

B.C.s condo insurance market is 'unhealthy', says new government agency report

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A crane is seen at a condo development under construction as condo and office towers fill the downtown skyline in Vancouver, B.C., on Friday March 30, 2018. The Real Estate Board of Greater Vancouver says commercial real estate activity was down substantially last year from a year earlier, and from the long-term average, on slower economic activity.

This province's condo insurance market is unhealthy and has saddled owners with sudden increases of an estimated 50 per cent in Metro Vancouver, according to a three-month investigation by the B.C. Financial Services Authority.

“Our interim findings released today present a picture of an ‘unhealthy’ strata insurance market in British Columbia. That is, a market that fails to meet the goals of sustainability, affordability and availability,” Blair Morrison, chief executive officer of the FSA, said in a press release.

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"Unhealthy" condo insurance market in B.C.: new government agency r...

The interim report notes, ominously, that “there is not enough capacity in the strata insurance market to support future expected demand (in B.C.).”

The Vancouver Sun has been documenting for months [the financial plight of strata owners](#), who number 1.5 million in this province — or one third of B.C.’s population. After investing in homes in multi-unit developments, some of these owners have been hit over the last six months with massive insurance

premium increases, big jumps in their deductibles, accompanying sharp rises in their strata fees and — in some cases — [an inability to get full or partial coverage](#) for their buildings.

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In March, the Finance Ministry asked the FSA, the new Crown agency that regulates insurance, to gather data on fluctuating insurance rates for condos, and to get a handle on why this crisis is hitting B.C. so hard.

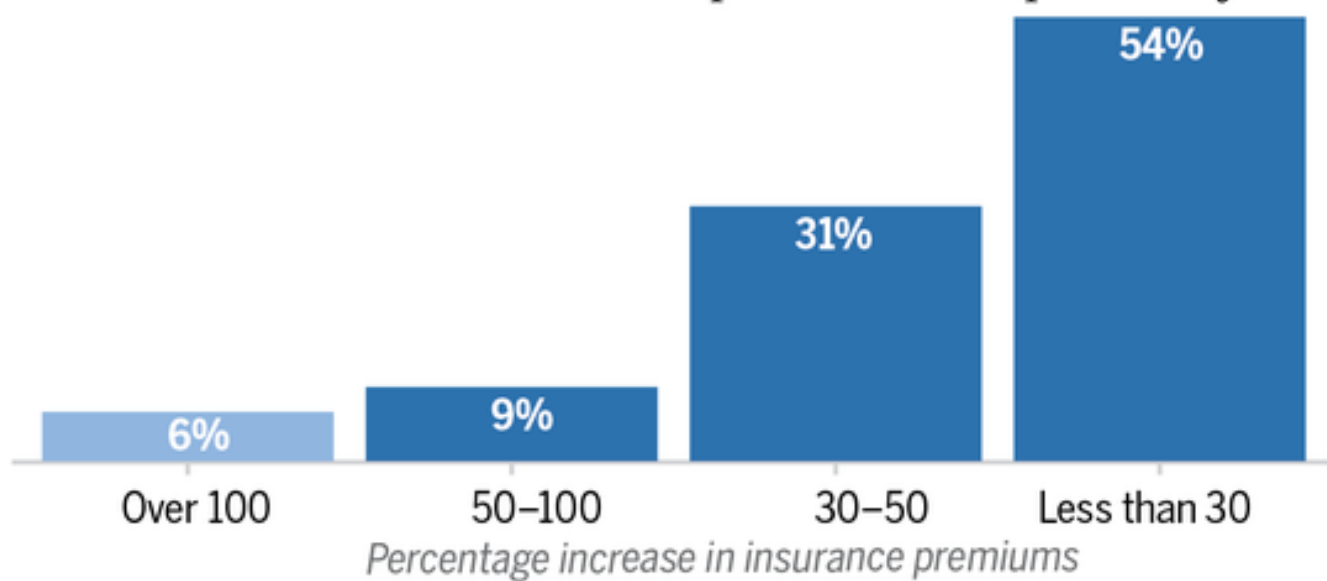
On Tuesday, the FSA released an interim report that said it was starting to understand some of the reasons behind the troubling trend, but warned condo owners there was no quick-fix in sight.

