

For Immediate Release

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BCFSA Releases Final Report on British Columbia's Unhealthy Strata Property Insurance Market

VANCOUVER, B.C. – BC Financial Services Authority (BCFSA) has released its final report [*Strengthening Foundations: A Report on the State of Strata Insurance in British Columbia*](#) following a comprehensive review of British Columbia's strata property insurance market. As first identified in BCFSA's interim findings released on June 16, 2020, the strata market in this province is unhealthy. BCFSA's final report has identified foundational issues that need to be addressed in order for the market to improve.

The unhealthy state of the market has meant significant challenges for strata owners who province-wide have been facing average premium increases of 40 per cent. Challenges are also being faced by the insurance industry including a long-term lack of profitability and increasing capacity allocation concerns.

"This is an extremely complex issue facing British Columbians in an already difficult time, and there are a lot of factors in play leading to rising insurance costs," said Selina Robinson, Minister of Finance. "Our government took initial steps through regulation to address some of the issues in our strata insurance industry, but it's clear that we all need to work together to bring down strata insurance costs. We're committed to doing what we can to bring affordability to British Columbians – nothing is off the table."

The final report, which is based on BCFSA's investigations and data obtained from insurance companies as well as detailed stakeholder engagement consultations, finds a convergence of factors, both local and global, have created what amounts to a perfect storm. The primary conclusion is that B.C.'s strata property insurance market is not expected to improve in the near future.

“The reality is there are no simple solutions,” said Frank Chong, Deputy Superintendent and Vice President, Regulation, BCFSA. “Although the rate of premium increases can be mitigated with activities that focus on reducing claims, other issues like the exposure to significant natural risk factors such as earthquakes and the overall impacts of climate change, will take time to address. There is little prospect of short or medium-term relief from further pricing increases.”

The report details steps that BCFSA can take as the regulator to mitigate some of the factors contributing to B.C.’s unhealthy strata insurance market. It also identifies eight significant contributing factors that must be addressed more broadly by all stakeholders to put an end to dramatic year-over-year premium increases and ensure long-term market sustainability. These range from reducing claims and claims costs, increasing education, addressing earthquake and natural disaster exposure and fostering innovation in the market.

Involvement by all players in the market is essential to finding solutions including innovating to increase the available supply of insurance. This could include evaluating the benefits of a public insurance model for strata coverage as well as a variety of more specialized options such as a made-in-B.C. private sector model, public-private partnerships, or in some cases, even encouraging strata owners to look at the potential of self-insurance options.

Overall, strata insurance claim costs need to be reduced and show signs of sustained reduction before pricing relief will be felt by strata property owners. This means addressing the root causes of the claims being made. Better education and support need to be provided to strata councils, owners, and property managers as well as builders and developers to better prevent the issues that lead to claims.

Despite the long-term challenges and work ahead, action has already been taken by BCFSA with the elimination of the insurance industry practice known as Best Terms Pricing. Following work by BCFSA, the industry has agreed to effectively cease the use of the practice, which was contributing to some of the premium increases, by the beginning of 2021.

Aside from the elimination of Best Terms Pricing, BCFSA has identified two additional areas where it plans to take immediate action.

The first is to address a gap in information by working with other Canadian regulatory agencies to introduce regular collection and analysis of strata insurance data across the country. This will allow for better tracking of industry trends and the ability to respond more quickly to concerns as they arise.

The second area involves working with BC Housing and the Government of British Columbia to better streamline insurance claims between a property's strata insurance coverage and Home Warranty Insurance Program. BCFSAs review of this matter and stakeholder engagement sessions revealed a potential lack of working knowledge or awareness around the appropriate and inappropriate use of claims between these two complementary, but different, sources of insurance coverage.

"BCFSA's goal with these findings and solutions outlined in this report is to set British Columbia back on a course towards a healthy strata insurance market that works for strata owners and the insurance industry," said Blair Morrison, Chief Executive Officer, BCFSAs. "We look forward to working together with stakeholders to find solutions to BC's unhealthy strata insurance market."

To read BCFSA's final report click [here](#).

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