



# Nunavut Condominium Corporation Insurance Solutions Lab Public Discussion Paper

March 2022

**“The dramatic rise in insurance costs, coupled with the increasing costs of water taxes and building materials, has made many condo owners question the viability of homeownership in the North” Lab participant**

This project received funding from the National Housing Strategy under the NHS Solutions Labs, however, the views expressed are the personal views of the author and CMHC accepts no responsibility for them.



# About this Discussion Paper

This discussion paper is a summary of the Nunavut Condominium Corporation Insurance Solutions Lab conducted between October 2020 and March 2022.

This Lab engaged with many knowledgeable and generous people, organizations, and interests in Nunavut housing and the insurance industry. Sixty individuals from a range of perspectives across sectors including government (municipal, territorial, and federal), insurance industry, elected officials, housing and condo residents, owners, and board members who participated and shared their knowledge as Advisory Group members, co-design session participants, and interviewees.

Together, we explored the system of insurance as it relates to condominium corporations in Nunavut (and indeed the North more widely). We started by conducting in-depth secondary (desk) research, and primary research through 18 semi-structured interviews with people from across sectors. We also hosted a series of engagement sessions with key stakeholders from across the system, in order to confirm and validate our research findings, including assumptions, and to identify and design potential solutions moving forward. This Discussion Paper is the culmination of our efforts, and everything we have learned so far. Together with your support, Rankin Inlet Condominium Corporation Number 2 will work to continue to explore how to best address this changing problem in a changing context.

**We are deeply grateful to the people in the following organizations and institutions who participated in various ways, primarily through interviews or as workshop participants, sharing their expertise and understanding of the issues and together offering deep deliberation and ideas on the potential ways forward. Thank you.**

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Insurance Bureau of Canada (IBC)  
Legislative Assembly Iqaluit-Maniarjak  
Kivalliq Inuit Association  
Municipality of Iqaluit

Nation North Insurance  
Nunavut Housing Corporation (NHC)  
Senator for Nunavut  
Nunavut Tunngavik Inc. (NTI)  
Parlee McLaws  
Qikiqtaaluk Corporation  
Qikiqtani Inuit Association  
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### Lab Advisory Group

Adla Itorcheak, Nunavut Tunngavik Inc. | Andrew Bell, Nunavut Housing Corporation | Curtis Whiley, Nunavut Housing Corporation | Mayor Kenny Bell, Municipality of Iqaluit | Mark Wyatt, Rankin Inlet Condominium Corporation #1 & Rankin Inlet Fire Department | Richard (Rick) Wahl, Nation North | Rob de Pruis, Insurance Bureau of Canada | Sarah Morton, Government of Nunavut

With thanks from the

### Lab Team

Rankin Inlet Condominium Corporation #2 (Ford Widrig, Raymond Gianfrancesco) | MaRS Discovery District team (Claire Buré, John Purkis, Bhanu Putumbaka, Chelsea Gray).



Image: Rankin Inlet Condominium Corporation #2.

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# The Challenge

## WHAT'S THE PROBLEM? WHY ARE WE HERE?

There are 20 condominium corporations in Nunavut across Iqaluit (17), Cambridge Bay (1) and Rankin Inlet (2). These condominium corporations, as well as many others across Northern Communities in Canada, are dealing with significant insurance challenges including the outright denial of insurance coverage or unmanageable premium costs. Condominium corporations that are not able to secure condominium insurance are in violation of Nunavut's Condominium Act, and in some instances, unit owners are not able to sell their condos. This has been the case for the Rankin Inlet Condominium Corporation 2 (RICC2) in Rankin Inlet, upon which this social innovation lab is based. RICC2 has seen premium costs increase by 600% over the last three years and is currently uninsured.

**Substantial increases in condominium corporation insurance in recent years in Nunavut are making condominium ownership unaffordable for current and potential homeowners.**

The increase in premiums is due to a combination of issues including remote geographical isolation, high construction costs, and lack of capacity, skills, and resources to adequately maintain housing in Nunavut. The cold northern climate further influences the building and construction season, as most materials must be delivered in the summer and built in a heated structure to continue work in the winter. A lack of skilled workers and contractors increases construction costs and contributes to delays in construction. The remoteness also leads to claims costs that are exponentially higher than in the South, as materials must be airlifted or carried by sea freight. In many instances, insurance adjusters and lawyers must be flown in from other territories or provinces, leading to delays and higher costs in the claims process.

Structural issues in Nunavut are compounded by global and national issues in the "hardening" insurance market. Global commercial insurance pricing, tracked by the Marsh Global Insurance Market Index, saw 13 consecutive quarters of increases with Q4 2020 recording the highest change. Global catastrophic losses hit \$83 billion in 2020, the fifth costliest on record.<sup>1</sup>

Canada is not immune to these global conditions. Net claims incurred by commercial property insurers in Canada went up by 44% from 2015 to 2020. Average catastrophic losses during 2009-2020 reached \$1.96 billion from \$425 million during 1983-2008. At the same time, the Return on Investment (ROI) for Property and Commercial insurers in Canada lowered to 3.6% due to reduced government bond yields. All these indicators point toward a "hard market", where premiums started to increase to catch up with the growth in claim's. Condominiums are one of the five hotspots in the Canadian commercial insurance market, including hospitality, long-term care, rental properties, and non-profits/ sports associations.<sup>2</sup>

All these factors are leading insurers to have more discipline in commercial underwriting, which leads to reduced underwriting capacity and potential increases in insurance premiums for condominium corporations. When condominiums become an unviable housing option due to the exorbitant cost of insurance premiums, it leads to a disruption in the housing market, contributing to the housing crisis, as seen in the housing continuum in Nunavut below.

1 Commercial Insurance: Emerging Trends in the Insurance Industry, Insurance Bureau of Canada, April 2021

2 Commercial Insurance: Emerging Trends in the Insurance Industry, Insurance Bureau of Canada, April 2021

## WHY ARE CONDOMINIUMS IMPORTANT IN NUNAVUT?

Condominiums form an important part in the housing continuum (see Figure 1) in Nunavut, accounting for 5.3% of total dwellings in Nunavut in 2018<sup>3</sup>. The purchase and sale of condominiums has stalled due to the state of the insurance market as described, despite the fact that condominium supply presents a remedy to many aspects of the housing crisis in Nunavut.

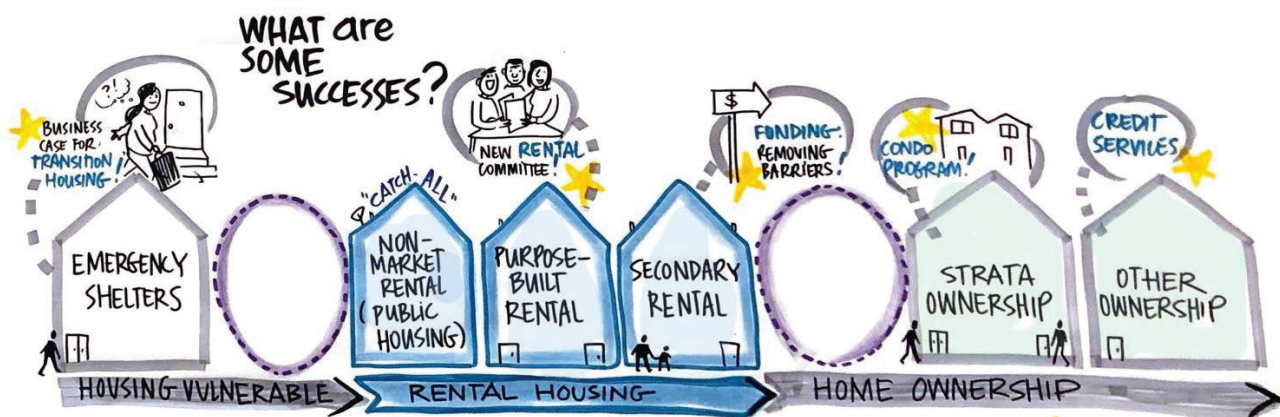


Figure 1 Nunavut Housing Continuum

Source: Government of Nunavut's Status of Housing Report 2020, Nunavut Housing Corporation

### This disruption further exacerbates the housing crisis in Nunavut

Removing condominiums from the market reduces individuals' ability to own homes and further destabilizes the housing situation by driving up prices for row houses and single-detached homes. About 37% of Nunavut's population is in "core housing need", meaning their homes require major repairs, are inappropriate in size, and/or are unaffordable. There are few alternatives to government-subsidized housing, referred to in Nunavut as public housing. As a result, many residents in public housing with good incomes are not able to shift into the private rental market or homeownership. Without a sustained condominium market, access to housing is substantially limited.<sup>4</sup>

### This issue has a disproportionate impact on the Inuit population in Nunavut.

56% of Inuit peoples live in overcrowded homes.<sup>5</sup> Roughly 85% of RIC2's residents and unit owners are Inuit. Individuals who are Inuit also make up a significant number of condominium residents and owners across the territory. Further, increased insurance fees have squeezed family budgets, forcing households to make difficult decisions about spending on other needs. The cost of living is already high in the territory, and an unexpected uptick could lead to foreclosure for some residents, forcing them onto waitlists for government housing or into already overcrowded homes.

Finding solutions to the unaffordable increases in insurance premiums for condominium corporations is a key part of tackling the Northern housing crisis and enabling a greater supply of housing that is affordable and that meets people's needs.

3 Statistics Canada, 2018.

4 Government of Nunavut's Status of Housing Report 2020, Nunavut Housing Corporation.

5 Government of Nunavut's Status of Housing Report 2020, Nunavut Housing Corporation.

## WHAT'S THE OPPORTUNITY?

Over the next 8 years, the Government of Nunavut will continue to deploy \$265 million in funding from the National Housing Strategy and \$9 million from the federal government's Canada Housing Benefit to address the housing crisis in the territory.<sup>6</sup>

Given the role played by condominiums in addressing the housing crisis, this presents an opportunity to find solution(s) to one of the barriers to home ownership: high condominium insurance fees. The solutions lab's collaborative approach, using social innovation lab methodology, can help create a resilient, made-in-Nunavut insurance solution(s). We have convened key stakeholders at the table: the Nunavut Housing Corporation, Insurance Bureau of Canada, Iqaluit city council, insurance brokers, condominium boards Inuit unit owners and many more.

## WHY IS THIS A PIVOTAL MOMENT?

Unaffordable increases in insurance premiums for condominium corporations is a nationwide issue.

Alberta made changes to its Condominium Act in January 2020 to allow condominium corporations to charge back the owner of a unit where the deductible originated (with a limit of 50,000 CAD), and to borrow 15% of condominium corporations' annual revenues.

In June 2020, the British Columbia Financial Services Authority (BCFSA) released an interim report on the state of strata insurance (for common property, common assets and buildings shown on the strata plan) in the province, following which the government made changes to strata insurance laws. In December 2020, the BCFSA released a final report on the state of strata insurance in the province, identifying issues and proposing alternative solutions, including self-insurance, product innovation, Public-Private Partnerships (PPPs), changes in strata regulations and education of strata board, etc.<sup>7</sup>

All of these initiatives across other provinces provide the much-needed momentum to resolve the condominium corporation insurance crisis in Nunavut. The best practices from other provinces and territories could help inform the solution in Nunavut.

We distilled the challenge described above into the following convening question, which helped to focus our work with lab participants:

How can we design a collaborative and sustainable solution to the unaffordable increases in insurance premiums for condominium corporations in Nunavut in a way that addresses the issues faced by key stakeholders?

