



NEWS RELEASE

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Insurance brokers call for consultation with key stakeholders to discuss owner liability in strata corporations

VANCOUVER –7 February, 2020– Recognizing the severe impact on consumers of recent increases to strata insurance deductibles and premium, the Insurance Brokers Association of B.C. (IBABC) is calling for consultation amongst all key stakeholders with a focus on proposed achievable legislative action.

In order to provide relief to consumers living in strata corporations, IBABC recommends two key reforms to the *Strata Property Act*: a \$50,000 cap on loss assessments (this cap may not apply in cases involving negligence), and the addition of a standard definition of a strata unit. IBABC recognizes these changes won't directly address the rising strata-building premiums and deductibles, but they are foundational pieces to that issue and the long-term stability of the B.C. strata insurance market.

Strata corporations across Canada in many cases are receiving notice of premium and/or deductible increase on renewal of their existing insurance policies. Over recent years strata corporations have benefited from a highly competitive insurance market with unsustainably low insurance premiums. However, insurance rates tend to follow market cycles. As the insurance market hardens, strata corporations are also experiencing an increasing frequency of claims with increasing costs of repairs. This is exacerbating upward pressure on rates and availability of coverage.

In B.C., we are seeing renewal premium increases from between 50% and 400% and deductible increases from \$25,000 per claim to \$250,000, \$500,000 and, in one case, \$750,000 for water-related losses. There are also cases of strata buildings without insurance coverage for water losses. Stratas in B.C. are also required to have insurance for full replacement cost, and some are struggling to find full coverage. These dramatic changes are leaving strata corporations and unit owners in vulnerable positions as they scramble to find adequate coverage.

IBABC's goal is to first help stabilize the current insurance situation for strata unit owners. By introducing an upper loss assessment cap (for deductible assessment and non-insured loss assessment), it assists strata lot owners in accessing adequate, affordable insurance products to protect their residences and themselves from potentially unmanageable financial loss.

"Higher premiums and higher deductibles increase the burden on the unit owners," says Troy Wotherspoon, IBABC president. "They are likely looking at increased strata fees to cover the big jump in strata building insurance premiums. Plus, subject to bylaws or strata council decisions, stratas can charge back the deductible, or the full cost of a repair if it is less than the deductible, *to an owner who is deemed responsible for damages*. That's now potentially hundreds of thousands of dollars, and it's nearly impossible for a unit owner to find insurance coverage for a deductible that high."

Metro Vancouver has approximately 2.7 million residents, with about half residing in strata-titled properties. Within B.C.'s strata property classification, there are now more than 30,000 strata corporations. These numbers reflect the significance of the current strata deductible increases and the challenges posed to millions of strata unit owners.

"Now is the time to act to help stabilize the market," says Chuck Byrne, IBABC executive director. "We all have the consumer's best interest in mind, and by acting together we can help them through this difficult situation and add long-term clarity and stability to the market."

Deductibles and coverage is further complicated by a lack of a “standard unit definition” in B.C.’s *Strata Property Act*.

A “bare bones” standard unit definition should also be introduced into legislation as part of the *Strata Property Act*. Bare bones for this purpose mean the essential structural components of the unit, such as walls, ceilings, drywall, sub-floor, basic electrical, plumbing and some HVAC components, including the requirement to meet applicable fire and building codes. This definition would not include most finished items, such as floor finishing, carpets, countertops, plumbing fixtures, appliances, and any upgrades beyond the bare bones definition, which would then be clearly the unit owner’s responsibility to maintain and insure.

As stated, having a legislated standard unit definition would greatly clarify the responsibilities of strata building insurers via their offered insurance policies versus the responsibilities of strata unit owners and their insurance responsibilities. This clarity would assist with proper insurance-product pricing and start the journey back to stability for the strata insurance market in B.C.

These two recommendations could protect millions of strata unit owners from further risk of losing their homes and likely help mitigate future insurance market cycles.

IBABC looks forward to further consultation with government and key stakeholders on these and other solutions for B.C. consumers affected by these difficult and unstable conditions.

About IBABC

The Insurance Brokers Association of B.C. serves as the voice of the general insurance brokerage industry and promotes its members as the premier distributors of insurance products and services in British Columbia. IBABC is the primary provider of pre-licensing and continuing professional education for the general insurance brokers in B.C. IBABC represents the interests of the public and its member brokers to government and to industry stakeholders.

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