

Condo Smarts

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Written by: Tony Gioventu

Dear Condo Smarts: Our condo in the Fraser Valley underwent a major insurance claim over the past eight months relating to fire and water. During the construction, our property manager received correspondence from the adjustors and insurance provider and forwarded the information on to our strata council. The property manager indicated that he would coordinate the special project as he had the experience to deal with the restoration companies and insurance companies. Our strata corporation has a separate mail box to receive strata business mail, and we received a cheque made out to the property manager for over \$10,000 for services that he provided to the insurance company in coordinating the project. Included with the cheque was an invoice from the property manager, not our strata corporation, detailing meetings and services provided to the insurance company. We've approached our manager on this issue and were met with open hostility and accused of fraudulently opening his mail. He refuses to speak with us on the issue, and we were told it has nothing to do with the strata corporation. Is this an acceptable business practice for a manager to contract with someone else when they are working for us?
Gerald W.

Dear Gerald: Receiving any third party revenue without disclosure to the strata corporation is not permitted. The Real Estate Services Act Rules, Section 5-11.: If a licensee receives or anticipates receiving directly or indirectly any remuneration as a result of providing real estate services to or on behalf of a client, other than remuneration paid directly by the client, the licensee must promptly disclose to the client, and the licensee's related brokerage, the source of the remuneration, the amount, or if the amount is unknown, the likely amount or method of calculating the amount. Basically, taking money that is not yours, or that you are not permitted to take without consent is fraud. When a strata corporation is negotiating a

management contract they are also often requested to approve a percentage fee for the company, in the event of major construction for insurance claims. Strata corporations should negotiate this item very carefully, as the line item does not identify the scope of work that may be undertaken, and may represent absolutely zero services, only a commission grab. If the manager is being contracted to coordinate or manage a project then the strata should negotiate the scope of services and pay accordingly. There is another problem in the industry however that I find just as troubling. The Insurance Council of BC, www.insurancecouncilofbc.com, has issued a warning on undisclosed commission fees for placing insurance policies on behalf of strata corporations. "It has come to the attention of the Insurance Council that one or more property managers involved in the management of strata corporations is seeking to be compensated by insurance agents in return for placing a strata corporation's insurance", says a notice on the Council's website. "Insurance agents are reminded that any payments made to a property manager or other third party, either directly or indirectly, must first be disclosed to the strata corporation. The Council added that it believes property managers are subject to similar disclosure rules. Any attempt by a property manager to solicit a direct or indirect payment from an insurance agent on the understanding it will not be reported to the client should be reported to the Real Estate Council of British Columbia."

As consumers, we can only expect an industry to function by higher standards and ethics if we actually participate with the enforcement process and file complaints. Strata councils are often so relieved to be rid of a bad situation, that they don't want to take the next step. Everyone pays the price for these breaches of trust, so if your strata corporation has been a victim: FILE THE COMPLAINT.

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