<sup>6</sup> Government of Nunavut's Status of Housing Report 2020, Nunavut Housing Corporation

<sup>7</sup> British Columbia Financial Services Authority (BCFSA), Strengthening Foundations: A report on the state of strata property insurance in British Columbia, December 2020, <https://www.bcfsa.ca/pdf/news/StrataReport2020.pdf>

# Context in which this problem lives

Condominium Insurance is impacted by a variety of issues, and it's important to understand how global factors, such as climate change and local factors, such as government policy, have an impact on insurance costs. The table below provides a summary of these issues. Appendix A provides additional detail and key insights using the Iceberg Model, which highlights issues that we can see at the surface and those that are hidden from view.

|                                  |   |
|----------------------------------|---|
| <b>Global</b>                    | <ul style="list-style-type: none"><li>• Climate change and extreme-weather related events are wreaking havoc on insurers' ability to predict catastrophic events.</li></ul>   |
| <b>Canadian Insurers'</b>        | <ul style="list-style-type: none"><li>• In recent years, costs to cover losses from floods, wildfires, and storms have increased, with the highest natural catastrophe loss of \$5.1 billion CAD occurring in 2016.</li><li>• As insurers face low investment returns coupled with losses from claims, they are looking to improve their underwriting profitability by increasing premiums and/or exiting unprofitable markets.</li><li>• Structural issues in Nunavut as described above, compounded by national and global issues in the hardening insurance market create challenges for insurers to provide underwriting capacity in the territory.</li></ul> |
| <b>Federal &amp; Territorial</b> | <ul style="list-style-type: none"><li>• As an affordable form of home ownership, condominiums play an integral role in Nunavut's housing continuum strategy.</li><li>• Without affordable insurance coverage, condominiums cease to be an attractive choice for homeowners, negatively impacting government's efforts to move tenants out of social and public housing and into privately-owned housing.</li></ul>  |
| <b>Municipal</b>                 | <ul style="list-style-type: none"><li>• Condominium board members play multiple roles in their communities.</li><li>• A lack of adequate fire service in 18/20 communities in Nunavut contributes to increased insurance</li></ul>  |
| <b>Condo Corp</b>                | <ul style="list-style-type: none"><li>• Lack the necessary capital to pay for the increase in insurance premiums, maintenance, and replacement of assets.</li><li>• Struggle to raise condominium fees (which are not enforceable) to boost reserve funds (not mandatory).</li><li>• Condominium board members play multiple roles in their communities, and do not always have the expertise and guidance to facilitate preventative maintenance.</li><li>• Potential conflict of interest when a claim is made by a condominium unit owner who is also a condominium corporation board member.</li></ul>  |
| <b>Condo Unit Owner</b>          | <ul style="list-style-type: none"><li>• Condominium unit owners are often unable to meet the increasing condominium maintenance fees in addition to mortgage payments.</li><li>• Inaccessibility of condominium corporation insurance is impeding unit owners' ability to meet the requirements of mortgage lenders as well as sell their units.</li><li>• Unit owners often do not avail of the National Housing Corporation programs available for heating oil tank replacement and emergency repair.</li></ul>   |



## Condominium Profiles

To better understand the challenges condo corporations are facing in light of increased insurance costs the Solutions Lab invited condo corporations to prepare a profile template. Two profiles were completed from Rankin Inlet Condo Corporation #2 and Iqaluit Condo Corporation #5. These profiles are presented in Appendix C and highlight the impact it's having on Nunavut condo corporations, condo owners, tenants, and subsequently on housing.

# About the Lab

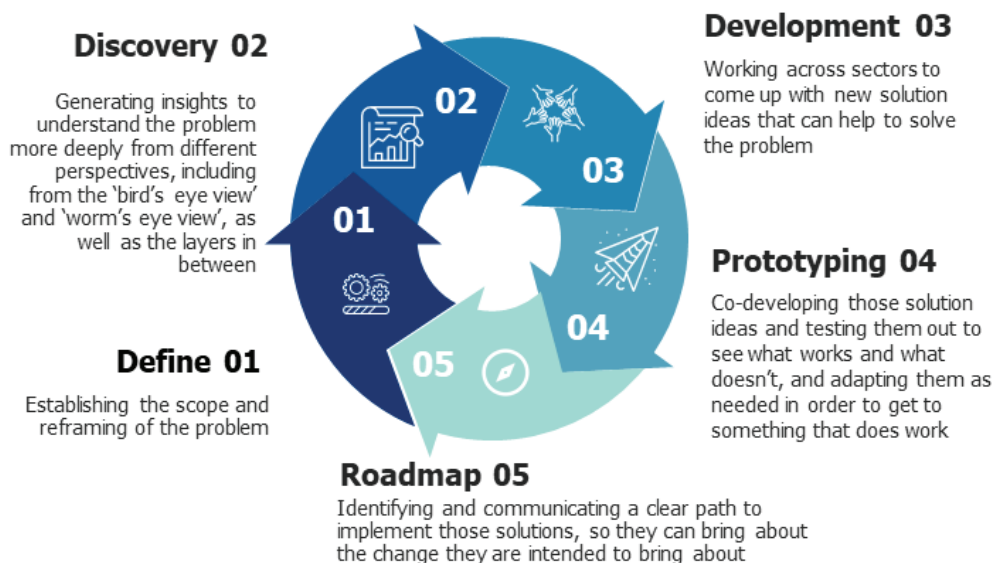
Our approach adopts a social innovation lab process ('Solutions Lab'), bringing together diverse stakeholders to better tackle this complex challenge. A lab is an iterative process working with people from across sectors to understand the problem and identify, co-design, prototype, test and scale potential solution ideas.

## WHY A SOLUTIONS LAB?






Addressing condominium insurance in Nunavut is a complex problem with no easy solutions, that cannot be solved by one or even a few organizations alone. There is no precedent for a solution, and the problem is the result of multiple changing factors and intersecting systems. A lab approach works to understand and bring together a full representation of the system (as much as possible) and begins with an exploration of the nuances, problems, incongruences, and potential areas of influence. Labs call us to work together in different ways to tackle problems that we haven't yet been able to solve. They seek to expand our understanding of the issues and highlight new relationships and factors for consideration by bringing various participants to the table.

Our lab followed the five phases described below, in order to better understand the problem and co-design potential solutions to condominium corporation insurance in Nunavut. The resulting solutions are described in the Prototypes section of this report.

## Nunavut Solution Lab Phases



# Lab Phases Activities in Brief

| Lab Phases   | Key Activities  | Outputs   |
|--|---|---|
| Phase 1:<br>Definition<br>    | <p>In this phase, the core team and Advisory Group was established, together with an identification of roles and responsibilities.</p> <p>This phase also produced a project work plan, and a list of stakeholders and lab participants to engage. A governance document was enacted, and a partner agreement was signed by the Advisory Group and core team.</p> | <ul style="list-style-type: none"> <li>● Engagement Strategy</li> <li>● Governance Structure</li> <li>● Terms of Reference and Partner Agreement</li> <li>● Advisory Group Members</li> <li>● Lab Participants and Stakeholders to engage</li> <li>● Refined Work Plan and Budget Allocation</li> <li>● Advisory Group Meeting 1</li> </ul>                         |
| Phase 2:<br>Discovery<br>     | <p>The discovery phase involved extensive primary and secondary research, including outreach and intensive conversations with people affected by the insurance system as well as decision-makers in housing and insurance policy.</p>   | <ul style="list-style-type: none"> <li>● Extensive secondary desk research producing a Challenge Brief on the problem</li> <li>● 21 semi-structured interviews with key stakeholders from across the system, 5 additional informal discussions</li> <li>● Advisory Group Meeting 2</li> </ul>   |
| Phase 3:<br>Development<br> | <p>In this phase, we tested and validated our research findings with participants in co-creation sessions, and surfaced a long list of potential solutions to the problem. We also set out to learn more about the Nunavut-specific context on condominium corporations.</p>  | <ul style="list-style-type: none"> <li>● Survey analysis conducted in English and Inuktitut for condominium board members and unit owners in Nunavut (see Appendix B)</li> <li>● 3 virtual lab engagement sessions with participants</li> <li>● Long list of &lt;35 solution ideas</li> <li>● Advisory Group Meeting 3</li> </ul>                                   |
| Phase 4:<br>Prototyping<br> | <p>Here, we began to critically evaluate the most viable, desirable, feasible and impactful solution ideas (prototypes). We ran a series of virtual prototyping sessions where participants ranked, rated and discussed the relative merits of the solution ideas, and identified potential paths to implementation.</p>  | <ul style="list-style-type: none"> <li>● 2 virtual lab prototyping sessions</li> <li>● Shortlist of 22 solutions ideas</li> <li>● Advisory Group Meeting 4</li> </ul>   |
| Phase 5:<br>Roadmap<br>     | <p>In this phase, we held a number of virtual sessions with stakeholders as having significant understanding or control of an implementation variable. We assessed the overall impact of a solution as well as any barriers for development.</p>  | <ul style="list-style-type: none"> <li>● Finalized 3 prototypes (with a total of 22 associated activities for implementation) - see below</li> <li>● Final session with the Advisory Group and key lab participants to present back solution ideas and collect final input</li> <li>● Individual discussions with 5 key stakeholders to collect feedback</li> </ul> |

# STAKEHOLDER MAP

The following map tells the story of the interaction amongst various stakeholders who work towards providing insurance to condominium corporations in Nunavut. These stakeholders are divided into three distinct groups:

1. Condominium corporations and unit owners who seek insurance;
2. Private sector organizations who provide insurance and other services, including insurers, insurance brokers, adjusters and others; and
3. The federal, territorial and local governments who enable and regulate the transactions between the former groups.

The mapping reveals how condominium corps and unit owners have a relatively low influence in the system, receiving most of the actions directed toward them. As a result, condominium corporations and unit owners have been absorbing the increased risk and potential costs with no recourse.

Within the private sector, insurance brokers and insurers engage in providing insurance; others such as adjusters, examiners, contractors, and lawyers etc., play a critical role in the claims process. Through their actions, these stakeholders can influence the amount of time, cost, and the level of risk in the claims process. For example, an empathetic insurance adjuster would ensure that policyholders get paid rapidly, reducing the amount of time in the claims process. As an intermediary between the condominium corporation, unit owners and the rest of the players in the insurance industry, brokers play a key role in securing and maintaining insurance coverage for condominium corporations. It is worth noting that stakeholders such as the Canadian Condominium Institute (CCI) and property managers, who are active in other parts of Canada, are not engaged in Nunavut, so there may be an interesting role to play for an organization like CCI. We explore this possibility in the final section of this report, under Roadmap.

The third group of stakeholders, composed of various levels of government, housing corporations, and Inuit organizations impact the system through regulations, programs, and initiatives directed toward insurance or housing more broadly. These stakeholders set the formal rules for the system, which guide the behaviour of the other two groups.

Finally, the variables in the system represent the parameters that can be varied to effect changes in the system. For example, amendments to the Condominium Act could increase or decrease the level of uncertainty, impacting the risk levels in the system. This idea is further explored in Prototype 1 below.



# Solution Ideas (Prototypes)

During working sessions with stakeholders in Phase 3 the group identified, discussed and prioritised potential solutions ideas before prototyping a few of them. This process led to the identification of over 20 corrective (changes to policy, programs or insurance practices) and preventative solutions (proactive solutions to improve processes and practices). The table below provides a summary of all the solution ideas explored, while the image below identifies three buckets of related prototypes, which were tested by the group.

| Solution Ideas                       | Corrective Solution Ideas   | Preventative Solution Ideas  |
|--------------------------------------|---|--|
| <b>Short-term (3-6 months)</b>       | <ul style="list-style-type: none"> <li>Pooling of insurance by condo corps</li> <li>Self insurance</li> <li>Loss forgiveness</li> <li>Exclusions - Excluding coverage for certain types of damages</li> <li>Condo unit buyback program</li> </ul>   | <ul style="list-style-type: none"> <li>Asset management plan by condo corps</li> <li>Regular inspections paid for by condo corps</li> <li>Proactive property management</li> <li>Condo manuals</li> </ul>                          |
| <b>Medium-term (6-9 months)</b>      | <ul style="list-style-type: none"> <li>Create reciprocal insurance for condo corps in Nunavut</li> <li>Insurance risk tiers</li> <li>GN acting as insurer for condo corps</li> <li>Funding for condo corps for major repairs and construction</li> <li>Performance-based funding</li> <li>Mitigate risk for construction companies who take part in insurance claims process</li> </ul> | <ul style="list-style-type: none"> <li>Invest in risk-mitigation assets</li> </ul>   |
| <b>Long-term (9+ months onwards)</b> | <ul style="list-style-type: none"> <li>Eliminate Best Terms Pricing</li> <li>Establish an insurance co-op to serve the Nunavut/Northern market</li> <li>Innovations in supply chains for building materials</li> </ul>  | <ul style="list-style-type: none"> <li>Change the legal structure of the condo corporation</li> <li>Making amendments to the regulations: Condominium Act</li> <li>Making amendments to the regulations: Building codes</li> </ul> |

**Prototype 1: Condominium Corporations. Create risk mitigation plans and make improvements**

1. Asset management plan by condominium corporations
2. Regular inspection paid for by condominium corporations
3. Proactive property management condominium corporations manuals
4. Invest in risk-mitigation strategies

**Prototype 2: Government condominium corporation financial relief and support**

1. Insurance Premium Relief Program with conditions
2. Funding for condominium corporations for major repairs

**Prototype 3: Make updates to the Condominium Act and Building Code**

1. Updates to the Condominium Act and Building Code
2. Exploring additional improvements to the building code
3. Make changes to municipal bylaws to help reduce risks

## Prototype 1: Condominium Corporations create risk mitigation plans and make improvements

Prototype 1 is divided into the following four components, which fall under the general concept that condominium corporations create mitigation plans and commit to improvements in order to lower risk and thus claims, in order to lower insurance premiums:

- 1.1 Risk assessment, mitigation, and asset management plan
- 1.2 Regular inspection paid for by condominium corporations
- 1.3 Proactive property management condominium manuals
- 1.4 Invest in risk-mitigation strategies

Each of these prototype elements are described below.

