

Condominium Insurance Claims: Untangling the Responsibilities

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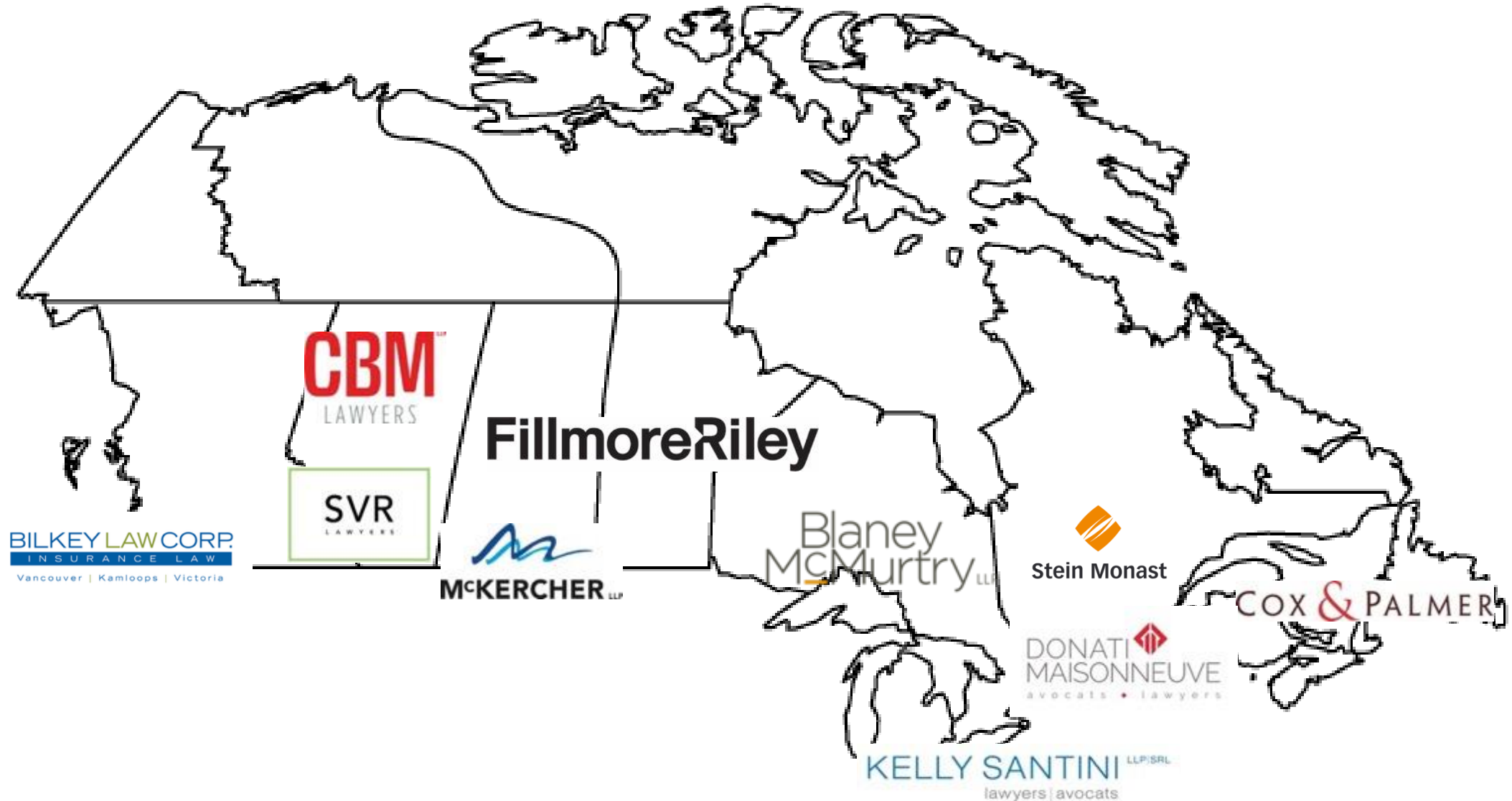
About RMC

