

Home Insurance vs. Title Insurance

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Purchasing a home is one of the largest investments you may make over the course of your life, and you will want to make sure that you protect this valuable asset. Both home insurance and title insurance protect your home but in different ways and against different risks.

Home insurance protects against future risks to the home itself, while title insurance protects against title defects for your property that may have gone unnoticed and various other issues. Title insurance is often obtained in lieu of a property survey and zoning memorandum. If you are obtaining a mortgage to purchase your home, your lender will almost certainly require that you secure both home insurance and title insurance policies. Both policies are often required because they protect yourself and the lender against different potential issues. Any lender will want to make sure that their interest is protected before they lend you money.

Home Insurance

Home insurance is intended to cover costs and expenses that may arise if something unforeseen or accidental happens to your home or your belongings. Some examples of coverage under a home insurance policy include:

- Damage to your home caused by external events such as fires, hail, windstorms, flooding and vandalism;
- Break-ins and theft of your personal belongings;
- Unexpected structural damage to the home;
- Damage to the contents of your home; and
- Coverage for other living expenses should your home become uninhabitable as the result of an incident such as a fire.

As it protects against future risks, home insurance is generally provided to homeowners as a renewable policy. It is the responsibility of the homeowner to make sure that their policy is up to date, otherwise the home and its contents will not be secured.

Title Insurance

A property title is a legal document that proves you have ownership over your property. Title insurance protects that title and legal ownership. It safeguards you against hidden issues from the past that may affect your title. The most common types of title insurance coverage include the following:

- Title or non-title related defects that have been caused by transfers of the property between previous owners;
- Issues with by-law or zoning regulations;
- Structural encroachments onto neighbouring properties (e.g., your garage is over the property line and is on the neighbouring property);
- Protection if your home or other buildings were constructed without the required building permits;
- Errors in surveys or other public records;
- Title fraud or other forms of forgery such as identity theft (and associated legal costs); and
- Existing liens against your title (e.g., if the previous owner had unpaid utility debts, mortgages, property taxes, condo fees, etc.).

Unlike home insurance, title insurance is generally a one-time fee and will protect you for as long as you own the home or until you refinance the property. At that time, you may be required to obtain a new title insurance policy for your new lender. Your lawyer will obtain the title insurance policy during the closing process and the cost will form part of your final closing costs.

Not all home and title insurance policies are the same, and some will include different terms that may be specific to your property. For this reason, it is important to carefully review your individual policies and speak to a lawyer to ensure that you are properly protected.

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