### 1.1 Risk assessment, mitigation, and asset management plan

A risk assessment and asset management plan completed by a condominium corporation or third party, will help condominium corporations better understand current risks and allow them to develop mitigation plans. These plans will help insurance companies better understand how and to what extent condominium corporations are reducing risks, which has an impact on insurance rates. There are a variety of templates that could be used, but no Nunavut-specific template exists for these plans. Developing a Nunavut-specific template, made available through the Government of Nunavut website, would encourage a consistent and locally-relevant approach.

#### Assumptions and Uncertainties

- Will the completion of a risk assessment, mitigation and asset management plan allow condominium corporations to communicate clearly with the insurance sector on mitigation strategies?
- Will the completion of the plan lead to implementation of mitigation strategies thereby reducing risk and insurance costs?
- Will a Nunavut-specific guide and template lead to an increase in the completion of plans by condominium corporations?
- What are the incentives for condominium boards to continuously undertake these plans?
- Will insurance companies accept the plans if completed by condominium corporations or a third party?
- To what extent will guide material need to be adapted to the local Nunavut context?

#### What resources (people, materials, technology, financial) will be needed to implement this prototype?

- There is a variety of existing templates from insurance companies for their clients that could be used (and modified, with permission) to assess risks and develop a plan for condominium corporations in Nunavut;
- One or more sample completed plan for condominium corporations ;

- Funding to help develop and disseminate the modified template;
- Incentive for ongoing use of plans by condominium corporations beyond a one-time basis;
- Resources to pay for the implementation of the plan with each condominium corporation.

#### **Where is there momentum?**

- RICC2 is interested in exploring the costs of having an inspection completed;
- Other condominium corporations who participated in the territorial survey indicated they were exploring developing plans. A coordinated effort in the three regions of Nunavut might help to reduce costs;
- The Canadian Condominium Institute (CCI) has expressed interest in establishing a chapter in Nunavut and has access to templates that could be adapted.

#### **Next Steps & Implementation**

- Identify available templates (eg. through CCI and/or other places such as insurance companies), which could be adapted, with permission;
- Identify party to oversee adaptation, eg., Government of Nunavut;
- Adapt risk assessment, mitigation, and asset management planning guide and templates;
- Identify all material to be translated into Inuktitut for condominium corporation residents;
- Identify ongoing dissemination processes and practices, eg. Government of Nunavut;
- Verify the benefits of having a risk assessment and mitigation plan with insurance providers.

## **1.2 Regular inspection paid for by condominium corporations**

Regular inspections can be arranged and scheduled by the condominium corporation at regular intervals (e.g., annually or semi-annually). An inspector will visit the property to make note of the following highest risks for property damage (eg., fuel, water, fire-related risks):

- Integrity of fuel tanks;
- Presence of fire alarms/ extinguishers;
- Potential loss-generating conditions;
- Water-related issues; and
- And other critical risks.

#### **Assumptions and Uncertainties**

- With regular, standardized reporting, will condominium corporations be better informed regarding risk mitigation and the results thereof can be shared with insurers?
- What kinds of inspections would benefit condominium corporations?
- What kinds of inspections, and by whom, would insurers like to see performed?
- Are the requisite service providers available locally? (note: preliminary inquiries indicate external services are required in Rankin Inlet)
- Who can pay for inspections?
- Would local skills development be helpful?
- What kinds of inspections would most reduce the number of claims, and will this change over time?
- Could the three regions coordinate group inspections of condominium corporations to reduce costs?

## **What resources (people, materials, technology, financial) will be needed to implement this prototype?**

- Time for the condominium board to coordinate inspections;
- Training on conducting inspections;
- List of service providers - certified tradespeople, contractors or other specialists as identified by the insurance industry who are able to visit and inspect condominium corporation properties;
- While the majority of these services are provided for a fee by private companies, at least one (fuel tank inspections) is provided free of charge by staff of the Government of Nunavut's Department of Wildlife;
- In winter months, inspections may demand extra snow removal to maintain site access and/or allow the movement of specialized equipment (e.g., lift to inspect a roof, etc.);
- Time and effort for the condominium board to coordinate inspections with unit owners and service providers, and communicate the inspection results and any subsequent remedial activity to insurers (or brokers if insurance is not presently available);
- Cost to conduct inspections.

## **Where is there momentum?**

- RICC2 is interested in exploring the costs of having an inspection completed and will explore options;
- Other condo corporations in Nunavut that participated in the survey (see Appendix A) indicated that they have conducted inspections;
- Inspections may be conducted in three ways with increasing cost implications: self-assessment, virtual assessment, in-person assessment. Self-assessment and virtual assessment are the most viable options in the near term; and
- The Insurance Bureau of Canada (IBC) recently published a briefing note encouraging building and property maintenance (see Appendix D).

## **Next Steps & Implementation**

- Identify the types of inspections to be performed, including through connecting with insurance brokers or providers;
- Identify relevant service providers in the communities where there are condominium corporations;
- Arrange for regular inspections at condominium corporations, including liaising with unit owners to access units as well as collect, review, and compile reports;
- Communicate inspection reports internally (board and unit owners) and externally (insurers); and
- Determine course of actions re: deficiencies identified in reports, and communicate any remedial action (ie. what was fixed/improved).

## **1.3 Proactive property management condominium corporations manuals**

Condominium manuals relate how a condominium operates, including communication with condominium unit owners and the behaviour and practices of the board and unit owners. The Government of Nunavut could standardize condominium manuals, or even mandate their creation (and potential use). Condominium manuals are mandated in some jurisdictions in Canada, but not in Nunavut.

## Assumptions and Uncertainties

- To what extent will the use of condominium manuals reduce the number of claims, which will in turn reduce the amount of risk to the extent that insurance premiums actually decrease?
- Even if condominium manuals are mandated for creation, will people use them? How?
- Is the best place to mandate the condominium manual the Condominium Act?
- Are there any detriments to standardization across all condominium corporations in Nunavut? (ie. to what extent would the manuals best be standardized versus tailored?)
- Given a territorial bylaw that requires some renters to pay the condominium corporation directly, but not others, should the condominium manual be framed differently for condominium corporations in each case? How is it different?

## What resources (people, materials, technology, financial) will be needed to implement this prototype?

- Input on and knowledge about condominium manuals from established organizations (eg. government, insurance companies);
- Engaging with the Government of Nunavut about potentially mandating a condominium management plan/ asset management plan and integration into the Condominium Act;
- Examples of existing condominium manuals from other jurisdictions to tailor for Nunavut context
- Funds for tailoring and printing condominium manual (eg. paid for by condominium corporations individually?)

## Where is there momentum?

- RICC2 is interested in using a condominium manual. The Government of Nunavut is developing information guides for condo corporations that might be helpful. There is new interest from the Canadian Condominium Institute (CCI) in establishing a chapter in Nunavut and they have access to manuals.
- Insurance bureau of Canada provided a briefing note encouraging building and property maintenance.

## Next Steps & Implementation

- Identify and review existing condominium examples available from insurance brokers or the Canadian Condominium Institute to tailor for the Nunavut context;
- Tailor and develop the condominium manual for Nunavut condominiums;
- Work with the Government of Nunavut to gage implementation and use of the condominium manual across the territory.

## 1.4 Invest in risk-mitigation strategies

By investing in services and technologies that are likely to reduce the risk of loss, condominium corporations will be better equipped to attract insurers. Potential investments include water loss sensors, backup water pumps, remotely monitorable temperature sensors and so on. If not available locally, equipment and/or technicians would need to be transported to Nunavut; where cost sharing would be possible depending on the degree of uptake among condominium corporations.

## Assumptions and Uncertainties

- What kind of investments will actually reduce risk (and therefore the number of claims and insurance premiums)?

- What kind of investments would insurers like to see?
- Are relevant service providers available in Nunavut (e.g., support/repair staff, technicians)?

#### **What resources (people, materials, technology, financial) will be needed to implement this prototype?**

- Condominium corporation board members to enquire with brokers about what technologies insurers would like to see, as well as identify what is viable (e.g., smart technology will not work with unreliable Wi-Fi or short battery life given cold temperatures)
- Relevant contractors available to source and install chosen solutions
- Product specification sheets
- Material/installation quotes
- Confirmation of product implementation (e.g., photos) of installations;
- Cost of sourcing and installing relevant solutions
- Potential costs to unit owners if the solutions are unit-based (e.g., remotely-monitored temperature sensors)
- Costs to the condominium corporation for common-area based solutions (e.g., water main line pressure sensors, backup water pumps, etc.)

#### **Where is there momentum?**

- RICC2 is interested in making improvements if access to grants or loans are available;
- According to the territory survey responses (See Appendix A), some of the condo corporations are planning to invest in improvements;
- The Government of Nunavut expressed a willingness to explore changes to existing funding opportunities that could help access funds to make improvements (see Prototype 2.2 below);
- The Insurance Bureau of Canada published a briefing note encouraging building and property maintenance (See Appendix D).

#### **Next Steps & Implementation**

- Identify which solutions would be beneficial following the completion of an asset management plan
- Identify relevant service providers;
- Determine interest from unit owners on risk mitigation strategies;
- Determine if funds are available for common area solutions;
- Decide which risk mitigation services and technologies to implement for condominium corporations;
- Engage contractors to implement solution/ risk mitigation strategy.

## Prototype 2: Government condominium corporation financial relief and support

Prototype 2 is divided into the following two components, which describe how the government could offer interim financial relief and support to condominium corporations:

- 2.1 Government of Nunavut to develop an insurance relief program for condominium corporations
- 2.2 Government of Nunavut to make adjustments to funding programs so that condominium corporations can access funds to reduce risks and improve assets

Each of these prototype elements is described below.

### 2.1 Insurance Premium Relief Program with conditions

Owing to the immense increase in premiums, the need for mass improvements to structures, and the explosion in building costs, condominium corporations need relief to address major repairs and afford condominium insurance. Government agencies could provide funding to condominium corporations to afford insurance so that condominium corporations can make upgrades and take preventative measures that help avoid loss and improve insurability and premiums over time.

#### Assumptions and Uncertainties

- Will governments be willing to commit funds to this initiative?
- Will condominium corporations apply for this funding?
- Will a relief program lead to premium reductions?
- How long is the relief required, and how long will Nunavut be in a “hard market”?

#### What resources (people, materials, technology, financial) will be needed to implement this prototype?

- Political will to build a social support program to help condominium owners;
- Funds sufficient for a program of this size and scale to meaningfully tackle the issues facing condominium corporations;
- Delegated organization to distribute the funds to condominium corporations;
- Communication to the public to inform condominium corporations and unit owners about the program’s availability;
- Materials to improve buildings and make buildings more insurable;
- Skilled labourers to make improvements to buildings.

#### Where is there momentum?

- RICC2 is interested in making improvements given availability of access to grants and loans;
- The Government of Nunavut is aware of this solution idea through staff who participated in this lab and through our discussions with the Department of Finance.

## Next Steps & Implementation

- Government sets aside budget for a fund to assist condominium corporation insurance shortfalls;
- Establish a mechanism to distribute the funds;
- Raise awareness to demonstrate/communicate the benefits of setting up an program;
- Condominium corporations apply for the funds and implement solutions;
- Insurance providers offer insurance to condominium corporations;
- Condominium corporations use funds to help pay insurance premiums, or make building improvements (e.g., funding conditions could be based on securing water losses, mitigating fire risk, improving the building or aging infrastructure)

## 2.2 Funding for condominium corporations for major repairs

The Government of Nunavut has a number of existing programs designed to improve private homeowners' houses. However, these programs do not cover the common areas and shared areas controlled by condominium corporations, nor are they allowed to borrow money to make repairs.

This support would extend this program to cover all homeowners equally. A new funding model would extend eligibility to the 20 condominium corporations in Nunavut to cover improvements. At present, the housing improvement grant, fuel tank replacement program, and emergency repair programs are not available to condominium corporations, meaning the largest and most important repairs covered in this program are not available to residents of condominiums.

### Assumptions and Uncertainties

- Will adjustments to the 'means tests' (a qualifying requirement for accessing Nunavut Housing Corporation programs), be able to be satisfied or waived to make this possible? In this way, it could reduce disincentives to apply given the paperwork involved to participate in the Construction Grant Programming.
- Will this initiative be viewed as a way to improve equity or be considered 'double dipping'?
- Is there political will to support this initiative? and
- Can the Nunavut Housing Corporation administer this program or will it need to be some other entity?

### What resources (people, materials, technology, financial) will be needed to implement this prototype?

- Political will;
- Funds for allocation to the initiative; and
- Allocated organization to ensure funds are utilized appropriately.

