Condominium Home Owners Association of British Columbia
Leadership, Education and Resources for Strata Owners Across BC
Website: www.choa.bc.ca / Toll-free: 1.877.353.2462
Bulletin: 300-1202

Condo Smarts

Headline: Earthquake Insurance
Topic: Insurance
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Written by: Tony Gioventu

Dear Tony: Our high-rise/townhouse community has been debating whether earthquake insurance is worth the additional cost. With the deductible amounts so high, in the event we really do have a major quake causing a loss or evacuation of our building, is there really any value in the coverage? At 15% of our insured values, it means the average unit will have a deductible share of $137,000. Some units will be as high as $195,000 and as low as $113,000 when we calculate the unit entitlement. Worse yet, if we have a total loss, the payout amount, if it were to ever be funded, is not based on unit entitlement. As an older condo building, we have a schedule of interest on destruction which is used to distribute the proceeds based on the established relative value of units not size, so a 2 bedroom on the 2nd floor would receive 11% less than the same unit on the 14th floor, even though they pay the same strata fee. How does the council evaluate whether this is worth the investment?

Georgia C.

Dear Georgia: You are not the only strata corporation that is evaluating the risk. All the risks have to be considered, and the potential outcomes in the event there are partial damages, habitability damages, or total loss. If your buildings were to be structurally damaged but could be repaired, what are the implications where there is no insurance coverage?

Some mortgage lending agreements require proof of earthquake insurance. While owners may be in a position to obtain homeowner coverage for either part or all of their potential deductible, they cannot obtain insurance for the common property losses. Only the strata corporation may assume those insured liabilities. If you calculate out the cost of the earthquake coverage per unit, against the deductible amount, against the value of each unit, the cost may be the most affordable option for owners.

Insurance brokers play a vital role in our industry. Set up a meeting with your council and broker, they are always happy to support their clients. Put possible scenarios to them and have them confirm the information in a follow up email:

- What exactly does earthquake insurance cover?
- What happens if there is structural damage?
- Who evaluates whether a building is repairable or a loss?
- If there is a gas leak causing a fire is the damage covered.
- If we require living out for 1-2 years during repairs, is there any allowance for owners?
- If our mechanical systems alone are damaged, such as elevator, water circulation and distribution and sanitary, do we have sufficient coverage for their repair or replacement?
- Is liquefaction resulting in a loss covered as part of our policy?
- What about a tidal/tsunami event?
- Are there any exemptions or exclusions to the policy?
- What if 50% of the owners have no insurance coverage and cannot pay the deductible?

While earthquake insurance is not mandatory, if your strata corporation is considering omitting this as coverage, put this forward to your owners at your annual or special general meeting and provide them with all the information before they vote.

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