

How to Purchase Strata Insurance in BC

Speaker:

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How to Purchase Strata Insurance in BC

- ▶ Insurance capacity and how does this affect price and competition?
- ▶ Environmental influences
- ▶ Best practices for maintenance and risk management to give strata corporations a better chance for coverage

Insurance capacity: Price and Aggregate

Price, Capacity and Competition run parallel in the BC Strata Market

Main Factors:

- ▶ Total Insurable Value(TIV) of the Common Property
- ▶ Earthquake Zone and Aggregate, Flood and Fire Protection
- ▶ Building Height, Material Type, Age, Building Subjectivity, Yearly Building Maintenance, Infrastructure Upgrades and Liability Risk Management

Insurance Capacity: Who has it?

- ▶ Many Domestic Insurance Companies have very strict criteria and participation in capacity
- ▶ Lloyd's Markets: Cover Holders and Wholesalers
- ▶ Why are not all Brokers able to get quotes?

Getting Multiple Quotes Yes or No?

- ▶ In current market conditions, finding insurance brokerages or insurers may or may not be the easiest depending on your strata
- 1. Total Insurable Value
- 2. Location(FUS Codes, Earthquake and Flood)
- 3. Building Type and Height
- 4. Liability Risks
- 5. Claims History
- 6. Environmental/Location Risks

Earthquake



Earthquake

Geographical Location, Building Type and Age determines:

- ▶ Deductible
- ▶ Rating
- ▶ Capacity

Figuring out your units Earthquake Deductible Loss Assessment

(Building Value x Earthquake Deductible) x Unit Entitlement =
Units Earthquake Assessment

(\$5,000,000(TIV) x 15%(EQ Ded)) = \$750,000(Strata
Deductible) x .0423(Unit Entitlement) = \$31,725(EQ Ded Loss
Assessment to Unit Owner)

Flood

UNDERSTANDING &
UNDERWRITING FLOOD
RISKS IN BC



PE9 – Flood Extension

1. FLOOD

For the purpose of this extension, flood shall mean the rising of, the breaking out or the overflow of any body of water whether natural or man-made and includes waves, tides and tidal waves.

3. EXCLUSIONS

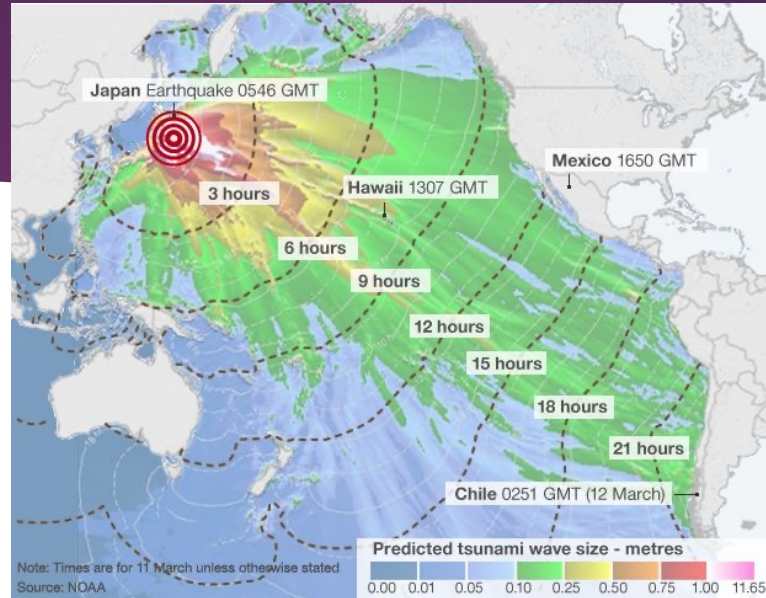
This extension does not cover loss or damage caused directly or indirectly by:

- (a) water which backs up through sewers, sumps, septic tanks or drains;
- (b) water below the surface of the ground including that which exerts pressure on or flows, seeps or leaks through sidewalks, driveways, foundations, walls, basement or other floors, or through doors, windows or other openings in such sidewalks, driveways, foundations, walls or floors;
- (c) any of the following perils whether or not caused by or attributable to flood: fire, explosion, smoke, "leakage from fire protective equipment" or leakage from a watermain, theft, riot, vandalism or malicious acts.