### Where is there momentum?

- Government of Nunavut staff indicated a willingness to review the wording of current funding offerings;
- RIC2 and other condo corporations have expressed an interest in accessing funds to make improvements.

### Next Steps & Implementation

- Political champion to push for implementation within the Government of Nunavut;
- Funds for allocation to the initiative; and
- Nunavut Housing Corporation to adjust existing policies to include condominium corporations.

## Prototype 3: Make updates to the Condominium Act and Building Code

Prototype 3 is divided into the following two components, describing how the government could offer interim financial relief and support to condominium corporations:

- 3.1 Updates to the Condominium Act
- 3.2 Exploring additional improvements to the Building Code.
- 3.3 Make changes to municipal bylaws to help reduce risks

Each of these prototype elements is described below.

### 3.1 Updates to the Condominium Act

Enhancements to the Condominium Act in Nunavut could reduce insurance risks and costs in the long run.

Provincial governments have made recent changes to their respective Condominium Acts to address specific issues, such as requiring condominiums to maintain a minimal reserve fund.

#### **Assumptions and Uncertainties**

- Changes to the Condominium Act may increase costs for condominium corporations, as they may end up spending more on their assets (refer to condominium corporations' asset management plan for operating budget and contingency plans) - is this financially feasible for condominium corporations?
- Condominium corporations need cash flow on an ongoing basis, and they may need contingency plans to make a reserve fund available to meet Condominium Act requirements
- The minimum amount of money to plan for repairs would likely be different for different condominium corporations to bring them up to current standards

#### **What resources (people, materials, technology, financial) will be needed to implement this prototype?**

- Financial resources;
- Political commitment;
- Team of experts who work and understand Northern building, infrastructure and construction (home builders association, CMHC, Government of Nunavut, builders, developers);
- Best practices for building in the North.

#### **Where is there momentum?**

- Government of Nunavut staff expressed interest in making changes and noted that this will take

time.

- The Insurance Bureau of Canada published a briefing note encouraging updates to the Condominium Act (See Appendix D).

### **Next Steps & Implementation**

- Gather insights and expertise from the Canadian Condominium Institute and condominium lawyers who have worked on legislative changes to Condominium Acts in other jurisdictions;
- Review Condominium Act changes in other jurisdictions, assemble expert panel to review and provide recommendations for Nunavut;
- Review Nunavut's Condominium Act and identify changes that would help condominium corporations to reduce risks (particularly requirements for minimum reserve, redefining certain condominiums as row housing, etc.);
- Conduct a cost analysis of recommendations to help determine the financial viability of changes;
- Provide recommendations and seek commitment to make changes to the Condominium Act; and
- Political champion to encourage implementation.

## **3.2 Exploring additional improvements to the Building Code**

Building and maintaining housing in the North is challenging for a variety of reasons (high occupancy rates, mold growth, access to materials for repairs, wood framing and fires, etc.). Updating the building code, such as the Community Zoning Bylaw or the minimum lot size, would likely decrease insurance premiums.

### **Assumptions and Uncertainties**

- Proving the impact of enhancing building codes may be challenging: will it actually decrease the risk and thereby reduce insurance premiums?
- Changes that address insurance risks may increase the cost of building significantly;
- Effects of climate change on building code are not known (as it is driving up costs and buildings were not built to withstand the effects of climate changes in weather we are currently seeing);
- Updating the building code will be helpful for new builds but not necessarily for existing buildings (it will cost more to build a stronger structure but insurance will decrease).

### **What resources (people, materials, technology, financial) will be needed to implement this prototype?**

- Financial resources to cover the cost of revision to the building code in Nunavut;
- Political commitment - explore tri-territorial collaboration;
- Team of experts who work and understand Northern building, infrastructure and construction (home builders association, Canadian Mortgage and Housing Corporation, Government of Nunavut, builders, developers);
- Identify best practices for building codes in the North;
- Smart buildings - sensors can help identify and reduce water losses, but this is complex (especially in bare land or where there are technology gaps such as unreliable Wi-Fi or short battery life).

### **Where is there momentum?**

- The Insurance Bureau of Canada published a briefing note encouraging updates to the Condominium Act (See Appendix D).

## Next Steps & Implementation

- Review Good Building Code Practices Guideline updated in 2020, and review existing building code;
- Review current research on building practices in the North;
- Assemble a group of experts (construction, trades, insurance, inspectors, etc.) to explore changes to the building code;
- Identify specific changes that would reduce insurance risk and improve buildings;
- Conduct a cost analysis of recommendations to help determine the financial viability of changes;
- Provide recommendations and seek commitment/ political champion to make changes to the building code (responsible for oversight of the building code);
- Connect with the Institute for Catastrophic Loss Reduction, who could give insight on emergency response, such as new wildfire models or hurricane ties/straps.

## 3.3 Make changes to municipal bylaws to help reduce risks

Municipal bylaws may help reduce insurance costs by requiring condominiums to reduce risks. Local municipalities could introduce a requirement that each condominium corporation is required to pass a bylaw allocating a percentage of the deductible. This cap might be a prudent way to manage escalating deductible amounts.

A lack of fire service in 20 of the 22 communities in Nunavut contributes to increased insurance costs. According to our survey results, some hamlets in Nunavut have not filled out the Canadian Fire Underwriters Survey (FUS) forms that would have them listed at [fireunderwriters.ca](http://fireunderwriters.ca), the organization that most insurance companies consult to determine the level of fire protection in each community. Thus they list the community as “unprotected”, and this increases the risk factor, which can influence premiums.

**Note:** This prototype was not explored in detail and warrants further investigation.

### Assumptions and Uncertainties

- Will changes to municipal bylaws have an impact on insurance costs?
- Are municipalities aware of how their bylaws impact insurance ratings?
- Are municipalities/hamlets cognizant of the FUS rating system?
- Will completing FUS forms lead to an immediate decrease in insurance?

### What resources (people, materials, technology, financial) will be needed to implement this prototype?

- A champion is needed to uphold Nunavut municipal bylaws; someone willing to become well-versed in general Nunavut-wide bylaws and any specific community-based (e.g. Iqaluit) bylaws;
- Nunavut municipal administrators: mayors, senior administrative officers (SAOs), etc. to engage;
- A liaison between municipalities and the insurance industry to foster open lines of communication and inform industry reps of bylaw changes (and updated FUS ratings).

### Where is there momentum?

- The Iqaluit Taskforce on Housing is exploring related changes that could be implemented.
- For municipalities to update their Fire Underwriters Survey (FUS) ratings would be a relatively straightforward process.

## Next Steps & Implementation

- Gauge municipal knowledge of relationship between bylaws and insurance premiums;
- Determine municipal awareness of, and interest in, the FUS system and submitting ratings;
- Connect with the Nunavut Association of Municipalities (NAM);
- Encourage all municipalities to conduct and submit respective FUS ratings (Note: to review and change a FUS rating is a very formal and potentially costly);
- Liaison between municipalities and the insurance industry to foster open lines of communication and inform industry reps of bylaw changes (and updated FUS ratings).

# Roadmap

After the prototyping phase, where the refined and researched prototypes were shared with participants, we sought to illuminate some of the uncertainties and begin conceptualizing a roadmap for possible implementation. The overall impact of a solution was assessed as well as the barriers for development. The solution ideas centered around the following three components:

1. Condominium corporations create risk mitigation plans and commit to improvements;
2. Government provides financial relief and support for condominium corporations;
3. Territorial and Municipal changes are brought into effect (e.g., building codes, bylaws, legal definitions).

Some paths forward are explained below and a detailed roadmap is provided in Appendix E

## Building Condominium and Territory-Specific Owners Manuals

Throughout the course of this lab, we have taken part in several initiatives to further the goals of this lab such as reviewing risk-mitigation material sponsored by the condominium corporations, government, and insurance companies. The contents of these various existing documents can be used and applied to the specific context of Nunavut and the particulars of individual condominium corporations.

Nunavut-specific maintenance considerations can be brought to the attention of condominium boards and residents alike. Regular maintenance schedules can be reported and incorporated into corporation bylaws. Details about emergency shut-offs and proper upkeep can be conveyed to property users accounting for behavioural factors affecting insurance premiums.

## Asset Management Plans

Condominium corporations with and without insurance are aware of the need to plan for regular upgrades and maintenance over the lifespan of a building. Preparing a document outlining the needs of buildings and their consideration by invested condominium board members is an important lever for condominium corporations. If corporations can follow a plan and demonstrate evidence of general and consistent upkeep, insurance risks can be avoided and premiums can reduce.

## Inspection Programs

Regular inspections initiated by condominium corporations are an important part of reducing risk to a manageable level and offer a detailed account of the state of infrastructure and building conditions. However, given the limited number of qualified assessors and the incredible distances and cost to reaching these locations, a plan for assessment needs to be developed. One that uses remote technologies, local expertise, and utilizes existing regional inspectors (NHC, CGS, Environment, Fire Departments).

## Legislative Changes to Address Short Term Relief

Our work with some government officials has brought interest in creating a funding package to aid struggling condominium corporations and unit owners. Given the seriousness of the predicament a strong case can be made for stopgap measures to bridge the hard insurance market and secure vulnerable, yet vital, housing. There is evidence of similar programs addressing insurance issues in other provinces and in other industries within Nunavut. The lab is still engaged in this process.

## Changes to Existing Programming Requirements

The Government of Nunavut has dedicated considerable resources to housing in Nunavut. The Nunavut Housing Corporation offers a program called the Home Renovation Program (HRP) which aids homeowners to perform major repairs, renovations, and additions to their home to cover the costs related to repairs and/or renovation including materials, freight, and labour.

Eligibility in the program is limited to individuals based on their income levels. Community members who meet the income threshold can apply for the HRP. Condominium owners can access the funding, but it can only be applied to a few interior aspects of the household and not the shared elements (e.g., plumbing, roofs, shared oil tanks, electrical systems, foundation systems, safety and emergency devices). Some of the largest expenses for condominium owners are exempt because of the collective nature of the condominium corporation ownership structure.

An exemption for condominium corporations would include the shared elements overseen by not-for-profit corporations run by resident/owner executive boards. Permitting condominium corporations into this program would be an inclusion of some 200 units. As presently constructed, 2% of Nunavut housing is ineligible for HRP funding on major repairs no matter the financial position of the resident.

## Potential Condominium Institute Chapter (CCI) in Nunavut

Steps are being taken to initiate a chapter of the Canadian Condominium Institute in Nunavut. After an initial meeting on March 11, 2022, the RICC2 board is initiating membership into the organization with other condominium corporations in the territory. This would build a line of collective communication and a pipeline to industry leaders and resources.  
including materials, freight, and labour.

# Final Thoughts

Together, we explored the system of insurance as it relates to condominium corporations in Nunavut. We started by conducting in-depth secondary (desk) research, and primary research through 18 semi-structured interviews with people from across sectors. We also hosted a series of engagement sessions with key stakeholders from across the system, to confirm and validate our research findings, including assumptions, and to identify and design potential solutions moving forward.

We are hopeful that the potential solutions and prototypes explored through this process will lead to short term relief for condominium corporations and changes in funding required to help make necessary improvements to infrastructure and practices. Condominium corporations, the government of Nunavut, and the insurance industry all have important roles to play to address the challenges in the short, medium, and long term. Holistic, systemwide efforts are needed to tackle complicated issues. With continued cooperation and support we are optimistic that the steps outlined in this lab will bear fruit and anticipate improved conditions for condominium owners and residents, and help for all Nunavummiut to access available and affordable housing.

