

Poor construction, maintenance driving up B.C. strata insurance rates

Financial regulator finds water damage a major factor

- [TOM FLETCHER](#)
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Insurance premiums for strata properties have increased by about 40 per cent across B.C. and some deductibles have more than doubled in the past year, the B.C. Financial Services Authority finds in a new report.

Minor claims, many from water damage in new construction or due to lack of maintenance, have made strata insurance unprofitable and the market is “unhealthy” as a result, CEO Blair Morrison said in releasing the BCFSAs’ [preliminary findings](#) June 16.

“Despite large increases already being felt, the situation has not stabilized, meaning many stratas, particularly in those in buildings considered to be high-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.

The new Crown agency, established last year to regulate B.C. mortgage brokers, credit unions, trust and insurance companies, was directed by Finance Minister Carole James to review the situation in February. Just before the B.C. legislature was shut down by the COVID-19 pandemic, the B.C. Liberal opposition raised reports of huge jumps in strata insurance rates and in some cases a refusal to cover condo buildings entirely.

Aside from construction quality problems and lack of maintenance leading to water leaks, the review found “excessive exposure to earthquake risk has prompted insurers to reduce the amount of strata insurance they offer in the province.”

New building construction, building material changes and rising replacement costs have also affected insurance industry profitability, meaning “there is not enough capacity in the strata insurance market to support future expected demand,” the report says.

The strata insurance market is mostly global for-profit businesses. BCFSA found that only nine or 10 companies offer the insurance in B.C. Most are headquartered outside of Canada, and operate through three main brokers.

The BCFSA intends to provide a full report to James and the B.C. government by this fall.