Types of Floods

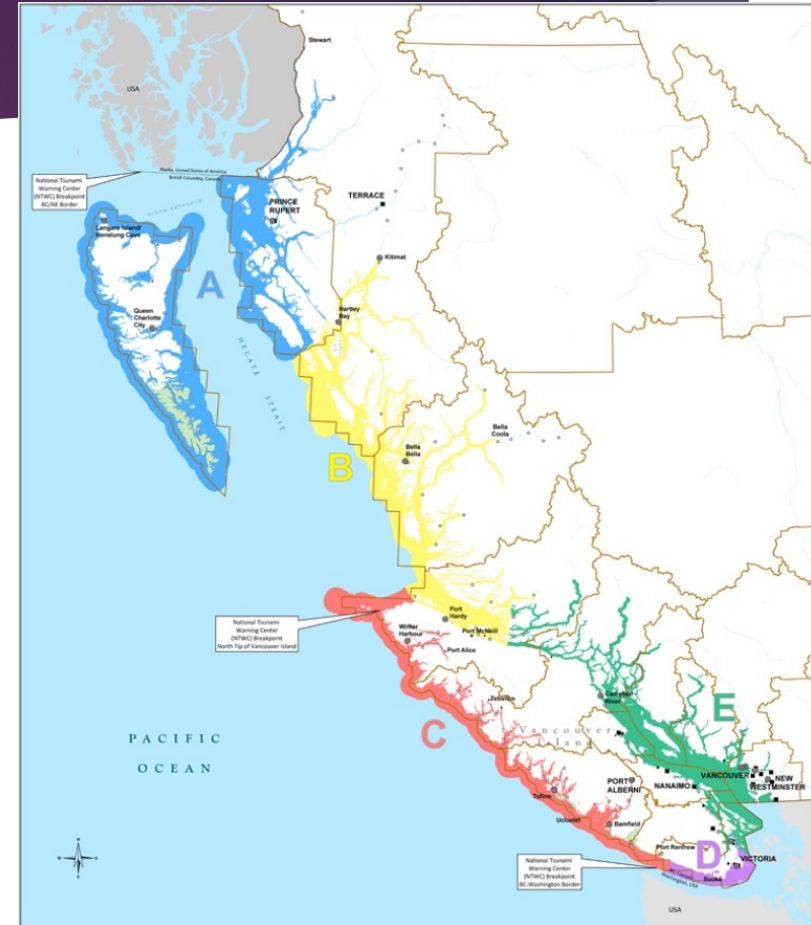
- ▶ Tidal: caused by oceans and seas
 - ▶ Tsunamis
- ▶ Groundwater: water rises from the underlying rocks
 - ▶ Liquefaction & soil types
- ▶ Pluvial: occurs when rainfall falls on oversaturated ground
- ▶ Fluvial: occurs when rivers overflow & breach their banks

Tidal Flooding (Tsunami)

