

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-258

Condo Smarts

Headline: Don't stint on Insurance

Topic: Strata insurance

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Dear Condo Smarts: I am an investor that owns 3 strata lots in an apartment building in South Okanagan. The strata corporation has tried unsuccessfully on a number of occasions to prohibit rentals. This year council decided to increase our insurance deductible to \$25,000 rather than face an increase in our insurance costs.

On the surface this all seems well, except now one of my tenants has caused a flood in the building by changing faucets without approval resulting in a pipe break and over \$65,000 damages and the resulting insurance claim.

My dilemma is it looks like I'm stuck paying for the deductible because my tenant has left without a trace and the strata is holding me responsible.

I have two questions. Can the strata increase the deductible without our approval, even though it increases our personal risks and why should I have to pay the deductible as I didn't cause the claim or damages?

- Daniel B. Courtenay

Dear Daniel: As we approach the new year, I recommend that everyone who owns a strata lot give themselves a gift they will never regret: a condominium homeowner, landlord or tenants insurance policy.

These policies can add protection for liability, damages, and coverage in the event the strata lot owner is left paying the recoverable

costs of a deductible or damages claim. The Act provides that landlords can be held liable for the costs of damages, insurance deductibles, and fines and penalties if their tenants choose not to pay.

If you have a well covered landlord insurance policy, your policy will likely cover your cost of the \$25,000 deductible for a small deductible of your own.

Do the math. How many years of insurance would the \$25,000 you're paying have covered?

Strata lot owners also need to remember they are responsible for their residents, tenants, trades their hire to work in their unit and even their guests. It is not uncommon to see an insurance deductible for water escape of 25,000 to 100,000 thousand dollars.

Every time a building reports another claim or failure your risks increase. Earthquake insurance is a good example of the costs. Take an average 100 unit apartment that is insured for 12 million in replacement value. The earthquake insurance is likely a 10% deductible. That amount is commonly calculated on the replacement value. If we were to experience a major earthquake, the deductible for that building would be 1.2 million dollars. If the damages were that high or greater each unit's assessment would be \$12,000.

Ask yourself: Will your condo owners' insurance policy cover that claim?

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