



# Home insurance for unexpected events and disasters

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From: [Financial Consumer Agency of Canada](#)

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## What are unexpected events (Disaster Financial Assistance Arrangements)

Home insurance policies may cover certain types of sudden unexpected and accidental events but not others. Insurance companies refer to unexpected events as perils.

Unexpected events can include fairly minor problems, such as a plumbing pipe that breaks by accident, up to devastating natural disasters, such as a wildfire.

[Learn more about home insurance.](#)

### Unexpected events and disasters that are usually covered

Your home insurance policy may cover damages caused by the following types of unexpected events:

- fire including wildfires
- wind-related weather including storms, tornadoes and hurricanes
- ice and hail
- theft
- vandalism
- water damage from inside your home (for example, from a broken pipe)

## Unexpected events and disasters that are usually not covered

Generally, home insurance policies don't cover certain types of unexpected events, such as earthquakes, landslides, floods and sewer backup.

You may be able to get optional add-on coverage for risks that are not covered by your policy.

## What are expected events

Home insurance policies don't cover expected and predictable events.

For example, it's expected that roof shingles will wear over time and need replacing. Your home insurance policy won't cover the cost of roof repairs in this case.

A home insurance policy isn't meant to cover maintenance costs.

You're responsible for maintaining your home on an ongoing basis. Generally, if damage to your home is due to a lack of maintenance, you will not be covered.

## Types of home insurance policies

After your insurance company has assessed the value of your property, you'll need to determine what type of policy best suits your needs.

The type of insurance policy you have will determine which risks you're protected against.

Generally, the main types of home insurance policies include:

- comprehensive
- standard
- broad
- no-frills

[Learn more about the types of home insurance policies.](#)

Your provincial or territorial regulator can help you confirm that the insurance company, agent or broker you're dealing with is licensed or registered to do business in your province or territory.

[Find your provincial or territorial insurance regulator.](#)

[Get tips on choosing an insurance company.](#)

## Earthquake insurance

Generally, home insurance policies don't include coverage for most types of damage caused by earthquakes.

If your insurer offers earthquake insurance, you may be able to get coverage for earthquake damage as an add-on to your policy at an extra cost. Insurance companies refer to these add-ons as endorsements, riders or extensions.

Earthquake insurance covers loss and damage to your home and contents caused by shaking of the earth. It may also cover additional living expenses if you can't live in your home after an earthquake.

Some types of damage related to an earthquake may be covered by your home insurance policy. For example, say an earthquake causes a gas line to break which starts a fire in your home. Your home insurance policy may cover the resulting fire damage. Your coverage depends on the legislation in your province or territory. Speak with your insurance representative for more information.

The premiums for earthquake insurance are usually higher than for other types of coverage.

The cost of your premium will depend on factors such as:

- where you live
- the age of your home
- the coverage limit you want for your home
- the amount of your deductible

Generally, the deductible for earthquake insurance is much higher than for other types of insurance. A deductible is the amount of your claim that you agree to pay before your insurance company pays the rest of it.

The deductible is usually a percentage of the coverage limit for your earthquake insurance add-on. Deductible percentages for earthquake insurance can range from 5% to 20%.

For example, if your earthquake insurance's coverage limit is \$500,000 and your deductible is 10%, you'll be responsible for paying the first \$50,000 of any damage caused by an earthquake ( $\$500,000 \times 10\% = \$50,000$ ).

Due to the deductible, you may not always be able to get compensation if an earthquake causes damage to your home. For example, say you have earthquake insurance and your deductible is \$50,000. During an earthquake, your home's foundation is damaged and it costs \$40,000 to fix. You won't receive any money from your insurance company because the cost of the damage is less than your deductible.

Some insurance companies allow you to lower your deductible by increasing your premium. Similarly, you may have the option to lower your premium by increasing your deductible.

While the premium and deductible for earthquake insurance can be high, earthquakes can cause a great deal of damage that usually isn't covered under most home insurance policies.

## What is not covered by earthquake insurance

Earthquakes can lead to other types of unexpected events or damage which may not be covered by earthquake insurance.

Earthquake insurance generally doesn't provide coverage for damage from a tsunami or tidal waves, even if they were caused by an earthquake.

Damage to land value is not covered by earthquake insurance or by insurance policies in general. If an earthquake damages the land your home is built on and makes it less valuable, earthquake insurance usually won't provide you with compensation.

For details on what isn't covered, ask your insurance agent or broker or review your policy.

[Learn more about earthquake insurance.](#)

[Find out what to do before, during and after an earthquake.](#)

## Flood insurance

Home insurance policies usually don't cover water damage from a source outside your home, such as flooding.

