



## Fischer & Company

Law Corporation

#202 – 1447 ELLIS STREET KELOWNA, B.C. V1Y 2A3  
TELEPHONE: 250-712-0066 FAX: 250-712-0061

[www.fischerandcompany.ca](http://www.fischerandcompany.ca)

# BC STRATA AND CONDOMINIUM LAW NEWSLETTER

March 2020

### The Strata Insurance Crisis

For many BC strata residents, the news reports are not exaggerated. A dramatic change has occurred in the strata insurance market:

- Premiums are skyrocketing - 200%, 300% or larger increases are reportedly commonplace for renewals. For some strata corporations the cost of insurance is dramatically increasing strata fee contributions required of owners, making continued ownership less affordable for owners on a fixed income.
- Deductibles were already commonly above \$100,000.00 for strata corporations with claims history. Now there are more and more strata corporations with deductibles which exceed the amounts of deductible coverage normally available on the marketplace for strata lot owners. Deductibles of \$500,000.00 or higher have the potential to create unrecoverable losses and potentially cause financial ruin.
- Renewals are more difficult. Some strata corporations have been unable to obtain insurance from conventional sources, and a small number have even ended up without coverage as of their renewal date.
- Coverage in the event of loss is more complicated, and under-insurance is more of an issue when a claim is made.

Those hit hardest are strata corporations with significant claims histories or which are perceived to be high risk due to configuration, known issues or deferred maintenance. However premiums and deductibles are also sharply increasing for many strata corporations with no loss history at all. Insurance cost increases impact the expenses of a strata corporation and it isn't uncommon for insurance to be the most costly expense line item. Strata fee increases follow. Owners can also be stuck with insurance deductibles for losses which originate within their unit, and that can be devastating if they don't have optional deductible coverage in their personal insurance policy. The impact on strata lot owners is hard: Not only are strata fees going up to cover increased insurance costs; to reduce the chance of further claims, many current owners are also being asked to

promptly fund levies to address long-deferred repairs and maintenance arising from years of building neglect. Even worse, some owners may have difficulty renewing or refinancing their mortgage or selling their strata lot if strata insurance isn't obtained.

The causes are varied: volume and value of claims, deferred building care, insurer losses, global factors and market forces. Some insurance underwriters are leaving the market altogether, reducing competition. Those who remain are dramatically increasing premiums and deductibles to maintain profitability and opting out of covering some properties due to perceived risk.

On a local scale if there is a solution it is for each strata corporation to be much more proactive:

- Adopt bylaws which allow the Strata Corporation to directly inspect and manage or even take responsibility for fixtures, appliances and connections like dishwasher hoses which can leak water. Ensure that any other potential vectors of loss are being inspected, maintained, remediated, replaced or otherwise addressed as needed to minimize the chances of loss or damage.
- Ensure that the bylaws do not allow unqualified owners or contractors to conduct alterations or repairs which should require specific qualifications and insurance.
- Be sure to obtain a reliable appraisal every year to ensure that your strata is obtaining the mandatory full replacement insurance and isn't breaching section 149 of the Act or risking denied or partial coverage by under-insuring.
- Do not defer obtaining or updating and renewing the strata corporation's depreciation report. Be sure that the author of the depreciation report is informed of all reports, inspections and repair and maintenance concerns.
- Do not defer repair or maintenance, particularly with respect to roofs, plumbing and sprinkler systems, building envelope, gas and electrical systems, or other building features which have the potential to cause loss or damage when they fail. Periodic professional inspections should be conducted for roofs, plumbing and other such features.
- Get advice on building and unit improvements which could help avoid or mitigate losses, such as water drain pans, individual unit water shut-offs and automatic leak detection shut-off controls.
- Get moving early on insurance renewal and ensure that you communicate any resolved issues to your broker along with pending plans to resolve known issues.

The most difficult part of this transition is persuading owners to pay for the necessary proactive measures as well as paying for increased insurance cost. Mr. Fischer often attends meetings to help explain difficult funding decisions to owners having experienced all manner of objections while also being sympathetic to owner concerns.

On a broader scale - the right legislative changes are necessary. I would be very surprised if there wasn't a legislative change to address this issue soon - but they need to address causes rather than symptoms. Some are proposing fixes which will only reallocate risk exposure or allow strata corporations some measure of self-insurance if they do anything at all.

