

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

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Condo Smarts

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Written by: Tony Gioventu

Dear Condo Smarts: Our strata corporation is having a tough time figuring out what we're supposed to do with our insurance. The insurance agent has told us they can provide us with a co-insurance clause that covers up to a percentage of our full replacement value. The property manager says we must insure for full replacement value, and several council members are saying to just renew the policy and don't worry about it. In the Strata Act it says we must insure for full replacement value. Is there a definition of what that means? Cyril, Prince George

Dear Cyril: The reasons that the Strata Property Act requires that you insure for full replacement value is to ensure that in case of a loss or claim whether partial or total, your owners' investments are protected 100%. In order for a strata corporation to determine what the full replacement value, they will be required to commission an appraisal for full replacement value. An appraiser will determine what the cost of replacing the common assets and structure of the building at today's current market costs. This is not real estate value, but the real cost of construction and materials.

Depending on your insurer, the appraisal may be required annually or over a longer period provided the cost of inflation is adjusted. Confirm in writing with your insurer what requirements or conditions you have to meet to be fully insured. But what happens if you are not properly insured? If your strata is underinsured, the policy may limit the liability of the insurer to not more than 50% of a claim. If you were to have a fire that cost \$200,000 in damages, the insurer may only be obliged to pay \$100,000 of that amount, leaving the strata with the balance. This has recently occurred several times in BC leaving strata owners with a major special levy for the uninsured amounts. In some cases, the homeowner policies covered the amount, but two owners recently lost their homes because they could not afford to pay the levies. Don't leave your strata corporation in this position. You should also confirm with your insurer if there are any exclusions or exemptions in your policy. Items such as Human Rights Claims, Environmental Damage, or Earthquake losses may be exempted or limited. Before you buy the policy, confirm what's covered and what's excluded.

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