“Despite large increases already being felt, the situation has not yet stabilized, meaning many stratas, particularly those in buildings considered to be higher risk by insurers, can expect to face further pricing pressures as well as the risk of not being able to obtain full strata property insurance coverage,” Morrison said.

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PREMIUM PRICES

Six per cent of B.C.'s strata properties experienced insurance increases of more than 100% compared with the previous year.



SOURCE: B.C. FSA

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The FSA's interim report found premiums had risen roughly 40 per cent across the province over the last year, and an average of 50 per cent in Metro Vancouver, with deductibles tripling for some owners. The data collected represents 6,000 condos, townhouses and triplexes, and reflects their insurance situation as of late January and early February.

Earlier this month, The Vancouver Sun revealed the first statistical glimpse into this crisis, reporting that condo owners in Metro Vancouver were being forced to spend an average of [65 per cent more on insurance premiums](#) in 2020. That new data, provided exclusively by [Eli Report](#), a Vancouver-based artificial intelligence platform that analyzes strata documents for real estate professionals, showed the first picture of how insurance rates shot up dramatically through the second half of 2019, and went from bad to worse in 2020.

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Many condo owners have told The Sun they are facing 200- and 300-per-cent year-over-year increases in insurance costs, and the Condominium Home Owners Association of B.C. has estimated the overall increase is much higher than 65 per cent.

The FSA's data points to "a convergence of local and global factors" that resulted in much-higher price tags for insurance across B.C.

"The underlying factors contributing to B.C.'s unhealthy strata insurance market are complex and do not present easy solutions," warned Frank Chong, the FSA's vice-president and deputy superintendent of regulation.



Frank Chong is the Vice President and Deputy Superintendent, Regulation, for the B.C. Financial Services Authority.

Chong said Tuesday he believes finding solutions are possible, but it will take some time and the cooperation of the many players in this industry. The Sun

asked the provincial government on Tuesday if it will change any policies based on this report — either around strata management, or capping insurance premiums — but the NDP has not yet responded.

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Some of the explanations for this crisis found by the FSA investigation include:

- water damage, often involving minor amounts of money, accounted for roughly half of the total claims in B.C.'s strata market since 2017, suggesting that "ongoing maintenance practices" have not been good at these buildings;
- buildings less than five years old had average claims that were twice as high compared to older buildings, suggesting they were relying on insurance to cover these losses rather than new home warranty programs.
- and earthquake risk here has caused many insurers to reduce the coverage offered in B.C. — which has led to higher premiums.

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"There is pressure to reduce the exposure to B.C. earthquake risk and improve profitability. Without solutions that reduce insurers' exposure to earthquake risk, there will not be enough capacity to support demand," the report says.

Some strata owners have told The Sun that they've been hit with high premiums without having any major claims. When asked about this, Chong said his data did not provide a breakdown on whether well-managed buildings are getting clobbered too.

Strata insurance, which is a big ticket item compared to insuring a single home, is mainly offered by nine or ten companies headquartered outside Canada. Many insurers have exited B.C.'s strata market in the last three years because

it has not been profitable, the report says.

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There are three brokers in the B.C. condo market, who cobble together multiple bids from many insurers to try to get 100 per cent coverage for a building. This practice, called "best terms pricing," was flagged by the FSA for further investigation because the final price of the premium is based on the highest bid of the participating insurers.

"This pricing method is believed to be a factor in why a number of the properties in BC have experienced significant premium increases," the report says.

The FSA says it plans to meet over the coming weeks with strata managers, strata owners, insurers and brokers to explore the "various causes of this situation and possible regulatory and industry solutions." A final report is expected this fall.

Many condo owners struggling with major debt due to the insurance crisis, or are worried about the resale value of their units, hope the provincial government will take action as soon as possible.

This crisis has intensified at the same time the COVID-19 pandemic crippled the economy and wiped out jobs, creating a financial one-two punch for people faced with losses of income as well as higher condo payments.

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