



Homes-Extra.ca

It pays to know you're covered



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There are several types of insurance options available to consumers today to cover their homes. Some are compulsory; others are optional. Even though some insurance options are not mandatory, there are a number of reasons you might want to consider additional home insurance.

Since your home is probably your largest and most expensive purchase, you should understand more about the additional insurance coverage and the risks of not having it. It is important that you investigate the different types of insurance coverage available and ask your insurance company the right questions.

Generally, two different categories of home insurance are offered: building insurance and

house contents insurance. In the context of buying a condominium, most people do not fully realize the differences and assume they are covered by the building insurance, which is typically arranged by the condominium and paid through common expenses.

Building insurance is required when applying for a mortgage on a freehold home. However, on a condominium purchase, banks don't typically require contents insurance for mortgage approval.

The name "contents insurance" is somewhat misleading because a contents or condo unit policy covers significantly more than simply the personal belongings inside the suite. Purchasers often skip this part of the condo purchase, hoping to save money and rely on the building policy. However, building insurance only covers the common elements of the building and what is called a "standard unit." Appliances, specific upgrades added by the homeowner such as flooring and window coverings, cabinetry or light fixtures, because they are not part of a standard unit, are not insured by the building insurance policy for loss or damage. These items alone can cost you thousands of dollars if you aren't covered.

The condominium documents provided by your builder at the time of purchase should clearly outline what is required for coverage of your condo. It is recommended that all prospective purchasers have their lawyer review the condo documents with them and explain the significant provisions.

Most builders will include either a requirement or a reference in the condominium declaration that owners should maintain contents insurance, including liability insurance, covering the owner or any resident of the suite, to the extent not covered by the building insurance.

It also important to note that if you choose to decline contents insurance, and a loss or damage to other units or common elements originates from an incident in your suite, you could be held personally responsible — and instead of protecting you, the condominium may look to you to pay its insurance deductible. In my experience, most purchasers are not aware of this risk.

In addition to protecting you from losses or damages occurring in your building, contents insurance should be considered because it not only covers you for loss or damage to

your personal items you keep in your suite but also for items you take on vacation with you, such as laptop computers and cameras. Since coverage will vary by provider, it is important that you shop around and ask a number of questions before choosing the coverage that is right for you.

Insurance may not be the first thing on your mind when you move into your new home or condominium, but taking the time to ask questions and arrange for the right policy in your circumstances is highly recommended.

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