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National Coverage





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Today's Panel

Four Parties, Four Different Insurance Jobs

Condominium Corporation

- Insures common elements and “standard units” per the declaration
- Carries the master/blanket policy for major perils
- Rebuilds to standard-unit specification only

Unit Owner

- Insures improvements/betterments, contents & liability
- Exposed to the corporation's deductible chargeback
- Should carry loss assessment coverage

Tenant

- Insures personal contents, liability & own additional living expenses
- Does not insure the unit structure itself
- Often required by lease to hold tenant insurance

Property Manager

- Arranges and reviews the corporation's master policy
- First point of contact for reporting a loss
- Coordinates board, insurer, and affected owners

Insurance Obligations of the Condominium Corporation

- Every jurisdiction in Canada requires a condominium corporation to hold a policy for the benefits of the owners against fire and other major perils
- Ex. *The Condominium Property Act, 1993* (Saskatchewan)
 - The corporation shall obtain and maintain insurance on its own behalf and on behalf of the owners with respect to the units, other than improvements that are made or acquired by owners with respect to units, the common property, the common facilities and services units:
 - (a) against major perils in an amount equal to the replacement cost of the insured property; and
 - (b) against any other perils that are specified in the bylaws of the corporation or directed by the board.

What Is a “Standard Unit” – and Why It Matters

The standard unit is the baseline finish the corporation’s insurance is obligated to restore after a loss — defined in the declaration or a standard-unit by-law, not a universal template.

Typically Included — Corporation Insures

- Drywall and framing as built
- Builder-standard flooring
- Standard-grade fixtures & cabinetry
- Doors, windows & trim as installed

Typically Excluded — Owner Must Insure

- Upgraded flooring or countertops
- Custom cabinetry & built-ins
- High-end or designer fixtures
- Wallpaper, paint & finish upgrades

Why it matters: *without a clear standard-unit description, disputes over who insures what can leave an owner underinsured exactly when a claim occurs.*

Where Does the Unit End and the Common Elements Begin?

The unit boundary — set out in the declaration (often “Schedule C”) and its drawings — determines physical ownership. The standard unit definition is a separate document that determines insurance responsibility within that boundary.

Common Elements — Corporation

- Structural walls, roof & building envelope
- Hallways, lobbies, elevators & stairwells
- Shared mechanical & electrical systems
- Amenity spaces (gym, pool, party room)

The Unit — Owner

- Interior space within the declared boundary
- Finishes as defined by the standard unit by-law
- Any improvements or betterments installed
- Personal contents and fixtures

Don't conflate the two: *boundary and standard-unit definitions are different documents doing different jobs.*

Insurance Obligations of the Owner

- Owner is responsible (generally) for the interior of the unit
 - Think interior drywall of the unit in
- The owner can also be responsible if there is a claim arising from within their unit or for damage created in common areas
 - Deductible chargeback to the unit
- As Owners are responsible for everything inside the unit, examples of insurance purchased by Owners include:
 - Personal Property, Contents, and Additional Living Expenses
 - Betterments
 - Deductible Buydown
 - Loss Assessment
 - Third Party
 - Contingent Liability

Who Pays to Replace Them?

The Core Rule

The corporation's master policy rebuilds to standard-unit specification only — regardless of what the owner actually installed.

Replacement restores an item to its original function.

Betterment upgrades it beyond the original standard.

Many declarations treat any owner-installed finish as a betterment — even a same-grade replacement.

Worked Example: \$40,000 Kitchen Renovation

Master policy pays:

- Rebuild to a builder-grade kitchen

Owner's betterments coverage pays:

- The upgrade difference — custom cabinetry, stone counters, premium appliances

An owner needs a personal “Improvements & Betterments” endorsement to cover the gap between the standard unit and their actual finishes.

Insurance Obligations of Tenant

- Tenants have the least obligation for insurance
- Insurance requirements come from common sense and lease agreement requirements
- Tenants might hold:
 - Personal Property, Contents, and Additional Living Expenses
 - Liability insurance
 - Tenant insurance

Fire Loss Example

- Condominium in Sutherland, Saskatoon, burned to the ground as a result of a tenant extinguishing a cigarette in a flower pot on the balcony
 - Non smoking condominium
- Corporation is under insured; Had working fire alarm but not sprinkler system
- Owners being required to contribute on unit factor basis to the amount of the shortfall in insurance
- Various claims against the owner of the unit and the tenant of the unit where the fire originated by the owners being sought to cover shortfall

Property Management - Coordinating Coverage and the Claim

Arrange & review the master policy

Ensures the corporation's coverage is reviewed annually against current replacement cost.

