



The Ins and Outs of Insurance

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO SUN

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In general, we Canadians are a cautious people. Canadian lenders for example, require homebuyers to obtain home insurance before providing a mortgage.

Home insurance will help you recoup losses from sudden and accidental events. It can also offer legal protection if a person gets injured on your property or if you accidentally harm others or their property. It even covers your home's contents, like sports equipment, when it's temporarily out of the house.

Home insurance policies are provided for a one-year term, during which time a monthly premium is paid to the provider. As premiums cover the cost of all claims made to the insurer, they are calculated based on the amount of payouts anticipated in the coming year.

Your cost is based on the likelihood that you will make a claim. In determining this probability insurers assess the number of claims typically made in your area. A number of other factors are taken into consideration as well. Your proximity to water for example is noted, as it's a necessity in the event of a fire. The replacement cost of the materials used to construct your home is also factored in. As well, insurance providers assess the type and condition of your home's major components like heating, electricity, plumbing and roofing. Special factors like the presence of a wood burning stove, an in-home office, tenants, security and smoke alarms can also affect the cost of your premium.

Insurance policies can vary considerably so it's important to talk to your provider about the specifics of coverage being offered, and to be particularly clear on exclusions.

In general, there are three types of coverage. Comprehensive is the most inclusive type of policy; it covers your home and its contents for all risks, except those specifically excluded. By contrast, a named perils policy covers only those perils specifically stated. A broad policy is a combination of these two options, providing comprehensive coverage on the most costly items, such as the actual structure and named perils coverage on the contents of your home.

While insurance really is a necessity, it needn't be costly. There are a number of ways to save money on your premium such as increasing your deductible, which is your share of the cost of any claims you make. You should also not include the market value of the land on which your home is built, in your policy. Coverage should be limited to the value of your home and its contents in the coming year alone. It is also worthwhile to inquire about discounts for obtaining more than one type of insurance such as home and auto with the same insurance company. The best way to achieve low premiums though is to develop a track record of not making claims. As we Canadians know, it pays to exercise a little extra caution.

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