

August 3, 2021    **Webinar**

**Insurance Risk Management:**  
**What's in your tool box?**

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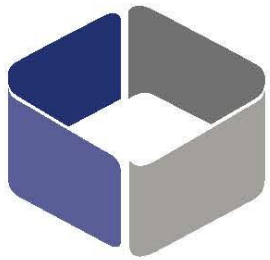


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# Privacy

**This Webinar will be recorded.**

**If you submit a question through Q&A, we will group and respond to questions at the end of the presentation.**

**For your protection, do not identify your strata plan, business or any personal information during the Webinar.**

**Questions will be held until the end of the presentation, at which time the facilitator and speakers will remain live to respond to questions.**

**Speaker email addresses have been included and you are invited to email them directly for assistance.**



# Evaluating Risk

When a broker is placing insurance for a strata corporation, the risk is evaluated on many different factors including:

Key risks:

Construction type, year built, building condition  
Upgrades / replacement of major systems such as roofing, plumbing, heating and electrical

Claims history

Governing behaviours

Location (FUS, earthquake and flood zones)

# Know Your Risks

A depreciation report is a critical planning document that provides:

- an inventory of common assets
- estimated evaluation of the asset conditions
- estimate of the remaining life of assets
- estimated costs of renewals
- funding options for future renewals

Your insurance broker or insurers may request a copy of your depreciation report when evaluating your risk.

# What is the greatest risk?

Water is the most frequent type of claim in strata corporations. Fire claims although not as frequent are typically the most severe.

Fire and water related claims are the most common types of claims and they can often be avoided.

Insurance deductibles for water damage, reflect the high level of risk associated with claims.

# How do we manage the risks?

In conjunction with a depreciation report, understanding where the risks exist will enable strata corporations to plan for:

- maintenance and repairs
- scheduled service programs
- renewals of major building systems
- inspections of strata lots
- funding for future projects



# Where are the risks? Water

- Hot and Cold Domestic water systems generally have a reliable performance for 20-30 years depending on construction, materials and water conditions
- Polybutylene piping is subject to significantly shorter life periods and requires earlier replacement and inspections





# Where are the risks? Water

- Heating systems that require water circulation, heat exchangers, pumps, thermostats and boilers require routine servicing, inspection and planned renewals
- Cooling systems with chillers, circulation pumps and heat pumps require management of water and discharge of water or condensate to prevent damage to building envelope systems or within building structures

# Where are the risks? Water

- Drain and stack flushing is essential in multi family buildings to prevent blockages and sewer back ups within common areas and strata lots
- Depending on the number of units and capacity of buildings ( high rise ) stack and drain flushing is recommended at a minimum of every 3 years and may be required more frequently

# Where are the risks? Water

- Sump pumps, grease traps exist in most buildings and under elevator shafts and parking garages to remove ground water or water collecting below ground level, or areas subject to flooding or tidal incursion
- Monitored alarms on sumps are recommended to ensure action can be taken before damage occurs
- Regular inspections are recommended to prevent clogging



# Where are the risks? Water

- Roof top drains and gutters require routine inspection and maintenance. Overflows scuppers are not sufficient to prevent significant loss or damage during heavy weather periods if the drainage systems are not operational
- Fire safety systems require annual inspection and servicing, and the life expectancy of sprinkler systems may vary from 20-40 years.

# Where are the risks? In suite

- Resident behavior and use of property contribute to increased risk and are the most common source of claims
  - Smoking
  - Barbeques and cooking on decks and balconies
  - Unauthorized alterations
  - Hot water tanks
  - Appliances with water connections
  - Shower and tub waterproofing
  - Toilet seals and water lines



# Where are the risks? In suite

- Owner/resident risks may be managed through routine:
  - Annual inspection of strata lots
  - Owner education
  - Bylaws that prohibit specific activities
  - Bylaws that set minimum conditions and requirements for alterations
  - Bylaws that require the strata corporation to maintain and repair specific portions of a strata lot

# Governing Bylaws to Manage Risk

- Strata corporations may adopt bylaws that provide for the control, management, maintenance, use and enjoyment of strata lots and common property (s. 119 SPA)
- Bylaws may provide a form of notice to owners, tenants, occupants and visitors of their obligations and limitations on use
- Bylaws may set conditions for activities such as carrying out alterations, smoking or using recreational facilities



# Common Bylaws to Manage Risk

## Types of Risk Management Related Bylaws

- Repair and maintenance
- Conduct of activities
- Insurance/Indemnity/Deductible/Chargeback

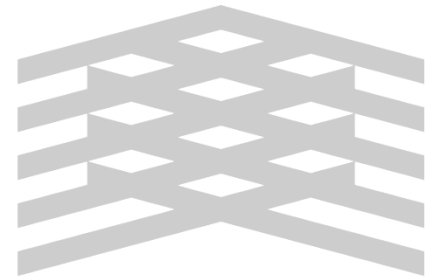




# Common Bylaws to Manage Risk

Repair and Maintenance related bylaws (s. 72)

- Common Property
- Limited Common Property
- Strata Lots
- Personal Property



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# Common Bylaws to Manage Risk

