

# Condominium Home Owners Association

A non-profit association serving strata owners since 1976

Bulletin: 300-105

## Condo Smarts

Headline: Pay it now – or pat later

Topic: Buying advise and insurance deductibles

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When purchasing a new strata property, you can be fairly confident that the new strata is starting with a blank slate - that there are no hidden historic problems or costs associated with the building. Disclosure of property conditions, warranties, bylaws and special conditions are required by law.

When you purchase a pre-owned condo, the law also requires disclosure, but you the buyer must be specific about what information you want disclosed.

A South Vancouver buyer moved into her recently purchased condo in September. The 27-unit building is 20 years old and is nicely landscaped. Building maintenance, however, has been largely ignored for the past 10 years. On the surface, everything appeared normal at the time of her purchase, but the strata had experienced a number of water-pipe leaks in the building during the previous year.

The insurance did cover the damages, but the result was an increase in the 2004 strata deductible for water escape to an alarming \$50,000. In October, a month after our owner's move, there was another water leak that caused significant damage. The result is that each owner will be paying \$1,851 for a special assessment to cover the deductible.

The strata has no contingency reserves left to pay the amount. It had not occurred to the owner to request any insurance information when making her purchase.

**Strata Law:** Usually, decisions about major expenditures require a 3/4 vote by the strata corporation to pass. However, the council is permitted to levy owners, without a 3/4 vote, for their share of an insurance deductible. The strata has little choice but to pay the deductible. If an owner is responsible for the claim, the strata may consider seeking to recover the amount of the deductible. But if building age and general neglect are the culprits, all must share the penalty.

**Tips:** Our housing stock is aging at a rapid rate. All building systems at some time need to be replaced or renewed. This strata originally had a quote of \$81,000 to replace their piping in 2001, but decided to try to "save" money instead of replacing the piping. Since that time they have paid \$62,500 in deductible claims, not including personal losses or damages. With building systems that have been neglected, "Pay me now or pay me later" converts into "Pay me now or pay me double later."

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