
NEWS RELEASE

For Immediate Release
2020FIN0033-001143
June 23, 2020

Ministry of Finance
Ministry of Municipal Affairs and Housing

First steps to address rising insurance costs for strata owners

VICTORIA – The Government of British Columbia is taking action to help stratas better mitigate the rising costs of insurance.

Actions include bringing more transparency to the strata insurance industry, closing loopholes related to depreciation reports, ending referral fees paid to strata property managers and giving strata owners and corporations the tools they need to do their part.

“The rising cost of strata insurance is a major financial pressure facing thousands of British Columbians during an already challenging time,” said Carole James, Minister of Finance. “This is an extremely complex issue playing out in the private insurance industry, but that doesn’t lessen our government’s commitment to doing what we can to make the situation better. Everyone has a role to play in returning the market to balance and today our government is taking a first step, with the understanding that we will take further action as needed.”

Through amendments to the Strata Property Act and Financial Institutions Act, as well as associated regulatory changes, government will:

- end the practice of referral fees between insurers or insurance brokers and strata property managers or other third parties;
- set out clear guidelines for what strata corporations are required to insure to help strata councils make informed decisions on their insurance policies;
- require strata corporations to inform owners about insurance coverage, provide notice of any policy changes, including increasing deductibles, and allow stratas to use their contingency reserve fund when necessary to pay for unexpected premium increases; and
- protect strata unit owners against large lawsuits from strata corporations if the owner was legally responsible for a loss or damage, but through no fault of their own.

The legislation also paves the way for government to make further regulatory changes to:

- identify when stratas are not required to get full insurance coverage;
- strengthen depreciation reporting requirements, including limiting the ability to use existing loopholes in the legislation to avoid completing depreciation reports;
- change the minimum required contributions made by strata unit owners and developers to a strata corporation’s contingency reserve fund;
- require brokers to disclose the amount of their commission, which has been reported to be at times in excess of 20%; and
- strengthen notification requirements to strata corporations of changes to insurance coverage and costs, or an intent not to renew.

These regulatory changes will be made after further consultation with strata community

stakeholders.

“We understand the difficulty people living in stratas face when they experience a large increase in insurance costs or have challenges finding insurance at all,” said Selina Robinson, Minister of Municipal Affairs and Housing. “This legislation is a first step to help strata corporations now as we continue to work on this complex issue. I look forward to the BC Financial Services Authority’s final report in the fall, which will help identify further actions government can take to support people living in strata properties.”

Government’s actions were guided in part by input from key stakeholders, including:

- Condominium Home Owners Association of BC;
- Vancouver Island Strata Owners Association;
- Insurance Brokers Association of BC;
- Insurance Bureau of Canada;
- Insurance Council of BC;
- Office of the Superintendent of Real Estate;
- Real Estate Council of BC;
- Mortgage Brokers Association of BC
- BC Real Estate Association; and
- the interim report of the BC Financial Services Authority.

The Ministry of Municipal Affairs and Housing and the Ministry of Finance will also review the final report from BC Financial Services Authority in the fall to determine what further changes government can make to help lower strata insurance costs for people.

Learn More:

To read the interim findings from the BC Financial Services Authority, visit:
<https://www.bcfsa.ca/pdf/publications/StrataInsuranceFindingsReport.pdf>

A backgrounder follows.

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BACKGROUND

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Facts about strata insurance in B.C.

- Over 1.5 million people live in strata housing in B.C.
- At the direction of the minister of Finance, the BC Financial Services Authority (BCFSA) released its interim report on the rising cost of strata insurance in British Columbia on June 16, 2020, with a final report expected in fall 2020.
- The report found that premiums have risen by approximately 40% throughout the province on a year-over-year basis, with deductibles experiencing up to triple-digit increases over the same period.
- The BCFSA found that a variety of complex factors on a provincial, national and global level are driving up insurance costs, from rising property values to earthquake risk.
- Over the summer, the BCFSA will engage with industry stakeholders, including strata management organizations, strata owner associations, insurance industry representatives and insurance brokers to validate and add to its findings.
- The Ministry of Municipal Affairs and Housing will also continue ongoing consultation on the Strata Property Act to develop further regulation changes and guidelines.
- The BCFSA is the regulator responsible for the private sector insurance industry in British Columbia.

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