

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-341

Condo Smarts

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Dear Condo Smarts: Our strata council received a letter from our insurance broker demanding that we sign an agreement to limit insurance liability. In the letter, the insurance company insists that we have to sign a document to declare that our insurance values are 100% true, otherwise our insurance may be limited in value. So what's the point of hiring an appraiser that was recommended by the insurance company in the first place? As far as our council and owners are concerned, this was a total waste of money and nothing but a scam. Harvey D, Victoria

Dear Harvey: You are absolutely right, there is a potential for a scam here. But the real issue is whether the request is reasonable or not. The reason strata corporations have an appraisal is to ensure that the values you are insuring are for full replacement value required by the Strata Act. For example, in the event your building is destroyed or damaged by a fire or water break, the property must be insured for what it would cost to replace the portion of the building and the common fixtures at today's costs and under today's building code requirements. To determine the full replacement values, the strata corporation engages an appraiser, who is licensed and insured to conduct business

in British Columbia. You may wish to request verification of their qualifications and insurance before you engage them, all of which is for your own protection. However, in the event there is a defect in the appraisal value, the insurance of the appraiser would then come into play to cover the variables in the losses. There are two obvious reasons why strata council cannot determine the appraisal values or sign a declaration that they are accurate. First, they are not qualified. What makes the insured capable of assessing the values and assets of their own property? The second point however and most important is that if you did sign such a declaration, and the values did not sufficiently meet the insured claim amount, your claim may be limited to as much as half of its value. This would leave your strata with a massive liability. Here's the catch, under insured claims are not insurable under the strata policy, so the strata owners could be entirely on the hook for the remainder. If your insurer cannot meet your obligations of replacement value, or they are asking you to waive or assume liability in a written declaration, go to a company or broker that will treat you fairly. For more information on Insurance Performance Requirements contact the Insurance Council of BC:
www.insurancecouncilofbc.com

For more information on CHOA resources and benefits visit www.choa.bc.ca
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