



A GUIDE TO INSURING A CONDOMINIUM UNIT IN BRITISH COLUMBIA

By Bradley Potter, BFL Stewarts Insurance .

FEATURE ARTICLES

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WHAT YOUR STRATA CORPORATION INSURES:

The strata corporation policy insures the buildings and common property outside your unit. It also insures permanently affixed items inside your unit such as kitchen cabinets, light fixtures, permanent floor coverings, stoves, intercom, built-in dishwashers and other similar items that were permanently installed at the time the building was constructed.

The strata corporation's insurer has no way of knowing what improvements have been made to the unit by you or your predecessors. It's therefore up to you on your policy to insure

the value of any upgrading, improvements or generally anything that had been paid for by you or the previous owners in improving your unit from its original state. These items are called "Improvements & Betterments" and will be dealt with later.

WHAT YOU SHOULD INSURE

The safest way to describe what fixtures you should insure is to list those that can be unplugged, sensibly disconnected and taken with you if you sold your unit, for example refrigerators, washers and dryers, microwaves, sound equipment, together with all your personal effects, furniture, loose carpets, clothing, kitchen utensils. These items should all be insured

for what it would cost to replace them at today's prices.

WHAT TYPE OF COVERAGE SHOULD YOU CHOOSE?

The condominium unit owners' insurance is normally written on a comprehensive form which insures against All Risks of Direct Physical Loss or Damage subject to certain exclusions of coverage. This form can be extended to cover loss or damage caused by earthquake or by the backing up of sewers or drains.

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ARE YOU TIRED OF SPECIAL LEVIES? CONSIDER A CONTINGENCY RESERVE FUND PLAN

BY TED DENNISTON, HALSALL ASSOCIATES

The strata corporation manages and maintains the common property and assets for the Owner's benefit, as required in the *Strata Property Act*. Ensuring that adequate funding is available to cover future repair and replacement costs falls within this responsibility.

Ted Denniston and Kevin Grasty, both of Halsall Associates Limited, presented Halsall's approach to, and experiences with, providing Contingency Reserve Fund Planning (CRFP) to Stratas at the CCI Seminar on October 28, 2004 in Vancouver.

It has been just over two years since Halsall first presented to the members of CCI on the need for contingency reserve fund planning. In that last two years, Halsall has been hard at work explaining the need for reserve fund planning to stratas and completing reserve fund studies for both the more proactive stratas

and stratas in need.

What has Halsall learned from their work? If stratas continue along the road they have in the past, sufficient funds to cover the cost of future repairs, and the like, will not be available and special levies will be a part of everyday strata life, possibly making living in some stratas very costly and unpredictable.

If you believe that is not your strata, think again.... are you sure? Does your strata have a long range maintenance plan in place? Does the plan include all building components that are the responsibility of the strata to maintain, repair and replace? Does the plan include the building structure, parking garage(s), roof(s), exterior walls, interior common area finishes, mechanical systems, plumbing systems, electrical systems, site, etc.? Is the plan fully funded, i.e. is there a schedule(s) in place to help ensure that funds are available for future repairs and replacements?

Continued from page 1

THERE ARE OTHER MAJOR FEATURES THAT SHOULD BE INCLUDED

Additional Living Expenses

If you are forced to leave your home due to a loss that's covered, you'll need substantial sums to live elsewhere until the repairs are completed or you find permanent housing elsewhere.

Improvements and Betterments

You can buy additional amounts if needed but your basic policy should automatically include extra cover over and above your personal property cover for any upgrading that you may have acquired or completed yourself.

Special Assessments

Protection for your share of special assessments for damage to the common property (not wear and tear) that may be brought for a variety of reasons. Once again this cover should be in addition to your contents cover.

Strata Policy Deductible

Some insurance Companies offer to pay for the deductible of the strata (building) policy if the deductible is the unit owners' responsibility. The amount payable varies by company and some charge an additional premium.

Personal Liability

This protects you and your family living with you for your legal responsibility to others worldwide for claims arising from bodily injury, property damage, fees for legal defense, legal liability to occasional employees, voluntary property damage and voluntary medical payments.

COMPREHENSIVE FORM: THE POLICY SHOULD COVER LOSS OR DAMAGE CAUSED BY ALL RISKS OF PHYSICAL LOSS OR DAMAGE AND THIS INCLUDES:

- Fire,
- Lightning,
- Explosion,
- Smoke, including from your fireplace
- Falling objects
- Vandalism
- Malicious Acts
- Water Escape
- Rupture and Freezing
- Windstorm, Tornados and Hail
- Theft
- Impact by vehicle
- Cover on your goods while being transported

Features Should Also Include:

- Loss to contents of your food freezer

- Coverage for your home computer and software
- Credit card forgery or fraudulent use of your bank card
- Coverage for books or tools of your employer, that you may bring home but don't own

Even though furs, jewelry, silverware, coin collections and other special items should be appraised and insured specifically, your policy should still include some automatic cover for theft of such property, as follows:

- Jewelry, watches and furs up to \$3,000.00
- Silverware up to \$5,000.00
- Stamp collections and coins collections up to \$3,000.00
- Cash up to \$500.00
- Bicycles up to \$1,000.00 each

Bradley Potter is Vice-President of BFL Stewarts Insurance Services Ltd. BFL provides strata corporation and individual personal lines insurance. Please call BFL at 604-669-9600 for further information.



