



INSURANCE FOR SYNDICATES OF CO-OWNERSHIP –Needs Analysis

■ LIST OF DOCUMENTS FOR DAMAGE
INSURANCE BROKERS AND AGENTS



CHAMBRE
DE L'ASSURANCE
DE DOMMAGES

When writing a new insurance policy or renewing the policy of a syndicate of co-ownership (often referred to as a “condominium association”), it is important to properly evaluate the syndicate’s needs in order to propose coverage that best meets its unique profile.

The size and nature of the co-ownership (often referred to as a “condominium building”), the complexity of its operations, its insurable assets, and its risks may vary enormously from one co-ownership to another. You must therefore ask questions about not only the **value** of the property, but also about the **risks** associated with the syndicate itself (the quality of its management, maintenance, preventive measures, whether its contingency fund is sufficient, etc.).

A “small” co-ownership (a converted multiplex with just a few units and little to no common space other than the building envelope and structure) and a high-rise (with parking, a pool, and a professional building manager) cannot be insured the same way. It is similar to commercial lines insurance, in that the expertise required varies, depending on whether you are insuring a convenience store, a farming business, or a mining company. You must therefore be mindful of your abilities and knowledge in order to provide your clients with the sound advice they have a right to expect from a professional.

The following list contains the documents most frequently encountered when dealing with **divided co-ownership***. These documents provide useful (indeed essential) information on the co-ownership requiring insurance. They will help you to better understand your clients’ needs, and thus to properly advise them and act as a conscientious advisor.

NOTES

This document contains information pertaining to divided co-ownership insurance. Insurers generally view undivided co-ownerships as they would any other type of housing that has several owner-occupants. Please contact the insurer to find out about its underwriting standards and to discuss your clients’ specific needs.

“MUST-HAVES”

As a broker or agent, you must ask for the following documents in order to analyze the file.

Document / information to ask for	Why?	Impact on various types of contracts: ¹		
		Prop. Ins.	Liab. ins.	O&D
<p>1. Declaration of co-ownership (and amendments, where applicable)</p> <p>Building by-laws</p>	<p>To determine, in particular:</p> <ul style="list-style-type: none"> • if the co-ownership is divided or undivided,² the building’s intended use (vocation) (commercial, residential, mixed use); • types of coverage required for the syndicate and the amount of liability insurance; • the rights and obligations of the co-owners and the syndicate; • whether the declaration calls for the syndicate and the co-owners to give up their right of subrogation in the event of a claim; • whether a minimum amount of liability insurance for the syndicate’s officers is stipulated (this coverage is now mandatory pursuant to the <i>Civil Code of Québec</i>); • whether renting units is allowed and the conditions that apply to such rentals. <p>If it is a “complex” co-ownership (e.g.: a multi-phase co-ownership, or a co-ownership that includes one or several vertical syndicates and a horizontal syndicate), the representative must obtain all the declarations in order to understand how they impact each other.</p>	●	●	●
<p>2. Description of private portions or a description of one or more “reference units,” which is sufficiently precise (to be able to identify improvements made to each unit)</p>	<p>This description, or the description of a so-called “reference” unit, makes it possible to differentiate between the scope of the syndicate’s insurance and that of the co-owners, for the purposes of underwriting or in the event of a loss.</p> <p>This description became mandatory on June 13, 2018³ for co-ownerships established from this date onward and, since June 13, 2020, for co-ownerships established before June 13, 2018.</p>	●		●

¹ Legend: Prop. Ins.: property insurance (building and contents) – Liab. ins.: Syndicate’s liability insurance (vis-a-vis third parties) – D&O: Directors and officers liability insurance (D&O)

² An undivided co-ownership does not have a “syndicate”, however, the declaration of co-ownership (or “condominium declaration”) normally deals with the same issues.

³ Document available in French only.

Document / information to ask for	Why?	Impact on various types of contracts: ¹		
		Prop. Ins.	Liab. ins.	O&D
3. A recent, professional evaluation of the building	<p>In order to determine the insurable value. The evaluation must state the building's replacement cost (the cost of rebuilding), including demolition costs and the cost of bringing the building up to code, where applicable, while excluding any improvements made by the co-owners that increased the unit's value.</p> <p>New requirements stipulate that the evaluation must be carried out every 5 years by an evaluator who is a member of the Ordre professionnel des évaluateurs agréés du Québec.⁴</p>	●		●
4. List of claims made in recent years, in accordance with the underwriting standards	<p>To better assess the building's history and its current state, or in order to ask the right questions to be able to assess the most frequent risks, etc.</p> <p>Previous claims may also have an impact on setting the deductible.</p>	●		
5. List of work done, in progress, and upcoming, or the maintenance log book	<p>To validate the quality of maintenance and the management approach, as well as whether the contingency fund is sufficient. Also enables better documentation of D&O insurance needs.</p> <p>The maintenance log book,⁵ as well as the state of the contingency fund and the self-insurance fund⁶ are good indicators of the nature of the underwriting risk.</p>	●	●	●
6. State of the contingency fund and the self-insurance fund	<p>To validate whether these funds are sufficient and whether the syndicate has the ability to handle urgent repairs or losses. Mutual impact should be planned for, based on the highest deductible stipulated in the insurance contract.</p>	●	●	●
7. Building inspection report (if one exists)	<p>To confirm whether the building is up to code. This report also indicates issues that should be monitored and enables the maintenance log book to be updated. e.g.: do the requirements of the Régie du bâtiment du Québec concerning buildings over five floors high apply?</p>	●	●	
8. List of the syndicate's assets and their location	<p>To better evaluate the insurable value of the contents (and make it possible to identify certain risks). e.g.: does the syndicate own a snow blower, a tractor, tools, works of art or other moveable property? Is there a unit for accommodating guests or staff?</p>	●		

⁴ Mandatory as of April 15, 2021.