You may be covered in certain cases if water enters your home due to an insured risk. For example, say a tree falls on your roof during a rainstorm which leads to water damage inside your home.

Some of the ways that flooding can happen include:

- **Overland flooding** happens when rivers or lakes overflow their banks due to heavy rainfall or melting snow and ice
- **Rain-related flooding** happens when there is heavy or ongoing rain and the ground can't drain properly
- **Flash floods** happen suddenly due to hurricanes and other violent storms

Flood insurance is offered by some insurance companies. There are different names for this coverage, including overland flood insurance, inland flood insurance and enhanced water damage coverage.

Flood insurance may be available as an add-on to your home insurance policy at an extra cost.

Compared to some other types of insurance, there can be a lot of difference in the costs of flood insurance among different insurers.

The level of flood risk in your area determines your premium amount. If you live in a very high-risk area such as a flood plain, insurance companies may not offer you coverage or may charge you a higher premium. Your risk level can also affect your deductible and coverage limit.

Generally, the deductible for flood insurance is higher than for many other types of damage covered by insurance. The deductible may be a fixed dollar amount or it may be a percentage of your claim amount. There is often a minimum amount, for example, \$1,000.

For example, say your flood insurance has a deductible with a fixed cost of \$5,000. You have a flood in your basement that will cost \$10,000 to repair. You'll be responsible for paying the first \$5,000. Your insurance company will cover the remaining \$5,000 for the repairs.

Having an emergency savings fund can help with these situations.

Some insurance companies allow you to lower your premium by increasing your deductible.

## **What is not covered by flood insurance**

Flood insurance doesn't cover damage from flooding from coastal waters, salt water, storm surge, tsunamis, tidal waves, rising water tables or sewer backups.

If you get flood insurance, don't assume you'll be covered for all types of water damage. Be sure to check your policy or ask your insurance agent or broker about your coverage.

[Learn more about flood insurance.](#)

## **Sewer backup insurance**

Generally, most home insurance policies don't include sewer backup coverage. Most insurance companies may offer sewer backup coverage as an add-on to your policy at an extra cost. Whether this coverage is available and the cost will depend on your home's location and whether you've made any claims for sewer backup damage before.

Sewer backup insurance covers the costs of cleaning and repairing damaged areas of your home and replacing and restoring damaged possessions.

If you've had sewer backup damage, some insurance companies will require you to install a preventative device called a backwater valve to keep your insurance coverage.

[Learn more about sewer backup insurance.](#)

# Steps to lower your risks or prevent damage

There are measures you can take to reduce the risk of damage to your home from unexpected events.

Examples of steps you can take include:

- installing a sewer backwater valve to prevent sewer backup from flowing into your basement
- keeping valuable items off your basement floor or on a higher level in case your home is flooded
- disconnecting downspouts from the sewer system
- sloping the land to direct run-off water away from your home
- installing hurricane straps on the roof (for new homes)
- replacing an existing garage door with a stronger one to reduce the risk of wind and hurricane damage
- installing earthquake strapping for your water heater to reduce the risk of water damage and fire
- strengthening your home's foundation to prevent it from shifting during an earthquake (for older homes)

Some municipal governments offer rebates for home improvements that lower your risks. For example, many municipal governments offer a rebate to offset the cost of installing a backwater valve to help prevent sewer backup.

Measures to reduce your risk may be required by law in some areas. For example, some municipalities require homeowners to disconnect downspouts.

Some insurance companies offer discounts on premiums or other incentives for taking measures to lower your risks.

Check with your insurance agent or broker to see what you can do to lower your risks.

[Find out about ways to protect your home against flooding and water damage.](#)

[Learn about steps you can take to reduce earthquake damage to your home.](#)

## Disaster assistance programs

There are federal, provincial and territorial government programs that may provide financial assistance to communities after a disaster.

For example, Disaster Financial Assistance Arrangements (DFAA) is a federal government program. It provides funding to provincial and territorial governments, which can then provide financial assistance to communities and individuals.

Be aware that government financial assistance programs may not cover your costs for damages after a disaster. There are limits, exclusions and restrictions on eligibility. Programs vary by province and territory.

You may not be eligible for financial assistance if you could buy insurance for the disaster.

For example, say earthquake insurance is available in your area but you didn't purchase it. You may not be eligible for a government assistance program after an earthquake.

If you buy add-on insurance for flooding or earthquakes, you'll be sure to have coverage if these disasters happen. If you don't buy insurance, you might not get financial assistance.

When you make a claim with your insurance company, it may take days or weeks to settle the claim. Payouts from government financial assistance programs often can take years.

