



FEATURES THIS MONTH

1. Insurance Premiums For 2010
2. Insurance Policy Review For 2010
3. Preparing For The Olympics

NEED GOOD SITES FOR STRATA CORPORATION INFORMATION?

Here are some sites you can access:

Strata U. - Continuing Education Department web site links of interest:

- Canadian Condominium Institute: <http://www.cci.ca>
- Condominium Home Owners Association: <http://www.choa.bc.ca/index.html>
- Clark, Wilson, Barristers & Solicitors: <http://www.cwilson.com/stratafaq>
- *Strata Property Act* information web site: http://www.qp.gov.bc.ca/statreg/stat/S/98043_01.htm
- Vancouver Condominium Services: <http://www.vancondo.com>

1. Insurance Premiums For 2010

Of course it is too early to know with any certainty what will happen to insurance premiums for 2010. Most VCS client policies renew on December 31st; however, there are quite a few strata corporation policies that have non-calendar year-end insurance policy renewals. As a very general forecast we are suggesting that our clients take a conservative approach in respect of the amount they should budget for 2010.

Literature from the insurance industry suggests that the rates are not likely to soften as a consequence of the “*investment and capital losses associated with Canada’s economic recession...*” Translated, this means that the underwriters are not making as much profit (or are incurring higher losses) and the reaction to this state will be to increase premiums.

On the possible good news side is the apparent leveling off of appraised values. As you know, over the last few years we have seen the insurable replacement cost of properties increase by ten percent, in some cases even more. These days, the appraisals are showing a return to the pre-boom levels i.e. in the order of three to five percent (to reflect construction costs).

As noted at the outset, December 31st is still a long way off; however, VCS is recommending that 2010 budgets reflect a likely rise in insurance premiums. In the absence of any catastrophic event between now and December 31st, and/or the possibility of more bad economic news a safe bet would be ten percent.

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2. Insurance Policy Review For 2010

There are only a handful of brokers that provide strata corporation insurance programs. The largest is BFL Canada. The others are Coastal Insurance, CMW Insurance and the Co-Operators Insurance. With the exception of the Co-Operators, all these firms are brokers - meaning that they are independent firms and they “shop” for underwriters from the national and global insurance markets. From year to year the underwriters associated with a particular broker may change. The Co-Operators is different: it is broker and underwriter all in one.

When brokers shop the market they create programs known as subscription policies. In other words, more than one underwriter will carry the risk. You can see this on your copy of the face page of the current policy. For example you will see the following:

All Risk

ABC Underwriter	10%
XYZ Underwriter	70%
GEF Underwriter	20%

This is a shared risk arrangement called “subscription”. In the case of the Co-Operators, the risk is carried 100% by the Co-Operators.

Recent Anomalies

From time to time clients ask VCS to “get three quotes” for renewal. We do and we see some remarkable results. Recently for example we saw huge premium differences from the incumbent broker (BFL Canada) to organizations such as the Co-Operators or other smaller brokers. While it is hard to dissuade a client to not switch and take a lower quote it should be remembered by VCS clients that year to year fluctuations should be viewed cautiously. In future years, the low-premium today carrier may not be able to serve you - particularly if there are some significant claims and they choose to drop you. It may not be so easy to go back to the other brokers at that point. Your insurance needs ought to be viewed on a long-term basis - call it a loyalty factor if you want.



Insurance Is Insurance Is Insurance

We recently wrote an article pointing out that all insurance policies are not the same. As a council member you see the cover page only which outlines the dollar extent of coverage and the deductibles but you do not see the 100 plus pages of small print that defines the policy. Just because ABC broker has a better premium on the face page, as compared to XYZ broker, does not mean that you have struck a good bargain. You have no idea (neither do we) as to whether or not the two policies are apples for apples.

The Independent Review

In past years, VCS has periodically retained Copper Roof Risk Management to analyze the various insurance programs that are available to strata corporations. It is a comprehensive review by a well-established independent firm which is used widely by industry and government to provide advice and guidance. The cost is usually around \$15,000 and has been shared by the VCS managed strata corporations. It works out to about \$125 per client - not a big expense. We plan to engage Copper Roof this summer to undertake the review and, if you are agreeable to participate, please let us know. You will receive the report in the fall at which time you will be invoiced for the expense - tentatively predicted at \$125. Copper Roof will make recommendations as to your best option; however, you are still free to select anyone you want thereafter for your insurance program in 2010.

