

ADVICE TO MINISTER

<p>CONFIDENTIAL GCPE-FIN ISSUE NOTE</p> <p>Ministry of Finance RECORD OPR: Date: Jan 13, 2020 Minister Responsible: Carole James</p>	<p>Rising cost of Condo/Strata Insurance</p>
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RECOMMENDED RESPONSE:

- The rising cost of insurance is an issue that strata corporations are facing across Canada and around the world.
- Here in B.C., higher real estate prices and construction costs have contributed to a surge in the cost of insurance coverage.
- Climate change and the increase of weather-related incidents is also having a direct impact on the cost of insurance.

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- Our government continues to engage with the private insurance industry to determine how s.13, British Columbians can continue to access affordable insurance coverage.
- While specific product pricing is a matter for the insurance industry, we are monitoring the situation carefully and invite the public and industry to discuss specific concerns.
- We encourage all stratas that are having difficulties getting insurance coverage to contact the Insurance Bureau of Canada.

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- **Strata corporations can also reduce the possibility of insurance claims by having depreciation reports and following preventative maintenance programs.**

BACKGROUND:

The *Strata Property Act* requires that that all strata corporations obtain and maintain full replacement value property insurance and liability insurance.

In December 2019, reports of significant increases in the cost of condo insurance for stratas began to surface. Some strata corporations are reporting annual insurance costs increasing by 300% and deductibles increasing from \$25,000 to \$100,000 or more.

In fall 2019, Tony Gioventu, the Executive Director of the Condominium Home Owners Association, spoke with staff from the Ministry of Municipal Affairs and Housing about the emerging issue of some strata corporations having difficulties obtaining strata insurance and facing greatly increased premiums and deductibles. In late November, Mr. Gioventu again flagged the issue to ministry staff as several large strata corporations were having difficulty getting insurance coverage; he also spoke to the media on the issue with coverage.

According to media coverage, the reason for the rising cost of condo insurance can be attributed to numerous factors including the increased value of B.C. properties, as well as climate-related disasters. It should also be noted that the insurance sector, like other sectors, is cyclical. During a “hard” market, the cost of insurance is higher and underwriting standards are more stringent. During a “soft” market the price of insurance is lower, and competition is high. Experts have noted that the industry is just emerging from an unusually long “soft” period, which had kept the price of insurance artificially low.

Beginning In fall 2019, several strata owners have contacted ministry staff to discuss their concerns.

At BC's suggestion, insurance was discussed at an interprovincial conference call on condominiums in early November 2019. Provinces reported rising insurance costs and a participant reported that in Toronto, five condominium corporations could not obtain insurance.

The Ministry of Finance is responsible for the Province's *Insurance Act* and *Financial Institutions Act*. The BC Financial Services Authority has the responsibility to regulate provincially incorporated insurance companies.

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