⁵ Keeping a maintenance log book is not yet mandatory.

⁶ Mandatory as of April 15, 2022.

Document / information to ask for	Why?	Impact on various types of contracts: ¹		
		Prop. Ins.	Liab. ins.	O&D
9. List of employees (if applicable) and their employment contracts	To identify the syndicate's obligations as an employer (wages, holidays, source deductions, employment policies, etc.) and appropriate insurance coverage.		●	●
10. Number of commercial units (if applicable) and the types of businesses	To better assess the risk. e.g.: does the syndicate rent premises to a third party or do they belong to a co-owner? What is the contractual relationship? Are the premises open to the public? (e.g.: business, fitness club, etc.).	●	●	
11. Minutes of the co-owners' general meetings for the last three years	May provide an indication of whether the contingency fund and the special assessments required to ensure that the condominium building is properly maintained, pay for future projects, deal with current issues, etc. are all sufficient.	●	●	●
12. List and contact information for the members of the board of directors, the building manager (if applicable), and those with signing authority for the bank account(s) (risk of fraud)	To ensure that the representative speaks to the right people, in other words, those who are duly authorized to speak on behalf of the co-ownership concerning insurance needs and, potentially, claims. Usually, the president of the syndicate is the resource person who can steer the representative to the right person. The other co-owners also have their say when a loss occurs, since they have an insurable interest, however they are not empowered to give instructions regarding the insurance contract (e.g.: relating to renewal, policy termination or changes to the contract).			●

“USEFUL TO HAVE”

A great deal of valuable information that is needed to understand the risk can be found in documents dealing with the everyday administration of the co-ownership. It is appropriate to ask the syndicate’s representatives for these documents or to discuss them with the representatives. This also helps clients to make better decisions.

Document / information to ask for	Why?	Impact on various types of contracts:		
		Prop. Ins.	Liab. ins.	O&D
<p>1. List of hot water tanks, as well as their age, or confirmation that the syndicate keeps such a list</p>	<p>To confirm compliance with the insurers’ requirements and encourage the co-owners to do proper maintenance.</p> <p>If there is a central hot-water system, the syndicate is responsible for its maintenance. If each unit has its own tank, maintenance is usually the co-owner’s responsibility. Whatever the case, a leaky tank or pipe could affect common spaces.</p> <p>Air conditioning units can also leak and cause damage to a neighbour’s unit.</p>	●		
<p>2. Inspection report on certain parts of the co-ownership, conducted by a specialist (if applicable)</p>	<p>This type of inspection can decrease the risk of a loss (water or fire) and could lead to better premium control.</p> <p>E.g.: an inspection report on backflow valves or any other measure to mitigate water damage (for instance, leak or pipe-failure detection systems), a compliance report on chimneys or ventilation vents, or other reports.</p> <p>It is important to verify in the declaration of co-ownership who is responsible for what with respect to chimney and fireplace maintenance.</p>	●		
<p>3. List of “major” contracts, in other words, high-value contracts or contracts that could have a significant impact on the situation</p>	<p>To better evaluate the syndicate’s civil liability. For example, if the syndicate does not respect the terms of a maintenance or supply contract, it could be sued.</p>		●	
<p>4. Minutes of meetings of the board of directors for the past three years</p>	<p>To reveal information on how the co-ownership is managed, current problems, etc.</p>	●	●	●

Document / information to ask for	Why?	Impact on various types of contracts:		
		Prop. Ins.	Liab. ins.	O&D
5. Emergency policy or plan (if one exists)	To be able to evaluate emergency management procedures. E.g.: Is a copy of each unit's keys available in the event of an emergency? Has the co-ownership adapted its by-laws and guidelines to take into account exceptional events, such as a health emergency?		●	●
6. Number or percentage of rented units	To better assess rental-related risks. This information also helps the directors to see whether the co-owners are complying with the declaration of co-ownership and the by-laws.	●		
7. The building's plans and specifications (if they exist)	To enable a professional evaluator to conduct a proper evaluation. These documents will also be useful in the event of a claim.	●		

ADVICE TO INSURANCE REPRESENTATIVES

Be proactive! An informed discussion with the condominium association about the issues outlined above will allow you to better understand your clients' needs and raise their awareness of how important it is to properly manage their co-ownership.

Attention: This document does not include all the information needed to properly assess the risk. Every syndicate is unique and requires its own specific, individual evaluation. Be careful and make sure you obtain all the information or documents required to assess the needs and the risk of the co-ownership as a whole.