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CONDOMINIUM CASE LAW REVIEW

By Jamie Bleay, Solicitor, Access Law Group

Case law update - Jocelyn Coupal et al v. The Owners, Strata Plan LMS 2503, B.C. Court of Appeal, Nov. 4, 2004.

Who pays for the costs of repairing a leaky condominium? This question has been one that our courts have been asked to answer on several occasions over the past several years. On November 4, 2004, the B.C. Court of Appeal answered the question in the context of Strata Plan LMS 2503, which is comprised of eighty-eight residential strata lots constructed between 1995 and 1997. Twelve of the strata lots are situated in one building which the Court referred to as Heritage Units. The remaining strata lots were located in 7 other buildings and can be characterized as Townhouse Units.

Water leakage problems in the Townhouse Units developed as early as 1998. At that time the strata corporation was governed by the *Condominium Act* (the "CA"). The strata corporation took the initiative to retain professionals to investigate and report back to the strata corporation on a course of action to repair the water leakage problems. After reviewing various repair recommendations, the strata corporation passed two resolutions to raise funds to pay for the design for the repairs to the Townhouse Units and thereafter, to pay for the cost of repairs and for litigation expenses. These two resolutions were passed after the CA had been repealed and the *Strata Property Act* ("SPA") proclaimed. The first resolution was passed in November, 2001 and the second in February, 2002.

In 1998, the strata corporation was operating under the Part V bylaws of the CA. One of those bylaws (section 128(2)), stated that "where a strata plan consisted of more than one type of strata lot, common expenses attributable to one or more type of strata lot must be allocated to and borne by the owners of that type of strata lot, in proportion to their unit entitlements."

The two resolutions resulted in the special levies being allocated and borne by all strata lot owners at Strata Plan LMS 2503. The Heritage Unit owners challenged the special levies on the basis that the Heritage Units were a different type of strata lot pursuant to section 128(2) of the CA bylaws and therefore, they did not have to contribute toward the costs of repairing the Townhouse Units.

The issue before the Court of Appeal was whether section 128(2) of the CA bylaws applied at the time of the special levies, in which case the expenses related to the Townhouse Units would be allocated and borne only by the Townhouse Units or whether the SPA applied, in which case all owners would be required to contribute toward the repair costs. After doing a detailed analysis of the CA bylaws, the transitional provisions of SPA and the provisions in the SPA and the SPA regulations dealing with allocation of common expenses among types of strata lots, the Court of Appeal found that the SPA applied to the two special levies passed in November, 2001 and February 2002 and as such, the strata corporation, which had not apportioned common expenses between the different types of strata lots, as at July 1, 2000 (so as to be in a position to pass a bylaw prior to January 1, 2002, by majority vote, that identified the type of strata lot set out in the budget for the purpose of allocating contributions to the operating fund, was not required to allocate the special levies only to the Townhouse Units.

Whether or not this court decision puts this issue to bed once and for all remains to be seen. However, the analysis is, in the writer's opinion, a sound one that should assist other strata corporations who may be facing similar problems but have not yet taken steps to impose special levies.



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PRESIDENT'S MESSAGE**- Jamie Bleay**

There is much to report since the last President's Message. Our 2004 Annual General Meeting was held in conjunction with a well-attended seminar sponsored by Halsall Engineering on the topic of reserve fund studies and case studies on several Lower Mainland projects that have had or will have reserve fund studies done. Halsall has been kind enough to contribute an article in this newsletter highlighting many of the points addressed in the seminar.

Since the last President's Message, our Chapter has been working toward finalizing a web site. With the web site, our members will be able to remain informed about upcoming seminars and events as well as being able to download articles and newsletters. We hope to have the website up and running shortly and look forward to the benefits of such a wonderful tool.

As a Chapter, we saw limited membership growth. However, we are hoping that with a website and increased participation by suppliers and contractors to the condominium industry, as members and as advertisers in our newsletters, that our membership will see significant growth in 2005.

Our educational materials, which we have spoken of in earlier newsletters, should also be finalized shortly. We will then contact you and offer you the opportunity to participate in the inaugural level 100 Condominium Course. We are excited to be able to offer this Course to any and all owners, council members and to those who are involved, in some way or another, in the operation and management of a strata corporation.

The Board of Directors is working on a new initiative in 2005. With the help of members and non-members alike who have the "ear" of the B.C. government, we will be discussing the importance of reserve fund studies and reserve fund planning for strata corporations. Stay tuned for more on this in the next Newsletter.

Our Chapter has the potential to become one of the biggest in Canada. However, in order to grow we need our members to help us to promote our Chapter. We ask that each of you consider how you can help our Chapter grow, whether by distributing this newsletter to other strata complexes in your neighbourhood, by volunteering to be on the Board or on a committee or perhaps by submitting an article for one of our newsletters. We are all volunteers and with much help and encouragement from our members and the hundreds of individuals and businesses who are involved in one way or another with the condominium industry, we will see this growth happen.

