

**Condo Smarts**

Headline: Buying a condo" What's the impact of high insurance risks?

Topic: Insurance

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**Dear Condo Smarts:** Our family has been hunting for a condo since we moved to Vancouver in December. We have three children and we have been looking for a home with at least three bedrooms in the Vancouver area. We finally found a great fourth-floor, three bedroom and den apartment on the east side, and the building inspection report has come back with a clean bill of health; however, the insurance for the strata is a bit of a concern, because the strata deductible for water damages has increased to \$100,000 per claim. The strata corporation have indicated that they have no obligation to disclose any information about the insurance claims, but our agent has raised a valid concern that a high deductible is likely an indication of a greater problem. We reviewed the minutes for the past five years and there is no information regarding damages or claims identified in the minutes. Is it likely there is a greater problem that we can't seem to identify? Elva Cushner

**Dear Elva:** Unfortunately, very few people ask for a copy of the current insurance policy of the strata corporation. Your agent is absolutely right about her concerns. Depending on normal claims history, most insurance deductible rates for water escape will vary from \$2,500-\$10,000. The rates can be affected by the type of construction and building systems and a history of risks. A deductible of \$100,000 is an overwhelming risk. Most home owner condominium policies have limits of \$10,000, \$25,000 or \$50,000. In event an owner is responsible for an insurance claim, such as an overflowing toilet, bath tub or breached washer hose, the home owner can be facing a \$100,000 bill or the amount below the deductible. Typically we see significant increases in the deductible amounts when there are chronic water escape claims, either relating to human-related actions or building system failures. One condition to assess is the overall age of the building. If the building is 15 years or older, it may be time for the water delivery piping to be replaced. The strata may have experienced frequent leaks, resulting

in a dramatic claims increase. If the strata has recently replaced their pipes with an engineering upgrade, it might take a few claim-free years for the deductible to come down, but the risk at least has been removed. There may also be a chronic problem with vandals or residents that have resulted in numerous claims. That situation is much more difficult to assess and may never result in a reduction of insurance deductibles. Does the strata corporation have an obligation to disclose a history of insurance claims on the strata common insurance? According to Allyson Baker, a lawyer with Clark Wilson LP, "a strata corporation must maintain minutes of the meetings of the strata council and the corporation, and these minutes must reflect the decisions being made by these two entities. The decisions that are undertaken by the strata council related to the insurance risk would include the filing of claims, the reports from adjusters, contractors and others regarding any loss, the collection of deductible amounts, and the payment of insurance deductibles. This is the type of information strata owners and buyers should expect to see referenced in the minutes. In addition, a purchaser should request from the vendor further information or documentation about any claims related specifically to his or her strata lot. Strata corporations and vendors that are unwilling to disclose information regarding the insurance claim history of the strata corporation suggest that there is a serious risk that the buyer has to consider as part of their decision to buy the strata lot." There are a variety of risks that buyers should consider when purchasing: a pre-owned strata home, a new or remediated strata home with existing warranty coverage, or a pre-sale of a strata home. The Homeowner Protection Office has guide on their web site that is a helpful resources to buyers. "Buying a Home in British Columbia: A Consumer Protection Guide." Go to [www.hpo.bc.ca](http://www.hpo.bc.ca) and under the Homebuyers section scroll down to the guide.

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