



## Home Insurance FAQs

**Q. What options are available for home or business owners who feel they can no longer afford wildfire insurance coverage?**

My suggestion is to shop around and see what other insurers in your area. Ask your broker which insurers they shopped you with, and take note of any direct insurers that you obtained quotes from. Another option is to consider increasing the deductibles that you have as part of your coverage. Increasing the deductible will usually lower your premium cost, but it also means that you are taking on a larger portion of the risk yourself.

Remember that you will be required to pay the amount of the deductible out of pocket before your insurance kicks in up to policy limits. You will be required to pay the deductible on each insurance claim you have over the life of your policy, so make sure that it is an amount that you are comfortable with.

I always recommend speaking with your insurance representative to fully understand the effect of changes to your policy. Lastly, [Insurance Bureau of Canada's \(IBC's\) website](#) has more tips to save money on home insurance.

**Q. What data models do you use to predict future wildfire risk? Are these publicly accessible?**

Each insurer has developed its own pricing and risk models and uses a variety of inputs. This information is proprietary to each insurer and is generally not shared. Insurers update those models as information becomes available.

**Q. Can you compare insurance rates in this region with those in other wildfire-affected regions?**

Wildfire risk may be comparable across regions in general, but insurance rates are impacted more by the age and type of insured structure, maintenance and upkeep, and other factors that relate to the property itself. More information is available [here](#).

**Q. How do you ensure transparency in how rates are determined?**



Insurers generally each have their own individual formula for pricing risk and weighing each risk factor. These formulas are not made public. However, market forces play a contributing role: Price insurance policies too high and you will lose customers to other insurers; price them too low and you will not be profitable. That is why it is so important to ensure a healthy and competitive insurance market in each province.

**Q. Can you explain how much of recent premium increases are directly tied to wildfire losses versus other factors?**

A key factor in setting premiums is claims costs – how much it costs to repair or replace a home if there is a loss. Since the pandemic, the value of homes, the cost of materials to repair and replace homes, and the cost of labour to work on damaged homes have all substantially increased claims costs.

The increasing risk of more frequent and severe storms, wildfires and other natural catastrophes is also a critical factor that impacts premiums.

Insurance is a pool of money where the premiums of the many pay the claims cost of the few. The more claims that are made and the more expensive those claims are, the faster the pool is depleted. Premiums then need to be adjusted to ensure the pool can meet the needs of future claims.

However, it is important to remember that in Canada most property claims that involve a home being damaged or destroyed by fire are not from wildfires: Electrical systems, stoves and human activities are the most common reasons a home is lost to fire.

**Q. Why are policies not being renewed for those who didn't experience losses or fire claims?**

We cannot speak on any individual policy, as there could be specific circumstances that result in an insurer not renewing a policy. If your policy is not being renewed, speak to your insurance representative to identify the reason and work with other insurers in the market. For additional information, each insurer is regulated to have an Ombudsoffice in order to answer questions such as these.

**Q. Have insurers tightened coverage limits or deductibles specific to wildfire losses?**

We cannot speak to the individual underwriting or pricing practices of any specific insurer, and approaches will vary across the industry as each insurers' claims experience will vary. However, from a broader market-wide perspective, we are not aware of any widespread trend toward



tightening coverage limits or deductibles specifically for wildfire losses. That said, even when a policy's coverage terms, limits and deductibles remain the same, it is possible, and even likely, that the policy will cost more today than it did a year ago as the cost to put the homeowner back in the position they are in, in the event of a total loss (for example), will cost more. Over the longer term, ongoing natural catastrophe losses continue to place upward pressure on premiums across the industry.

**Q. What advice do you have for people whose insurance company is going to drop them since the fire?**

Shop around with other insurance companies or insurance brokers.

Not every broker deals with every available insurance company, so if your current broker can't place your business, see if another can.

**Q. What are the pros and cons of insuring for guaranteed replacement value versus market value?**

For individual insurance questions like this one, I always recommend speaking with your insurance representative. They can assess your individual needs and suggest insurance solutions tailored to your specific situation. Information to assist with that conversation is available [here](#).

**Q. What are the pros and cons of insuring a seasonal or secondary property?**

Insurance companies often consider a seasonal or secondary residence as having a different level of risk than a home that is occupied on a daily basis. A few reasons for that is that the property may be in a remote area, and these types of properties are not occupied continuously throughout the year.

Having a policy means that you have insurance coverage for the property in the case of damage caused by a peril named in the policy, protecting you from a financial loss. Depending on the value of the seasonal property, this loss could be a significant amount. Consider the value of a fully finished cottage versus a camp and the impact to your financial situation should a total loss occur (i.e. burnt to the ground). Additionally, liability coverage offers protection if someone is injured on your property.

It's important to remember that a seasonal property is not insured the same way that a primary home is. Because the property is unoccupied for long periods of time, insurers may apply additional conditions or limitations. For example, coverage for damage due to freezing may require the heating system to be maintained or the water system drained, and coverage for



contents, water damage, sewer backup and flooding may be more limited. Additional information can be found [here](#).

**Q. Can you provide guidance on negotiating with insurance companies when you feel what they are offering in settlement of a claim isn't enough?**

You can take a number of steps during the claims process if you disagree with the amount your insurer is offering. Consumers can also take advantage of a robust dispute resolution process if they disagree with a claims decision.

- Contact IBC's Consumer Information Centre (1-844-2ask-IBC) for general guidance on the process.
- Speak with a more senior claims manager within your insurance company to review the file again. Many insurers have their own complaints handling process or internal ombudsperson who can conduct a further independent review within the company.
- Bring the complaint to the General Insurance Ombudservice, an independent dispute resolution mechanism, if you disagree with your insurer's final position letter.

A link to the General Insurance Ombudservice can be found below:

<https://giocanada.org/>

A full list of the dispute resolution options is available on IBC's website:

[www.ibc.ca/insurance-basics/how-insurance-works/dispute-resolution](http://www.ibc.ca/insurance-basics/how-insurance-works/dispute-resolution)