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Standard Unit By-laws

What do they Mean?

The Board of Directors has decided to attempt to enact a Standard Unit By-law for your condominium corporation based on the advice of your corporation's legal counsel, insurance broker, and property manager. The by-law has been written, approved in a lawfully held board meeting, and is now up for a vote among the owners. After receiving the package in the mail, an owner asks the manager in a perplexed tone: "What does all this mean?"

A well-written description of the Standard Unit By-law and its implications would just complete this scenario. A successful by-law campaign depends on well-written and robust communications materials.

So, what do Standard Unit By-Laws actually mean?

The Definition

A Standard Unit By-law is one of the by-laws of the condominium corporation that outlines the standard

unit definition, lists the components insured by the corporation's insurer, and lists the exclusions that become improvements or betterments insured by the respective insurer of the unit owner. The "standard" unit components, such as the walls, ceilings, electrical, and mechanical items, are listed in the relevant schedule. For the purposes of Sections 89 and 99 of the *Condominium Act, 1998*, any objects inside the unit that are not included in the Standard Unit By-law are referred to as "improvements." The corporation and unit owners will have differing interpretations of these by-laws. This by-law will clearly define the parameters for repairs.

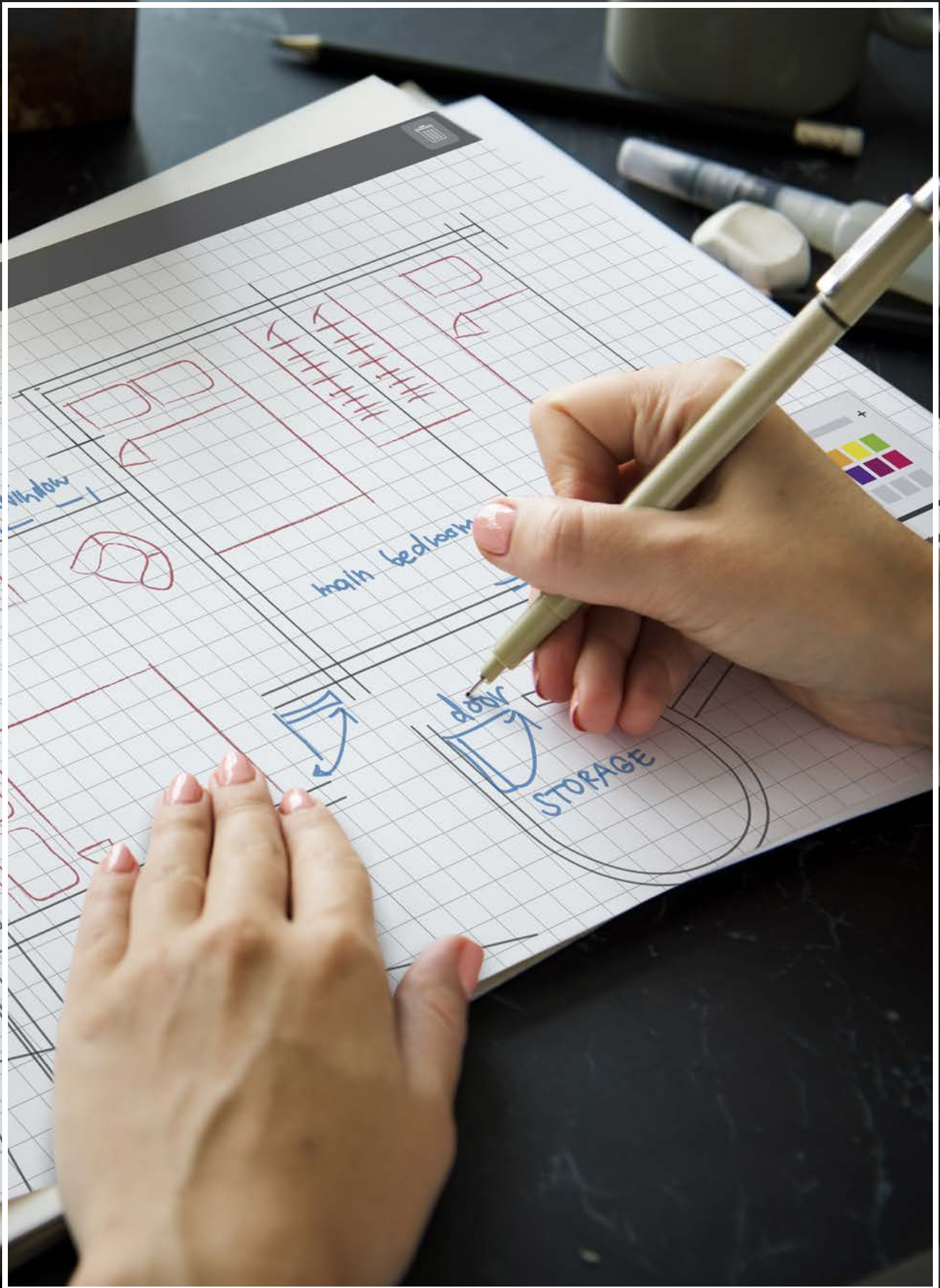
The Standard Unit By-Law is a governing document recorded on the title for the corporation (and subsequently each unit), and it specifies the insurance responsibilities for the unit parts that the corporation and unit owner will insure. A well-written