In my opinion, the only really effective corrections are those which will reduce claims and those which mandate responsible repair and maintenance programs. Principal among those is a change to the building code for new construction and requiring retrofits for some buildings. For example, many water escapes could be prevented or contained by automatically shutting off water to a strata lot when a leak is detected, and ensuring that each unit can safely contain and drain the amount of water likely to be released before the shut-off is engaged.

---

### **Coping With Community Spread of Illness (The Covid-19 Corona Virus)**

The corona virus outbreak may or may not prove to be a serious public health issue in Canada. However what is certain is that some owners will be nervous about attending general meetings if this or any other communicable illness is heavily featured in the press. The range of individual responses to the Covid-19 outbreak goes from dismissiveness to outright panic, so what should a strata council do about an upcoming annual or special general meeting? The first thing to keep in mind is that some owners will be anxious about a large gathering right now; some with cause if they be at increased risk due to age, compromised immune system or other health factors. Here are some ideas to get you started on how to approach this issue in a way which may reassure attendees:

1. When an in-person meeting is necessary during flu season or when there is rising concern about spread of communicable disease, take sensible precautions:
  1. Reserve a larger than usual venue to allow for greater seat spacing
  2. Clean and sanitize the venue before the meeting.
  3. Make hand-sanitizer available with a sign instructing on effective use.
  4. Where legally possible, avoid physical sign-in sheets and physical ballots.
  5. Otherwise, provide disposable gloves for those who will be directly handling and counting ballots and sign-in sheets.
  6. Avoid shaking hands and sharing pens.
  7. Encourage attendees to follow Health Canada recommendations about how to sneeze, and frequent proper hand washing.
2. Watch for updated Health Canada guidelines and recommendations.
3. Identify alternatives for those who are ill, vulnerable or would rather not attend in person. Remind them that they can vote by proxy or (depending upon your bylaws) may be able to attend the meeting electronically.
4. If your strata corporation has large numbers of attendees and/or is comprised mostly of owners of advanced age - consider moving to more people attending meetings electronically and ensure that your strata corporation has properly drafted bylaws which are sufficient to hold electronic meetings efficiently, with easy technology and without compromising on functionality. Also, consider properly re-setting the year end to allow the AGM to be held outside of flu season.

Overall, be sensitive to owner concerns and do not dismiss them. At the same time, do not instill panic. Explain that precautions are being taken mainly to reassure owners and as a

courtesy to those members of the community who may be more vulnerable.

---

## Upcoming Learning Opportunities

### The Condominium Home Owners' Association 2020 Strata Education Program

Mr. Fischer is pleased to be teaching a topical seminar on Strata Insurance for CHOA in multiple local cities between May 4 to May 8, 2020. For more information about locations, attendance, membership, and other scheduled sessions, follow the link:

[Link](#)

### The Professional Association of Managing Agents

For strata management licensees who are PAMA members, don't miss the opportunity to attend a panel presentation and discussion on current Insurance Issues tomorrow, Friday, March 6, 2020. Mr. Fischer will be one of four panelists who will be asked to provide practical suggestions on how to deal with difficulties with renewals, escalating premiums, deductibles and various coverage and claim issues. Sign up now as the seminar is expected to be well-attended. For more information about the topics covered, and for scheduling and registration information, follow the link:

[Link](#)

---

#### Fischer & Company

Fischer & Company, located in the heart of the Okanagan, Kelowna, has provided a wide range of legal services to individuals, strata corporations and management companies in Kelowna, the Okanagan, and throughout the entire Province of British Columbia, since 2007. For more information on our Services Offered, to review our online Strata Basic Tips or New updates, or to see how we can assist you with your issue, please visit our website at [www.fischerandcompany.ca](http://www.fischerandcompany.ca)

---

This publication contains general information only and is not intended as legal advice. Use of this publication is at your own risk. FISCHER AND COMPANY, the author and related entities 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. This publication may include links to other websites (external links to third parties) that are independently owned and operated by other organizations – FISCHER AND COMPANY does not assume responsibility for these third-party websites and is not responsible for any external website or content.

---

Copyright © 2020

Fischer and Company, Law Corporation, All rights reserved.

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#)