# Appendices

Appendix A - Summary of issues

Appendix B - Survey Results

Appendix C - Condominium Corporation Profiles

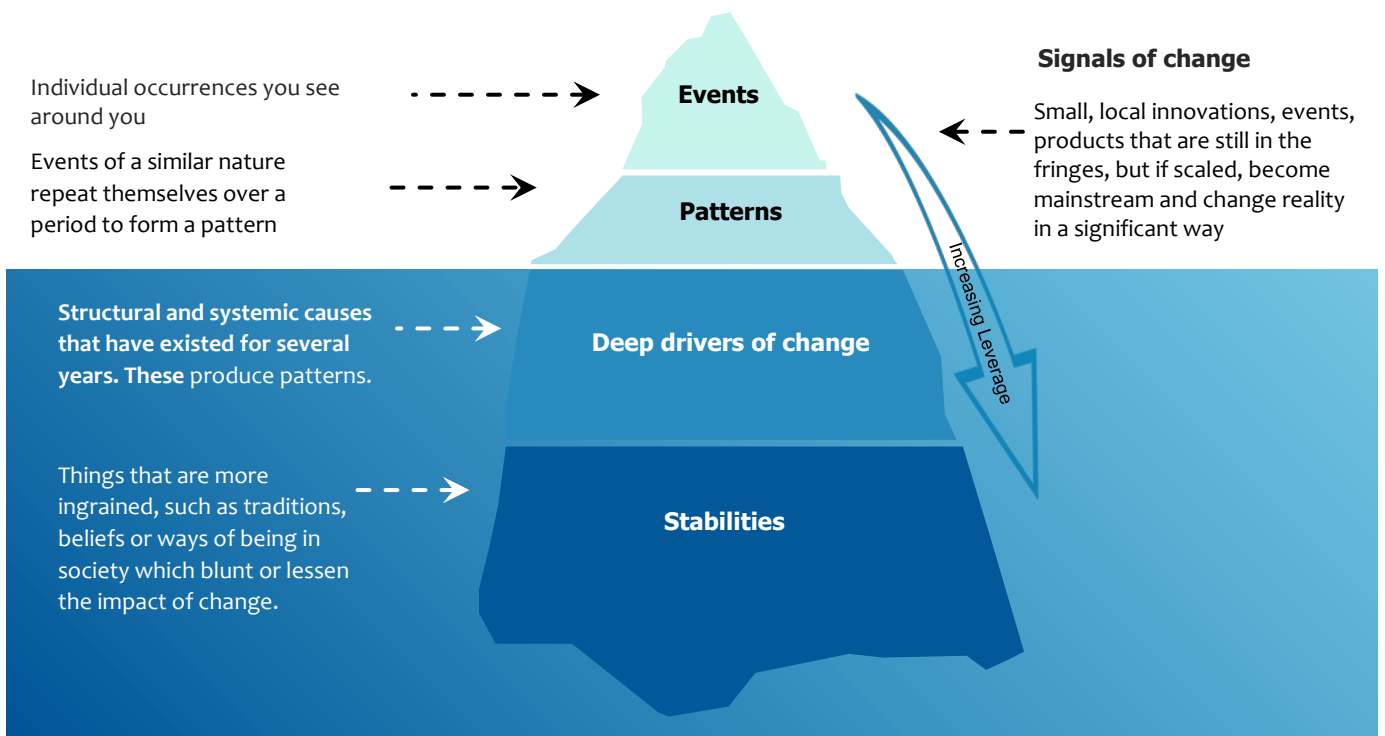
Appendix D - Insurance Bureau of Canada Briefing Note - Nunavut Property  
Insurance

Appendix E - Implementation Roadmap

## Appendix A – Summary of Issues

The iceberg model of systems thinking is a way of understanding the origin of a problem. Not simply reacting based on an event, on what's visible, but going beneath what's apparent and unraveling the motivations that caused the problem to exist in the first place.

Image: Iceberg Model



### ICEBERG MODEL APPLIED TO CONDOMINIUM INSURANCE IN NUNAVUT

| Level         | Category  | Summary   |
|---------------|---|---|
| <b>EVENTS</b> | Anecdotal evidence of drastically increasing insurance premiums (from interviews) | <ul style="list-style-type: none"> <li>Insurance rate increases range from 245% over four years in Iqaluit Condominium Corporation #5 to 600% over three years in Rankin Inlet Condominium Corporation #2 (RICC2).</li> <li>Condominiums managed by Grey Management Services saw an increase in insurance premiums ranging from 30-150%;</li> </ul> |

|  |  |   |
|--|--|---|
| <b>Individual occurrences you can see around you</b>   |  | <ul style="list-style-type: none"> <li>As condominium corporations have a duty to insure under the <i>Condominium Act</i>, by not securing insurance they are at risk of violating the Act.</li> <li>“Our condominium Corporation tried to renew our insurance but it was denied and we still don’t have coverage” - Ford Widrig (RICC2);</li> <li>“Our condo was informed that because we have had 2 claims in 5 years, that we wouldn't get coverage this year when we renew in November (2021)” Bethany Scott, Condominium Corporation #5, Iqaluit.</li> <li>As condominium corporations have a duty to insure under the <i>Condominium Act</i>, by not securing insurance they are at risk of violating the Act.<sup>1</sup></li> </ul> |
|  | Anecdotal evidence of subscription policies in the North (from interviews)   | <ul style="list-style-type: none"> <li>Five insurers in the renewed insurance policy of Iqaluit Condominium Corporation #5 in 2020.</li> <li>Nine insurers in the renewed insurance policy of Condominium Corporation #1 in Rankin Inlet in 2021.</li> <li>One of the largest condominiums in Yukon managed by Grey Management Services had to get a subscription policy with 13 insurers in 2020.</li> </ul>   |
| <b>Level</b>   | <b>Category</b>  | <b>Summary</b>  |
| <b>PATTERNS</b><br><br><b>Events of a similar nature repeat themselves over a period to form a pattern</b> | Commercial insurance industry is currently in a “hard market”  | <ul style="list-style-type: none"> <li>The compounding effects of structural issues in Nunavut along with national and global issues of extreme weather events from climate change, lowering profitability for insurers signal a “hard market”, meaning that there is a high demand for insurance, but a low supply of coverage available.</li> <li>Insurers are significantly increasing insurance premiums or moving out of unprofitable market segments; easy to replace low volumes in the North with higher volumes in other geographies.</li> </ul>   |
|  | Unaffordable spikes in insurance premiums for condominium corporations across Nunavut with higher subscription policies during recent renewals | <ul style="list-style-type: none"> <li>Rates have increased for condominium corporations across Nunavut, the North and Canada.</li> <li>Brokers servicing Nunavut have been reaching out to multiple insurers to renew insurance coverage for a single condominium corporation, indicating the drastic reduction in underwriting capacity in the territory.</li> </ul>  |
|  | Other provinces and territories have been bringing together various stakeholders to propose both short-term and long-term                      | <ul style="list-style-type: none"> <li>The Insurance Bureau of Canada (IBC) set up a National Commercial Insurance task force in 2020 to develop recommendations to keep</li> </ul>   |

<sup>1</sup> Nunavut *Condominium Act* - Duty to insure Page 15 item 22(1).

|  |   |  |
|--|---|--|
|  | solutions, including regulatory changes | <p>insurance, especially for condominiums, affordable and accessible across the country<sup>2</sup>.</p> <ul style="list-style-type: none"> <li>• Alberta and British Columbia have updated their regulations for condominiums/strata to address the issues.</li> <li>• Northwest Territories (NWT) are set to amend their <i>Condominium Act</i>, 2015 to address some of their unique challenges.</li> </ul> |
|--|---|--|

| Level   | Category                     | Summary  |
|---|------------------------------|--|
| <p><b>DEEP DRIVERS OF CHANGE</b></p> <p>Structural and systemic causes that have existed for several years. These produce patterns.</p> | Inadequate Legislation       | <ul style="list-style-type: none"> <li>• Lack of clarity on implementation of requirements of the Nunavut Building Code Act and Regulations. The Office of the Chief Building Official (OCBO) came into existence in 2018. In one instance, contractors were not aware of the changes in regulations by the OCBO, which led to an open claim for the condominium corporation.</li> <li>• Lack of requirement for a double-walled heating oil tank in Nunavut. There is an oil take replacement program, which encourages double-walled tanks. This has been contributing to the incidence of oil spills and the increasing cost of insurance.</li> <li>• Lack of requirement for condominium asset management plans.</li> <li>• Lack of requirement for a definition of standard units, reserve funds and depreciation reports in the Nunavut <i>Condominium Act</i>. This adds to the uncertainty and risk in the system.</li> <li>• Some funding programs' eligibility criteria (e.g. Nunavut Housing Corporation) for housing improvements unintentionally exclude condominiums.</li> </ul> |
|   | Insurance and climate change | <ul style="list-style-type: none"> <li>• The increase in the frequency of extreme weather events, driven in part by climate change, is one of the most complex factors affecting the insurance market<sup>3</sup>.</li> <li>• Slow onset risks, like thawing permafrost and drought, are typically uninsurable as they do not meet the insurability.</li> </ul>  |

<sup>2</sup> <https://www.insurancebusinessmag.com/ca/news/breaking-news/ibc-creates-commercial-task-force-213304.aspx>

<sup>3</sup> Deloitte, State of the Canadian Commercial Property and Casualty Insurance Market, November 2020 <https://businessinsurancehelp.ca/wp-content/uploads/2020/11/State-of-the-Canadian-Commercial-Property-Casualty-Insurance-Market-Full-Report.pdf>

|   |   |  |
|---|---|--|
| <b>WEAK SIGNALS OF CHANGE</b><br><br><b>Small, local innovations, events, products that are still in the fringes, but if scaled, become mainstream and change reality in a significant way.</b> | Insurance brokers attempting to develop new products to find solutions        | <ul style="list-style-type: none"> <li>• Broker(s) in the North working toward solutions such as risk pooling for condominium corporations in Nunavut/ Northern territories.</li> </ul>  |
|   | Condominium corporations in the North coming together to represent themselves | <ul style="list-style-type: none"> <li>• Condominium corporations in Iqaluit have organized themselves into an association to reach out to other stakeholders and find solutions.</li> <li>• Efforts in the Yukon to form a condominium association.</li> <li>• Ontario’s new regulation requires directors to complete a training program within six months.<sup>4</sup></li> </ul> |

| Level  | Category                     | Summary   |
|--|------------------------------|---|
| <b>STABILITIES</b><br><br><b>Things that are more ingrained, such as traditions, beliefs or ways of being in society which blunt or lessen the impact of change.</b> | Limited infrastructure       | <ul style="list-style-type: none"> <li>• Wooden building frames in Nunavut are rated as a high-risk quality of building material.</li> <li>• Due to the geographical remoteness, claims cost exponentially higher than in the South: Can’t walk to a hardware store to buy material. Everything must be airlifted or carried by sea freight.</li> <li>• Limited time (5-6 months) to transport material for construction and repairs.</li> <li>• Lack of documentation in claims processing; claims can sometimes take months after the incident has happened which can lead to the loss of evidence over time.</li> <li>• 23 of the 25 communities in Nunavut, except Iqaluit and Rankin Inlet, have a rating of 10 as per the Public Fire Protection Classification (PFPC). The classification is expressed as a scale of 1 to 10, with 10 indicating absence of an effective public fire protection system. This raises the risk from an insurance perspective.</li> </ul> |
|  | Lack of skills and resources | <ul style="list-style-type: none"> <li>• Contractors, insurance adjusters and lawyers have to be flown in from other territories or provinces, increasing the time and cost for insurance claims.</li> </ul>  |

<sup>4</sup> Condominium Authority of Ontario: <https://www.condoauthorityontario.ca/director-training/director-training-overview/>

|  |  |   |
|--|--|---|
|  |  | <ul style="list-style-type: none"> <li>• Unit owners and condominium board members often play multiple roles in the community. “They may be stretched for time and expertise, which can lead to delays in claims, or a focus on maintenance and repair.”</li> <li>• Currently, there are no asset management plans in place for condo corps in Nunavut, which contributes to higher underwriting risk.</li> </ul>   |
|  | Cultural differences, customs and traditions             | <ul style="list-style-type: none"> <li>• Claims process: “Financial culture shock” in working in the North regarding costs: “you can quadruple the costs for anything in the North” - an insurance adjuster</li> <li>• Variance in knowledge &amp; behaviour related to building maintenance, especially between Inuit and non-Inuit tenants/homeowners</li> <li>• “Collective ownership has not been institutionalized” - Representative from Inuit organization</li> </ul>  |
|  | Patterns of behavior/ stakeholder interactions, tensions | <ul style="list-style-type: none"> <li>• Unit and master policy insurance conflicts.</li> <li>• Communication between board-owners-tenants is often inefficient.</li> <li>• The Canadian Condominium operates in a number of other provinces and territories but does not have a presence in Nunavut.</li> <li>• Condominium corporation boards spend a significant amount of their time on claims, but not on preventative maintenance.</li> <li>• There’s a tendency for stakeholders to blame the “system”. Need for more accountability and responsibility for all stakeholders.</li> </ul> |

# Appendix 3 - Survey Results

## Nunavut Condominium Corporation Insurance Solutions Lab

### Survey Results

September 2021

This project entitled “Nunavut Condominium Corporation Insurance Solutions” received funding from the National Housing Strategy under the NHS Solutions Labs, however, the views expressed are the personal views of the author and CMHC accepts no responsibility for them”



# Condominium Corporations in Nunavut

| Survey Response by location |                           |                        |                             |                   |
|-----------------------------|---------------------------|------------------------|-----------------------------|-------------------|
|                             | Condo Board member Survey | Total Condos by region | Response rate (Condo Board) | Unit Owner Survey |
| Iqaluit                     | 7                         | 15                     | 46.7 %                      | 9                 |
| Rankin Inlet                | 1                         | 2                      | 50 %                        | 4                 |
| Cambridge Bay               | 0                         | 3                      | 0                           | 5                 |
| <b>Total</b>                | <b>8</b>                  | <b>20</b>              | <b>40%</b>                  | <b>18</b>         |

- The 8 condo boards who responded represent 83 units and 40% response rate (there are 20 Condo Corporations).
- 18 unit owner survey responses were received which represents 21.7% response rate when compared to the condo corporations who responded.

