

**\*\*\*This document is a generalized discussion of coverage. At all times, and in all instances, the coverage afforded by your policy is as described on your policy declaration and within the applicable policy wordings.\*\*\***

#### **Things we need you to tell us:**

**An insurance policy can be void if certain changes occur and are not agreed to by your insurer. Some examples of such changes include:**

- **If the occupancy of your home changes** - This can mean your home is vacant, rented in whole or part, used as a short term rental, used for business, occupied by family of the owner rather than the owner themselves.
- **If you install solid fuel or oil heat in the home or any other building** - Such things as oil space heaters, free standing wood stoves, pellet stoves, or fireplace inserts, must be inspected and approved on your policy prior to use.
- **If you complete renovations or alterations** - It's always good to let your broker know prior to renovations at your property. Prior approval may be required, occupancy may need to change and your dwelling value may need to be increased (ie: a basement becomes finished, bathrooms are added, decks or porches are added, rental suites are added, etc.)
- **If you have farm buildings and contents** - Only those farm buildings shown on your policy are insured and contents of buildings are insured only when explicitly stated on your policy. Review your building coverage to ensure all buildings and contents of buildings, requiring coverage are listed. Farm buildings & contents are normally insured for "basic perils" (fire, wind, hail, vandalism) and are not insured for theft, damage by attempted theft, ice damming or collapse from weight of ice & snow. If you wish to have coverage for additional causes of loss, speak to your broker, as some buildings can qualify for broader coverage.
- **If you have farm machinery** - Only those farm machinery items shown on your policy are insured. Review your policy to ensure all machinery that requires coverage, are listed.

#### **Types of losses where coverage may not apply:**

- Seepage and leakage of water
- Mould
- Damage caused by vermin
- Wear and tear, scratching or marring
- Water escape/pipe rupture when the home is unoccupied longer than 4 days (exception if the home is checked daily, a centrally monitored alarm has a temperature sensor, or the water is shut off and pipes are drained)
- Boats, motors, ATVs, trailers, campers, snowmobiles, vehicles of any type\*
- Sewer back up, Overland water, Ground water\*
- Settling, expansion, contraction, and movement of the earth
- Freezing to exterior hot tubs and swimming pools or any exterior plumbing fixtures
- Damage to any retaining wall
- Caused by smoke from industrial or agricultural operations
- Sporting equipment due to it's use
- Loss or damage to business/farm buildings or belongings\*
- Swimming pool on your premises causing third party bodily harm or damage
- Any loss or damage directly or indirectly resulting from illegal activity. Including all activity relating to manufacture, processing, storing of any drug or narcotic. This exclusion applies whether you have knowledge of the activity or not.

**\* Asterisk means not covered unless an endorsement is present on policy**

**Property insurance coverage (home, contents, buildings, income insurance, equipment, tools etc) contains a co-insurance clause which can limit the amount payable, when the limit of insurance is less than the true value of the item being insured. Please ensure the limits of insurance on your policy reflect the value of your property accurately.**

**More information on coinsurance is below. Note: co-insurance does not apply to homes or buildings where guaranteed replacement is explicitly indicated.**

### **Optional coverage endorsements:**

**The following are some of the common optional coverages available; these coverages apply only if explicitly stated on your policy or in your policy wording. Note: In some cases, a limit of coverage may apply as shown within your policy documents.**

- Sewer Backup- applies to owner occupied dwelling only
- Over-Land Water- applies to owner occupied dwelling only
- Ground Water- applies to owner occupied dwelling only
- Earthquake
- Service Line
- Home Systems
- Volunteer Fire Fighting Expense
- Building Bylaws Coverage
- Farm Buildings- only items shown on policy are insured
- Farm Building Contents
- Farm Tools
- Farm Machinery- only items shown on policy are insured
- Farm Machinery Loss of Use
- Swimming Pool (above or in-ground)
- Rental Suite
- Vacant
- Family Occupied
- Business Use
- Cyber Liability (1<sup>st</sup> Party)
- Cyber Liability (3<sup>rd</sup> Party)
- Cyber Crime
- Pollution Liability

**\*Definitions on following pages**

### **Property which requires additional coverage or for which a limit of coverage applies:**

Farm policies contain special limits on certain types of property. These items may be covered, but only to specific limits. Please review your policy to determine the limits provided by your policy and discuss with your broker if additional coverage is needed. Some examples of property to which special limits of coverage apply are:

- Jewelry/Furs
- Cash
- Bicycles
- Golf Carts
- Collectibles (such as stamp or coin collections)
- Professional items (books, tools, etc.)
- Silverware
- Securities
- Garden Equipment
- Property of Students away from home
- Freezer Food Spoilage

Your home's roof covering (shingles), although not subject to a special limit, are insured based on their condition at the time of loss and may be subject to a depreciated settlement.

**Your policy contains a co-insurance clause, which applies when the limit of coverage on your policy is less than the value of the property which is being insured. If you have replacement cost coverage, then the coverage limit should be the full cost of replacement. This clause does not apply when guaranteed replacement coverage is explicitly stated on your policy. More information can be found at the end of this document.**

### **Did you know?**

- Allowing your insurer to perform a soft credit check can, in some circumstances, reduce your premium
- Having a 24 hour centrally monitored alarm can, in some circumstances, lower your premium
- Certain updates to your property can, in some circumstances, reduce your premium

- Age of roofing material (ie. Shingles)
- Age and type of plumbing
- Age and type of electrical
- Age of your heating system
- Age of your water heater
- If you become mortgage free and do not have a secured line of credit, you may qualify for a discount.

Please contact us to discuss any of the above to see how it may benefit you.

