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Q&A Session following the
presentation will address your
questions.

BRITISH
COLUMBIA

ONTARIO

Condo
Insurance
101



with Wendy Wildeman from
Rogers Insurance Ltd.

NEWFOUNDLAND

NOVA SCOTIA

NEW
UNSWICK **PART ONE:**

**What is Condo
Insurance?**

**What are your
responsibilities?**

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BASIC TERMINOLOGY

Insured	The condo corporation made up of unit owners
Insurer	The Insurance Company on the policy
Property Manager	Your assigned representative employed by Larlyn Property Management Ltd.
Adjuster	Investigates the loss and determines the extent of coverage. Works in conjunction with insured, service providers, property manager and insurer. Also makes recommendations for settlement to insurer.
Contractors	Perform emergency repairs and rebuild within the scope of work approved by the adjuster/insurer.
Broker	With respect to a claim, it is the broker's role to assist whenever and wherever possible from offering advice, to troubleshooting on behalf of the insured.



BASIC TERMINOLOGY

- Condominium Act
- By-Laws / Declarations
 - Standard Unit By-Laws
 - Deductible By-Law
- Corporation Specific Rules & Regulations / Code of Conduct



WHAT SHOULD BE INCLUDED IN A STANDARD INSURANCE POLICY

STANDARD CONDOMINIUM POLICY WILL INSURE:

- Building
 - Fixed structures pertaining to building and located on the premises
 - Additions and extensions communicating and in contact with the building
 - Materials, equipment & supplies on the Premises for maintenance
 - Permanent fittings & fixtures (excluding furniture)
 - Growing plants, trees, shrubs or flowers inside the “building” used for decorative purposes



WHAT SHOULD BE INCLUDED IN A STANDARD INSURANCE POLICY

- Corporation Contents
- Equipment Breakdown
 - Loss or damage caused from explosion or mechanical breakdown of boilers, fired and unfired pressure vessels, refrigeration or air conditioning equipment and miscellaneous electrical apparatus
 - Coverage can be extended to include production machinery and protection from business interruption caused by this property
- Commercial General Liability
 - Covers liability exposures that are common to the organizations
 - The Limit of Liability is the maximum sum payable to the Third Party for “bodily injury” or “property damage” covered under the policy for which the insured is legally obligated to pay



WHAT SHOULD BE INCLUDED IN A STANDARD INSURANCE POLICY

- Directors and Officers
 - Protects the directors and officers in the event they cause, or allegedly cause, a wrongful act as defined in the policy
 - Claims can be filed against board members by various entities including the shareholders, the general public and the government



UNIT OWNER RESPONSIBILITY



PERSONAL INSURANCE:

- Personal Property including:
 - Unit Improvements & Betterments as defined in by-laws
 - Loss Assessment Coverage (may include corporation deductible)
 - Unit Owners Additional Protection
- Additional Living Expenses / Fair Rental Value
- Liability
 - Personal Liability
 - Premises Liability
 - Employer's Liability

CORPORATION'S RESPONSIBILITIES

AS PER THE CONDOMINIUM ACT OF ONTARIO, THE CORPORATION SHALL:

- Obtain and maintain insurance, on its own behalf and on behalf of the owners, for damage to the units and common elements that is caused by major perils or the other perils that the declaration or the by-laws specify.
- Determine the Amount of Recovery, subject to a reasonable deductible, to cover the replacement cost of the property damaged by the perils to which the insurance applies.



FIDUCIARY RESPONSIBILITY

- Acting as a board member for a condominium corporation is a fiduciary responsibility to act in and serve the best interests of the corporation. Exclusions under directors and officers liability include “for any dishonest, fraudulent, criminal or malicious act or any deliberate or intentional error or omission committed by or with knowledge of any Director or Officer”.
- Coverage is not in place or provided for intentional acts which result in claims. For example: Choosing not to perform necessary building upgrades which then leads to the deterioration of the property, would null and void the coverage offered by Directors and Officers Liability. In such a case the personal assets of the board members would be at stake for any claims brought against them.
- It is very important to remember that acting as a board member for a condominium corporation is a serious responsibility, and as such board members are entrusted with the care of the entire corporation. Actions and decisions require careful examination, and members must always consider the position of trust that they hold.



ONTARIO STANDARD UNIT BY-LAWS

A STANDARD UNIT BY-LAW IS:

- A means of determining the responsibility for insuring and repairing improvements after damage.
- A means of determining what constitutes an improvement to a unit.
- Stipulates the type of construction, electrical, flooring, kitchen and general finish of the units.
- The ability to assess the unit owner with the deductible.

A STANDARD UNIT BY-LAW IS NOT:

- A way to alter the allocation of “maintenance” responsibilities between a condominium corporation and the unit owners;
- Except with regard to improvements to a unit, a way to alter the allocation of “repair after damage” responsibilities between a condominium corporation and the unit owners.

2005 Elia Associates Barristers and Solicitors publication – web site



DEDUCTIBLE BY-LAW

The Ontario Condominium Act of 2001 states that a unit owner may be assessed for the deductible applicable to the damage to their unit only if in fact the damage was caused by that unit owners'/tenants' act or omission.