# Survey Demographics

|               | Board Member & Unit Owner | Unit Owner | Total Condo Corps |
|---------------|---------------------------|------------|-------------------|
| Cambridge Bay |                           | ● ●        | 1                 |
| Iqaluit       | ● ● ● ●<br>● ●            | ● ●        | 17                |
| Rankin Inlet  | ●                         | ● ● ● ●    | 2                 |

- - Identifies as First Nations, Inuit, or Metis
- - Does not identify as First Nations, Inuit, or Metis



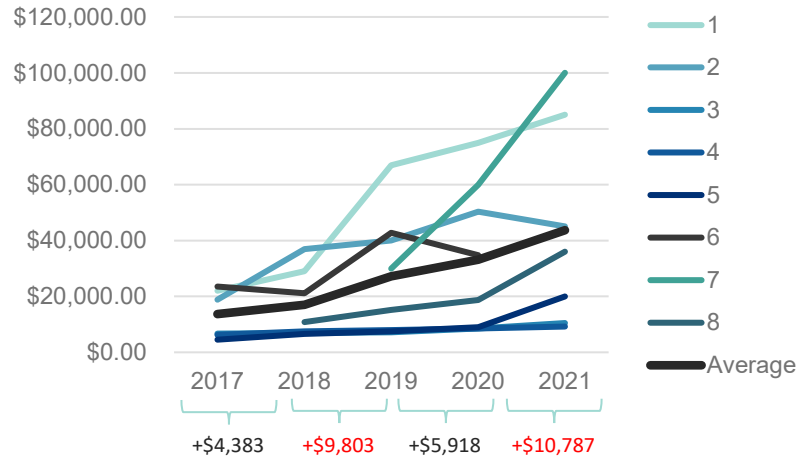
# Condo Board Response Observations

## Insurance Coverage

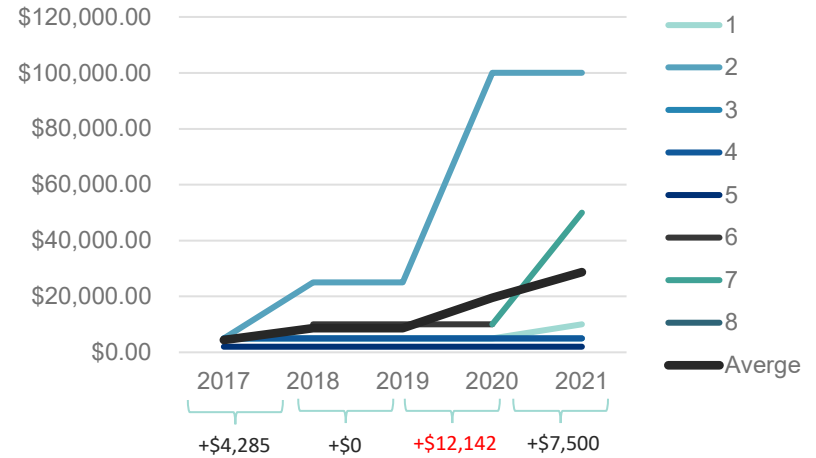
- 6 Condo's are fully covered (one was informed that insurance would not be renewed)
- 1 Condo is covered with exclusions (roof and water damage)
- 1 Condo has no coverage
- One condo has multiple (13) insurer as part of their policy while most have 1-3 and one has none.

# Rising Insurance Costs

## Insurance Premiums Over Time



## Insurance Deductibles Over Time



# Increases by \$ and %

|   | Premium Increases | Premium Increases | Deductible<br>Increases | Deductible<br>Increases | Coverage                |
|---|-------------------|-------------------|-------------------------|-------------------------|-------------------------|
| 1 | \$63,000.00       | 286%              | \$5,000.00              | 100%                    | Covered with exclusions |
| 2 | \$26,220.00       | 139%              | \$95,000.00             | 1900%                   | Fully covered           |
| 3 | \$3,735.00        | 56%               | \$0.00                  | 0%                      | Fully covered           |
| 4 | \$2,900.00        | 46%               | \$0.00                  | 0%                      | Fully covered           |
| 5 | \$15,500.00       | 344%              | \$0.00                  | 0%                      | Fully covered           |
| 6 | \$11,245.73       | 48%               | \$0.00                  | 0%                      | No coverage             |
| 7 | \$70,000.00       | 233%              | \$40,000.00             | 400%                    | Fully covered           |
| 8 | \$25,186.00       | 233%              |                         |                         | Fully covered           |

\*Respondent #6 is from Rankin Inlet, all others are based in Iqaluit

# Condo Board Insurance Claims

| How many such incidents/accidents took place in the last 5 years? | How many of those incidents/accidents were filed as condominium corporation insurance claims? | What was the dollar amount of condominium corporation insurance claims? | What were the categories of condominium corporation claims? |
|---|---|---|---|
| 18  | 11  | \$1,307,880.00  | Water = 9 Wind = 1 Fire = 1                                 |

## Claims

- 7 of the 8 condo boards indicated that they did incur damages or liabilities (building, common elements, and liability of the condominium corporation) in the last 5 years.
- A total of 18 incidents occurred and 11 of those resulted in a insurance claim being filed.
- 81.8% of the claims filed were a result of water damage, while 9% of the claims were a result of fire and 9% wind damage.

# Correlating Increases to Claims

|   | Premium Increases | Deductible Increases | Filed Incidents | Insurance Claims |
|---|-------------------|----------------------|-----------------|------------------|
| 1 | 286%              | 100%                 | 3               | \$150,000.00     |
| 2 | 139%              | 1900%                | 1               | \$200,000.00     |
| 3 | 56%               | 0%                   | 1               | \$25,000.00      |
| 4 | 46%               | 0%                   | 1               | \$85,000.00      |
| 5 | 344%              | 0%                   | 0               | \$0.00           |
| 6 | 48%               | 0%                   | 2               | \$242,880.00     |
| 7 | 233%              | 400%                 | 2               | \$600,000.00     |
| 8 | 233%              |                      | 1               | \$5,000.00       |

Note: 7 respondents reported water damage, 1 reported fire incidents, and 1 reported wind damage

# Correlating Increases to Appraisals

|   | Premium Increases | Deductible Increases | Appraisal Value | Appraisal Year |
|---|-------------------|----------------------|-----------------|----------------|
| 1 | 286%              | 100%                 | \$10,300,000.00 | 2020           |
| 2 | 139%              | 1900%                | \$5,373,000.00  | 2016           |
| 3 | 56%               | 0%                   | \$1,500,000.00  | 2019           |
| 4 | 46%               | 0%                   | \$1,600,000.00  | 2016           |
| 5 | 344%              | 0%                   | \$2,000,000.00  | 2020           |
| 6 | 48%               | 0%                   | \$7,981,000.00  | 2021           |
| 7 | 233%              | 400%                 | \$7,000,000.00  | 2020           |
| 8 | 233%              |                      | \$4,070,000.00  | 2021           |

# Correlating Increases to Contingencies

|   | Premium Increases | Deductible Increases | Condo Fees   | Reserve Funds | Life Cycle Management Plan | Training for New Unit Owners | Training for Tenants |
|---|-------------------|----------------------|--------------|---------------|----------------------------|------------------------------|----------------------|
| 1 | 286%              | 100%                 | \$269,000.00 | \$0.00        | No                         | No                           | No                   |
| 2 | 139%              | 1900%                | \$83,450.09  | \$5,000.00    | No                         | Yes                          | No                   |
| 3 | 56%               | 0%                   | \$13,824.00  | \$10.00       | Yes                        | No                           | No                   |
| 4 | 46%               | 0%                   | \$20,200.00  | \$3,500.00    | Yes                        | No                           | No                   |
| 5 | 344%              | 0%                   | \$40,000.00  | \$5,000.00    | I don't know               | Yes                          | No                   |
| 6 | 48%               | 0%                   | \$62,767.39  | \$0.00        | No                         | No                           | No                   |
| 7 | 233%              | 400%                 | \$190,000.00 | \$400,000.00  | No                         | Yes                          | No                   |
| 8 | 233%              |                      | \$45,000.00  | \$10,000.00   | No                         | No                           | No                   |

# Claim decision process

Describe the process for deciding whether to file a condominium corporation claim.

- “Previous board members seemed to file claims based on the misperception that everything ought to be covered by the master insurance.”
- “Cost/benefit of filing a claim versus covering the cost of repairs via condo corp funds. Discussed and decided upon by board members.”
- “As a new condo, we do not have sufficient reserve funds as yet. The insurance company was successful post repairs, in recouping the costs from the builder as the incident was related to poor workmanship.”
- “Honestly at this point filing a claim with the insurance would be my final approach as I would be terrified of what my premium would be the following year, if we could find insurance at all.”
- “Significant damage required a claim.”

# Individual Respondent Stories

- Respondent #2 (139% premium increase, 1900% deductible increase)

“Main Water line broke in mechanical room and flooded one condo in 2017. Damage was significant so we filed a claim. Our deductible at the time was \$5,000.00 for water loss. Our insurance premium went from \$18K to \$36K after our claim.”

- Respondent #7 (233% premium increase, 400% deductible increase)

“The roof blew up in a storm and so we had to change it with a condo claim. But then the contractor made many mistakes leading to important water damages in several units, tripling the amount of the claim! Then 2 years after that, a tenant was negligent while away, leading to water damages in his unit and the two adjacent units. The insurers told us we had to make a claim with the condo board. The board is now asking the tenant to repay the deductible.”

# Life Cycle Management Planning

7 of the 9 respondents indicated that their condo's do not have life-cycle management plan for the condominium complex, while 2 indicated that they do have one. When asked why not the following responses were provided:

- "It's a 45 year old building where previous boards and owners did not plan for life-cycle costs."
- "We have been planning to do one for 2 years now, but we did not get a proper quote for it yet. We still plan to do it."
- "Its a great idea, something to consider and try and forecast with. The biggest problem is people just don't want to be bothered by having to think about these things. I would say that after this year, with all the developments on the insurance front, we are going to have to get all the residents more active in the functioning of the corporation."

# Self insurance

**87.5% of respondents indicated that their condominium corporation would be willing to participate in a self-insurance solution along with other condominium corporations in Nunavut? They offered the following comments:**

- Yes. However, one reason condo insurance rates are rising is that the loss ratio on condos is 700%. I am concerned that self-insured premiums would need to be significantly higher, not lower. I feel it would have to be coupled with forming a condo management association to help boards and owners manage their condos, for example helping them write and enforce policies to ensure owners are doing the things they need to do to avoid claims. This may even be more useful in the long-run than self-insuring.
- We are willing to hear and talk about it yes. We are also considering becoming bare land condos at the moment. We are at the beginning of the process and are talking to other condo boards to find a solution about insurance premiums.
- We would consider this, pending the costs.

# Condo Unit Response

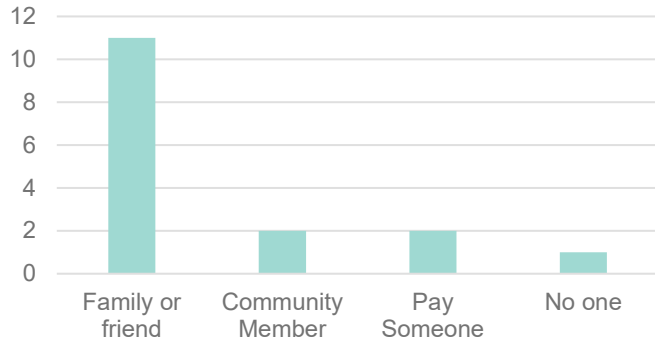
| Does the condominium corporation regularly maintain reserve funds? | If yes, what was the average annual amount of reserve funds in the last 5 years? | Does the condominium corporation provide training or orientation for New condominium unit owners? | Does the condominium corporation provide training or orientation for Tenants? |
|--|--|---|---|
| No = 2 Yes = 6   | Ranges from \$3,500 to \$400,000.  | No = 5 Yes = 3  | No = 8  |

Those who indicated that they do provide training or orientation indicated that they offer the following:

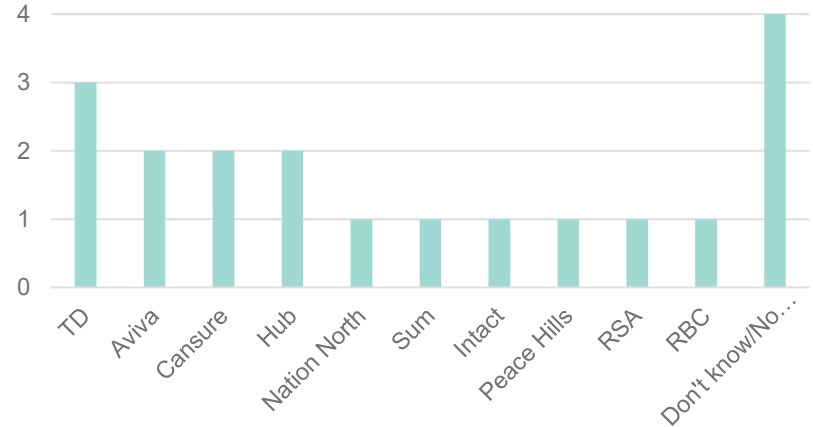
- Best practices for regular maintenance of condominium unit
- A guidebook for our policies and best practices

# Unit Owner Summary Statistics

## Who Takes Care of the Unit in Your Absence?



## Unit Insurer



1 respondent reported filing an insurance claim for water damage with both unit insurance and condo insurance  
1 respondent reported applying for the Heating Oil Tank Replacement program, receiving a double-walled oil tank

# Condo Unit Response

Is there anything else we should know?

