AN ONTARIO HOMEOWNER'S GUIDE

What your policy actually covers

The Water Line

The Complete Homeowner Insurance Guide

From how a policy is actually built, to the underwriting details that change your premium, to the three kinds of water damage only one is automatic.

Explained simply — the way I'd tell a friend.

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What’s inside this guide

Built to be read start to finish once, then kept as a reference. Sections build on each other, so the order matters more than usual.

01 Read this first

According to industry survey data, roughly seven in ten Canadians can't accurately describe what their own home insurance actually covers. That's not a knock on homeowners, it's a description of how the product is sold. Policies are written in insurance language, sold in a single meeting, and then forgotten about until the day something goes wrong and it's too late to change anything.

This guide takes the opposite approach. It starts from the actual idea behind insurance, builds up through how policies are structured, walks through the full landscape of what's covered and what isn't, and ends with the practical mechanics: what determines your premium, what a condo adds on top, and what your lender needs before they'll fund your mortgage. Read it once in order. After that, it's a reference.

HOW TO USE THIS GUIDE

Sections 02 through 05 build the foundation, what insurance is, how policies are structured, and what they cover by default. Section 06 goes deep on water specifically, since it's the single most common and most misunderstood claim in Ontario. Section 14 is written as an actual script for your next call with a broker.

IMPORTANT

I'm a realtor, not an insurance broker. This is general education, not insurance or legal advice, and coverage details vary by insurer, property, and endorsement. Always confirm your specific policy's wording with a licensed broker before you rely on it.

IF YOU REMEMBER NOTHING ELSE

The 4 things that matter most

- Whether your policy is named perils, broad, or comprehensive changes more about your protection than any single add-on does. Most homeowners have never checked which one they have.
- A standard policy covers sudden, accidental water damage. It generally does not cover sewer backup or outside flooding unless you've added those separately.
- Whether your payout is based on replacement cost or actual cash value can be a bigger swing than any deductible. Confirm which one you have, in writing.
- Own a condo, rent out a unit, or leave a property vacant for a stretch? Each of those changes which policy actually applies, and a standard policy can go silent exactly when you need it most.

02 What home insurance actually is

Before getting into what a policy covers, it's worth understanding what insurance is actually doing, because the mechanics of every rule that follows come back to this one idea.

> **IN SIMPLE WORDS**
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> Insurance is a way of pooling risk across many people so that no single person has to absorb the full cost of a rare, expensive event alone. Thousands of homeowners pay a relatively small premium every year. Most years, most of them never file a claim. That pool of premiums is what pays out the small number of homeowners who do have a fire, a major leak, or a liability claim in any given year. You're not really buying protection from your own home, you're buying a share in a much larger group's protection.

This is also why insurers care so much about risk, both yours specifically and the property's. An insurer that takes on too many high-risk homes without pricing for it can't pay out when a bad year hits. Every underwriting question you get asked, every premium factor in section 09, and every exclusion in this guide exists because of this basic economics, not because an insurer is trying to avoid paying you.

Is it actually legally required?

Not in the way car insurance is. Ontario doesn't have a law forcing every homeowner to carry a policy. In practice, it's unavoidable for almost everyone, for two separate reasons.

- **Your mortgage lender requires it.** As a condition of funding your mortgage, virtually every lender requires proof of adequate home insurance before closing, and names itself on the policy to protect its loan. Section 13 covers this in detail.
- **Your condo corporation may require it.** Many condo corporations require unit owners to carry their own policy as a condition of ownership, on top of what the corporation's own master policy provides. Section 11 covers the split between the two.

> You're not legally forced to buy home insurance. You're just never actually free not to.

03 Three ways a policy can be built

This is the single most important structural concept in this entire guide, and it's the one almost nobody checks. Every home insurance policy in Canada is built on one of three different foundations, and which one you have changes what "I have coverage" actually means.