Example: Toilet overflows in unit 901. Unit 901 has no damage, however 801 sustains major water damage. Under the Act the owner of 901 cannot be assessed with any portion of the deductible as his/her unit did not sustain any damage.

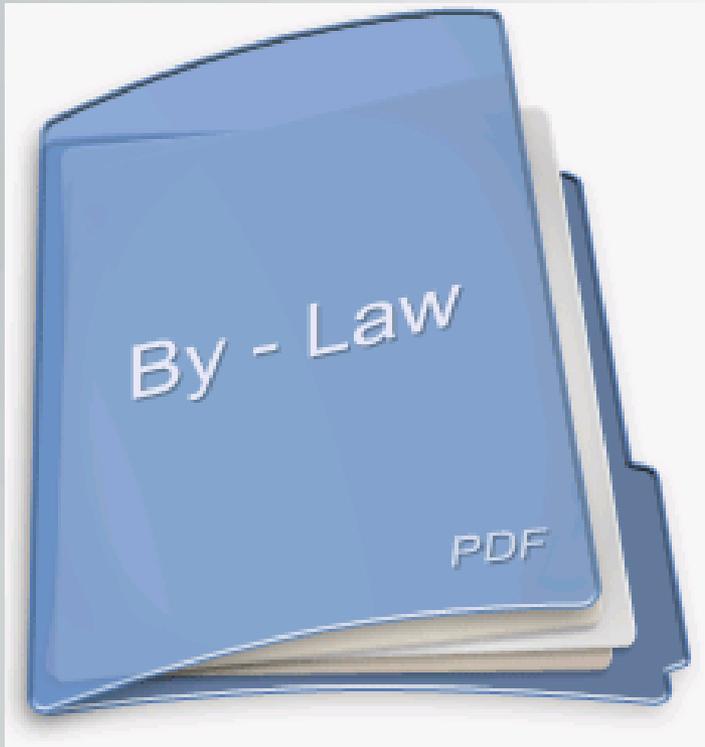
Corporations now have the ability to enact an insurance deductible by-law, whereby holding the negligent unit owner responsible for the entire applicable deductible.

Using the previous example, by enacting a deductible by-law the corporation could assess unit 901 with the entire insurance deductible.



WHAT CONSTITUTES A “STANDARD UNIT”

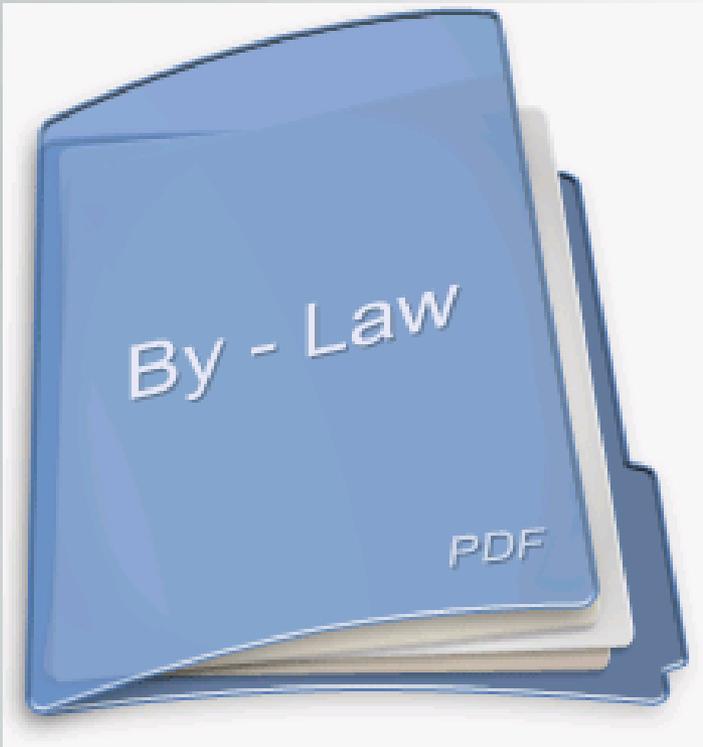
BASIC



- The unit owner is responsible for maintaining and repairing all improvements (upgrades) and shall insure them with the customary coverage provided to condominium unit owners.
- Any repairs, maintenance, and/or servicing to be conducted by a unit owner to his/her respective unit shall only be performed by an accredited professional.
- Stipulates the type of construction, electrical, flooring, kitchen, suite, general finish, bathroom, security.
- Any replacement of materials may be similar or better quality.

WHAT CONSTITUTES A “STANDARD UNIT”

**An excerpt from an actual
Standard Unit By-law**



- Anything which is not included within the definition of “common elements” (as defined in the Condominium Act) or within the description of standard unit, shall constitute an improvement to insure and repair after damage.
- Defines the Class of Dwelling Unit – doors, walls, ceilings, light fixtures, floor coverings, cabinetry, plumbing fixtures.
- Under floor coverings – NO floor coverings whatsoever will be included within the standard unit. Each unit owner will be responsible for fully insuring his/her own flooring at each owner’s sole cost and expense.
- Under Cabinetry – NO counter tops whatsoever will be included within the standard unit. Again the owner will be responsible for fully insuring at their own expense.