- Insurance cost are very high in cam bay. Communities in Nunavut are designated unprotected by the insurance industry so rates are very high. **Nunavut hamlets refuse** to fill out the Canadian fire underwriters survey forms that would have them listed at [fireunderwriters.ca](http://fireunderwriters.ca), the organization that all insurance companies consult to determine the level of fire protection in each community. Thus they list us as unprotected.
- We almost couldn't get insured at all this last renewal. Our rate remained almost the same, but our coverage was reduced, and our deductible was increased a fair bit with what we did get.

## Appendix C - Rankin Inlet Condominium Corporation 2 - Profile

**Location:** Rankin Inlet

**Age:** The condominium was constructed in 1995

**Number of units:** 16 units

**Number of Condo owners:** 16

**Number of Condo residents:** 42

**Condo owners who identify as Inuit:** 8

**Condo residents who identify as Inuit:** 22

**Type of Condo:** Row housing. Units are side-by-side with slight overlap in some areas (e.g., the upper-floor of one unit may extend over the furnace room of an adjacent unit).

**Type of construction:** Wood

**Lifecycle management plan:** Intend to complete one in 2022.

**Training for board members, unit owners and tenants:** There is currently no training system for this.

### Description of upgrades/improvements made:

- Several units have upgraded their copper pipes to PEX pipes, notably all three units which house the circulation-loop pumps (these were prone to pin-hole leaks).
- A sewer line exiting one of the buildings was rerouted to achieve proper grade; had lost its grade and was prone to freezing and backing-up.
- Several units (3 in 2021) replaced their single-walled fuel tanks with new, double-walled fuel tanks
- Wooden garbage receptacles have been replaced with steel dumpsters; all contents are removed during garbage, "pick-up" which has reduced the amount of loose garbage/debris onsite.
- Handrails installed or improved for the front steps of all units.

### Financial Information

**Appraised value of condos:** \$798,1000 appraised in 2021

**Annual condo fees charged in 2021 (calendar year):**

\$84,137.44 (\$5,58.59/unit)

**Reserve Fund:** \$106,900

**Increase in insurance costs between 2017-2021:** Costs increase by 425% from \$23,548 to \$130,000

**Insurance status:** Uninsured.

**Cost of Insurance in 2021:** \$130,000 (based on estimate provided)

**Insurance claims in the past 5 years:** 2 totaling \$245,880

**Your condo corporation's biggest challenge:** Accessing funding/financing to make significant capital improvements and in turn reduce risk and increase insurability.

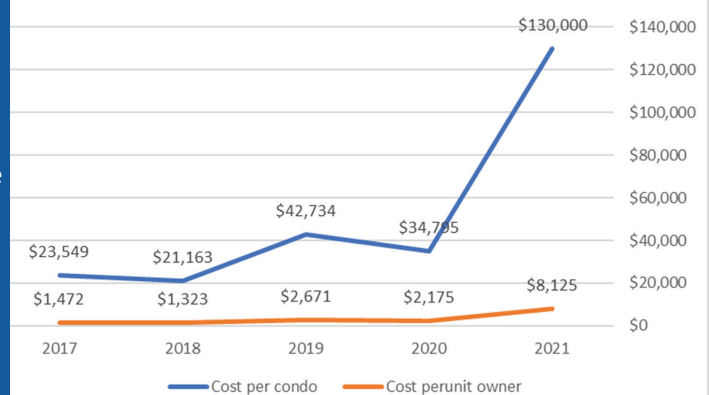
### Insurance

**Description of insurance claims:** Between 2017 and 2021 there were 9 incidents 2 of which resulted in insurance claims totalling \$245,880. The claims were related to water damage and fire as described below.

#### Insurance costs over the past 5 years:

- The Graph shows the increase in insurance costs from 2017 to 2021. The costs for insurance in 2021 increased by 425% from 2020 in part due to two insurance claims, which totaled \$242,880. is based on the estimate received by CC2, which were not affordable for CC2. Insurance costs have increased by 425% from 2020 to 2021 as a result of two insurance incidents.
- **Insurance status:** Insured with some exclusions.
- **Change in what insurance premiums cover:** The late-stage insurance coverage offered to CC2 excluded water damage and the items that were covered carried significant deductibles.

**Rankin Inlet Condo Corporation #2**  
Insurance and deductible costs 2017-2021



**Implications of increase in costs:** The dramatic increase in insurance premiums and reduction of what is covered were not affordable and led the condo board to remain uninsured. The lack of insurance coverage leaves unit owners exposed to significant risk but also makes the units virtually unsaleable; banks will not mortgage uninsured properties. Because of this it is very difficult, if not impossible, for unit owners to sell their units. Conversely, potential buyers are effectively locked-out from this segment of the housing market.

## Appendix C - Iqaluit Condominium Corporation #5 - Profile

**Location:** Iqaluit

**Age:** The condominium was constructed in 1998 (4014) and 2001 (4012)

**Number of units:** 23 units

**Number of Condo owners:** 20

**Number of Condo residents:**

**Condo owners who identify as Inuit:** minority

**Condo residents who identify as Inuit:** Unknown

**Type of Condo:** Row housing.

**Type of construction:** Wood

**Lifecycle management plan:** Intend to complete one in 2022.

**Training for board members, unit owners and tenants:** There is currently no training system for this.

**Description of upgrades/improvements made to the condo:** Fixed flashing and reinsulating of lower roof sections. Full roof replacement 4014 due to storm damage.

**Lifecycle management plan:** Although we don't currently have one, we have been planning to do one for 2 years now, but we did not get a proper quote for it yet. The lifecycle planning has been derailed by budgeting for increased insurance cost. Also availability of contractors to assess building needs and agree to undertake work is difficult.

**Training for board members, unit owners and tenants:** We provide an orientation session for new condo unit owners, but no orientation for new tenants. Board members are not required to complete training programs. We do have a owner's guide which is provided to all new owners.

### Financial Information

**Appraised value of Condo:** \$7,000,000 appraised in 2020

**Annual condo Fees collected in 2020:** \$190,000 (\$8260.87/unit)

**Reserve Fund average annual amount in the last 5 years?:** \$350,000 (declining over past 3 years)

**Increase in insurance costs between 2017-2021:** Costs increase by 233% from \$30,000 to \$100,000

**Cost of Insurance in 2021:** \$110,000

**Insurance claims in the past 5 years:** 2 totaling \$650,000

### Description of insurance claims:

Between 2017 and 2021 there were 4 incidents, 2 of which resulted in insurance claims.

The first claim in October 2018, involved damage to the roof caused during a windstorm. The condo board filed an insurance claim to make repairs. However, while repairs were being made the contractor made many mistakes leading to water damage in several units, tripling the amount of the claim. Extensive interior water damage to 16 units do to improperly installed replacement roof.

Two years following this incident a tenant was negligent while away, leading to water damages in their unit and the two adjacent units. The insurers told us we had to make a claim through the condo board insurance.

A 3rd incident involved a frozen water pipes bursting in the condo of an absent owner. Water was spotted quickly and quick remediation work resulted in limited water damage. Total costs were approx. \$6,000. ICC5 is working to recover those costs from the owner.

**The Graph shows the increase in insurance costs from 2017 to 2021.**

**Insurance status:** Insured with some exclusions. Our current deductible for water damage is currently \$150,000. Up from 50K last year.



### Iqaluit Condo Corporation #5

Insurance and deductible costs 2017-2021



### Your condo corporation's biggest challenge:

**Affordability and decline in Fiscal wellbeing of condo Corporation:** The steep increase in insurance costs has resulted in many owners struggling to make monthly fees and special levy payments.

**Risk Mitigation Issues:** We have had many issues with owners leaving condo vacant and unmonitored during winter months. Leads to freeze ups and floods. We have just enacted a new by-law with requires units to be checked every 24hours Sept -May. Failure to do so results in owners being held liable for all damages.

**Leases:** 3rd party leases, particularly with federal government and QEC are causing issues with accountability of tenants. Federal leases state that owners will not interact with tenants directly.

## Nunavut Property Insurance Market

### Issue

Condominium insurance premiums in Nunavut have risen over the past five years due to a variety of factors, particularly an increase in claims costs and the higher costs to repair damage in northern Canada. The Nunavut government is seeking information on what is behind this trend and potential solutions to help lower/stabilize property insurance premiums for condominium owners.

### The Data

It is important to note that although data specific to condominium insurance is not available, Insurance Bureau of Canada does have data on the general personal property market in Nunavut. This data includes all home, condo and rental insurance policies (but not condominium corporation insurance – that is a commercial product) and will indicate the total earned premiums and claims costs in the Nunavut residential insurance market since 2016.

### Direct Earned Premiums and Claims Costs/Expenses Incurred

Direct Earned Premiums refers to the total amount of insurance premiums collected from a consumer before a claim is filed. For example, if a homeowner files a claim six months into a one-year policy, the insurer has only earned premium for 50% of the policy before they are required to pay for a covered claim.

Claims costs/expenses refers to the amount of money an insurer spends to settle a covered claim filed by a policyholder and the operating costs of their business. Claims costs include the cost to repair the physical damage, adjusting expenses, legal fees and municipal permitting. Operating expenses include broker/agent commissions, employee salaries, office space, etc.

The table below indicates the direct earned premiums and claims costs/expenses incurred by insurers for all personal property insurance (home, tenant and condo owner) in Nunavut between 2016-2020.

| Year          | Direct Earned Premiums | Claims Costs and Expenses | Underwriting Loss    |
|---------------|------------------------|---------------------------|----------------------|
| 2016          | \$2,187,000            | \$2,697,726               | -\$510,726           |
| 2017          | \$2,405,000            | \$4,519,128               | -\$2,114,128         |
| 2018          | \$2,598,000            | \$6,116,436               | -\$3,518,436         |
| 2019          | \$2,869,000            | \$7,005,884               | -\$4,136,884         |
| 2020          | \$3,018,000            | \$4,093,279               | -\$1,075,279         |
| <b>Totals</b> | <b>\$13,077,000</b>    | <b>\$24,432,453</b>       | <b>-\$11,355,453</b> |

As noted in the table above, insurers offering personal property insurance in Nunavut have seen significant losses – over \$11 million - since 2016. On average, **insurers in Nunavut have paid out \$1.87 in claims and operating expenses for every dollar they receive in premiums**, which equates to a combined loss ratio of 187% (Note – combined loss ratio is the term used to describe the relationship between premiums earned, expenses and claims incurred. A combined loss ratio over 100% means the insurer is paying out more claims and expenses than it is collecting in premiums).

### **Potential Causes Behind This Trend**

Nunavut is not alone when it comes to rising claims costs and the resulting pressures this puts on property insurance premiums. This trend is being felt by consumers and the insurance industry across Canada due to the global hard insurance market. Key contributing factors in Nunavut are:

1. **Rising Claims Costs.** As noted, Nunavut insurers have experienced a significant increase in claims costs in the property insurance market over the past five years. This could be a significant factor behind rising premiums.
2. **Increase in Residential/Commercial Fires.** According to the [Nunavut Fire Marshal's 2020 Annual Report](#), there was a significant increase in residential/commercial fires in 2020 (131 fires in 2020 vs 73 in 2019). In 2020 alone, fires resulted in \$5.7 million in damage, some of which was paid for by insurers. The report also noted an increase in the value of the properties at risk, which rose from \$131.7 million in 2019 to \$579.3 million in 2020 ([September 20, 2021 CBC article here](#)).
3. **Nunavut's Unique Risk Profile.** There are unique factors insurers need to account for when assessing and pricing the risk for properties in Nunavut. These include heating/fuel sources, infrastructure condition and age, the availability of fire protection services, extreme temperatures and the additional transportation/service provider costs associated with repairing damaged property in the Territories in general due to the limited availability of materials locally and the transportation costs of getting materials to the North.
4. **Condominiums Are a Higher Risk.** Because a flood or fire can sometimes affect more than one unit of a condominium building, the costs to repair damage can be much higher. For example, if a dishwasher floods on the fifth floor of a condominium, it can cause damage in the unit(s) beside and below, and a fire in one unit can cause smoke damage to the entire building. Condominium insurance premiums therefore need to reflect this additional risk.