- **Named perils.** The policy lists specific events it covers, fire, theft, vandalism, and a defined list of others. If your loss doesn't match something on that list, it isn't covered, full stop. This is the cheapest and narrowest option, and the burden is on you to prove your damage matches a named peril.
- **Broad form.** A hybrid. Your dwelling, the physical structure, is covered against all risks except what's specifically excluded. Your contents, everything inside the home, are only covered for the named perils listed in the policy. This is a common middle-ground choice.
- **Comprehensive (also called all-risk or all-perils).** Both your dwelling and your contents are covered for any cause of loss that isn't specifically excluded. This is the most common type of policy in Canada, and it flips the burden of proof: instead of you proving your loss matches a listed peril, the insurer has to point to a specific exclusion to deny your claim.

WHY THIS MATTERS MORE THAN ANY SINGLE ENDORSEMENT

Say a power surge fries your laptop and your TV. Under a comprehensive policy, that's generally covered. Under a broad form policy, it depends entirely on whether "power surge" or "electrical current" happens to be one of the named perils listed for your contents. Under a named perils policy, it may not be covered at all. Same event, same house, three completely different outcomes, and the difference has nothing to do with water, fire, or any specific endorsement. It comes down to which of these three foundations your policy was built on.

INSIDER TIP

Ask your broker directly which of the three your policy is, not just for the dwelling but for contents separately, since broad form policies split the two. If you're not sure, assume nothing, comprehensive and broad form policies can look identical on the summary page and only differ deep in the wording.

04 The four coverages inside every policy

Regardless of which of the three structures above your policy uses, it's built from the same four coverages bundled into one document.

- **Dwelling coverage** pays to repair or rebuild the physical structure of your home if it's damaged by a covered peril. This is usually the largest coverage amount on the policy, and it's the number your lender pays closest attention to.
- **Contents (personal property) coverage** covers your belongings inside the home, furniture, electronics, clothing. It typically extends at a set percentage of your dwelling coverage unless you set it independently.
- **Personal liability coverage** protects you if someone is injured on your property, or if you're found responsible for damage to someone else's property, and pays your legal defence costs if you're sued. This coverage extends beyond your property too, in most policies it covers you as a person, not just your home.
- **Additional living expenses (ALE)** pays reasonable costs, hotel, meals, temporary rent, if a covered loss makes your home unliveable while it's repaired. Easy to forget exists until you actually need it, and it only responds if the underlying damage itself was a covered peril.

> **IN SIMPLE WORDS**
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> Think of your policy as four separate promises stacked into one document: fix the house, replace your stuff, cover you if you're blamed for someone else's loss, and put you somewhere to sleep if the house is unliveable. A single bad event, a kitchen fire, say, can trigger all four coverages at once. Which is exactly why the structure in section 03 matters so much: it decides whether all four of those promises actually apply to your specific situation.

05 The full list of what's covered by default

Most homeowners can only name one or two things their policy covers. Under a standard comprehensive or broad form policy, the actual list is longer, and knowing it helps you spot the gaps that aren't on it.

- **Fire, lightning, and smoke.** The original reason home insurance exists, and still the most universally covered peril across every policy type.
- **Theft and vandalism.** Covers your belongings if they're stolen, and damage caused by vandalism or malicious mischief to your home.
- **Wind, hail, and weather events.** Damage from windstorms and hailstorms is generally included. This is separate from overland flooding, wind damage and flood damage are treated completely differently.
- **Sudden and accidental water discharge.** A burst pipe, a failed appliance hose. Covered by default. Section 06 breaks down exactly where this default coverage ends.
- **Explosion and falling objects.** Damage from an explosion, or from something falling onto your home, like a tree branch during a storm.
- **Liability claims.** If a guest is injured on your property, or your dog damages a neighbour's fence, your liability coverage responds, including your legal defence costs.

> None of this involves water. It's worth knowing the full list, because it's easy to assume "insurance" means "water," when water is actually one entry on a much longer list.

06 Water damage: the one peril that's actually three

Water damage is now the most common and most expensive kind of home insurance claim in Ontario, and it's also the peril homeowners misunderstand the most. Two homes can flood on the same street during the same storm, and one claim gets paid while the other gets denied, not because of luck, but because the water took a different path into the house.

1. Sudden and accidental discharge. A pipe suddenly bursts, a washing machine hose fails, a water heater ruptures. This is the type of water damage that's commonly included by default, under both broad form and comprehensive policies, because it's sudden, internal, and not something you could have reasonably prevented.