COURT RULING SIMPLIFIES CONDO CLAIMS IN ONTARIO

Basically, courts have ruled that in the absence of a Standard Unit By-Law, the corporation will be responsible for all costs of replacement applicable to any improvement or betterment made necessary by an insured loss.



FREQUENTLY ASKED QUESTIONS

WHO PAYS THE DEDUCTIBLE?

- Bylaws, if part of the standard unit by-law, dictate how the corporation deductible will be assessed.
- Personal insurance policy, in some cases, will reimburse the unit owner if they are assessed with the Corporation's Policy Deductible.

HOW ARE VOLUNTEERS PROTECTED?

- Definition of an Insured Volunteer:
 - Includes all authorized volunteers while performing volunteer duties assigned and authorized.
- Standard Workers Compensation is not available
- Accident & Volunteer Coverage is available



FREQUENTLY ASKED QUESTIONS

WHAT IS DIRECTORS & OFFICERS LIABILITY INSURANCE?

- Protects present and past board members against claims that may be served against them as a result of their service on the board of directors for the condominium.
- This coverage is designed for “wrongful acts” and claims of which board members do not have knowledge or could not reasonably foresee any circumstance that may result in a claim.
- For claims that boards can stumble into unwittingly.
- Bylaws state that all directors and officers are to be indemnified by the corporation.
- Directors & Officers personal assets are exposed.
- Defense costs included in limits.



FREQUENTLY ASKED QUESTIONS

HOW SHOULD UNIT OWNERS PURCHASE PERSONAL INSURANCE?

- Advise unit owners to take the Bylaws along when purchasing personal insurance.
- Possibly insure with the same insurer.
- Make certain that replacement cost values are adequate.

“NOT MY FAULT”

WHY MUST I GET MY PERSONAL INSURANCE INVOLVED?

- Bylaws state what is covered under the condo corporation’s policy.
- Subrogation (right of the insurer to assume the rights of the insured) is not available.
- Unit owners need to change their way of thinking. It is not neighbour against neighbour. Condo owners are one big “family.”



APPRAISALS

It is the duty of the board to insure the corporation to the **full replacement value**.

In order to determine the correct value, it is recommended that the board obtain an insurance appraisal, completed by a recognized industry professional.

Should the corporation suffer a major loss, the insurance policy will exhaust at the limits purchased. If this limit is insufficient, the corporation members could face severe financial consequences.



APPRAISALS



Total Loss due to Fire

APPRAISED VALUE:

\$2, 793, 350

ACTUAL COST TO REBUILD:

\$5, 624, 515



APPRAISALS

REPLACEMENT COST:

- Means the cost of replacing, repairing, constructing or re-constructing (whichever is the least) the property on the same site with new property of like kind and quality for like occupancy without deduction for depreciation and in no event it shall exceed the limit of insurance.

GUARANTEED REPLACEMENT COST:

- Guarantees full replacement cost of your property as a result of an insured peril, as long as:
 - You have a current insurance appraisal within 36 months;
 - You insure to the full appraised value.



An appraisal performed within the previous 36 months makes the corporation eligible for **Guaranteed Replacement Cost**. This coverage protects the corporation by providing replacement cost coverage even if the loss exceed the appraised/insured amount.



QUESTIONS

If you have not done so already, please type your questions in the area provided on your screen where it says “TYPE MESSAGE HERE.”

We will address as many questions submitted as possible and follow up personally with those we are not able to discuss this evening.



COMING SOON...

So now that we've covered basic terminology of Condo Insurance and your responsibilities as members of the Board of Directors for your corporation, we hope you will join us again for more!

PART TWO: What Happens When You Need To Make A Claim

April 9, 2015

- Basic Claim Process
- Excluded Perils
- How to be prepared
- Actual Claim Examples

PART THREE: How to Manage Your Risk and Mitigate Losses

May 2015 TBD

- Prevention
- Importance of Contracts
- Keeping Insurance Costs Low

Later this summer, a free, downloadable E-Guide will be available covering all three events.



NEXT STEPS

How to access the recording of this presentation:

In addition to receiving an email with a link to the recording, you will be able to access it on our website within the next week:

www.larlyn.com/Client-Learning



NEXT STEPS

Who to contact for further questions:

- Your Property Manager and Regional Manager are both valuable resources on your Customer Service Team who are always available to answer your questions.
- If you would like to reach me, you can do so by email:

wwildeman@rogersinsurance.ca



NEXT STEPS

Additional “Learn With Larlyn” Opportunities:

www.larlyn.com/Client-Learning

PREVIOUS WEBINARS:

How to Read Your Condo Financial Statements

Condo Budgeting

E-BOOKS:

Role of the Board of Director

Role of the Property Manager

And more!

123’s of Condo Insurance Financials

A House is A System



Thank You for joining us



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