
Condo Smarts

Headline: No Insurance!

Topic: Insurance

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Dear Tony: We are a first-time buyer and looking at an older condo in Surrey that is affordable and large enough for our family. The building just posted a notice, without any explanations, they could no longer purchase insurance as of January 31, and our sale is due to complete in mid February. We did prequalify for a mortgage, but on the condition that sufficient insurance was provided, which we now cannot provide. We are stuck between the obligation to purchase, where we put down a \$10,000 deposit that we cannot afford to lose, but at the same time we cannot proceed with the purchase as we have been advised by our bank they cannot provide a mortgage if the strata corporation cannot purchase insurance and the buyer cannot purchase insurance. We contacted an insurance provider about homeowner/content insurance and they confirmed they can provide insurance for our personal liability and our personal contents including any betterments to the strata lot; however, they cannot provide insurance for the building. What are we supposed to do next? We will default in our purchase agreement and lose our deposit and may be sued by the seller.

Marco T.

Dear Marco: Your first phone call is to your lawyer acting for your purchase and your agent who negotiated the purchase. You will need to review the terms and conditions of the purchase agreement and consider the options. One failed completion of a sale could have a domino effect on multiple sales affecting many families. Unfortunately, buyers and sellers are caught in the extreme conditions of the insurance market at this time, with serious consequences for the real estate market as well as the personal liability of strata property owners and buyers across BC.

Strata councils should also be aware of their personal liability if the insurance is not renewed. Immediately talk to your manager and lawyer about how to inform the owners and what type of information they immediately require. Large, high valued strata corporations, aging communities that have deferred depreciation reports or maintenance, or communities with a history of claims are all exposed to much higher costs, certain types of exclusions for claims, higher deductibles, and the risk of limitations or cancellation of insurance at this time.

Insurance is a free market industry with minimal government regulation. This is one of the reasons a competitive industry has worked well for the public to date, but when competition declines and the cost of providing coverage along with increased construction and finishing costs and a rising frequency of claims and construction values intersects, the result is costly and drastic for the public. There are multiple brokers across BC that have access to broader insurance markets and every attempt should be made by your strata corporation to consider the options for renewing your insurance.

A strata corporation may have to consider exclusions or exemptions to certain types of claims, substantially increased insurance deductibles and dramatic increases in costs to renew their insurance policy, but remember your policy isn't just about insuring for that inevitable flood caused by a pipe break, failed washing machine hose or an over flowing bath tub. When insurance companies agree to insure your property, their obligation is for full replacement value. If your building's replacement value is appraised at 65 million dollars, the broker and insurers are securing coverage for 65 million dollars. If your building is an apartment style building the risk increases automatically because

the likely hood of multiple units being damaged in a flood significantly increases. If you compound that risk with aging building systems, neglected renewals, a frequency of claims and lack of a depreciation plan, it will become much more difficult and costly for a strata corporation to renew their insurance.