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BC Financial Services Authority Finds Multiple Factors Creating an “Unhealthy” Strata Insurance Market That is Driving up the Costs of Premiums for British Columbians

Stakeholder engagement exercise forthcoming to confirm interim findings, determine options to ensure availability of insurance and ease financial burden on strata homeowners

VANCOUVER, BC (Tuesday, June 16, 2020) – At the direction of the Province, the BC Financial Services Authority (BCFSA) has completed an interim report into the rising cost of strata insurance in British Columbia.

The report provides the first in-depth analysis of the issue throughout BC and finds premiums have risen by approximately 40 per cent across the province on a year-over-year basis, with deductibles experiencing up to triple-digit increases over the same period. BCFSA provided the interim findings to the Province and will undertake further stakeholder engagement this summer to better understand the many complex factors determining the cost and availability of strata insurance in BC.

As the regulator responsible for safeguarding confidence and stability in British Columbia's financial sector by protecting consumers from undue loss and unfair market conduct, BCFSA used its authority to obtain detailed information from major industry participants. The result is the first data-driven picture of increasing strata insurance costs. This provides an interim view of the many complex and underlying factors from rising property values to earthquake risk on a provincial, national and global level.

“Our interim findings released today present a picture of an “unhealthy” strata insurance market in British Columbia. That is, a market that fails to meet the goals of sustainability, affordability and availability,” said Blair Morrison, Chief Executive Officer, BCFSA. “Despite large increases already being felt, the situation has not yet stabilized, meaning many stratas, particularly those in buildings considered to be higher risk by insurers, can expect to face further pricing pressures as well as the risk of not being able to obtain full strata property insurance coverage.”

BCFSA’s interim findings indicate a convergence of local and global factors that are resulting in the increased cost of strata insurance in British Columbia.

“The underlying factors contributing to BC’s unhealthy strata insurance market are complex and do not present easy solutions”, said Frank Chong, BCFSA’s Vice-President and Deputy Superintendent, Regulation. “Everyone involved in the market has a role to play to balance availability and affordability of insurance going forward.”

Evidence was found that showed the industry has been incurring losses over the past three years from mostly minor claims (particularly those resulting from water damage) due to poor building maintenance

practices and initial construction quality issues. The data suggests that strata insurance has also been used to fill in the gaps left by other forms of protection such as home warranties for new buildings and maintenance programs for older buildings.

Further to these factors, the exposure insurers have to earthquake risk in British Columbia compared to other markets has prompted many of them to reduce the amount of insurance that they offer. With this reduction in capacity comes upward price pressures.

The methods to determine pricing are also believed to be playing a role in driving up recent strata insurance premiums for British Columbians. In particular, BCFSa will be seeking more information regarding a practice known as *Best Terms Pricing*. When constructing a strata policy, a broker uses multiple bids from different insurers for the same property in order to achieve 100 per cent coverage. The price of the coverage is then based on the highest bid amount of the insurers participating. The industry data obtained by BCFSa found examples of this practice contributing to some of the year-over-year premium increases. *Best Terms Pricing* is used by insurers across the country to price some other types of commercial insurance in addition to strata.

Over the coming weeks, BCFSa will be launching an engagement exercise to explore and further validate its interim findings with industry stakeholders including the various causes of this situation and possible regulatory and industry solutions.

This engagement will include virtual one-on-one meetings with industry representatives and organizations most impacted by this issue to discuss potential courses of action. BCFSa expects to engage with strata management organizations, strata owner associations, insurance industry representatives and insurance brokers. Once these engagements are complete, BCFSa will issue its final report which is expected in the fall of 2020.

View BCFSa's full interim findings report [here](#).

About B.C. Financial Services Authority

BC Financial Services Authority (BCFSa) is a Vancouver-based crown regulatory agency of the British Columbia Government. BCFSa's four pillars of responsibility are pension plans, mortgage brokers, financial institutions (including credit unions, insurance and trust companies) and the Credit Union Deposit Insurance Corporation.

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