

# QUICK GUIDE

Helping condominium syndicates and unit owners live together in harmony



## Are you a director of a condominium syndicate, a unit owner, or both?

This is a quick guide to the new rules for divided co-ownership (condominiums) and what unit owners and syndicates should be doing, based on the latest legislative changes.

## FOUR POINTS TO REMEMBER

### 1 TWO POLICIES FOR COMPLETE COVERAGE

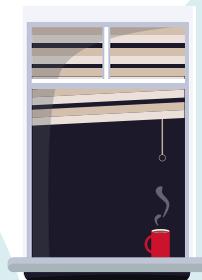
- Condos must be insured under two separate policies: one purchased by the syndicate and another purchased by the individual unit owner.
- These policies are interrelated and most claims are split between them.

### GOOD TO KNOW

As of April 15, 2021, the building must be appraised every five years by a member in good standing of the Ordre des évaluateurs du Québec.

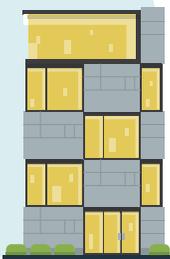
### SYNDICATE'S POLICY

- **Must have coverage equal to the full replacement cost** of the building because the syndicate's policy provides the primary coverage.
- The policy **must include all the usual property and civil liability coverage** for any kind of claim. It can also include optional coverages such as earthquake or flood.



### UNIT OWNER'S POLICY

- Improvements made to a condo unit must be properly insured.
- Must come into play for a loss affecting a private or common portion.
- Each unit owner must take out liability insurance for \$1-\$2 million, depending on the number of units (before October 15, 2020)



MUST BE CREATED BY APRIL 30, 2020

### GOOD TO KNOW

The self-insurance fund must cover the highest deductible on the syndicate's policy, excluding earthquake and flood deductibles.

### 2 ESTABLISHING A SELF-INSURANCE FUND

- Established and managed by the syndicate of co-ownership, a self-insurance fund is used, among other things, to pay insurance deductibles.
- The syndicate must pay the deductible for losses affecting both private and common portions.

If the self-insurance fund is not sufficient, in most cases the deductible must be divided among the unit owners, who usually cannot claim this amount from their own insurer.

### 3 DIRECTORS' LIABILITY INSURANCE

- Because they manage substantial assets, members of the Board of the syndicate risk being sued. Directors' liability insurance covers this risk.
- This coverage limits each director's personal financial liability.

### GOOD TO KNOW

Beginning April 15, 2021, directors' liability insurance will be required by law. If you are on the Board of Directors of your syndicate of co-ownership, ask your broker about this protection.

## 4 DESCRIPTION OF REFERENCE UNITS

- As of June 13, 2020, co-ownership syndicates must keep on record a description of the different types of private units.
- The description must be sufficiently detailed to identify improvements made by unit owners.
- If this document is not in place by April 15, 2021:
  - no improvements to private portions will be considered for insurance;
  - the total value of the building as specified in the syndicate's policy may be understated;
  - the insurance may not be sufficient to cover a loss.

Discover a practical tool for preparing a description of private units.

### SOME IMPROVEMENTS THAT REQUIRE INCREASED COVERAGE AMOUNTS



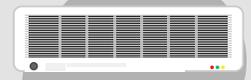
Better quality kitchen cupboards and counters

Upgraded flooring



Bathtub, shower, sink, toilet and other high-end plumbing fixtures

Heat pump



## GOOD TO KNOW

Having access to the description of private portions makes it easier for unit owners to add coverage to their policy for improvements made to their units.

## WHAT IF...

### There is a fire but the syndicate's fire insurance is insufficient to cover the damage sustained?

- If the unit owner's insurance covers the loss, the unit owner will be paid for the amount of the loss assessment less the deductibles (syndicate and unit owners).

### Torrential rainfall causes damage but the syndicate's insurance does not include flood coverage?

- The syndicate is responsible for safeguarding the building. If its policy does not include flood coverage, it must pay for the repairs from the self-insurance fund or divide the loss among the unit owners. In this case, the unit owners may be reimbursed up to 90% by their insurer, provided that their own policy includes flood coverage.

### A fire starts in a kitchen, damaging the wood cupboards installed by the unit owner?

- The syndicate's insurance covers the value of the original melamine cupboards as described in the reference unit. The unit owner's insurance covers the cost difference of the new wood cupboards, less the amount of the unit owner's own deductible.



## BENEFITS FOR EVERYONE

If both syndicate and unit owners are engaged and aware of the rules, condominium management will be easier and smoother. This environment is better for everyone because it:

- ✓ protects the building, condo units, unit owners and syndicate directors;
- ✓ highlights the importance of maintaining the building and units to minimize the risk of claims;
- ✓ ensures the syndicate's financial health and increases the resale value for unit owners.

## FOR MORE INFORMATION...

- ▶ [infoinsurance](#)
- ▶ [Insurance Bureau of Canada](#)