Please add this item to your next agenda for discussion.

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3. Preparing For The Olympics

Remember “Y2K” and the worries (hysteria?) that surrounded that non-event? Well, here come the 2010 Olympic Games and there are concerns about how normal life in our community will possibly be affected. Traffic jams, restricted access to downtown, etc. At VCS we do not want to fall into that same Y2K trap but we do want to be heads up on some vital issues and develop some solid plans on how strata administration will surely be impacted. From what we have been told so far by Olympic officialdom and the media, it is evident that life in the big city will definitely be altered for a few months - January to March 2010. In fact, “impact changes” might well kick in earlier, like November or December 2009.

We expect that many owners, including council members, will be limited in their availability and ability to attend annual general meetings during the impact period. Consequently, VCS is undertaking some procedural changes for the coming year.

First some background. Although some of our clients have fiscal years which end during the spring and summer months, the vast majority have fiscal year ends from December to March. As you know, under the *Strata Property Act*, an AGM must be held within two months following the fiscal year-end. Many strata corporations hold their AGMs in advance of the fiscal year-end, but there are also quite a few that wait for the annual audit to be completed in “month 13” before holding the AGM in “month 14”. Consider, therefore the following scenarios:

<u>Fiscal Year-End</u>	<u>Advance AGM</u>	<u>AGM after year-end</u>
• Dec. 31/2009	Nov/2009	Jan/Feb 2010
• Jan. 31/2010	Jan/2010	Feb/Mar 2010
• Feb. 28/2010	Jan & Feb/2010	Mar/Apr 2010

Although historically some strata corporations with Dec. 31st year-ends have held their annual meetings in early December, the experience has shown poor attendance and participation by owners and the trend for holding December AGMs is declining. This year we think it will drop off even more as the focus will not only be Christmas but also the imminent Olympic games. For this reason, our chart above has eliminated December AGMs in the Advance AGM column.

Normally for a December 31st year-end client (not having a draft audit done and delaying their AGM) VCS produces a first budget draft in September. The idea is that council reviews it in September, finalizes it in October and holds the AGM in November or the first week in December. We do not believe that this schedule will work this year; therefore, VCS is changing the protocol as follows in order to avoid impact issues:

- First budget draft for December year ends from VCS to council will be in August
- Council is to review the first draft and finalize it in September
- AGM is to be held in October or early November
- No AGMs between November 15th and December 31st

What About AGMs in January and February?

For those clients with December 31st year-ends who wait for the year-end audit before finalizing the budget, the problem will be considerably larger. Even now getting those draft audits ready in January creates a tight timeline problem. This year we anticipate that it will be unrealistic to expect the same level of delivery in January/February 2010. Here are the options:

1. Do not wait for the audit and, instead, hold the AGM in October/November as outlined above.
2. Hold the AGM in March which would allow for extra time that will be required to obtain the audit. Recognize, however, that this option would violate the *Strata Property Act* requirement to hold the AGM within two months of the year-end. Also, the new fiscal year would be well underway by the time the budget is passed and the owners are advised of new strata fees which might be increased retroactively to January 1, 2010.
3. Repeat the same course as in the past (i.e. draft audit in January and AGM in February) and hope for the best. VCS does not suggest this course of action.

For clients with January, February and March year-ends, the same problems will

prevail as for the December 31st group, although annual meetings should be bumped to March or April.

To Summarize

1. Owners are less likely to attend annual general meetings between December 1, 2009 and March 31, 2010.
2. Hotel facilities, community centres will likely not be available or easily accessible.
3. Strata Agents and non-resident owners will likely encounter travel and access problems between January 1st and March 31, 2010.
4. Auditors will also encounter travel and access problems during this period which means that draft audits will not be available on a timely basis.
5. Many people - strata agents, auditors, strata owners, will likely be taking vacation time during the impact period.
6. Many people will likely want to watch T.V. rather than go to AGMs.

The Bottom Line

Although it seems ridiculously early to be planning your 2010 budget and AGM at this time, the reality is that it must be done. Please add this discussion to your next meeting agenda to generate decisions and to develop a realistic meeting schedule.

Feedback?

We welcome any ideas or comments from you on the above or related topics.

Next Month

How do contractors service your building, especially in the event of emergencies (broken water lines, elevators not working, parkade doors stuck open) if there are road closures and vehicles are not permitted to park or drive on certain streets?

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