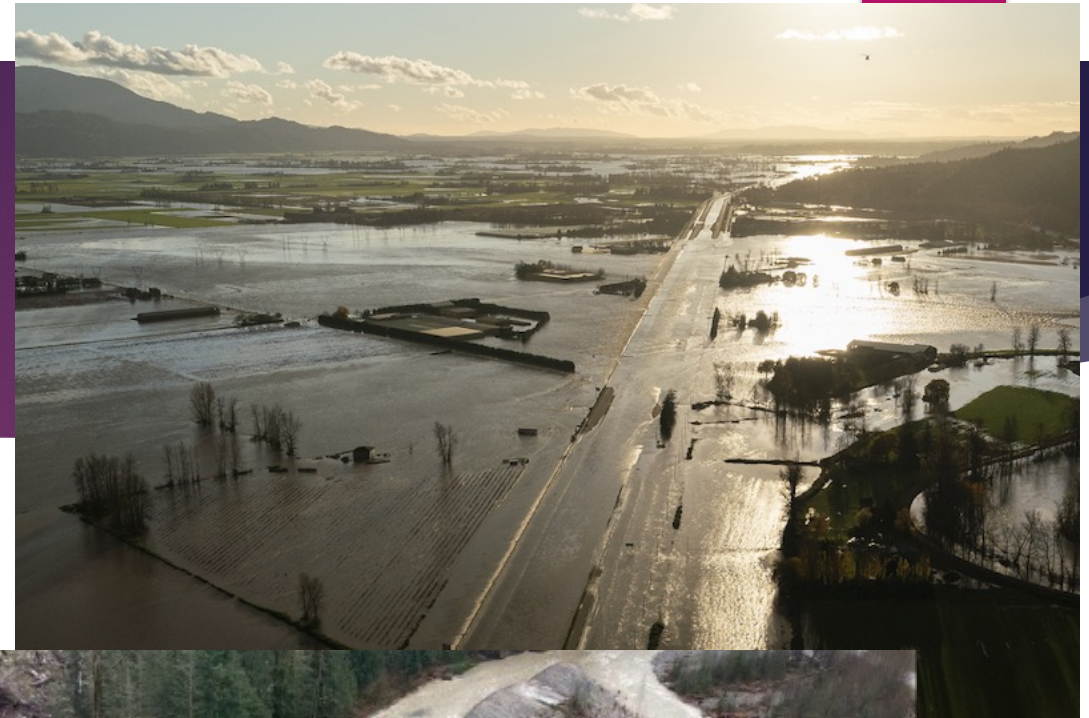


Japan Earthquake & Tsunami 2011

- Insurance Losses: \$30bn
- Lloyd's: \$1.95bn



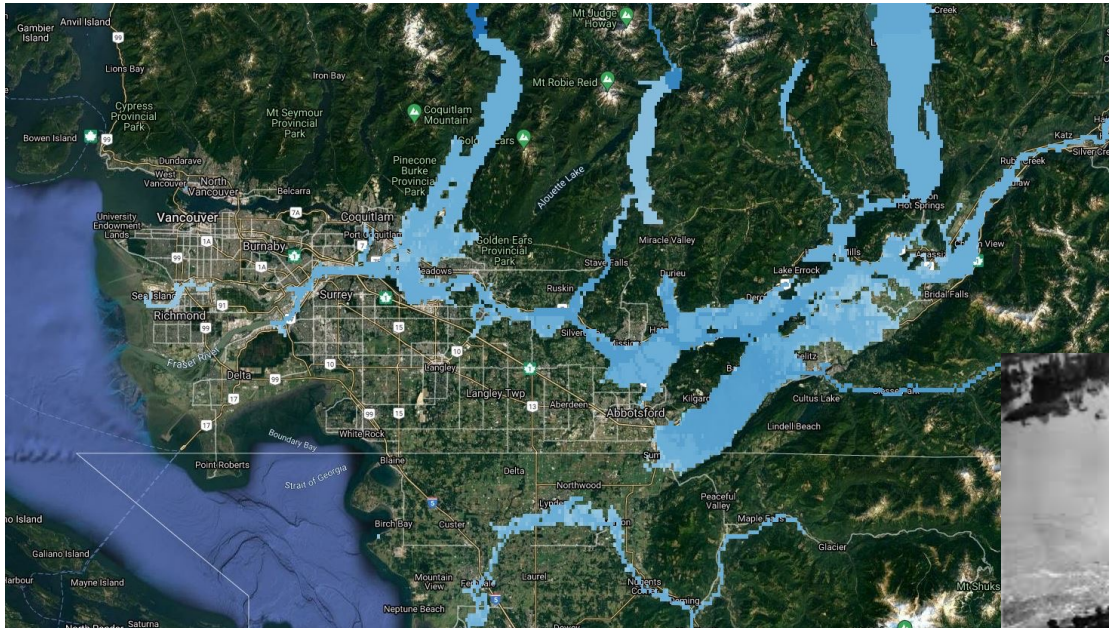
Pluvial Flooding



BC Atmospheric River 2021
\$450m in insured damage