First point of contact for a loss

Receives the initial report and decides how quickly it reaches the insurer or adjuster.

Coordinate board, insurer & owners

Bridges communication between the corporation, its insurer/adjuster, and affected residents.

Report losses promptly

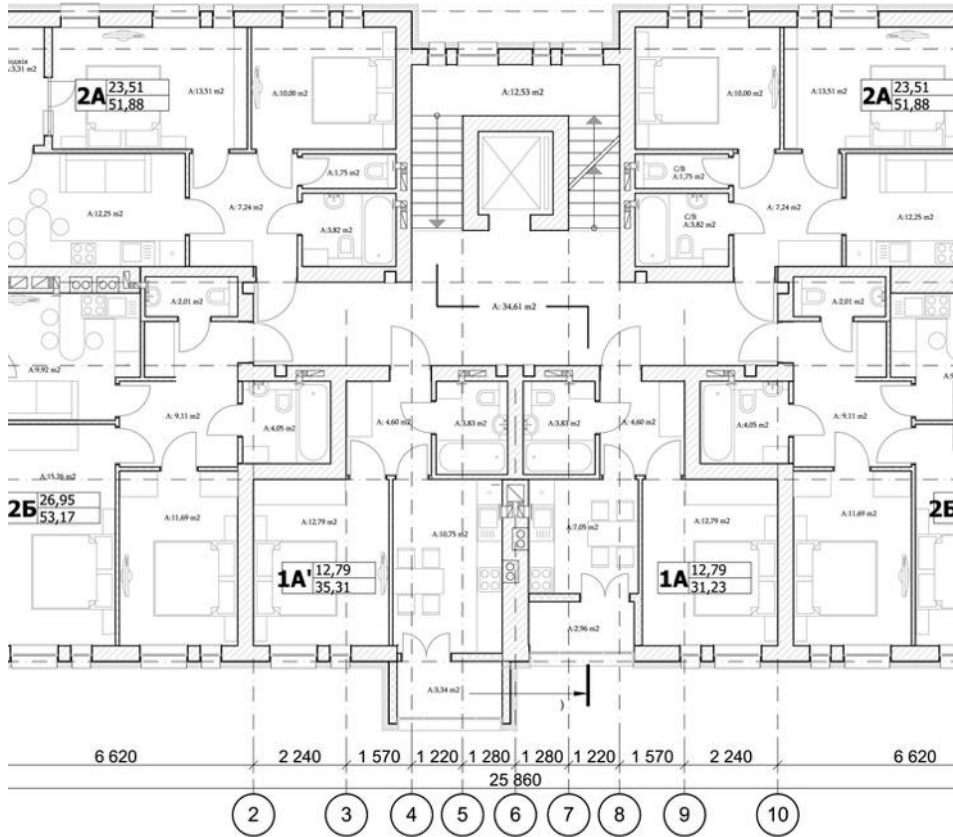
Owners are insureds under the corporation's policy and have their own right to claim — even for single-unit losses.

Caution: a manager who withholds reporting a claim at the board's direction risks breaching the corporation's obligations to its owners.



Investigations

- Where did it originate
 - Inside the unit
 - Outside the condo
 - Within a unit itself
- Cause of the loss
 - Failure of a condo to repair
 - Owner act or omission
 - External event
- Evidence required
 - Request contractors to provide clear comments on source, cause and location
- Insurable vs uninsurable losses



Investigations

STEP ONE: Condo Plan

- Unit vs common property
- Windows and doors
- Utilities

• STEP TWO: Bylaws

- Bylaws delineate responsibilities as well
 - Owner responsibility vs condo responsibility

Investigations

Standard Insurable Unit Description

- Condo required to repair up to the standard of the SIUD
- Sometimes Bylaws require the Condo to insure for betterments and improvements

