

Life Lease Insurance Round Table

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A Life Lease is a rental arrangement, it is different from a regular rental arrangement because the lease is for the life of the tenant versus a fix short term lease. The tenant also makes a cash contribution not an investment called an entrance fee.

Most Life Leases are Not-for-Profit and the monthly rent is calculated on the proportionate share of the operating costs which includes such things as debt servicing, insurance premiums for the building accounting and legal costs.

Because of the of the entrance fee (used for securing financing) and the not-for-profit status the monthly rent would be lower than conventional rent in for profit apartment buildings.

When the tenancy ends, for whatever reason, the tenant is entitled to be refunded the entrance fee. If the tenancy ends in the death of the tenant, the money is payable by the landlord to the tenant's estate.

For example:

A person who has paid \$150,000 towards a unit's entrance fee, would receive most if not all of the entrance fee upon ending the tenancy.

In simple terms, under a Life Lease the tenant's rent will be less than if renting a comparable apartment, and the tenant's financial contribution (called an entrance fee) is much less than would be required if the person was buying a condominium.

Life Leases are to be written as a Tenants Risk that have the same Optional Coverages that mirror Condominium Owners Risks' Optional Coverages.

BASIC TENANT PACKAGE

Coverages	Form	Deductible \$	Amount of Insurance \$	Premium \$
► Basic Coverages				
Personal Property	80750	1,000	42,000	151
Loss Of Use Of Your Dwelling		1,000	16,800	Included
► Comprehensive Personal Liability				
Personal Liability			2,000,000	9
Voluntary Medical Payments			5,000	Included
Voluntary Property Damage			1,000	Included
► Additional Coverages, Optional Coverages, Discounts and Surcharges				
Enhanced Water Damage Package: Sewer Back Up And Overland Water	80841		5,000	80

LIFE LEASE ADDITIONAL COVERAGES

Tenants Comprehensive Policy - PLTNCOME 02 2021			\$350.00
Section I - Property Coverage		\$500	
Coverage C - Personal Property	\$100,000		Included
Coverage D - Loss of Use	\$20,000		Included
Section II - Liability Coverages			
Coverage E - Legal Liability - each occurrence	\$2,000,000		Included
Coverage F - Voluntary Medical Payments - each person	\$5,000		Included
Coverage G - Voluntary Property Damage - each occurrence	\$1,000		Included
Inflation Protection Coverage - Section I Property Coverage - Conditions			Included
Replacement Cost on Contents - Section I Property Coverage - Conditions			Included
Single Inclusive Limit - Section I Property Coverage - Conditions	\$120,000		Included
Collectively Owned Life Lease or Cooperative Property - Form 3216 09 2020	\$250,000	\$500	\$65.00
Life Lease or Cooperative Deductible - Form 3222 09 2020	\$25,000		\$55.00
Life Lease or Cooperative Unit - Form 3223 09 2020	\$250,000	\$500	\$10.00
Life Lease or Cooperative Unit Owner Improvements - Form 3224 09 2020	\$100,000	\$500	\$30.00
Limited Sewer Back-Up Coverage - Form 3114CT 06 2020	\$10,000	\$500	\$72.00
Premium Subtotal			\$582.00

- This optional coverage responds to all the common areas (lobby, parking garage, hallway, stairwell...), in the building that are shared by all unit occupants in an event of a loss.

LIFE LEASE OR COOPERATIVE COLLECTIVELY OWNED PROPERTY COVERAGE- COMMON AREA INSURANCE

Example: if there was a fire in the lobby of the building, the Life Lease's Insurance policy's deductible is usually high (\$10,000 and even as high as \$100,000), and because the Life Lease is not-for-profit the cost of the deductible is passed on to the tenants as a special assessment for the loss.

With the above Optional Coverage, the tenant instead of paying out of their own pocket for their proportionate share of the building's main policy deductible, the tenant would only be responsible for the deductible on their own insurance policy and the insurer would pay towards the tenants proportionate share of the Life Lease's main building insurance policy's Deductible.

- The coverage is subject to the policy deductible.
- This coverage covers the insured for their portion of a special assessment allocated by the Life Lease or Co-operative Corporation.
- In the event of direct loss or damage to the life lease or cooperative collectively owned property, the allocated portion of the loss must have been caused by an insured event and be within the policy limits.

- ▶ This can also be referred to as unit additional protection.
- ▶ The unit is insured, excluding improvements, if the Life Lease or Co-operative Corporation has no insurance, its insurance is inadequate, or it is not effective

LIFE LEASE OR COOPERATIVE UNIT COVERAGE

- ▶ This optional coverage responds to the improvements made or acquired by the insureds (anything this is above the original design of the Condo: flooring, light fixtures, cabinets...).

LIFE LEASE OR COOPERATIVE UNIT OWNER IMPROVEMENTS COVERAGE:

Life Lease or Cooperative Unit Owner Improvements Coverage:

This optional coverage responds to the improvements made or acquired by the tenants (anything that is above the original design of the Life Lease: flooring, light fixtures, cabinets...).


Example: the Life Lease was built in 1970 and the tenant moved in 2010.

- Kitchen Cabinets were replaced in 2005 by the previous tenant (improvement that is acquired).
- Flooring was upgraded from carpet to hardwood by the tenant (improvement that was made by the previous tenant).

If the tenant does not have Life Lease or Cooperative Unit Owner Improvement Coverage, the policy will repair/replace the damaged items with materials comparable/similar to the **original materials** used in the construction of the Life Lease. Using the above example: if the flooring was damaged and needed to be replaced (the tenant does not have Life Lease or Cooperative Unit Owner Improvement Coverage), carpet will be installed as that was the original material used.

This coverage covers the insured tenant against loss or damage by an insured event for improvements made to their unit or acquired by them, including:

1. Any building, structure(s) or domestic water container, including swimming pools, spas, hot tubs, saunas, and attached equipment on the premises; and
2. Materials and supplies located on the premises for use in such improvements.

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- ▶ This optional coverage responds if the insured endures a claim that has caused significant damages to common areas and other units.
 - ▶ If in the event where the Corporation should use their commercial policy to cover damages on the common areas and or other units that suffered damage from your insured's loss. The Corporation's deductibles can be as high as \$100,000, in which they would look to the insured who caused the loss to pay their deductible.
 - ▶ You can be assessed the full portion of the deductible if the losses is deemed your responsibility or assessed a portion if the responsibility is to be shared amongst occupants.

LIFE LEASE OR COOPERATIVE DEDUCTIBLE COVERAGE:

Life Lease or Cooperative Deductible Coverage:

- This coverage is for an assessment made necessary by a deductible in the policy of the Life Lease Corporation. It will also apply to the policy legal liability section up to the policy legal liability limit.