

# Insurance Requirements

## BACKGROUND

Condominium corporations must buy insurance on the common property and all units in a building. This insurance must cover specific events, such as fire, hail, and flooding, as well as liability insurance for events that may happen on the common property or in the course of running the corporation.

### Definition of Unit Improvements

A corporation does not have to insure any improvements made to units unless its bylaws say it must. Owners normally buy their own insurance to cover improvements. However, the meaning of “improvement” is not clear and different corporations have a variety of ideas of what an improvement is.

Some corporations consider a renovation made by an owner after they move in to be an improvement. Other corporations feel any upgrade from the original builder “standard” is an improvement, even if the upgrade was made by the builder based on the options the owner chose during the original purchase.

These different definitions can confuse owners and corporations. As a result, an improvement may end up being insured twice, by the owner and the corporation, or the not at all.

Albertans have suggested options to clarify what corporations must insure. For example:

- Have each corporation define the “standard”, unimproved unit in its bylaws.

- The corporation should only insure the “shell” of the unit – the boundary walls, doors, windows, ceilings, and floors.
- Require the corporation to insure the entire unit, including any improvements.

### Insurance Deductibles

Condominium insurance policies can include a reasonable deductible agreed between the condo board and the insurer. A deductible is the part of the insurance claim that is paid by the person who is making the claim.

When a claim is made, someone must pay the deductible. When damage is caused by an owner or an event in an owner’s unit, such as a fire in the unit, corporations usually expect the owner to pay the deductible.

Some corporations expect an owner to pay the deductible if the owner or occupant of the unit directly caused the damage through their actions or negligence. Negligence happens when the injury or damage would have been prevented if a person acted in a reasonably responsible manner.

Other corporations want the owner to pay the deductible any time the event that causes the damage starts in the owner’s unit, whether or not the owner was negligent. This avoids the need to prove negligence, but can leave an owner paying the deductible even if the owner could not have stopped the damage.

# Insurance Requirements

Unit owners can buy insurance as an add-on to many unit owner policies that will pay all or part of the deductible of the corporation's insurance policy, if needed.

A review of other provinces' condominium laws shows that, in general, the corporation is allowed to hold an owner responsible for an insurance deductible if the owner caused the damage because they were negligent.

## Responsibility to Repair

The *Condominium Property Act* does not say who is responsible to repair a unit when an insurance claim is made. The corporation must insure the unit, but this does not mean the corporation has to make the repairs.

The responsibility for repairs to units may be stated in bylaws, but if not it is up to the unit owner and the corporation to decide who will be responsible. Albertans have told us it should be considered who should have the main responsibility for these repairs.

While both unit owners and the corporation want the repairs done as quickly as possible, they may have different ideas of how the work is to be done. The unit owner may want work done based on their expectations, and may have improvements that also need repairs that are covered under separate insurance.

On the other hand, if the repairs are not done properly or in a timely fashion, the damages may affect other units and common property, which is a problem for the corporation.

In other provinces, generally the corporation is responsible to repair units after an insurance claim is made, unless the corporation has passed a bylaw saying the owner is responsible for the repairs instead.

## Unit Owner Insurance

Condo owners are not required by law to buy their own insurance. Many owners choose to get insurance, however, as some costs are not covered by the corporation's policy.

Owners' insurance could cover costs such as living expenses if the owner has to move out, replacement of improvements and the owners' possessions, and the corporation's insurance deductible if the owner has to pay this amount.

Albertans have told us that it could be a good idea for unit owners to have basic insurance coverage. If a unit owner does not have insurance, it may be difficult to pay all of the costs involved if there are damages, such as replacing their belongings.

On the other hand, some owners may be able to pay these costs without insurance, or may not need certain types of insurance based on their life situation.

### If You Have More Feedback

If you have some thoughts or comments you would like to provide after the Open House, please feel free to write down your feedback and send it to us:

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### For More Information

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# Insurance Requirements

## Response Form

For each question below, please note the option(s) you like most by checking the box next to the question and the one(s) you like least by crossing them out. You can also suggest your own option.

### Who should pay the corporation's deductible when an insurance claim is made?

- The corporation should pay, no matter how the damage was caused.
- Require the unit owner to pay if the loss was caused by an intentional action or negligence by the owner or a person in the unit.
- Require the unit owner to pay if the damage was caused by something that happened in their unit, whether or not the damage was intentional or negligent.
- What other option(s) could address this issue?

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### Who should repair units after an insurance claim is made by the corporation?

- Always the corporation.
- Always the unit owner.
- Allow the corporation's bylaws to say who is responsible for the repair.
- What other option(s) could address this issue?

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