Fluvial Flooding

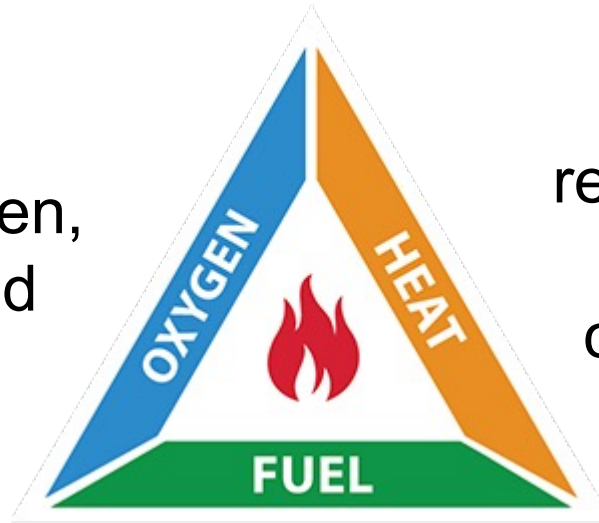
► Fraser River, 1948



BC Wildfire



available oxygen,
including wind



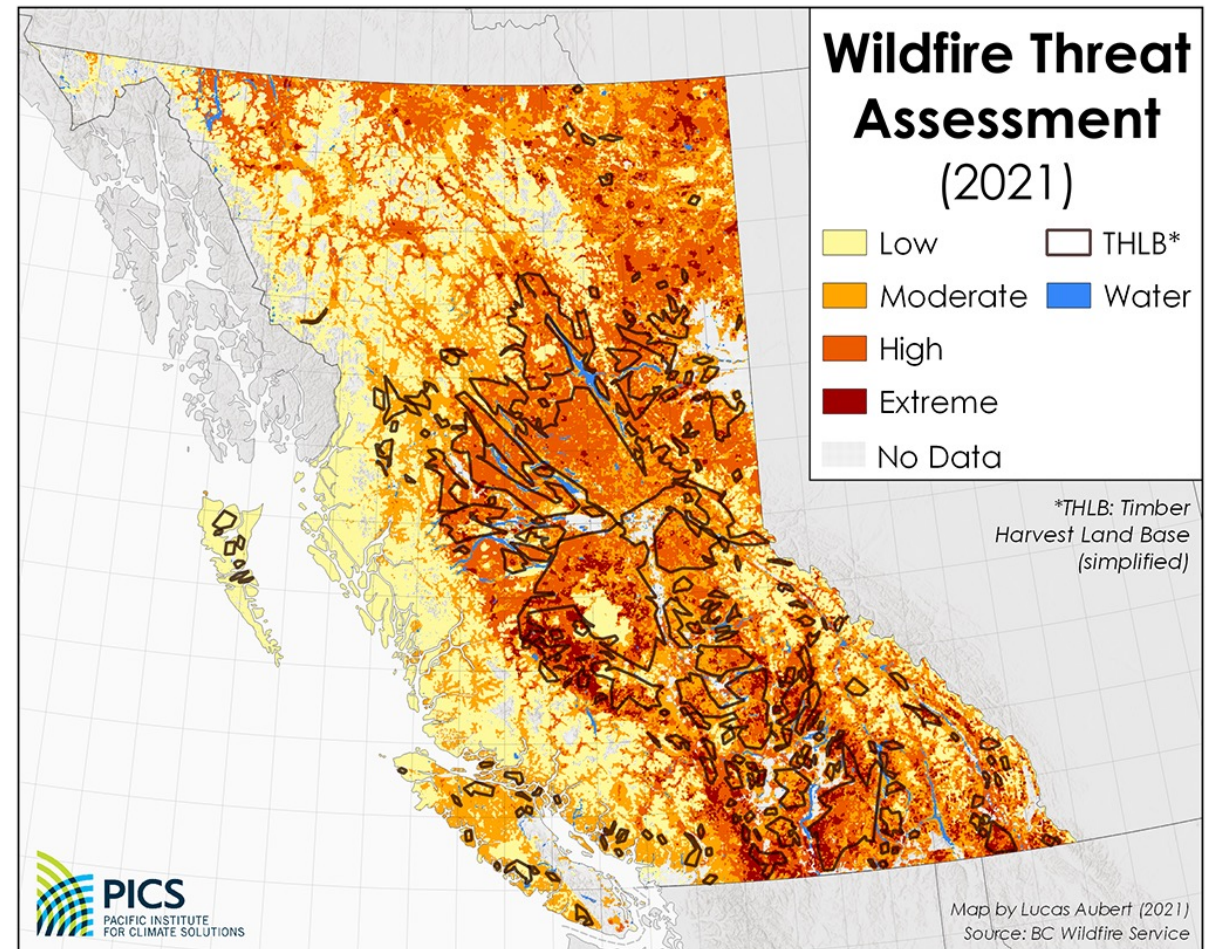
requires a source: sun,
lightning, matches,
campfires, cigarettes

