

Strata Living

Headline: Insurance Deductibles

Topic: Insurance

Publication date: October 3, 2013

Publication: 24 Hours

Written by: Tony Gioventu

Dear Tony: At our strata annual meeting last week, our insurance broker attended and answered questions from our owners. One of the questions related to the value of the deductible in the event of a claim on our earthquake policy. Our building is almost 30 years old, but the replacement value is 32 million. As a result, we were led to understand that the deductible cost would be 3.2 million, shared by the owners. How are we ever expected to pay for this amount when my share alone would be \$47,000 because I have a larger unit? It seems ridiculous that we would be paying such a large amount, especially considering the cost may only be a small portion of the value. The other question that arose related to what happens if the damage is below the deductible amount?

Barbara Clarke

Dear Barbara: The insurance deductible rates and how they are calculated are published in your policy. For earthquake deductible values, they are generally a percentage based upon the actual replacement value of the property. In your building, your appraisal for current replacement value as required by the Strata Property Act, is \$32million. So yes, in the event of an earthquake the deductible is \$3.2 million. The strata council in this case would convene a council meeting, and they would vote to levy the \$3.2 million based on unit entitlement and set a due date. The

same as any other special levy, except that a levy for an insurance deductible does not require a $\frac{3}{4}$ vote of the owners at a general meeting. If the damages were below the deductible amount, the strata corporation would convene a special general meeting once the estimates were known, and pass a $\frac{3}{4}$ vote special resolution approving a special levy for that specific amount. In either situation, the cost and impact on consumers and our communities will be staggering. Home owners may purchase additional coverage on the homeowner insurance policy to coverage the cost of the special levy or damages as a result from an earthquake. This coverage is not necessarily an automatic inclusion on all policies and does not automatically cover your potential limits. That is information you will have to provide to your insurance broker so they can arrange for additional coverage for the amount of the potential deductibles. It will cost marginally more for the additional coverage, and look at it from the perspective of managing your risks. Insurance is like a cozy sweater in that it helps you manage your risks and manages the potential losses, but only if the fit is right.

For more information on CHOA resources and benefits visit www.choa.bc.ca
or contact the office at 1-877-353-2462 or email info@choa.bc.ca.

No part of this publication may be reproduced without the prior written permission of CHOA

This publication contains general information only and is not intended as legal advice. Use of this publication is at your own risk. CHOA will not be liable to you or any other person for any loss or damage arising from, connected with or relating to the use of this publication or any information contained herein by you or any other person.