2. Sewer backup. Water or sewage backs up into your home through a drain, floor drain, toilet, or sump system, usually because a municipal sewer or your own line is overwhelmed. This is a major issue in dense, older parts of the GTA, and it is typically not included by default. It has to be added as a separate endorsement.

3. Overland flooding. Water enters from outside, at ground level, from heavy rainfall, rapid snowmelt, or a nearby river or lake overflowing. Overland flood coverage only became available as a purchasable add-on in Ontario after 2015, and even now it's optional and usually has to be selected deliberately. Most standard policies still exclude it.

> Seeing the word "water" in your policy doesn't mean every way water enters your home is treated the same.

A RELATED GAP MOST PEOPLE MISS

Gradual damage, a slow leak behind a wall, chronic seepage through an old foundation crack, is excluded almost universally, no matter which endorsements you carry. Insurance responds to sudden, accidental events. If damage built up over months because a small leak went unnoticed, that's treated as a maintenance issue, not an insurable loss. Regular checks under sinks, around the water heater, and in the basement are the only real protection against this specific gap.

INSIDER TIP

Don't ask your broker "do I have water damage coverage." Ask three separate questions: do I have sewer backup coverage, do I have overland flood coverage, and what are the limits and deductible on each. Those are three different lines on your policy, and a yes to one doesn't mean yes to the others.

07 The exclusions almost every policy shares

Beyond the water-specific gaps in section 06, there's a broader set of exclusions that show up across nearly every home insurance policy in Canada, regardless of insurer or structure.

- **Wear and tear and gradual deterioration.** Insurance covers sudden, accidental loss, not the ordinary aging of your home. A roof that finally fails after 25 years of use is a maintenance issue, not a claim.
- **Infestation.** Damage from insects, rodents, or mould that develops gradually is generally excluded, on the same logic as wear and tear.
- **Vacancy.** Most policies restrict or void coverage if a property sits unoccupied for an extended period, commonly around 30 consecutive days. Section 12 covers this in detail, since it catches more people than any other exclusion on this list.
- **Business use.** Running a business out of your home beyond incidental use can void coverage for anything related to that business activity, and may require a separate endorsement or commercial policy.
- **War, nuclear hazard, and earthquake.** Standard policies exclude these outright. Earthquake coverage exists as a separate optional endorsement in higher-risk regions of Canada, though it's less commonly purchased in Ontario than in British Columbia.

> **IN SIMPLE WORDS**
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> Every exclusion on this list traces back to the same idea from section 02: insurance covers sudden, unpredictable events shared across a large pool of people. Anything that's gradual, foreseeable, or a choice you made, letting a house sit empty, running a business from it, is treated differently, because it isn't the kind of shared, random risk the pool was built to absorb.

08 Replacement cost vs. actual cash value

This one line in your policy can matter more than your deductible, and most homeowners never actually check which one they have.

IN SIMPLE WORDS

Actual cash value (ACV) pays what your damaged item or structure is worth today, after subtracting depreciation for age and wear. Replacement cost value (RCV) pays what it actually costs to replace it new, at today's prices, with no deduction for age.

Say a burst pipe ruins a 12 year old furnace. Under ACV, you might get a payout reflecting most of that furnace's useful life already used up, a fraction of what a new one costs. Under RCV, you get enough to actually buy a comparable new furnace. For the structure of your home, most Ontario insurers now default to replacement cost. For your contents and belongings, many policies still default to actual cash value unless you specifically upgrade it.

- **Replacement cost (RCV):** pays to replace or rebuild at current prices, no depreciation. The stronger, and more expensive, option.
- **Actual cash value (ACV):** pays replacement cost minus depreciation. Cheaper premium, but can leave a real gap between your payout and what it costs to actually rebuild or replace.
- **Guaranteed or extended replacement cost:** an upgrade some insurers offer that pays to fully rebuild your home even if the cost exceeds your stated policy limit, useful protection against construction cost inflation after a major regional disaster drives prices up.

> Construction costs in Canada have risen far faster than general inflation since 2019. A policy limit set a few years ago may already be short of what it actually costs to rebuild today.

