



## Condominium Home Owners Association of British Columbia

*Leadership, Education and Resources for Strata Owners Across BC*

Website: [www.choa.bc.ca](http://www.choa.bc.ca)

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November 30, 2020

### **Honourable Selina Robinson**

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Honourable Ministers:

Congratulations on your appointments to these critical ministries representing British Columbians. The recent amendments to Financial Services and Strata Property Legislation have been well received by the public and while the impact is yet to be felt by the industry, the legislative and regulatory amendments have established an opportunity for public consultation to address long term management and operational issues for strata properties.

As you are aware, since October 2019, the 32,000 strata corporations and over one million strata owners across the province have been beleaguered by uncontrolled insurance market conditions. While the causes have been defined as a limited capacity of insurance, changing world markets, compounded by increased values to be insured in high density properties, aging building systems, lower profitability and increased claims, the effect has ultimately been borne by the public with extreme renewal costs, increased deductible values and limitations on coverage. In many situations, due to the high increase in deductibles, strata corporations are essentially self-insured for most claims. The unpredictable nature of the insurance industry at this time is an opportunity for our government to consider an option that could provide a stable, affordable, and merit-based insurance system that ensures all multi family properties qualify for insurance.

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Over the past six months, CHOA has consulted with several agencies in Canada and Australia, along with fellow associations and organizations within the province to determine the feasibility of a Captive Corporation in BC. This could potentially provide reliable insurance coverage for strata corporations and other forms of multi family housing such as social housing, co-op housing and community non-profit housing associations and corporations. While the economics of such a program do not immediately indicate a significant reduction in costs, the predictability of insurance and a fair, merit based system on insurance ratings and qualification for coverage, would provide a level of stability for the public. Such benefits would also support our critical development and construction industry, and the real estate sectors that contribute greatly to our provincial economy and housing.

One of the fundamental questions that will be necessary to first address is the financial feasibility of a Captive and whether there would be any legislated method that could compel all strata corporations or multi-family housing to participate in such a program, or the minimum level of participation required for a captive to be effective. The financial stability and the capacity to manage risks associated with the creation of a Captive will require the creation of a corporate structure capable of managing all facets of policies, claims management, risk management, financial sustainability and management of financial reserves. While our current legislation in BC permits the creation of a Captive corporation, this may also be an opportunity to review Captive legislation in other jurisdictions that has been modernized to meet the growing limitations of the insurance industry world-wide. Regardless of any legislative changes the government undertakes in BC to address risk and insurance capacity, a free market insurance system will continue to operate without manageable consequences in determining their capacity in our market and profitability.

To support a vibrant housing sector, CHOA with its partner associations and agencies, is recommending the creation of a formal committee, under the appointment of your ministries, to fully investigate the capacity and feasibility of creating a Captive Insurance Corporation in BC. To enable the highest level of support for your ministries with representation and reporting, we would encourage representatives consisting of Finance and Housing Policy staff, representatives from Financial Services and the Insurance Council of BC, BC Housing, Consumer Associations (CHOA and VISOA) and the BC Real Estate Association, the Urban Development Institute & the Homebuilders of Greater Vancouver, Landlord BC, the Strata Property Agents of BC (SPABC) and a representative from the Captive Municipal Insurance Corporation.

While the creation of a Captive may take several years to be full operational, the first step with the assistance of an actuary to create a matrix of cost, management and a risk analysis, will be to provide your ministries with a report on insurance feasibility in British Columbia, and to determine if there are economic and social benefits in moving forward with the creation of a Captive Corporation and how the implementation could be undertaken in a feasible and timely manner. The benefits for housing affordability and to government are numerous, and the creation of a captive creates an independent corporation, sustainable for the public interest. With this in mind, it may also be beneficial to consider a partnership with the province of Alberta and Yukon Territory as they are experiencing many of the same limitations.



With the challenges facing our communities today with Covid restrictions, management of properties and housing affordability, CHOA and its team of staff and members are committed to supporting government to find a viable consumer solution for insurance of multi family properties across BC. Housing sustainability and affordability are fundamental necessities for the citizens of BC.

Yours truly,

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CC

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