



## Condo Smarts

Headline: Insurance loss limitations

Topic: Insurance

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**Dear Tony:** Our Langley condo renewed our insurance policy in April and the maximum amount of coverage we can obtain is only 70% of our replacement value, with a \$500,000 deductible. I admit we are an older building and have some maintenance issues ahead of us, but the dramatic switch from last year's policy at \$86,000, full replacement and a \$25,000 deductible to a policy that cost us \$284,000 is horrifying to our owners. Not only has this resulted in a 35% increase in our strata fees but it has left us underinsured, with a deductible amount that no one will ever be able to cover, and a guarantee that we are essentially self-insured. On the news of the insurance renewal, a sale collapsed last week sending us into grave concerns that people won't be able to renew mortgages. Our greatest concern is the loss limit. If we are only covered for 70% of claims, and we have a \$500,000 deductible, what is the point of insurance?

*Colette W.*

**Dear Colette:** Our industry has been experiencing an extraordinarily hard insurance market. The brokers who represent you take your policy, along with your risks, to the insurance industry to essentially negotiate a policy on your behalf, often with multiple insurers each taking a portion of the risk. The insurance industry has seen a substantial increase in world claims and demands, significant increases in BC claims and losses on the investment markets. They are facing an aging housing stock that is prone to increased claims, and a reduced number of insurance companies are willing to assume the risks of the total loss and coverage for strata corporations in BC.

Remember when an insurer covers your policy, they are not covering the likelihood of a leak damaging several units, they are covering the complete replacement

value of your property, liability insurance, and perils such as water escape, flood, fire and our increasing earthquake risks. Strata corporations in apartment style buildings have a much higher risk of claims associated with multiple losses because of the proximity of all units, and the limits on containment.

Yes, the increases are dramatic, however, as a broker and insurer, they are looking at your exposure to risk. Your claims history plays a significant part in evaluating your risk, along with your subsequent actions. Your property has experienced multiple claims since 2015 relating to water escape from older piping and your community has not approved the replacement of your piping that was identified in a 2017 report. Unfortunately, at this time of a difficult market, your strata corporation is likely in the highest risk category.

A 70% loss limit does not apply to all claims. The loss limit applies to the total or negotiated loss in the event of damages that result in the event demolition of your property. A claim that would amount to 5% of your total value would be still fully covered, subject to any deductible amounts and limitations of the policy.

Water and fire claims over \$1,000,000 are not unusual in apartment style buildings, so you can safely assume those would still be covered.

With a high deductible rate, it is critical that you educate your owners on their responsibilities and liabilities. Encourage all owners to purchase home owner insurance to cover the maximum amounts possible. Remind owners they could be liable for a claim if the loss is their responsibility as a result of an action or failure in their strata lot. Provide owners with a written reminder to only run appliances such as laundry and dishwashers when they are home and

identify any other activities that may increase your risk such as, barbeques on balconies, smoking, home alterations and upgrade installations that include water connections. Most important, your strata corporation must renew your plumbing systems. You run the risk of no coverage available in the future if repeated claims relating to a failed building component are not remedied