



# Standard Unit Bylaws

By Barry Herberman

Over the last six years I have spoken about the benefits of passing a Standard Unit Bylaw (SUB) at numerous Annual General Meetings (AGMs) and town hall meetings. At these meetings there is one common overriding theme which is, the unit owners feel that the corporations are trying to put them at a disadvantage; because of this belief these meetings are usually very emotional.



The divide between the board and the unit owners is very real and confusing in that the board is made up of unit owners; therefore, why would the board make a decision that would be detrimental to the unit owners? The simple answer is that they would not. So then, why are these meetings so contentious? I believe this combative environment is caused by a lack of

knowledge with respect to the roles that the corporation and unit owner's insurance policies play when adjudicating a claim.

A study conducted in 2013 by Abacus data states that approximately "61 percent of Canadian condominium owners don't know or incorrectly assume their building's insurance will cover damage to another unit from water or fire that originated in their unit, potentially rendering them personally liable and putting them at financial risk." This analysis demonstrates a significant problem facing the condo community. The reality is that an insurance claim is a lot harder to process without a SUB because these bylaws are the road maps for claims adjusters.

The SUB defines what is insured by the condominium corporation's policy and what is insured by the unit owner's policy. By distinguishing between the

two entities, this enables claims to be properly adjudicated between the respective insurance companies...i.e., the insurance company for the condominium corporation and the insurers for the unit owner. Therefore, the absence of a SUB creates a lot more work because the adjuster now has to determine what the corporation policy covers and what is the standard of the insurable items being replaced; remember, the corporation policy will replace all insurable items (new for old) in the same standard as they existed originally. This can be a very difficult task considering some of these condo corps were built as far back as 1970!

Furthermore, the enactment of a SUB allows the corporation to redefine what is an "improvement and betterment." For example, if the corporation found itself having to respond to numerous water damage claims which resulted in

extensive damage to the flooring, the corporation might want to remove all flooring from what is defined as a “Standard Unit.” Insurance companies believe frequency of claims equates to severity of claims; therefore, by reducing exposure to all flooring will eliminate claims. The corporation will then be able to better control insurance costs, including the premiums and deductibles. It is important to note that unit owners’ insurance packages are very intuitive and are designed to fill in all the insurable gaps between the two respective policies, consequently the flooring will now be insured by the unit owner’s policy.

There are clearly two sides to this discussion; however, it is my opinion that by spreading insurable exposures to all unit owners as opposed to burdening the condominium insurance policy will ultimately be the fairest option for all parties. ■

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