

Condo Smarts November 20, 2019

Insurance Deductibles

Dear Tony: Our strata corporation renewed our policy in October and as a result of a number of minor claims in the past 3 years our water deductible has been increased to \$100,000. All of our claims were below this amount in the past, so does this mean there is no insurance claim if the amount of the damages is below the \$100,000 deductible and the strata corporation is left paying the bills? How will our owners in a 35-unit strata ever pay this? Jeremy K.

Dear Jeremy: The Strata Property Act grants a provision to strata corporations to seek a claim against an owner if they are responsible for a deductible. Strata corporations may also seek a claim against an owner for damages if they are responsible for the cause of the damages. While these conditions are often defined, limited or restricted in strata corporation bylaws, the effect on the remaining owners who were not responsible for the claim is much more direct. If the strata corporation has a water escape deductible of \$100,000 and there is a claim below the deductible, each owner is responsible for the damages to their strata lots and the strata corporation is responsible for damages to common property and common assets. Owners must be prepared for these types of risks and seriously consider home owner insurance to cover the damages to your strata lot in the event this occurs. A failed washing machine on the 4th floor will likely damage multiple units below if the water flow is not quickly checked. It is likely most claims in homes will be under \$10,000 per unit and the best remedy to protect your home is a condo home owner policy that will cover damages to your strata lot in the event of such a claim, but what happens when a common pipe breaks and the claim damages 20 units and is over \$100,000? The insurance deductible of \$100,000, becomes a common expense of the corporation and the owners based on the same formula as strata fees. Each owner pays their share of a special levy issued by council, or the strata corporation has sufficient reserve funds to pay the deductible amount. If the strata council issues a special levy, each owner who has purchased condo insurance to cover their share of a deductible, could claim that amount on their policy. In your 35-unit strata corporation, the levies will vary between \$3,000 and \$4,000. A home owner condo policy that covers deductible claims often has a deductible amount of \$250 or \$500. While it isn't the ideal situation, it is the best option to limit costs to owners. With a limited number of insurance providers making condo coverage available in BC, the rising costs of insurance, and an increase in claims, strata corporations across the province are facing the highest historic increase in policy rates and deductible thresholds. While it is impossible to avoid owner/tenant actions that result in claims, there are a number of pro-active decisions that your strata corporation can take to limit risk and manage your future claims and costs. 1. Review your bylaws. If your strata corporation is still permitting gas barbeques on decks and balconies, smoking within buildings or other high-risk behaviour, this will increase your risks of claims and costs. Time for a serious discussion with your owners. 2. Repair and maintain your property. If your depreciation report has scheduled replacement of piping and plumbing for a specific date, or you have a roof that has reached its life expectancy, don't delay repairs until your buildings fail. Planned repairs benefit everyone and significantly reduce the risks of claims and operating costs. 3. Don't ignore surface risks. Broken sidewalks, unsecure building components that have a high fall risk, or security risks all add to the cost of operations and insurance costs.

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