**IMPORTANT!** If you use wood, coal, or oil as a primary or auxiliary heating source anywhere on your premises, the heating appliance and its use must be reviewed and approved by your insurer. Unapproved heat sources will void coverage, whether the heat source causes the loss or not. If you use such heat sources it is imperative that you have and maintain a record of your heating system's approval. If you are unsure if your system is approved please discuss this with us.

**Actual Cash Value:** The cost of property in its current depreciated condition, including debris removal, taking into account factors such as age, useful life remaining and wear and tear.

**Building By Laws Coverage:** An endorsement that provides coverage to comply with by-laws following an insured loss, in order to effect reconstruction of the insured property.

**Cyber Crime:** Protects against direct financial losses due to malicious acts, employee fraud, or social engineering.

**Cyber Liability 1st Party:** Provides coverage for the business' own expenses, which may become necessary for restoration / response to a cyber attack on the insured business.

**Cyber Liability 3rd Party:** Provides coverage for the insured business, should the business be sued by its' customers following the release of their information from the business relating to a cyber attack.

**Earthquake:** Extends coverage to include damage to the insured property caused by earthquake shock.

**Farm Buildings:** Provides coverage for buildings originally built or used for farm purposes (ie: workshops, quonsets, barns, bins).

**Farm Building Contents:** Provides coverage for items that are kept in farm buildings.

**Farm Machinery:** Provides coverage for farm machines (ie: tractors, combines, balers).

**Farm Machinery Loss of Use:** Provides coverage for rental costs in the event your machinery suffers a loss due a peril insured by your policy.

**Farm Tools:** Provides coverage for tools that are mobile and will be at various locations on the farm yard.

**Ground Water:** Extends coverage to include loss caused by the sudden entrance of ground water into the insured property, when concurrent with an overland water storm event.

**Guaranteed Replacement Cost:** An endorsement that guarantees reconstruction of the insured building, according to the information on file, regardless of the limit of coverage shown on the policy. If the building information on file with your insurer is inaccurate this coverage does not apply.

**Home Systems:** Includes coverage for the sudden and accidental physical breaking of mechanical systems in the home.

**Long Term Rental:** Rental of your rental premises or a portion of your rental premises that is rented out on an annual basis.

**Occupancy:** If the occupancy of your home changes, you must advise your insurance company in order to maintain coverage. (ie: home becomes vacant, rented short or long term, renting out a room, family occupied, used for business, etc.)

**Over-land Water:** Extends coverage to include loss caused by the entrance of surface water into the insured property where it doesn't usually build up under ordinary circumstances, when concurrent with a storm event.

**Pollution Liability:** Provides coverage for bodily injury and property damage to third parties, relating to the escape or release of pollutants. Coverage applies when loss is sudden and accidental, not continuous. Your coverage will have a reporting period of time in which an incident must be reported to your insurer for coverage to apply.

**Replacement Cost:** The cost to replace damaged property with new property of similar kind and quality, without consideration of depreciation.

**Service Line:** Includes coverage for damage to underground utility service lines from the exterior foundation of the home to the property line.

**Sewer Backup:** Extends coverage to include loss caused by the backflow of waste water into the insured property.

**Short Term Rental:** Rental of your rental premises or a portion of your rental premises that is rented out for a period of time that is less than on a 12 month basis may be deemed short term.

**Swimming Pool:** Coverage for swimming pools whether above or in-ground must be disclosed and approval confirmed.

**Volunteer Fire Fighting Expense:** Provides coverage for the expense incurred for a fire department to respond to a fire that impacts insured property.

## What is Co-insurance?

Co-insurance is an important condition contained within virtually all property insurance policies and is a condition that you need to understand. Co-insurance pertains to property coverage, including but not limited to, buildings, contents, stock, equipment, business interruption, tools, equipment, recreational properties, rental properties, as well as recreational items (boats, motors, ATVs, etc.).

The condition of co-insurance exists when a limit of coverage is less than the required amount of insurance, as stipulated by the co-insurance clause.

When a property is deemed to be co-insured, a formula determines the amount of reimbursement that a policyholder will receive in the event of a claim. The co-insurance amount is usually specified as a percentage on your policy declaration pages.

The co-insurance formula is:

$(\text{Actual Amount of Insurance}) \times \text{Amount of Loss} = \text{Amount payable by your policy (Required Amount of Insurance)}$

### Example #1

Building's Current Replacement Value \$1,000,000 Co-insurance Requirement 90%

Required Amount of Insurance \$900,000 Actual Amount of Insurance \$600,000 Amount of Loss \$300,000

Inserting the amounts above in the formula produces the following calculation:  $(\$600,000) \times \$300,000 = \$200,000$   
( $\$900,000$ )

In this situation, the insurance company paid \$200,000 of the loss and the policyholder absorbs a \$100,000 co-insurance penalty, since they underinsured the building by one-third.

If the building had been insured to the amount required by the co-insurance clause (in this case, 90%), the co-insurance calculation would look like this:

### Example #2

Building's Current Replacement Value \$1,000,000 Co-insurance Requirement 90%

Required Amount of Insurance \$900,000 Actual Amount of Insurance \$900,000 Amount of Loss \$300,000

$(\$900,000) \times \$300,000 = \$300,000$  ( $\$900,000$ )

In the second example, since the owner met the co-insurance requirement (90% or more of the calculated value) the claim is paid without penalty. As you can see from the examples above, ensuring your policy's limits are adequate can significantly impact the claims payouts and your internal cost in the event of a claim.

**Still curious about co-insurance?**

**Access our [co-insurance video](#) and other videos on our YouTube channel.**

**If you would like to review your current policy limits and discuss co-insurance, please contact your broker and ensure your limits are adequate.**