CHOA

Condominium Home Owners' Association of British Columbia

Leadership, Education and Resources for strata owners across BC

Website: www.choa.bc.ca / Toll-free: 1.877.353.2462

Bulletin: 300-708

Condo Smarts

Headline: Earthquake insurance
Topic: Insurance, Disaster Planning
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Written by: Tony Gioventu

Dear Tony: We live in a 110 unit bare land strata in the Okanagan Valley. Our recent building appraisal increased our property valuation by over 500% because the in ground systems of water, sanitation and roads were included in the assessment. As a result our insurance doubled. We have been talking to our insurance broker over the reason for the increase and questioning whether the costs actually cover anything new or additional costs. Our policy includes earthquake coverage, but we don't know what is actually covered because our homes are insured by each owner. We have also noticed our earthquake deductible is now 15% of the appraised value, but we are confused about what the earthquake insurance actually covers, if anything. How do we get some straight answers?

Patricia V.

Dear Patricia: The *Strata Property Act* requires that strata corporations must be insured for full replacement value, which is the reason for your appraisal values. Bare land strata corporations are a bit "out of the box" when it comes to typical commercial/strata insurance coverage because they rarely cover buildings. As a result, your strata corporation will want to verify whether the insurance you purchase is actually covering anything in your strata corporation, and under what conditions the assets would be covered. I always recommend a strata corporation use a broker to assist them with their insurance placement. This provides the strata with an agent who acts on their behalf, and who can provide clear information about your policy coverage, the perils and the circumstances. Earthquake coverage for bare land strata corporations is a good example as it is optional. Before your strata adds and pays for earthquake coverage, have your broker provide you with a written confirmation of the value of the coverage, under what circumstances the coverage is applicable, what assets are actually covered, and what exemptions apply. Does the earthquake coverage apply to the in ground services like water and sanitation? Does it apply to roads and electrical/lighting? Would the coverage apply in the event of a tsunami, dyke breach, slope shift, landslide, sinkhole or overland flood? Once your strata corporation has determined the value of the coverage it may be best for your owners at your next general meeting to decide whether to continue the additional coverage or not.

Earthquake deductibles are based on the total appraised value of the strata corporation's common property, assets and fixtures. A deductible of 10% applied to a 100 unit high rise with an appraised value of 35 million dollars is 3.5 million. That amount would be shared by all 100 units based on unit entitlement. In the event of an earthquake claim, that would average out to $35,000 per unit! While the first week after a disaster is critical, the subsequent months and years that follow are devastating for home owners if the strata corporation cannot collect the deductible amounts or has insufficient insurance. Without the deductible amounts being paid, reconstruction will be interrupted. Homeowner policies that cover an owners' share of earthquake deductibles or other types of claims such as water escape may make all the difference.