurance.

**PERSONAL LIABILITY** Whether you own or rent your home, you can be held liable for bodily injury or property damage unintentionally caused to others. This section provides coverage if such an event occurs on or away from your property.

In addition to the home coverage types described above, insurers may use trademarked product names to describe home insurance packages. Contact your broker or insurer to ask what type of policy you have.

**NOT PROFESSIONAL ADVICE**

Information made available on this document is for informational purposes only and should not be relied upon as professional advice. By accessing the information on this document, you agree that the Canadian Red Cross and its agents shall not be liable for any injury, loss, claim or damages of any kind arising from this information, or any other claim directly or indirectly related to the use of this information.

**ADDITIONAL SUPPORTS**

Disasters and emergencies can cause significant disruption and add stress to your life. If you experience stress reactions that make it impossible to function normally over a long period of time, seek help. One option is to contact your local health facility, or a local crisis support line. For immediate **assistance support** anywhere in Canada, **please call Crisis Services Canada** at 1-833-456-4566.