## Standard of repair and maintenance

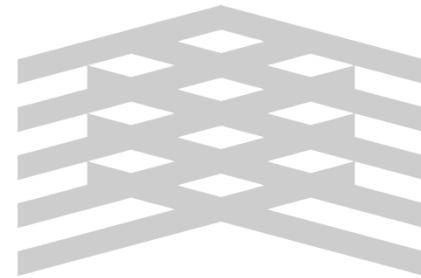
- Standard of “reasonableness” implied
- Bylaws may impose higher standard
  - Frequency of repair/maintenance/inspection
  - Who must conduct repair/maintenance/inspection
  - Reporting/confirmation to strata corporation

# Common Bylaws to Manage Risk

Standard of repair and maintenance

Examples:

- Water associated appliances and fixtures
- Upgrading of water lines to higher quality braided systems
- Hot water tank replacement

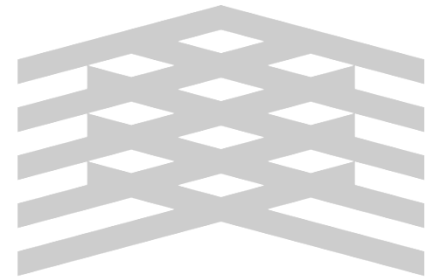


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# Common Bylaws to Manage Risk

Conduct of activities on common property and/or in a strata lot

- Prohibition on activity
- Restrictions on activity



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# Common Bylaws to Manage Risk

Smoking on common property or within a strata lot

- Bylaws may prohibit or restrict smoking within a strata corporation including a strata lot
- Bylaws may prohibit the planting or growing marijuana plants for personal consumption

# Common Bylaws to Manage Risk

Barbecues and outdoor cooking/heat sources

Bylaws may prohibit the use of barbecues/outdoor heat sources

Bylaws may restrict barbecues/outdoor heat sources

- Limit type of fuel and its storage
- Isolate the activity to an isolated secure area
- Require availability of fire extinguisher



# Common Bylaws to Manage Risk

Home based business

Residential properties may be used for business activities that do not increase the risk of claims or loss to the corporation.

A defined scope of permitted or prohibited activities may be necessary to limit activities insured within a residential policy.



# Common Bylaws to Manage Risk

Alterations to strata lots and common property

Standard Bylaws 5 and 6 place minimal obligation on owners conducting alterations to strata lots and common property.

SB 5 and 6 do allow strata corporation to set conditions of approval, including that the owner agree, in writing, to take responsibility for any expenses related to the alteration



# Common Bylaws to Manage Risk

Alterations to strata lots and common property

Consider bylaw amendments that:

- Set conditions for alterations
- Require contractors to be licensed and insured
- Address costs and claims associated with alterations
- Establish future obligations for liability, maintenance and repairs

# Bylaws to Manage Loss

Insurance/Indemnity/Deductible/Chargeback  
bylaws

Standard Bylaws do not specifically address

- SB 3(2) / SB 5(2) / SB 6(2)

SPA ss. 129(1)(b) and 133 – Remediating a  
Contravention

SPA s. 158 – Insurance Deductibles

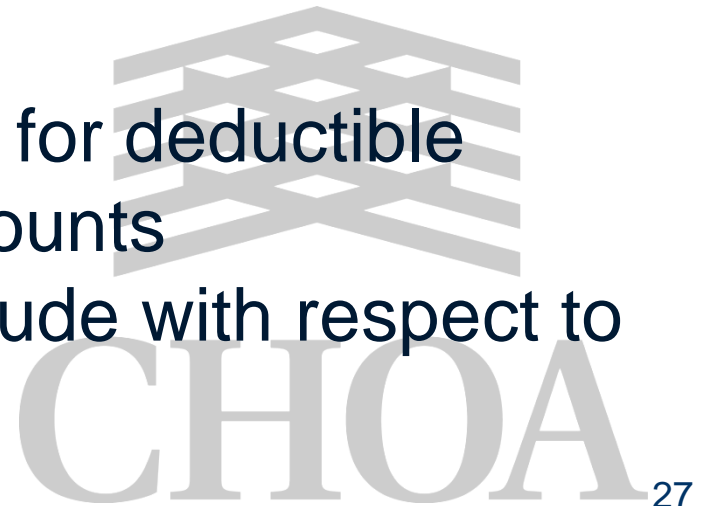
SPA s. 161 – Owner's Insurance



# Bylaws to Manage Loss

## Insurance/Indemnity/Deductible/Chargeback Bylaws

- Inform residents of their obligation to maintain personal insurance for risks not insured by the strata corporation
- Identify owner responsibility for deductible amounts and uninsured amounts
- Allow strata corporation latitude with respect to making insurance claims



# Effective Management

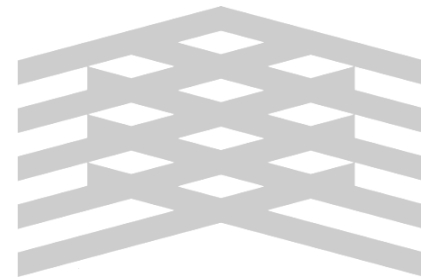
Maintenance, long term planning, increased reserve funding, and bylaws that manage risk are all effective tools if strata corporations implement service programs, and actively conduct annual inspections and enforce their bylaws.

Owner/tenant education is critical to reduce the risk of claims and to reduce your risk profile with your insurers.

# Questions

- Please submit your questions through the Q&A portal
- This webinar will be posted to the CHOA web site and accessible through our You tube channel
- Please feel free to share this video and the resources with your council and fellow owners
- Additional questions: please email [info@choa.bc.ca](mailto:info@choa.bc.ca)

Next Webinar:



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# Thank you



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