

## Condo Smarts

Headline: Insurance renewals

Topic: Insurance

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**Dear Tony:** Is there any relief in sight for insurance renewals? Our strata corporation is being faced with a re-piping issue and wonder to what extent we should leave the replacement of the individual unit piping up to owners. We are 20 years old and have polybutylene that is showing signs of failing and leaks. Our insurance broker advised us last year that our piping would cause problems on future renewals until we replaced the system. We just had an estimate and engineering assessment for the replacement of the system up to the access of each unit, and plan on having our owners vote on the special assessment in September, but what happens if they don't approve the project? Our insurance will renew November 1<sup>st</sup> and while we did have a 50% increase last year, we are also at risk now of even higher prices or worse yet, the inability to obtain insurance. What steps would you recommend?

*Carol Dodge, Burnaby*

**Dear Carol:** In our current difficult insurance market where there are limited insurers who are willing to take on higher risks, it may take some time before we see any real relief. The provincial legislature passed a number of amendments to the *Strata Property Act* in Bill 14, which will enable new regulations to help reduce some of the pressures on the structure of insurance, but will also enable changes to depreciation report requirements and funding requirements. With all of these changes to come — along with a softening of the insurance market and an increased focus by the higher risk strata corporations to manage their risks — it will take time for the market to turn around.

Chuck Byrne, executive director of the Insurance Brokers Association of British Columbia, advises that insurance markets tend to be cyclical. "Strata insurance has been priced and kept artificially quite low for

several years, with insurers losing money in the market and now they're trying to catch up," he explained in a recent email. "Their response is to raise prices and reduce how much strata insurance business they are doing. Typically we see hard market conditions for 12-to-18 months in a cycle, but because of the underlying issues with strata insurance, this could stretch much longer." Byrne adds that diligent maintenance and risk mitigation is going to be key for strata councils to minimize the increases they are going to see for their buildings and to best position themselves for insurance in the long term.

The best recommendation I can give every strata corporation is to work closely with your insurance broker and your depreciation planner. What are the outstanding renewal items your property is facing that will increase or pose a risk your properties that may result in damages or claims on your insurance.

Don't delay repairs, this will only result in increased costs and losses for owners as damages rise and eventually your strata corporation will be exposed to extremely high insurance renewal rates, high deductible rates and the risk there is no insurer willing to cover your property.

Deferred renewals only result in increased costs. When your strata corporation is preparing for a piping replacement, generally the piping through the building system is common property. As a common expense, include as much of the hot and cold domestic water system as possible right up to plumbing fixtures in each unit. If left to owners, small sections will not be replaced and you will be left with a system that is not completely replaced, which will result in future claims and losses, and the inability to provide certification to your insurer of a complete project. This is also the

perfect opportunity to install risk controls in your plumbing systems. Localized water shut offs that are easily accessible for each unit will also be a significant benefit. While they add an additional cost, they permit quick isolation in the event of water escape and provide a higher level of control for the strata corporation and reduce your insurance risks.

If your owners do not pass the special levy, contact your lawyer immediately to determine what action is possible for the strata council to order the repairs and the special levy. There are remedies under the *Strata Property Act* where the repairs are necessary, and the owners are unwilling to approve the funding. While these are difficult financial times for many owners, the alternative of failing to repair or obtain insurance will place your community in a grave situation.