



Condo insurance crisis: What your clients need to know

The last few months we have been hearing about strata corporations getting hit with new insurance rates that are going through the roof. Some renewals have increased anywhere from 50% to 300% and the deductibles to cover claims have also increased substantially, from \$25,000 per claim, to as high as \$250,000 and higher.

For strata properties it means that if adequate insurance is not in place, one single owner could become bankrupt if a claim is made against them, and the rates for other owners in the strata may also jack up as a result.

Think about this. If the deductible on a strata property were to increase to \$100,000, it means any claims under \$100,000 are not covered by insurance, leaving a single owner to pay it all. Depending on the strata's bylaws and who was liable for the damages, an individual owner could be stuck for exorbitant costs so high that it could bankrupt them.

Warn your clients

As a strata owner herself, Fraser Valley REALTOR® Bonnie Moy is advising members to warn their clients not to under insure their condos.

Moy believes that many owners of strata properties do not realize that their common property insurance taken out by the strata corporation, will not cover the damages to their own units, or to any adjoining units for damage caused by them, such as leaky washing machines.

“Realtors should pass on to buyers and owners of condos on insurance deductibles, that they understand the new huge risk, of not having enough coverage. The bottom line to the owner of condos is that the deductibles are going to sky rocket,” says Moy.

To mitigate their clients' exposure, Moy suggests Realtors should advise clients to take strata documents to an insurer to check the viability of affordable, adequate insurance on their unit.

Moy says owners need to be reminded that they are liable for all the damage emanating from their unit, whether it is a washing machine overflow, or a hot water tank leaking through the building's floors.

She said it is advisable to find out what the strata deductible is, what the liability would be, what happens in the strata if the insurance does not cover the deductible, and also have the “Subject to insurance confirmation clause” written in contracts.

Determining factors

As with lending rates, insurance rates are in flux in response to market forces and emerging trends.

The most recent spike in the costs for property insurance in Canada can be boiled down to four key trends:

- Claims have increased in number, which hikes costs and premiums
- The cost of rebuilding has increased
- Property values remain high in BC and across Canada
- Extreme weather events globally have cost insurance companies more in payouts

Global affects

Reinsurers are companies that underwrite smaller insurance companies to cover catastrophic losses from extreme weather events around the world. As reported by Munich Re, the worlds largest reinsurance company, 2018 was the 4th costliest year since 1980 for insured losses.

The result is that smaller, regional insurers are leaving the strata building market to larger, national insurers, which is reducing the regional competitive rate options for strata corporations.

Factors in strata insurance rates

- Strata insurance costs more than household coverage because strata insurance must cover for commercial-grade systems such as plumbing, boilers, electrical and ventilation systems.
- An increasing growth in the number of strata buildings, many of which are aging at 50 years or more.
- In some buildings, there may be a reluctance for owners to pay for major system upgrades, which increases the frequency of building failures and repairs. Taken together, this will affect the rate of insurance.
- The strata housing market burgeoned over the last few years creating intense competition among insurance companies, which allowed for lower premium rates. But, the insurance market is making adjustments for the rates they demand.

The Insurance Brokers’ Association of BC lists key ways that a strata corporation can [reduce insurance rates](#).

For a comprehensive list of insurance matters, go to the Search bar at the [Condominium Home Owners Association of BC](#) and type in “insurance.”