INSIDER TIP

Ask your broker directly: is my dwelling coverage on a replacement cost basis, and is my contents coverage on replacement cost or actual cash value? Get the answer in writing, and ask when your dwelling coverage amount was last reassessed against current construction costs.

09 What actually determines your premium

Two homes of identical size and value, three streets apart, can carry noticeably different premiums, or one can be declined by standard insurers entirely while the other qualifies easily. The difference almost always comes down to the same handful of underwriting factors, and several of them are the exact same items your home inspector already flags.

- **Electrical wiring.** Knob and tube wiring, common in homes built before roughly 1950, has no ground wire and is considered a serious fire risk. Many standard insurers won't cover a home with active knob and tube at all. Aluminum wiring, common in homes built between the 1960s and late 1970s, is also flagged by most insurers and often requires an inspection or certified upgrade before full coverage is offered.
- **Plumbing material.** Galvanized steel or lead pipes, common in pre-1960s homes, corrode from the inside and are prone to bursting. Homes with copper or modern PEX plumbing generally receive better rates.
- **Roof age.** A roof older than about 20 years increases premiums, and some insurers will only pay actual cash value, not full replacement cost, on a roof nearing the end of its expected life.
- **Heating sources.** A wood-burning stove or fireplace insert typically needs a WETT (Wood Energy Technology Transfer) inspection certificate before an insurer will cover it. An older oil tank can also affect insurability on its own.
- **Claims history.** Both your personal claims history and, in some cases, the property's prior claims history factor into your premium and even whether an insurer will offer coverage at all.
- **Location.** Postal code level flood and crime risk, proximity to a fire hydrant and fire hall, and regional weather patterns all factor into pricing before anything about the specific house is considered.

> **WHY THIS MATTERS WHEN YOU'RE BUYING**
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> This is the section most guides on this topic skip, and it's the one most relevant to anyone buying an older home in the GTA. If a home inspection flags knob and tube wiring, aluminum wiring, galvanized plumbing, or an aging roof, that isn't just a repair-cost conversation, it's an insurability conversation. Get an insurance quote during your conditional period, not after you've already firmed up the deal. In real cases, updating the wiring, plumbing, and roof on an older home has moved it from a declined application to a fully insured one, at a real, budgetable cost. Better to know that cost before closing than after.

10 % Deductibles and coverage limits

Two more details decide what actually lands in your bank account after a claim, and both are easy to miss when you're just glancing at the premium.

- **Your deductible** is the amount you pay before insurance pays anything. A single policy can carry different deductibles for different perils, your base deductible might be one number, while a water endorsement carries its own, often higher, deductible.
- **Your coverage limit** is the maximum the insurer will pay for that peril. Sewer backup and overland flood endorsements are almost always capped well below your full dwelling coverage, sometimes as low as a specific dollar amount you choose when you add the endorsement, commonly ranging from the low tens of thousands upward depending on the insurer.

> **IN SIMPLE WORDS**
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> A $2,000 deductible on a $15,000 basement flood claim means you pay the first $2,000 and the insurer covers the rest, up to your endorsement's limit. But if that limit is only $10,000, you're also covering the remaining $3,000 yourself, even though you technically "had coverage."

A few practical moves can also reduce your risk and, sometimes, your premium: installing a backwater valve to stop municipal sewage from flowing back into your home, extending downspouts away from the foundation, maintaining eavestroughs, and installing window well covers on below grade basement windows. Ask your broker whether any of these qualify for a discount on your policy specifically.

11 If you own a condo, two policies, one gap

If you're buying a condo, your unit is actually protected by two separate insurance policies, and the space between them is where condo owners get genuinely expensive surprises.

IN SIMPLE WORDS

The condo corporation carries a master policy that covers the building itself, common areas like the lobby and hallways, and the "standard unit" as it was originally built. It does not cover your personal belongings, any upgrades you've made beyond the standard unit, or your personal liability. That's what your own unit owner policy is for.

- **What the corporation's policy covers:** the building structure, shared systems like elevators and HVAC, common areas, and the unit as originally built by the developer.
- **What your own policy needs to cover:** your personal belongings, any upgrades or renovations beyond the original standard unit (sometimes called improvements and betterments), and your personal liability.
- **Loss assessment coverage:** a specific add-on that pays your share if the condo corporation bills owners for a shortfall, most importantly, the corporation's own deductible if a claim is traced back to your unit.