something to burn, forest,
bushes, grassland, structures

Fire Triangle

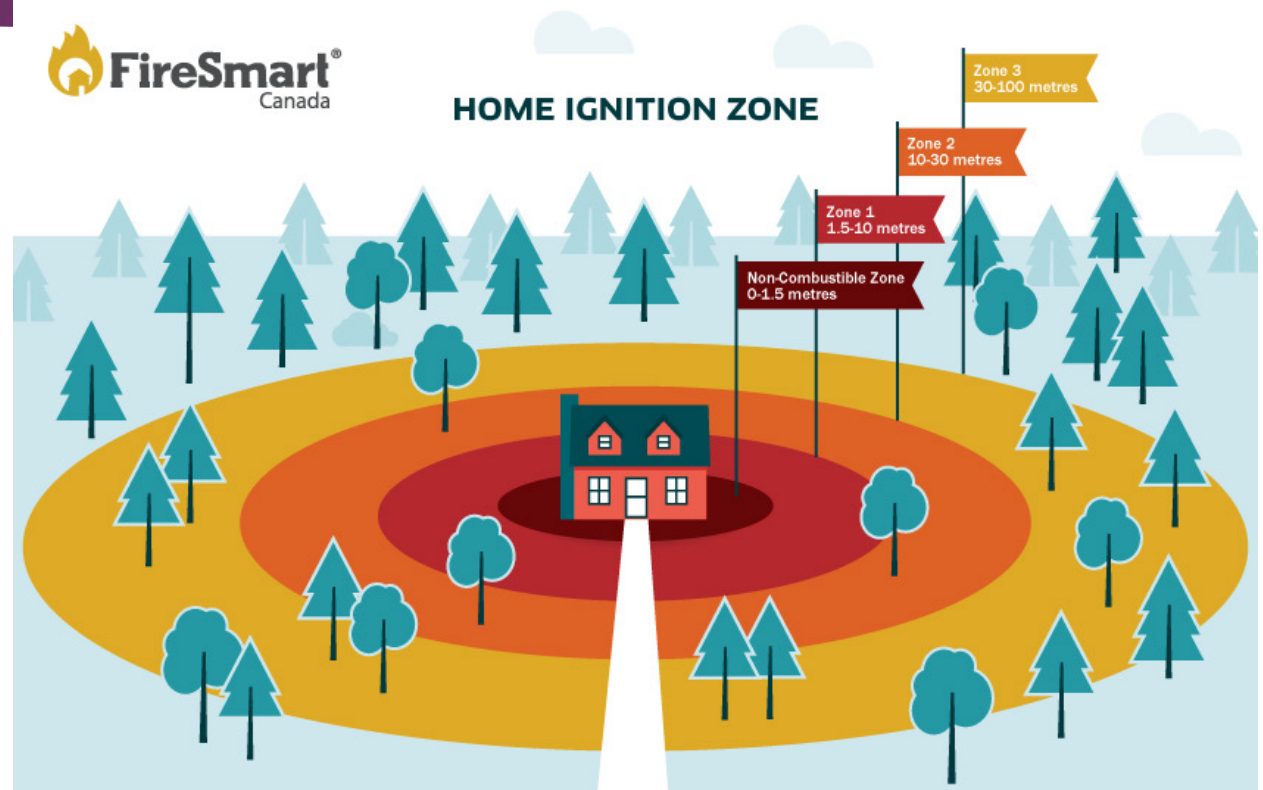
Stats

- ▶ Wildfire Season: June to September
- ▶ 10 Year Averages (2011-2020):
 - ▶ 1,352 wildfires per year
 - ▶ 3,489 sqkm
 - ▶ \$265,000,000 spent on fighting fires (excludes damage, repairs and interruption to economy)
 - ▶ 60% are human-caused, 40% are lightning and unknown



