
Condo Smarts

Headline: Insurance Exclusions

Topic: Insurance

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Dear Tony: During the massive snow followed by rain over the holidays, our snow removal company piled the driveway and parking lot snow at the bottom end of our building. They really had no other location, but the result was our surface drains were plugged, frozen and the heavy rain resulted in 3 garden suites being flooded. Our owners quickly responded and shovelled drains to clear the back up. The damages to the 3 units is below our deductible for the strata corporation, so each owner has approached their insurance company for basic carpet and finishing damages. All 3 home owners have been denied a claim, citing this is over land flood and an exclusion on a home owner policy. We have identified that our strata corporation policy covers over land flood, so why are home owner policies excluded? Each owner will be left with about \$10,000 in repairs and no way of covering the loss unless they sue the strata corporation.

Dawna P.

Dear Dawna: There are no minimum requirements or coverage legislated for homeowner insurance in strata corporations. Policies vary significantly on conditions of claims, deductibles, exclusions, living out expenses, personal property and betterments to our strata homes and liability. Strata owners, landlords and tenant insurance is not mandatory. It would be impossible to regulate the purchase and renewal of each owner policy and validity of coverage, plus a strata corporation has no insurable interest in the personal assets or liabilities of an owner.

Best practice is to recommend each owner bring a copy of the strata corporation insurance certificate to their home insurer. Ask your broker to identify if there is any coverage missing or any exclusions that may affect your property coverage. For example, do you have sufficient insurance to cover the strata corporation deductible in the even you or your tenants are responsible for a claim?

Strata corporation insurance deductibles often range from \$25-250,000. As an owner/landlord you are ultimately responsible for this amount if the strata corporation has sufficient evidence of the cause and responsibility.

Certain items such as betterments in your strata lot or a major kitchen upgrade that replaced cabinets and fixtures easily costs \$50,000 and is your responsibility to insure. Changes in flooring from the original are betterments and covered by the home owner. Does your policy include sewer back up? Sewer back is not guaranteed coverage in homeowner policies. Confirm that it is part of your policy, the amount of the deductible and what is specifically covered. Slope shift or landslides are also common exclusions on strata and home owner policies.

My best recommendation, always deal with an experienced insurance broker. Bring your strata policy and request coverage for deductibles where you could be responsible, sewer back up, personal assets, betterments to your strata lot, and general liability. Be specific and request, "are there any exclusions on this policy I need to be aware of?" Not every peril is insurable, but well informed is well prepared.