
STRATA UNIT OWNERS—Did you know that in the event of damage in your unit you might need to pursue a claim under two policies?

This overview is to explain the basic differences between Strata Corporation insurance policies and your Condominium Unit Owner insurance policy. It is intended to assist Strata Unit Owners, Strata Councils and Property Managers to have a better understanding of the types of damages that should generally be covered by each of the types of policies. You should refer to your own policy wordings for coverage details, limitations, exclusions etc., as the information outlined below does not supersede those wordings.

When a Strata Unit is purchased, the new unit owner buys the right to occupy their designated unit/suite within a Strata building or complex and they become members of the Strata Corporation. The Corporation will have by-laws in place outlining rules governing the behavior of the members.

The insurance policies (property and liability) purchased by the Strata Corporation are mandated by law (British Columbia Strata Property Act, for example) and the property coverage is primarily intended to be sufficient to substantially rebuild the entire structure or complex if it was ever destroyed. The building materials are covered based on repairs or replacement being completed with new materials of like kind and quality to those that were used during the original construction of the building(s). These include all the interior and exterior fixtures and finishes of the units and of common property, which would be restored using the same grade and quality of material that was used when the building was first completed and made ready for occupancy by the original developer.

The unit owners, as members of the Strata Corporation, are proportionate share owners of the building or complex and are therefore Named Insureds under policies purchased by the Strata Corporation giving them the right to present claims under those policies.

The Condominium Unit Owner's insurance policy, purchased by individual unit owners, is primarily to cover their own personal property (contents), the increased costs of building repairs arising from any upgrades and betterments that had ever been made to any fixtures or fittings inside their suite as well as their personal liability.

The two policies are intended to complement one another but not to provide overlapping coverage.

As such, on losses within units that include damage to both the building and personal property, two separate policies come in to play and **unit owners may need to pursue claims under both policies**. They may need to deal with two separate adjusters, two contractors and two insurance companies during the resolution of their claims.

If the only damage is to the building structure and permanent fixtures and/or fittings within a suite/unit, and there is no damage to the Unit Owner's personal property or to Unit Improvements or Betterments, then, aside from a possible reimbursement claim for the building deductible damage discussed in greater detail below, the Unit Owner would have no basis to make a claim under the Condominium Unit Owner policy and no involvement should be required on the part of the Unit Owner's insurer. The Unit Owner would need to pursue their claim directly through, and to deal directly with, the Strata Corporation building Insurer.

If the Unit Owner does not have the policy information on the Strata Corporation policy, they may need to consult their by-laws or contact their property manager and/or their Strata Counsel to obtain the information.

In some cases, if the source of the damage originated in a specific unit, and, if the applicable Strata Corporation by-laws so indicate, the Owner of that unit may be financially responsible for the portion of the cost of repairs to the building that would not be paid by the Strata Corporation's building insurance policy because of the policy deductible. Your Sovereign Condominium Unit Owner policy includes an extension of

coverage to reimburse you, subject to a maximum limit, which can be increased if required, for the amount you owe towards the Strata Corporation's deductible. If the by-laws are silent on the issue of unit owner responsibility, the British Columbia Strata Property Act stipulates that the Building Insurance deductible is a common expense that is to be borne by the Corporation as a whole.

General guidelines, with examples, on what types of damages are covered by each of the policies:

Strata Corporation Policies:

Property covered if Strata Corporation insurance is in place as is required by law (British Columbia Strata Property Act):

- the building structure including, but not limited to, the building itself (all permanent fittings and fixtures attached thereto and forming part thereof), the common facilities and assets, and any fixtures built or installed by the owner developer as part of the original construction.
- in cases where a permanent finish has been replaced with equivalent quality materials to the original construction, such as the replacement of a basic grade of carpet with new carpet of the same grade, the Condominium Corporation Insurer policy coverage alone would apply to the carpet

Sovereign Condominium Unit Owner Policy:

Property covered:

- your contents as defined in the policy
- your unit betterment and improvements, as defined in the policy, including those purchased from previous unit owners
- in cases where a permanent building finish has been replaced and upgraded, such as where a basic grade of carpet has been replaced with a higher grade of carpet (by you or a previous unit owner), our coverage only applies to the difference in the costs arising from the upgrade
- limited coverage for damage to your unit that is not insured by the Condominium Corporation policy because of a deductible and where the Corporation's by-laws specify your responsibility for the damage

If you have any questions about your Sovereign Condominium Unit Owners policy please do not hesitate to contact your broker.