Investigations

Insurance Appraisals

- Insurance appraisals need to be conducted
- SIUD should be reviewed during this process



Investigations

Chargebacks/Deductibles

- Regulations allow for deductible to be charged back, up to a maximum of \$50,000
 - Whether this can be levied as a contribution depends on the Bylaws
- Uninsured losses – likely can recover any amount
- New proposed chargeback process as of February 2026 in Alberta

Investigations

Subrogation

- Condo insurer cannot subrogate against Owner for a loss (subject to a few exceptions in the Bylaws)
- May be able to recover against tenant
- May be able to recover against contractor for negligence

Notices

From the moment the investigation reveals a third party could be liable because of a latent defect → send the required notices

- **Distinction:** Notice of defect vs. formal notice
 - Notice of defect: inform of the defect/loss → to allow investigation
 - Formal notice: compel payment or remediation of defect
- **When to send:** As soon as the cause, origin and location of the loss can be identified — i.e., whether the damage involves a common portion, a private portion or an improvement.
- **Form:** No particular form is required.



Limitation Period

TIME IS
RUNNING
OUT!



- **Notice of defect:** within a reasonable time after discovering the defect
 - **Legal claim:** any claim must be brought before courts within the limitation period prescribed by the applicable provincial legislation.
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- **Québec:** 3 years
 - **Alberta:** 2 years
 - **Saskatchewan:** 2 years

Scenario:

Co-ownership complex of townhouses.

A toilet pipe cracks in a co-owner's basement, causing water infiltration and significant damage.

The corporation sues co-owner's insurer to recover repair costs.

The declaration of co-ownership describes the private portions as follows:

“Everything included within the interior boundaries, both in height and in depth, of the units is exclusive portion belonging to each of the co-owners.”

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Practical Example

**Vague Standard
Unit Description**



Result

- Description too vague to identify any improvement
- Private portion deemed unimproved
- Corporation's insurer must cover all damages.
- Claim dismissed.

Practical Example

**Vague Standard
Unit Description**



Scenario:

19-storey building (208 units). Corporation's deductible: \$250,000.

Co-owner's water heater was installed in 2012. Co-owner sees water in the drip pan but ignores it.

May 10, 2021: Water heater leaks on the 16th floor and infiltrates downward, damaging 9 units below and common areas. Total repair costs: \$48,556.

Corporation sues co-owner for \$76,231 (repairs + legal fees).

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Declaration prescribes: *"Co-owners are responsible for maintenance, repair and replacement of all hot water equipment in their unit."*

By-law prescribes: *"Each co-owner must ensure the water heater is in good working condition (10-year lifespan)."*

Practical Example: Declaration of Co-ownership and By-Law



Result

- Declaration and by-law prescriptions helped the Court identify the co-owner's fault.
- Failure to inspect or maintain the water heater despite signs of a potential problem.
- Co-owner held liable. Corporation was awarded \$76,231 (repairs + legal fees).

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Practical Example

Declaration of Co-ownership and By-Law



Scenario:

Co-owner (residing abroad) purchase a unit as an investment. The unit is rented to a tenant, furnished with appliances including a dishwasher.

A water leak originates from the dishwasher recently installed by the tenant, while he was using it. Damages above deductible. No claim filed under the corporation's insurance policy

Corporation sues the co-owner and his insurer for the full amount, relying on the following clause of the declaration:

Clause 14.1.2.8: *“Each Co-Owner shall be responsible to the other Co-Owners and the Corporation for damage caused by his fault or negligence or that of his employees, family, guests, customers, lessees or any other occupant of his Private Portion, or caused by property belonging to him or for which he is legally responsible. The Co-Owner shall be solidarily liable for all damages caused by his lessee.”*

Practical Example:

Tenants



Result

→ Claim dismissed:

- The damage was likely caused by the tenant's faulty installation and/or misuse.
 - The co-owner had no control over the dishwasher at the time of the loss — the tenant did.
 - The clause imposing solidary liability on the co-owner for the tenant's fault is deemed unwritten (Québec).
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Practical Example

Tenants



Stein Monast



Questions?