Standard Unit By-law will benefit the corporation and the individual owner.

The Corporation

Corporations are looking for ways to cut costs on pricy products like insurance due to the continuously rising cost of doing business. As a result, the main objectives are to lower insurance premiums, lower insurable risk, and lower repair costs.

Adopting the Standard Unit By-Law will provide the corporation with definite benefits. Insurance companies closely monitor the by-laws for standard units, so there is a clear and defined risk duty. The corporation and the insurer are both aware of what is and isn't covered. This suggests that the scope of the subsequent repairs will also be "standard" and that the range of the restoration is well specified. Insurable elements like flooring and cabinetry are often transferred to the unit owner's



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insurer, lowering the danger of the corporation's underwriter insuring expensive items.

The Unit Owner

It may appear that the owner is receiving the short end of the stick. It is understandable for the owners to be concerned about the possibility of paying higher premiums or losing coverage altogether with their homeowner's insurance if the Standard Unit By-Law is approved. On the other hand, the Standard Unit By-Law prevents the collective group of owners from being forced to pay excessive replacement costs for things like flooring, cabinets, and other components that the corporation would typically fix or replace in the event of an insurable loss through its fees. More and more corporations are removing or excluding items such as kitchen cabinets, countertops, and other expensive, high-wear goods as a result of their high costs and the significant impact they have on the costs to the corporation. When a solid Standard Unit By-law is in place, owners may notice some reductions in insurance rates for the corporation and perhaps lower insurance deductibles, which can lead to better-managed condo fees. The by-laws also lessen the necessity for claims, resulting in a drop in the value of claims.

Unless the owner was previously underinsured, there is typically no consequential increase in rates under the unit owner's insurance. Furthermore, the unit owner is able to receive the proper coverage for their improve-

ments thanks to the established elements of the Standard Unit By-law. Every unit owner should be encouraged to check with their broker about their specific insurance requirements and coverage.

Benefit for All

Owners should keep in mind that a Standard Unit By-law will benefit them personally and as shareholders in the corporation. Higher costs to the corporation impact everyone. Consider a scenario in which your corporation's insurance deductible for water damage is \$25,000, and you have five different leaks that cost \$20,000 each in terms of flooring and cabinets. None of these are covered by the corporation's insurance policy as each individual instance would fall under the insurance deductible limit, so the corporation (all shareholders) would be out of pocket a total of \$100,000 for that year. If your corporation does not have the adequate cash flow to cover these costs, there would likely be a significant rise in common element fees and/or the levying of a Special Assessment. Imagine that the same prices (for kitchen cabinetry and flooring) were not included in the Standard Unit By-Law. This would imply that each owner's insurance coverage covers them and that the necessary repairs do not raise the cost of common elements. While the cost of damages falls on the particular affected unit, the overall group of owners is unaffected, protecting costs. By not having these included in the Standard Unit By-law,

the corporation's overall impact of an insurable claim is lessened.

A Standard Unit By-Law is not meant to reduce the corporation's liabilities while raising those of the individual unit owner. It ensures that a corporation and unit owners are each properly liable for insurance coverage.

Too many condominium corporations still operate without a Standard Unit By-law. Reach out to your property manager, insurance broker, or your favourite legal advisor for advice on future steps if you'd want to learn more about this topic.

Education and thorough discussion are the keys to a successful by-law campaign. Communicate. Communicate. Communicate. ■

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