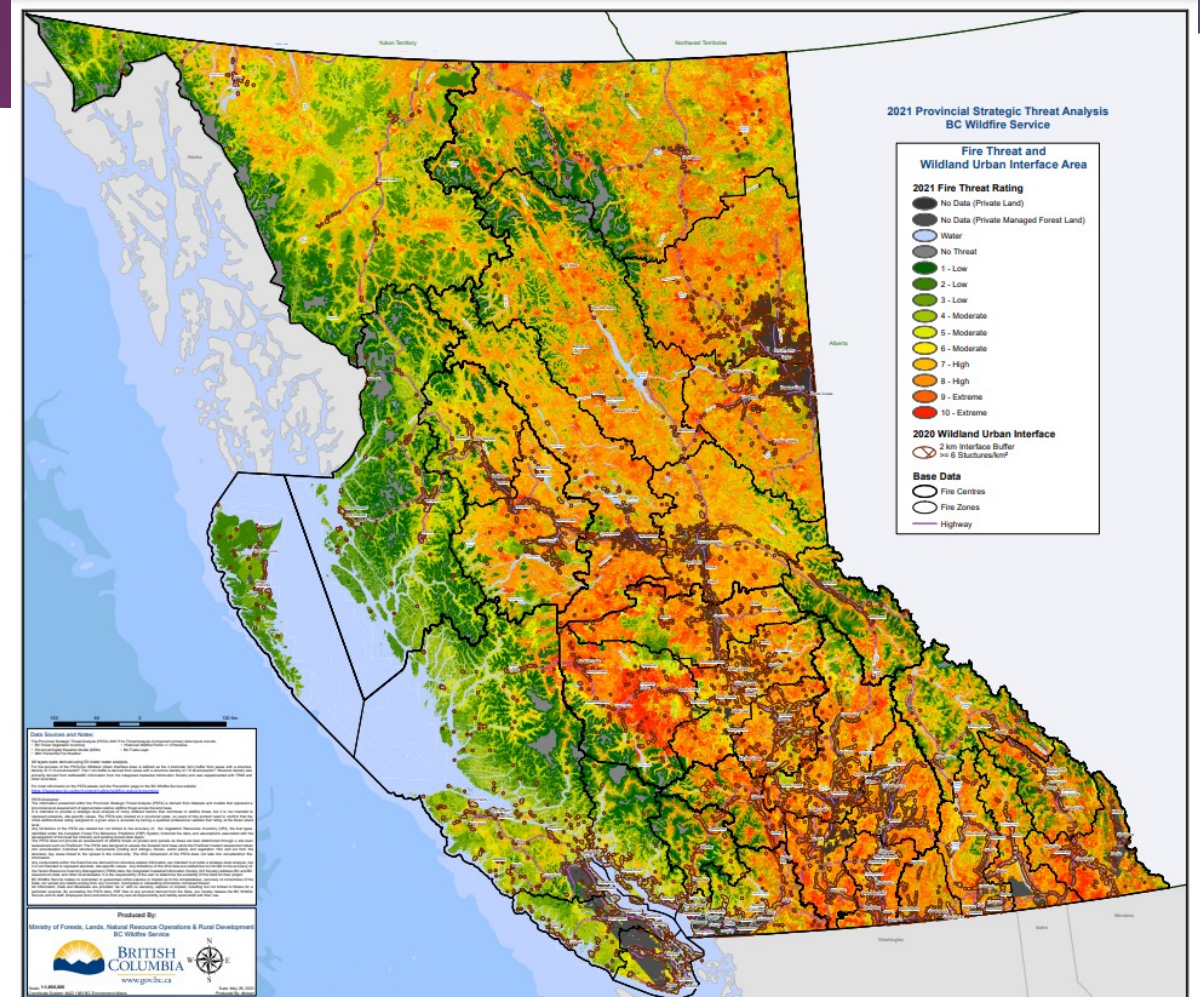
What is FireSmart?

- ▶ Clean & maintain: gutters, roof, decks & balconies
- ▶ Keep debris and combustible items off deck and surrounding the exterior
- ▶ Fuel of any kind (propane tanks & firewood) should be 10m to 30m from the structure
- ▶ Maintain sheds and other structures to the same level as your home



Underwriting Wildfire Risks

- ▶ A fire is a fire is a fire
 - ▶ Wildfires cannot be excluded
- ▶ Determine if the account has a wildfire risk?
- ▶ Rating?
- ▶ Deductibles?



What is Insurance for?

- ▶ Insurance is a transfer of property and liability risk to an insurer for sudden and accidental occurrences.
- ▶ It is not intended as a warranty or maintenance coverage

What is Insurance for?

- ▶ The cost of insurance and deductibles have risen because of many factors including:
 1. Capacity
 2. Environmental Factors/Catastrophic Risks
 3. Rebuilding Costs
 4. Aging Buildings and Building Bylaw Changes

What can your strata do ?

- ▶ Substantiating Full Replacement Cost with Appraisals
- ▶ Depreciation Reports for financial preparedness for maintenance, upgrades and risk management
- ▶ Be aware that being able to demonstrate long-term stability and a proactive approach to building maintenance will put your building in the best light and the best position for risk assessment.

What can your strata do ?

- ▶ Strata Council responsibility and Unit Owners' responsibility
- ▶ Ensure your strata is meeting regulatory requirements, and that building inspection reports' recommendations are reflected in the building's maintenance and repair plan for items that pose a risk such as roofing, water lines, electrical and drainage systems.

Thank you

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