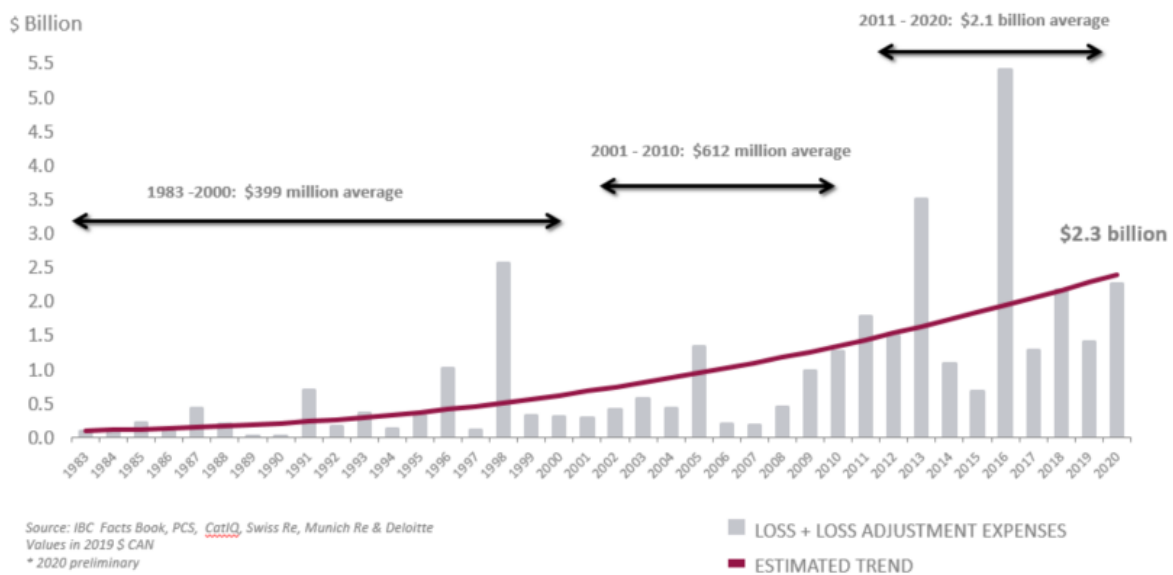
### **Other Contributing Factors**

Many insurers operating in Nunavut also operate in national and global markets. As a result, what's happening in other jurisdictions can have an impact on the market in Nunavut. For example:

1. **Severe Weather Events.** An increase in the frequency and severity of severe weather events (fire, floods and hail) can result in a high volume of claims costs across the country, which ultimately get passed on to consumers in every jurisdiction.

## INSURED CATASTROPHIC LOSSES IN CANADA

\*A catastrophic loss = 1 event costing \$25 million or more in insured damages



2. **Hard Commercial Insurance Market.** The current hard commercial market is having an impact across the country with insurers having to make difficult decisions around cutting back on high-risk business lines or increasing the premiums in some markets. In Nunavut, sporadic high claims costs in the property market have made it difficult for insurers to accurately predict the premiums needed to cover claims on a consistent basis. Lower interest rates also have an impact on the capital available to pay out claims, and global events such as catastrophic loss costs and inflation can result in increased cost pressures for domestic insurers across Canada.

### Potential Actions to Help

Unfortunately, there is no simple solution to address rising condominium or property insurance premiums in general. Premiums are a direct reflection of the risk, repair and replacement costs, and claims history of each property. However, there are some steps that can be taken by condominium corporations, unit owners and government to help reduce the risk to properties and claims costs:

1. **Building/Property Maintenance.** Ensure the building is properly maintained and protected against known risks. Work with a broker and other experts to help identify and address potential problem areas.

- 2. Mandate Reserve Fund Studies With Sufficient Oversight.** Reserve fund studies guide condominium corporations to set and properly price out short-, medium- and long-term repair and replacement requirements of major building components. Damage can occur as a result of improper or neglected maintenance. Ensuring sufficient oversight and mandating capital maintenance requirements will help buildings remain in good condition over the long-term and assist in providing investment security to owners.
- 3. Nunavut's Condominium Act Needs Updating.** The government should consider updating Nunavut's *Condominium Act* to include important requirements that are currently lacking. For example, under the current legislation, there is no requirement for a reserve fund study to address ongoing maintenance, nor for condominium boards to have training to help properly manage risks. There is also no standard unit definition in the Act, which could lead to confusion and delays when damages impact unit owners and common property. Updating this legislation would help lower risk over the long-term and could positively affect premiums.
- 4. Condo Board and Condo Management Training.** Educate the caretakers of condominiums so they are better-equipped to make decisions to reduce risk to their property and potentially prevent damage from occurring.
- 5. Mandate The Licensing of Condominium Managers.** Some condominium corporations may utilize the services of a professional condominium management organization to manage day-to-day requirements. Mandatory licensing, with an ongoing education component, would be a useful step toward ensuring that condominium managers have appropriate knowledge in condominium law, building maintenance, financial planning and insurance to fulfil the responsibilities of the position and be better equipped to manage issues.
- 6. Enhance Fire Protection Services.** Proximity to, and availability of, fire protection services is taken into consideration by insurers when assessing and pricing risk. A stronger, more comprehensive fire protection plan can therefore have a positive effect on insurance premiums over the long-term.
- 7. Strengthening Building Codes.** Anecdotally, water damage is one of the leading causes of claims made by condominium corporations. Utilizing technology, including preventive mechanisms, like an automatic water shut-off valve, to reduce or eliminate water damage from occurring can reduce claims costs and may therefore help stabilize insurance premiums over the long-term.
- 8. Develop a Comprehensive Proactive Risk Management Strategy.** Many claims occurring in condominium buildings are largely preventable. Reviewing condominium by-laws, sharing best practices, developing prevention tips, creating and enacting preventive measures and ensuring that unit owners stay informed can be impactful measures to reduce costs.

**Contact:** Aaron Sutherland, Vice President, Western and Pacific, IBC: 1-604-349-8046

## Appendix E - Nunavut Condominium Insurance Solutions Lab Roadmap

| Prototype 1: Condominium corporations create risk mitigation plans and commit to improvements |   |  |                       |
|---|---|--|-----------------------|
| Prototype Section   | What is the action or activity?   | Who is responsible for implementation?               | Timeframe             |
| A. Risk assessment, mitigation and asset management plan                                      | Templates are available through HUB and other places, which could be adapted, with permission, by the GN. HUB to decide if they can share for adaptation. GN to decide if they are willing to oversee adaption. | GN   | April - June 2022.    |
|   | Adapt risk assessment, mitigation and asset management planning guide and templates.  | CCI?   | TBD Summer 2022.      |
|   | Share resources through GN and other websites. CC#2 could share on their Facebook page.   | GN, CC#2   | Spring 2022.          |
|   | Some material should be translated for CC residents (tip sheets).   | GN   | Ongoing 2022.         |
|   | CC#2 uses guide and template to complete their risk assessment, mitigation and asset management plan.   | CC#2   | Summer 2022.          |
| B. Regular inspection paid for by condominium corporations                                    | Identify the type of inspections to be performed  | Condo Corp Board                                     | April – May 2022.     |
|   | Canvas for relevant service providers in the community (note: preliminary inquiries indicate external services are required in Rankin)  | Condo Corp Board                                     | April – May 2022.     |
|   | Arrange for regular inspections: Liaise with unit owners re: accessing units & Collect, review, and compile reports.  | Condo Corp Board                                     | June - August 2022.   |
|   | Communicate inspection reports internally (board and unit owners) and externally (insurance broker)   | Condo Corp Board                                     | September 2022.       |
|   | Determine course of actions re: deficiencies identified in reports  | Condo Corp Board                                     | October 2022.         |
|   | Communicate remedial action (i.e., what was fixed/improved) to insurance broker   | Condo Corp Board                                     | November 2022.        |
| C. Proactive property management condominium manuals  | Review condo manuals that are available from insurance brokers, condo institute and determine which ones are suitable for use by Condo Corporations in Nunavut.   | Nunavut Housing Corporation - Home Ownership Program | Aril 2022 - June 2022 |
|   | Prepare condo corporation manual(s).  | Nunavut Housing Corporation - Home Ownership Program | July 2022 - Dec 2022  |
| D. Invest in risk-mitigation strategies   | Identify what solutions will be beneficial following completion of asset management plan  | Condo Corp Board                                     | June 2022.            |

## Appendix E - Nunavut Condominium Insurance Solutions Lab Roadmap

|  |  |                                |                     |
|--|--|--------------------------------|---------------------|
|  | Canvas for relevant service providers                      | Condo Corp Board               | June - August 2022. |
|  | Determine interest amongst unit-owners                     | Condo Corp Board               | June - August 2022. |
|  | Determine if funds are available for common-area solutions | Condo Corp Board               | September 2022.     |
|  | Decide on which solutions to implement                     | Condo Corp Board & Unit owners | October 2022.       |
|  | Engage contractors to implement solution                   | Condo Corp Board               | November 2022.      |

## Appendix E - Nunavut Condominium Insurance Solutions Lab Roadmap

| Prototype 2: Government financial relief and support for condominium corporations  |   |   |                           |
|--|---|---|---------------------------|
| Prototype  | What is the action or activity?   | Who is responsible for implementation?        | Time frame                |
| A. GN develops an insurance relief program for condominium corporations (funds offered to all condominium corporations) and sets conditions for relief to help condominium corporations make improvements to reduce risk | Raise awareness to demonstrate/communicate the benefits of setting up a program       | Solutions Lab & CC#2                          | Winter 2022.              |
|  | Set aside a budget to assist condominium corporations                                 | Government                                    | This legislative term.    |
|  | Establish a mechanism to distribute funds   | Government                                    | Mid 2022.                 |
|  | Apply for funding   | Condominium Corporation Board                 | When funds are available. |
|  | Use funds to make improvements, pay for insurance.                                    | Condominium Corporation Board                 | When funds are available. |
| B. GN make adjustments to funding programs so that condominium corporations can access funds to reduce risks and improve assets  | Political champion to push for implementation   | Finance Minister Lightstone/Senator Patterson | This legislative term     |
|  | Funds need to be allocated for the initiative   | Finance Minister Lightstone                   | This legislative term     |
|  | Nunavut Housing Corporation could change policies to include condominium corporations | Housing Minister Lorne Kusugak                | This legislative term     |

## Appendix E - Nunavut Condominium Insurance Solutions Lab Roadmap

| Prototype 3: Territorial and Municipal changes            |  |  |                       |
|---|--|--|-----------------------|
| Prototype   | What is the action or activity?  | Who is responsible for implementation?                                   | Time frame            |
| A. Make updates to the Condominium Act                    | Gather insights and expertise from Hugh Willis (CCI lab participant, condominium lawyer) who worked on legislative changes in Alberta                                      | TBD  | TBD                   |
|   | Review condominium act and identify changes that would help condo corporations reduce risks. (require minimum reserve, redefine certain condominiums as row housing, etc.) | Nunavut housing corporation  | TBD                   |
|   | Provide recommendations and seek commitment to make changes to the Act   | Department of Community and Government Services                          | TBD                   |
|   | Political champion to encourage implementation   | Finance Minister<br>Lightstone/Senator<br>Patterson                      | This legislative term |
| B. Explore additional improvements to the building code   | Review current research on building practices in the north. (eg. Northern Housing Policy Recommendations, updated Good Practices Building Guideline 2020)                  | Office of the Chief Building Official & Community and government affairs | This legislative term |
|   | Provide recommendations and seek commitment to make changes to the building code (responsible for oversight of the building code)  | Department of Community and Government Services                          | December 2022.        |
|   | Connect with the Institute for Catastrophic Loss Reduction, who could give insight on emergency response, such as new wildfire models or hurricane ties/straps.            | Office of the Chief Building Official                                    | June - November 2022  |
|   | Political champion to encourage implementation   | Political champion to encourage implementation                           | January 2023.         |
| C. Make changes to municipal by-laws to help reduce risks | Gauge municipal knowledge of relationship between bylaws and insurance premiums  | TBD  |                       |
|   | Determine municipal awareness of the FUS system  | TBD  |                       |
|   | Make contact with the Nunavut Association of Municipalities (NAM)  | TBD  |                       |