

# INSURANCE GUIDE FOR PRE-CONSTRUCTION HOME BUYERS

This guide explains the key insurance protections every pre-construction buyer in Ontario should understand before possession. It breaks down deposit protection, title coverage, home insurance, and optional policies so you can protect your investment at every stage.

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***Buying pre-construction*** has a longer timeline than resale. Closing dates are delayed because of supply material and labour issues. While insurance doesn't solve every risk associated with pre-construction homes, it can protect a portion of your invested money across each stage.



## 1. DEPOSIT PROTECTION AND TARION COVERAGE IN ONTARIO

If you buy a new home in **Ontario**, you usually get warranty coverage through Tarion. Tarion also provides deposit protection up to set limits, based on home type and purchase price. This is not private insurance, but it matters because many buyers assume deposits always stay safe without conditions.

You should still read your Agreement of Purchase and Sale and understand how deposit protection works. Ask your sales team or lawyer about what applies to your specific home type. You can also confirm details directly with Tarion.

Tarion website: <https://www.tarion.com>

## 2. TITLE INSURANCE

Title insurance protects against certain title related problems. It can cover issues like title fraud, unknown liens, survey problems, or errors in public records. Most buyers think title problems only happen in older homes, but title insurance still matters for new builds. It can also help with legal costs if something unexpected comes up.

**Title insurance** is typically purchased through your real estate lawyer on closing day. It is a one-time cost, not a monthly premium. Ask your lawyer what the policy covers, what it excludes, and whether it includes zoning and permit coverage.

### 3. HOME INSURANCE FOR CLOSING DAY

Your lender will require home insurance before they release mortgage funds. This is one of the most common causes of closing delays. If you wait too long, you risk last minute scrambling, higher pricing, or missing paperwork.

Call an **insurance broker** 2-3 months before final closing. Confirm the correct address, occupancy date, and whether the home is freehold, condo, or stacked townhome. Ask what happens if the closing date changes, since date changes happen often with pre construction.

### 4. CONDO INSURANCE VERSUS FREEHOLD INSURANCE

If you buy a condo or condo townhouse, the condo corporation carries a master policy for the building structure and common areas. You still need your own condo unit policy. Your policy covers your personal belongings, liability, and improvements inside the unit. It can also cover special assessments in certain cases, depending on your policy.

If you buy freehold, your policy usually covers the full structure, contents, and liability. Ask whether you need extra coverage for things like basement flood, sewer backup, or overland water, since those options vary by insurer.

### 5. BUILDER RISK INSURANCE AND CONSTRUCTION PHASE COVERAGE

Most builders carry their own coverage during construction. Buyers usually do not insure the structure during the build, since you do not yet own it in the same way as a resale purchase. Still, you should confirm this with your lawyer and review your agreement. What matters most is the moment you take possession, since your insurance responsibilities start then.

If you plan to do upgrades or early design choices, keep documentation. It helps later if you need to prove what you paid for or what finishes were included.



## 6. MORTGAGE LIFE AND DISABILITY INSURANCE

This is optional for deposits over 20%, but mandatory for deposits under 20%.

**Mortgage life insurance** can pay off your mortgage if you die. Disability insurance can help cover payments if you cannot work due to illness or injury. Coverage terms vary a lot, and bank offered policies often differ from personal policies you buy outside the bank.

You can either make a lump sum payment or incorporate it into your monthly mortgage payments.

Government of Canada insurance basics:

<https://www.canada.ca/en/financial-consumer-agency/services/insurance.html>

## 7. CRITICAL ILLNESS COVERAGE

Critical illness insurance pays a lump sum if you get a covered serious illness, such as cancer, stroke, or heart attack, depending on the policy. Some buyers use it as a safety net so they do not drain savings or miss mortgage payments during recovery.

This is not mandatory, but worth discussing with a licensed insurance advisor.

## **8. LIABILITY COVERAGE**

Liability coverage protects you if someone gets hurt on your property or if you accidentally cause damage to someone else's property. This can matter right after you move in, when you host friends, hire movers, or coordinate small jobs. It can also matter if you rent the home out later. If you plan to rent, you must tell your insurer, since landlord coverage differs from owner occupied coverage.

## **9. VACANT HOME COVERAGE**

If you plan to take possession, but move in later either because of travel or renovations, you need vacant home coverage.

## ESSENTIAL INSURANCE CHECKLIST FOR HOME BUYERS:

- Confirm Tarion warranty coverage and deposit protection.
- Ask your lawyer about title insurance and recommended coverage.
- Contact an insurance broker 30 to 60 days before closing.
- Confirm property type, occupancy date, and expected replacement cost.
- Add water damage coverage options where possible.
- Update your insurer if the closing date changes.
- If you plan to rent, switch to landlord coverage before tenants move in.

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***Plan your purchase*** with fewer surprises.  
[Talk to our team](#) about the exact insurance steps to take before possession.