

MARKET INSIGHTS

September 2019

Property Insurance Premiums for Stratas and Condos Continue to Rise

Availability of Insurers and Rates

Multi-family dwellings continue to experience the most significant insurance capacity challenges as we head into the second half of 2019. At the end of 2018, we started to see insurance companies require increased insurance rates for strata and condo business.

There were two main reasons behind these increases

1 Increased catastrophe related claims affecting the global community.

Incidents such as hurricanes and wildfires are on the rise. Most, if not all, insurance companies were affected which forced them to examine their lines of business with more scrutiny.

2 Increasing poor performance for the strata and condominium sectors.

With more scrutiny being deployed into the strata/condo market, insurers are continuing to examine performance.

Updated 2018 Industry Statistics

- **Lloyds of London** reported a second consecutive year of losses with a combined loss ratio of 104% with major claims costing £2.9bn
- **Major natural catastrophes** included Hurricane Florence in Bermuda, Hurricane Michael in Florida, Typhoon Jebi in Japan, and Wildfires in California
- **Californian wildfires** caused \$18 billion in insured losses in 2018
- **Tornadoes** that ripped through Ottawa-Gatineau area cost the industry \$300 million
- **Total insured damage across Canada** for 2018 was \$1.7 billion
- **Property and casualty insurance payouts** in Canada have more than quadrupled in the last 9 years to an average of \$1.8 billion

Residential Real Estate at a Glance

\$50K+
avg loss

An **average loss** has now increased to over **\$50K**.



1 in 3 stratas/condos will have a **claim**.

54%

54% of losses claimed are over **\$100K**.

Impact on Insurance Companies

With declining performance, insurance companies continue to review their business and make changes to their guidelines to improve performance and reduce risk.

To Improve Performance

We are seeing the following examples of underwriting restrictions being used:

Strict Underwriting Standards

- Insurers tighten their underwriting guidelines needed to rate risks accordingly. ie: If a property is over 25 years old, when was the roof replaced? If never, a surcharge may apply.

Increasing Rates

- A larger premium base is required for insurers to continue to support the strata/condo industry.

Higher Deductibles

- Higher deductibles are being imposed both as a minimum and for properties with loss experience.

Risk Classification

- Building construction is examined and rated accordingly. Wood frame properties are seeing higher increases due to a rising trend in large fire losses for this class of building.

To Reduce Risk

Reduce Exposure

- Insurers reduced their overall exposure by restricting their involvement especially in high hazard areas.

Withdraw from Writing Business

- We have seen several insurance companies withdraw from writing strata and condo business meaning less selection in the broker process.

What this means to Strata and Condo Corporations



Continued increase in premiums and deductibles into 2020.



Possible delays receiving quotes as we canvass the insurance market for the absolute best terms available.

For more information on our people and our services: bflrealestate.ca