

Condo Smarts

Headline: New Legislation: Will it make a change?

Topic: Insurance

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Written by: Tony Gioventu

Dear Tony: Our high-rise building is one of the many that has been trapped by the high increases to insurance costs and deductibles. We attempted several times over the last 2 months to communicate with our manager and insurance broker and were advised that because of the hard market it was unlikely we would hear anything until the last week before our renewal. We finally received notice 2 days before our renewal with a 250% increase in cost and our deductibles have jumped to \$250,000. In the past 5 years we have had one claim, in the amount of \$47,000, that was caused by an owner installing a new washer and dryer and not hooking up the washer correctly, damaging 4 strata lots. We have a depreciation report, our reserves are well planned for a roof renewal in 2025, and most of our operations are under managed service agreements. Clearly there is no reward nor consistency for prudent operations in the current market as one of our older neighbouring properties with higher risks has renewed with a marginal increase. Will the legislative amendments introduced this week be of any assistance for the public or is it just politics?

Gavin M. Vancouver

Dear Gavin: Resolving the insurance crisis for BC strata owners will not be quickly or easily resolved. The legislation tabled this week enables the government to address several factors that are contributing to the issues around insurance renewals, increased risks and costs in the insurance market, but there is no guarantee how or when the insurance industry will respond.

To protect investments and collective risks, strata corporations in BC are placed in an awkward situation because of the obligation to obtain and maintain insurance for the full replacement value of their buildings, common assets and fixtures. Essentially

everything constructed by the owner developer has to be insured by the strata corporation, whether it is common property or part of a unit; however, when a broker goes to the insurance market, there are no mandatory requirements for the insurance companies to provide insurance, maintain competitive cost, cover all of our risks or even provide full replacement coverage.

This is the effect of a free market system. It worked well for our industry for the past 55 years, but global conditions on risk, profit and the number of companies providing insurance dramatically changed. We are vulnerable to the availability of insurance providers willing to take on our risk and the potential costs. Compounded with the exorbitant costs, there is a rise in the number of strata corporations that are unable to obtain insurance or left with loss limits on their insurance, where the corporation is no longer able to comply with the *Strata Property Act*.

The tabled amendments will enable changes to address some of the following conditions:

- the requirement for depreciation reports for all strata corporations of certain classes
- minimum funding models to increase reserve funds
- a unit description clarifying what parts of a strata lot must be insured by the owner vs the strata corporation to limit the financial exposure for the strata corporation
- a limitation on a risk to an owner if a claim has originated from their strata lot but they were not responsible
- a mandatory reporting requirement to strata lot owners on policy renewals

- how a strata corporation may operate without full insurance

While the legislation and government policy decisions have no direct impact on the product of insurance providers, there have been many consumer complaints relating to the business practice of insurance brokers which are also being addressed through amendments to the *Financial Institutions Act* to require brokers to:

- disclose the amount of their commissions
- strengthen notification requirements to strata corporations of changes to insurance coverage and costs, or an intent not to renew
- prohibit insurance brokers from paying commissions or fees to strata management brokerages or agents representing other parties

Transparency around reporting, commissions, disclosure, and changes to enhance owner responsibilities in strata corporations will all contribute to an improving insurance market. Active risk assessment in each of our communities and managing outstanding operations issues along with active claims reduction programs will also be essential if we are to experience an improvement in the BC insurance market for strata corporations and homeowners.