



Life Lease FAQ

1) What makes Life Leases different, from an insurance perspective from a standard lease?

With Life Leases, depending on how the contract is written, or how the building is managed, the participants **may be** subject to “Loss/Deductible Assessments” in the event of a claim to the building or common areas.

There are also situations where improvements to the owner’s suite (new flooring, bathroom extension etc), which you would assume would be covered by the Building Owner’s policy as it is part of the structure... is not covered at all or does not have effective coverage, and therefore it is in the participants best interest to insure the value of these improvements on their own tenants policy.

2) What is a Loss Assessment?

Unique to Condominiums and Life Lease buildings, when the Insurance Policy for the Building, usually handled by the Condo Board or the Life Lease Corp, is found to be deficient in the event of a claim, the membership can be assessed the **shortfall**.

Example: Weather related loss caused \$600,000 in damage. Building policy only covers \$500,000 for Wind/Hail losses. \$100,000 is the shortfall and is then assessed to the membership.

If we have 50 members in a given Life Lease building, each member would then be assessed **\$2,000** to cover the shortfall. ($100,000/50$)

This concept holds true as well if a liability or personal injury claim also happens on the premises and exceeds the limits held by the Building Owner’s policy.

3) What is a Deductible Assessment?

Building owner policies for large structures often carry much larger deductibles for claims to reduce the overall cost of the insurance. These Deductibles often range from \$25,000 to \$50,000 and in the event the Life Lease Corp needs to make a claim, many Life Lease contracts allow the membership to be assessed a portion of this deductible.

Example: Life Lease Corp has a \$250,000 Claim for roof damage. They make an insurance claim under a policy with a \$50,000 deductible. If there are 50 members in this building there is the possibility of each member being assessed \$1,000 for this incident.

4) Why would I insure the value of improvements to my suite when my Building/Life Lease Corp has told me/agreed it is included in their policy as part of the building?

Just like with the Deductible Assessment question (#3), many Building owner policies often will have much larger deductibles (25-50K) than what you find on a tenants or condo insurance policy. If the damage to your suite improvements is less than their deductible, it will not make sense for them to make an insurance claim to repair the damage. You may find yourself in a situation where you are fighting the Life Lease Corp for compensation/repair, when you could have simply made a claim under your own policy, should you have insured the value of the improvements, with a deductible as low as \$500 and see immediate action on your issue. Sometimes you will even see the Life Lease Corp agree to pay your deductible as it is a much more cost-effective way to see an insurance claim proceed.

Example: Water damage caused by an overflowing sink in your unit caused \$5,000 in damage to custom hardwood flooring you put in only a few years ago. During the process it was agreed the Building Owner's policy would cover the additional value of these improvements.

If you had not insured the additional value of this flooring on your tenant's policy, as betterments and improvements, your personal insurance policy would not respond. You may try and get the Building Owner/Life Lease Corp to put in a claim, but with a \$25,000 deductible they are unlikely to proceed, and the deductible would exceed the value of the repairs. Not to mention losing potential claims free discounts on the master policy.

Therefore, you find yourself without coverage despite your previous understanding that the value of the new floors was to be included in the Building Owner's/Life Lease Corps policy.

***Our recommendation is to add the value of improvements done to your suite to your tenant's policy and choose Insurance Companies that offer coverage for Life Lease Loss and Deductible Assessments.

5) How do I know what coverages/deductibles my Building policy has?

Ideally, the membership of a Life Lease building should be provided with a copy or certificate of the building insurance for their personal files and reference on a yearly basis. If the policy does not carry adequate coverages, or has high deductibles, the life lease members can be assessed additional costs as described above. Unlike Condominiums, there is no legislation that demands Life Lease Corps supply their tenants with copies of the building insurance.

6) How should I insure the Betterments or additional value added to my suite?

Many insurers will simply ask that you include the value of the improvements in your “contents” limit that your tenant's policy carries. Some will ask you specifically identify what value is your “Personal Property” and what value is the Improvements.

Example: Life Lease member's tenant's policy cover \$45,000 in Personal Property and another \$15,000 in Improvements meant to capture a Kitchen Renovation that was done.

***Your best approach would be to inform your broker that you live in a life lease building and want to include this additional value on your policy.

7) Which Insurance Companies offer coverages specific to Life Lease Buildings?

Below are Three (3) companies that provide simple endorsements to Tenant's policies to address the above items.

- **Red River Mutual**
 - Betterments and Improvements Included up to 100% of Contents Limit
 - Loss Assessment Coverage included up to 250% of Contents Limit
 - Important to review policy wordings with broker
- **Portage Mutual**
 - Must add Betterments and Improvements in Contents Limit
 - Loss Assessment Coverage included up to 250% of Contents Limit
 - Important to review policy wordings with broker
- **Intact Insurance**
 - Must add Betterments and Improvements in Contents Limit
 - Loss Assessment Coverage is available
 - Important to review policy wordings with broker
 - NO coverages for deductible assessments