Provincial and territorial disaster assistance programs:

- [Alberta](#)
- [British Columbia](#)
- [Manitoba](#)
- [New Brunswick](#)
- [Newfoundland and Labrador](#)
- [Northwest Territories](#)
- [Nova Scotia](#)
- [Nunavut](#)
- [Ontario](#)
- [Prince Edward Island \(program available from federal government\)](#)
- [Quebec](#)
- [Saskatchewan](#)
- [Yukon](#)

## How to figure out your insurance needs for unexpected events

Your home is likely your most valuable asset. Make sure you have the right insurance in place to protect it.

### Assess your level of risk

Consider your home's level of risk for different types of unexpected events and disasters, for example, wildfires, landslides, floods or earthquakes.

If you live in or near a forested area, you may be at risk for wildfires.

Some parts of the country are at higher risk for flooding, especially flood plains. Even if you don't live near bodies of water like rivers or lakes, you may still be at risk from rain-related flooding.

Some parts of Canada, such as British Columbia, parts of Ontario and Quebec, including the regions near Ottawa, Montreal and Quebec City, and parts of the three territories, have higher earthquake risks for residents. Other areas of Canada also have some earthquake risk.

Landslides can happen across Canada. Mountainous areas in British Columbia, Alberta and the St. Lawrence Lowlands of Quebec and Ontario have a higher risk.

Consider the age of your home. Newer homes may include features that make them more resistant to disasters. Older homes may be at higher risk.

Your insurance agent or broker may be able to help you assess your level of risk.

[Learn more about how to assess your home's risk from wildfires.](#)

[Find out how to assess your home's risk of basement flooding.](#)

[Use this interactive tool to assess your neighbourhood's level of earthquake risk.](#)

[Learn more about how to assess your home's risk from earthquakes.](#)

## **Know the cost to rebuild your home**

Make sure you know how much it would cost to rebuild your home.

Find out how your home insurance policy and any add-ons for unexpected events and disasters will pay out for claims. Check if payouts will be based on your home's actual cash value or its replacement value.

[Learn more about actual cash value and replacement value.](#)

## **Guaranteed building replacement**

Check if your home insurance policy includes guaranteed building replacement. If your home is destroyed by an insured risk, your insurance company will rebuild your home, even if it costs more than your policy limit.

Conditions usually apply to guaranteed building replacement coverage.

For example, you may be required to:

- have insurance for the full amount of your home's replacement cost as determined by your insurance company
- inform your insurance company when you make any improvements that increase your home's value
- rebuild on the same site

## **Other costs to consider**

Along with costs to repair or rebuild your home, think about other costs you might have after a disaster or other unexpected event.

### **Additional living expenses**

For example, if you need to evacuate your home, you may have to pay for additional living expenses such as shelter, food and clothing.

Your home insurance policy may cover additional living expenses as a result of an evacuation in many situations, but usually will not cover these expenses if the evacuation is due to flooding or an earthquake.

Flood insurance and earthquake insurance usually cover additional living expenses related to these types of events.

### **Mortgage payments and other ongoing expenses**

Generally, home insurance policies don't cover your mortgage payments and other ongoing expenses you may have.

If unexpected events make it difficult for you to make your regular mortgage payments, it's important to contact your lender right away to find a solution.

[Find out how to deal with mortgage payment difficulties.](#)

It's a good idea to have an emergency fund in place. You can use it to pay for the deductible and any costs related to the disaster that aren't covered by your insurance or government emergency relief programs.

[Learn more about setting up an emergency fund.](#)

## **Questions to ask about insurance for unexpected events**

Some questions you could ask your insurance agent or broker include:

- Which types of unexpected events and disasters are covered or not covered by your home insurance policy?
- Is additional coverage available for unexpected events and disasters that aren't covered by your policy (for example, floods, sewer backup, landslides or earthquakes)?
- What is your home's level of risk for different types of unexpected events and disasters?
  - Your insurance agent or broker may have access to information that can help you assess your risk level
- What is your home's replacement value?
  - Does your policy include a guaranteed cost to rebuild or does it only provide coverage up to a certain limit?
- Are there any limits or exclusions for add-on coverage for unexpected events or disasters?
  - What is the limit for additional living expenses?
- How does your insurance company calculate your premium?
- How is your deductible determined?
  - If the deductible is a percentage of the coverage limit for your home, what does that equal in dollars?
- What steps should you take before you make a claim?
  - For example, creating an inventory of the contents of your home can make it easier to make a claim
- What are the steps to make a claim after an unexpected event or disaster?
- How long can you expect to wait to receive money after you submit a claim?

## Related links

- [Determining your insurance needs](#)
- [Making an insurance claim](#)
- [Cancelling your insurance](#)
- [Home insurance](#)

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