

Condo Smarts

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Dear Tony: Thank you for your columns on insurance claims. Understanding the claims process made a significant difference to our strata corporation in processing a very large claim, that resulted from a grow op that was found in our building. We do have insurance coverage for grow ops, but our deductible is \$50,000. As it turns out the amount was a significant benefit to the owner of the strata lot because the damages to the unit and surrounding units was over \$500,000. The owner of the strata lot, was as surprised as our council, as he has never had any problems with his tenants in over eight years and has agreed to pay the strata deductible of \$50,000. There is one issue that came up however that was a conflict with our strata agent, resulting in our terminating our management agreement. Without the knowledge or consent of the strata corporation, our strata management agreed to be hired by the insurance company to act as the project manager for the claims. We were never informed of the agreement and questioned the ethics of the manager acting for two separate parties in the process. The manager told us this was routine as it helped our claim to be solved faster, and reduced the cost on the strata corporation. He also refused to tell us how much the insurance company was paying him. Considering our cost is the \$50,000 deductible, and the claim dragged on for 16 months, we disagreed and terminated our contract. If managers are permitted to work for other parties acting both for or providing services to the strata corporation, does that not present a conflict of interest for the managers?
Caroline V. Richmond

Dear Caroline: The Real Estate Services Act (RESA), the Regulations, and Rules of the Real Estate Council are the legislation that set out the standards and requirements for strata managers and brokerages. Under Part 5 of the Rules, the relationships with principles and parties are set out, including the conditions of approval and disclosure for compensation and representation. In simple terms the strata management company contract with the strata corporation. The two parties agree to the terms and conditions of the contract, which must comply with the

legislation, and must include the fees approved for strata management services and any disbursement costs for services that are permitted and agreed upon. If the strata manager is intending on acting for more than one party in a relationship with the strata corporation, that must also be disclosed and consented to by the strata corporation. This is routinely approved in the management agreement, and for example may cover additional relationships that may include the strata manager/brokerage acting for both the strata corporation and as the agent for investors, or as the additional agent of sections created within the strata corporation. If the strata manager is employed by a 3rd party to act in a relationship with the strata corporation, that will also require the consent of the strata corporation, either through the written service agreement or a separate addendum to the agreement. Additionally, if there are any fees for services, finder's fees or other compensation, that must also be disclosed to the strata corporation. The Council Rules under RESA, require that the licensee must promptly disclose to the client, and to the licensee's related brokerage: the source of the remuneration, the amount of the remuneration, or if the amount is unknown, the likely amount or method of calculating the amount, and all other relevant facts relating to the remuneration. Bottom line, the licensee cannot benefit from or broker deals relating to your strata business without your agreement. Most management companies do not charge or enter into service agreements for insurance claim management on behalf of the insurance companies, especially without the consent of their clients. If there is additional work required for claims, the service agreement should include the rates for the services, and the manager will seek the approval of council as required. If your strata corporation suspects this issue, contact the Real Estate Council and speak to a compliance officer regarding the relationship and disclosure of information. Go to www.recbc.ca or call 604.683.9664.

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