WHY THIS MATTERS MORE THAN IT SOUNDS

Under Ontario's Condominium Act, if damage is traced back to your unit, an act or omission on your part, the corporation can charge you back for the lesser of the repair cost or its own insurance deductible. And condo master policy deductibles have been climbing sharply. A deductible chargeback of tens of thousands of dollars for a single water incident traced to one unit is not a hypothetical, it has happened to real Ontario owners. Loss assessment coverage on your own policy is what stands between you and paying that out of pocket.

INSIDER TIP

Before you buy, ask to see the condo corporation's current master policy deductible, it's often disclosed in the Status Certificate or available from the property manager. Then make sure your own loss assessment coverage is at least as high as that deductible. If it isn't, ask your broker to raise it before you close.

12 Renting, vacant, and other special cases

A standard home insurance policy is written for one specific situation: an owner living in their own home. The moment that changes, tenants move in, the property sits empty, you start operating it commercially, the standard policy can stop responding to claims entirely, and in some cases the insurer can cancel it outright once they find out.

Renting out all or part of your property

IN SIMPLE WORDS

The moment someone other than you is living in the property as a tenant, home insurance stops being the right product. Landlord insurance, sometimes called rental property or rented dwelling insurance, is built for the actual risk profile of a tenanted property, and it covers things home insurance doesn't.

- **Loss of rental income,** covering your lost rent if a covered event makes the unit uninhabitable during repairs. Home insurance has no equivalent to this.
- **Tenant-related risks,** like intentional tenant damage or the higher liability exposure of having a non-owner occupant, which standard policies aren't priced for.
- **What it still doesn't cover:** your tenant's own belongings and personal liability. That's the tenant's responsibility, through their own tenant insurance policy, not yours.

This applies even to partial rentals, renting out a legal basement apartment while you live upstairs. You need to disclose that to your insurer. Undisclosed rental use is one of the more common reasons a claim gets denied after the fact.

The vacancy clause

THE GAP THAT CATCHES THE MOST PEOPLE

Most standard and landlord policies in Canada include a vacancy clause: coverage becomes restricted or void if a property sits unoccupied for an extended period, commonly around 30 consecutive days. This applies more often than it sounds, a rental between tenants while you search for a replacement, a property mid-renovation before the next occupant moves in, a home you're preparing to list for sale and have already moved out of. The clock starts the moment the last occupant leaves, whether or not you're actively marketing the property. If you know a property will sit empty for a while, ask your broker about a vacancy permit or a standalone vacant property policy before the 30 days run out, not after.

13 What your lender requires before closing

Home insurance isn't legally mandatory in Ontario the way car insurance is, as established back in section 02. In practice, it's unavoidable, because your mortgage lender won't release your mortgage funds without proof of it.

- **Proof of insurance,** usually a binder or confirmation letter from your insurer, needs to be in your lawyer's hands before closing. Your lender is named as the "first loss payee" on the policy, meaning if there's ever a major claim, the payout is directed to protect their loan first.
- **Coverage amount** generally needs to be enough to fully rebuild the home, not just match your purchase price or mortgage amount. Lenders will flag a policy that looks underinsured relative to the property, which connects directly back to the replacement cost discussion in section 08.
- **Timing matters.** Arrange your policy at least a week before closing, not the morning of. A binder that hasn't been finalized can hold up funding on a day where everything else is already in motion. And if section 09's underwriting factors, older wiring, plumbing, an aging roof, apply to the home you're buying, get that quote during your conditional period, when there's still time to act on what it tells you.

> This is the same reason "line up home insurance" shows up on every closing checklist. It isn't paperwork for its own sake, it's the condition your lender attaches to releasing your money.

14 Questions to ask your broker

Copy these into an email or bring them to your next call, whether you're buying, renewing, or just reviewing what you already have. A good broker will walk through every one of these with you.

