
Condo Smarts

Headline: Bad Insurance Advice

Topic: Insurance

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Written by: Tony Gioventu

Dear Tony: We live in a small bare land strata of 18 units. Our insurance costs have increased significantly and the owners have been questioning the value of what we are insuring. We have a common roadway, small meeting/club house with a guest suite, and small common area park space next to the public road that is used by the neighbourhood. After consultation with our insurance broker, we were advised that we could exempt our strata from a collective strata policy by unanimous vote if all the owners agreed and signed a waiver. Other than 1 unit owner, who we cannot reach at this time, everyone is in favour. Is this a dangerous decision?

JJ Waller

Dear JJ: Whether a strata corporation is a bare land, building, industrial, commercial, recreational, hotel, storage facility, or any other variation, you cannot exempt yourselves from the mandatory requirement of insurance. There is no such provision in the legislation. Only under the circumstance where one person owns all strata lots would there be a considered exemption, but even that would be at their own peril.

Strata corporations must insure for the prescribed perils in the *Strata Property Act* which include fire, lightning, smoke, windstorm, hail, explosion, water escape, strikes, riots or civil commotion, impact by aircraft and vehicles, vandalism and malicious acts.

There are also optional perils such as earthquake and environmental events. The strata corporation must also obtain and maintain liability insurance to insure against liability for property damage and bodily injury to a minimum amount of 2 million dollars. Errors and omissions insurance for council members against their liability and expenses for errors and omissions made in the exercise of their powers and performance of their duties as council members, is also an option.

Considering your strata corporation has a park used by the public, common area roadway and underground utilities, there are a number of perils that may pose a risk. While the strata corporation does not have an insurable interest in the homes on your strata lots, there is a significant risk for the common access areas, and your general liability.

Our office routinely identifies small strata corporations of 4-20 strata lots that are not insured properly. These are frequently identified as Bare Land Strata because they are detached homes, when they are actually detached building type townhouses and must be insured by the corporation. Unless your registered strata plan shows clearly that you are a bare land strata, you will be required to insure all common property, assets and fixtures of the corporation.