

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-222

Condo Smarts

Headline: Vigilance an absolute must
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Dear Condo Smarts: Our strata is one of those recently affected by the shut down of Swiftsure Strata Management.

We have a large amount of money that was held in trust by the company on our behalf, and until the investigation is complete the funds are frozen and the status of what's left is unknown.

We're getting mixed information over what happens if the company has lost or stolen the funds and they cannot be recovered.

Isn't there insurance for licensed property managers now that covers these losses?

-- *Distraught in Vancouver*

Dear Distraught: Thank you for writing. Everyone who hires someone to manage their strata and hold their trust funds needs to read this column.

If the funds were lost after January 1, 2006, by a newly licensed broker, there may be some limited protection for a strata.

Each strata contracts a brokerage (company). The brokerage holds your funds in trust in your name, and the brokerage staff, the licensees (managers) perform the task of managing your property as set out in your contract.

Some brokerages may manage over 100 different strata corporations, but there is only coverage to a maximum of \$100,000 per strata to a total of \$350,000 per brokerage.

One hundred medium-sized strata corporations easily generate over \$20 million in fees and reserves each year, but only \$350,000 of those funds are potentially covered if lost.

If a brokerage ceases to operate and there are financial losses to its clients, an investigation is commenced by the Real Estate Council of BC.

If all the funds are not recovered, there is a Special Compensation Fund created under the Real Estate Services Act that may cover the maximum of \$350,000, under certain conditions.

Additional insurance may be obtained; however, it is rarely affordable.

Errors and omissions insurance and professional liability policies generally do not cover theft or fraud.

The best prevention for all strata corporations whether by contract management or self-management is vigilance.

Every month the strata council must review the bank statements, financial statements and reports for all funds and accounts in the name of the strata corporation.

The moment the documents are not provided in a timely manner, or there are problems, sound the alarms and take action.

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