

How insurance for condominium corporations works

Tough market conditions have led to companies re-evaluating their risk appetite for writing new business and having more discipline in commercial underwriting. Many insurers across Canada, and in Alberta in particular, have seen more frequent and more severe weather losses, including losses as a result of the 2013 floods in Calgary, the 2016 wildfires in Fort McMurray and the 2019 fires in High Level.

- 7 of Canada's 11 most-costly insured disaster events have taken place in Alberta, and this has contributed to changes in the way companies underwrite risk and price premiums.
- Several lines of insurance business are currently experiencing high losses. A hardening insurance market – a period where claims payouts have increased – makes insurers less inclined to write new business, making it more difficult for commercial consumers to obtain insurance.

Insurers look at a number of factors to assess risk and price premiums, including the following:

- Type of construction and the materials used in the building's construction, including whether materials are fire resistant, e.g., wood frame structures are considered higher risk.
- Location of the condo, e.g., buildings located on flood plains pose a greater risk of water damage due to overland flooding, and in the northern parts of Alberta, water damage from burst pipes is more prevalent.
- Multi-unit condos are prone to water damage through accidental overflowing of toilets and bathtubs, as well as burst pipes and supply line failures.
- Claims history, such as repeated water damage claims or multiple other claims, will affect the availability and affordability of insurance coverage.

There are unique risks to consider when insuring condo corporations, including the following:

- Difficult economic conditions have led to higher vacancy rates, which pose significant risks.
- A unit occupied by tenants, as opposed to the unit owner, may not be maintained as adequately and repairs may not happen as quickly.
- Higher tenancy rates can often lead to less oversight from the board of directors, which could lead to irregular maintenance or substandard repairs in the condo building.

What you can do now:

- Talk to your insurance representative about what risk management strategies will help protect your condo. An efficient and effective maintenance program will help to mitigate many of the risks your condo corporation faces.

If you are a condo unit owner:

- Ask your condo corporation about its maintenance strategy and what it is doing to mitigate risks.
- Ask your condo corporation about the condo's claims history and whether there are maintenance issues that need to be addressed.
- If you have questions about insurance, call IBC's Consumer Information Centre at 1-844-2ask-IBC for more information.