- Is my policy named perils, broad form, or comprehensive, for both dwelling and contents?
- Do I have sewer backup coverage, and what is the limit and deductible on it specifically?
- Do I have overland flood coverage, and what is the limit and deductible on it specifically?
- Is my dwelling coverage on a replacement cost basis? Is my contents coverage?
- When was my dwelling coverage amount last reassessed against current construction costs?
- Does this property's wiring, plumbing, or roof age affect my premium or eligibility?
- Do I qualify for a discount if I install a backwater valve or sump pump?
- (Condo) What is the corporation's current master policy deductible, and does my loss assessment coverage match or exceed it?
- (Landlord) Do I need to switch to a landlord policy, and does it include loss of rental income?
- What specifically is excluded from my policy that I might assume is covered?

15 Glossary

Every term in this guide that can sound intimidating, in everyday language.

Named perils policy
A policy that only covers events specifically listed in the contract. If a loss doesn't match the list, it isn't covered.

Broad form policy
All-risk coverage for the physical structure of your home, but only named-perils coverage for your contents.

Comprehensive (all-risk) policy
Covers both dwelling and contents against any cause of loss not specifically excluded. The most common policy type in Canada.

Dwelling coverage
The part of your policy that pays to repair or rebuild the physical structure of your home.

Contents (personal property) coverage
The part of your policy that covers your belongings inside the home.

Personal liability coverage
Protects you if someone is injured on your property or you're found responsible for damage to someone else's property.

Additional living expenses (ALE)
Pays reasonable temporary living costs if a covered loss makes your home unliveable during repairs.

Sudden and accidental discharge
Water damage from an unexpected, one-time event like a burst pipe. Typically covered by default.

Sewer backup
Water or sewage entering your home through a drain, toilet, or sump system. Typically requires a separate endorsement.

Overland flooding
Water entering your home from outside at ground level. An optional endorsement, only available in Ontario since 2015.

Endorsement
An add-on to a standard policy that extends coverage to something not automatically included.

Actual cash value (ACV)
A payout method that pays what a damaged item or structure is worth today, after depreciation.

Replacement cost value (RCV)
A payout method that pays what it costs to replace or rebuild at today's prices, with no deduction for depreciation.

Guaranteed / extended replacement cost
An upgrade that pays to fully rebuild your home even if the cost exceeds your stated policy limit.

Deductible
The amount you pay out of pocket before your insurance coverage pays the rest of a claim.

Coverage limit
The maximum amount an insurer will pay for a specific peril or endorsement.

Underwriting
The process an insurer uses to assess risk, wiring, plumbing, roof age, claims history, location, and decide whether to offer coverage and at what price.

Knob and tube wiring

An early electrical wiring system with no ground wire, common in pre-1950s homes and considered high fire risk by insurers.

WETT certificate
An inspection certificate for wood-burning stoves and fireplace inserts, often required before an insurer will cover a home with one.

Backwater valve
A mechanical device installed on your wastewater line that prevents municipal sewage from flowing back into your home during a sewer backup.

Master policy (condo)
The condo corporation’s insurance policy, covering the building, common areas, and the standard unit as originally built.

Standard unit
The definition, set by each condo corporation, of what a unit included when originally built. Varies by building.

Improvements and betterments
Upgrades or renovations made beyond a condo’s original standard unit, generally not covered by the corporation’s master policy.

Loss assessment coverage
A condo owner’s add-on that covers a share the corporation bills back to owners, most often the corporation’s own insurance deductible.

Chargeback
When a condo corporation bills an individual owner for repair costs or its insurance deductible after damage is traced to that owner’s unit.

Landlord (rental property) insurance
A separate insurance product for tenant-occupied properties, covering risks and loss of rental income that home insurance doesn’t.

Vacancy clause
A provision restricting or voiding coverage once a property sits unoccupied beyond a set period, commonly around 30 days.

First loss payee
The party, typically your mortgage lender, named on your policy to receive claim payouts first in the event of a major loss, protecting their loan.

That's the full picture, from how a policy is built to what it actually pays out when something goes wrong.

Buying a home, or just reviewing your renewal?

Send me your questions, happy to point you in the right direction. Reach out on Instagram **@jayp.realestate**.

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This guide is general education for Ontario homeowners and is not insurance or legal advice. Coverage, endorsements, limits, and deductibles vary by insurer and property. Always confirm your specific policy with a licensed insurance broker.