I would personally like to thank each and every board member for their effort and contribution in 2004. Without the help of volunteers, we would not have had the success as a Chapter over the past few years

Jamie Bleay, President – Vancouver CCI

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CCI – VANCOUVER SURVEY

CCI-BC would like YOUR opinion on the type of seminar you would like presented.

Below are several seminars we will be putting on the future. If you are interested in any one of them, place a check mark beside your choice and we will E-mail you when the seminar is going to be held. Or fill out the blanks and tell us the seminar you would like presented.

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| <input type="checkbox"/> Cellular Towers on Buildings | <input type="checkbox"/> Unit Entitlement Schedules |
| <input type="checkbox"/> Creation of Types or Sections. | <input type="checkbox"/> Strata Council Responsibilities. |
| <input type="checkbox"/> B.C. Personal Information Protection Act. | <input type="checkbox"/> Rental Restrictions |
| <input type="checkbox"/> Conducting a General Meeting | <input type="checkbox"/> Building Envelope Reviews |
| <input type="checkbox"/> Understanding Strata Insurance | <input type="checkbox"/> _____ |

JOIN CCI-VANCOUVER HERE'S HOW

Be a part of the newest chapter of the Canadian Condominium Institute. CCI is a national organization with chapters in virtually every province in Canada representing the interests and viewpoints of everyone involved in condominium ownership and management.

An annual membership is only \$110.00 and includes a quarterly newsletter, head of the line priority registration to seminars, and a chance to be part of a national organization with a regional voice that can make a difference.

Contact us at: cci@ccivancouver.com



Continued from page 2 – Reserve Fund Studies...

There is no need for condominium owners to continue paying special levies, only the need for some engineered Reserve Fund Planning.

What is Contingency Reserve Fund Planning?

Contingency Reserve Fund Planning (CRFP) is designed to establish appropriate fund contribution levels for a condominium's future maintenance, repair and replacement expenses.

Present Legislation

Inadequate legislation (i.e. the current Strata Property Act) means that many B.C. condominiums do not have the funds to complete predictable repairs associated with aging building elements. The Act states that if the Reserve Fund amount at the fiscal year-end is equal to or greater than 100% of the annual Operating Fund, any further contribution to the Reserve Fund must be approved by a 3/4 Owner vote. Ultimately, the Act is discouraging condominiums from accruing adequate funds to manage repairs and replacements.

Many routine repairs to exterior walls, roofs, piping, etc., can easily exceed \$100,000. This can easily empty the Reserve Fund, and result in levies against current owners to complete the work.

If Contingency Reserve Fund Planning Is Not Mandated By Legislation, WHY DO IT?

CRFP involves looking at the entire property from an economic standpoint. This differs from Maintenance Plans that typically look at only specific components of the property. With a CRFP, engineering professionals review the entire building. Options such as deferred component replacement, specialized maintenance programs and localized repairs are considered. This provides a balanced approach to managing the condominium's finances. CRFP that includes advice on preventing deterioration will also prolong a building component's service life. This further reduces the Owner's exposure to special levies.

CRFP should have the flexibility to balance the Owner's present and future needs. By establishing and following a plan, a condominium may be able to realize an increase in property value.

Reserve Fund Studies

A Reserve Fund Study is carried out to provide the information needed to develop CRFP.

Engineered Reserve Fund Study

An Engineered Reserve Fund Study is prepared by building experts who are knowledgeable and experienced in condominium building repair.

Two models need to be considered in an Engineered Reserve Fund Study, an Expense Model and a Funding Model.

The **Expense Model** predicts future expenditures for common condominium assets by evaluating the condition of the individual asset components. Building investigations help to identify deterioration, and when done by experienced personnel, the result is a reasonably accurate assessment of the remaining life span for the major building components.

Once the condominium's future expenditure needs are defined, the **Funding Model** or second half of the study can be developed. This financial portion should be an all-inclusive table that provides the figures required to understand the study, such as the calculated key element quantities, component replacement cost, the estimated time until the next replacement or major repair, and the expected lifespan following the expenditure. Each year should show the budgeted amount for each component, along with a total budgeted cost for each year. Capital expenditure representation should be provided in various formats: by year, building system, category, etc., to help the Council understand where the expenditures arise.

Continued from page 6 – Reserve Fund Studies...

CONCLUSION

Contingency Reserve Fund Planning is not a new concept. Legislation in most Canadian provinces mandates basic CRFP requirements. CRFP value, and resulting long-term security, was understood by

B.C. neighbours long ago. There is no need for condominium owners to continue paying special levies, only the need for some engineered reserve fund planning.

Ted Denniston, C.E.T., ASCT, is with Halsall Associates Limited, a firm of professional engineers and consultants. Halsall's Vancouver office focuses on restoration, capital planning, due diligence, project management and cladding engineering services. Halsall provides engineered Reserve Fund Planning. Ted can be reached at tdenniston@halsall.com or at 604-924-5575.

Below is a picture of Ted Denniston at work at a complex in Lake Louise, Alberta

