

WHAT PROPERTY INSURANCE DO I NEED?

Let's review some of the basics of property insurance in a condominium. It is a topic that causes some confusion among co-owners, both as to responsibility and recommended coverage.

What property insurance coverage does the Glen's Master policy provide?

The Council is required to maintain several types of insurance, of which property insurance is perhaps the most important. This insurance is paid for by all owners as part of the annual budget and is mandatory and essential to the operations of the Council. Our master policy provides property insurance under a "single entity" concept, which insures the general and limited common elements and also extends within individual units to fixtures, appliances, walls, floors and floor coverings, and cabinetry, but only for like, kind and quality to that conveyed by the developer to the original owner. Alterations, additions, changes and improvements are the responsibility of the owner to insure.

The deductible under the Glen's master policy is \$5,000 per occurrence, or \$10,000 in case of flood. \$5,000 is generally the minimum available to condominium associations, though many choose a higher level. This deductible is the responsibility of the individual unit owner (or group of owners in the case of a joint claim).

What do I need to do to protect myself?

Many co-owners believe that because there is master insurance, there is no need for the co-owner (or renter) to obtain individual insurance policies. This can be a very costly assumption by owners and residents and the Board hopes to encourage all owners to review their policy coverage. Individual insurance is generally referred to in the marketplace as "HO6" policies. There are some very good reasons to obtain such coverage:

Personal Property/Betterments. The master insurance does not cover damage to your personal property. Thus, damages or losses to your furniture, stereo, computers, televisions, drapes, antiques, etc., will not be covered under the master policy, nor will any improvements or alterations which have been made to the unit. Each owner should, when purchasing or renewing their individual policy, affirm the amount of coverage necessary to replace their personal property

Master Insurance Deductible. The Council currently has a deductible under the master insurance policy of \$5,000 (\$10,000 for flood), which is the lowest generally available to condominiums. The deductible works much the same that your auto policy deductible works in that the master insurance coverage will only begin to pay towards a claim where the damages exceed the deductible. Under the Council Bylaws, the master insurance deductible is generally the responsibility of the co-owners involved in the loss. Thus, even if a loss is subject to the master insurance policy, there may be a substantial amount that is not covered and is your responsibility.

The deductible under an HO6 policy is generally \$250-\$500. If one has "dwelling" coverage, the difference between that low deductible and the higher \$5,000 deductible in the master policy can be covered. Your personal HO6 policy can afford coverage for repairs to your unit (and others) when the master coverage is unavailable due to the deductible or otherwise. As with personal property, owners should periodically review the unit or "dwelling" coverage with their insurance agent to ensure that the amounts will cover the master insurance deductible.

If you sustain a major loss covered by the master policy, and have dwelling coverage for the difference between your personal policy deductible and the master policy deductible, you would then be out-of-pocket only the deductible on your own policy.

Personal Liability. Individual HO6 coverage can also cover you in case you are sued by third parties for injuries occurring in your unit or damages to the property of others. Why risk personal exposure to suits or other claims (e.g. slip and fall to one of your guests at a holiday party)?

Loss of Use. If your unit becomes uninhabitable due to a fire or other covered cause of loss, the master insurance will pay to repair your unit, but will NOT pay your interim housing costs. Thus, without HO6 coverage, you would have to pay for the hotel or other temporary housing that might be necessary while your unit was being rebuilt.

Sewer Back Up. Anyone that has experienced a sewer back up can attest to the damages and expense that can be involved in cleaning, sanitizing and otherwise restoring personal property. HO6 policies sometimes do not afford back-up coverage and it must be added by endorsement but is definitely recommended.

Renters should purchase an HO4 policy to provide coverage for personal property, additional living expenses, and personal liability.

How do maintenance and insurance responsibilities relate to each other?

This is perhaps the most confusing area of condominium insurance, since unit owners are responsible for maintenance within their units, yet our master policy covers insurance of the basic individual unit structure as conveyed in the 1970's. In earlier years, master policy deductibles were in the \$100 to \$1,000 range, and many condominiums used insurance policies as maintenance policies. This led to escalation in the industry of both premiums and deductibles, so that \$5,000 is now a typical deductible, and some condominiums cannot get less than \$10,000 or \$15,000.

Most damage and loss to individual units is covered by the individual unit owner's policy because of the substantially higher \$5,000 deductible of the Glen's master policy. We do not submit claims to our insurance company unless damages are clearly going to be over \$5,000, a level which is rarely reached. However, if a loss of covered property is over \$5,000, claims may be submitted to both the condo's insurance company (Travelers for the master policy) by the Board and to your own HO6 insurer. Many of us find it convenient to have coverage with the same company, though that is not required.

What should I do if I believe I have a loss that may cost over \$5,000 to handle?

Policy Resolution No. 03-1 on pp. 68-69 of the Glen 2008 Handbook outlines the steps to be followed in the case of a major loss within your unit. First, you should promptly submit a Notice of Loss to the Board via the management agent, detailing the date, time, suspected or actual cause of the loss, property damage suffered, units or units affected, and whether the owner has personal insurance. If a claim is submitted by the Board to our insurance company and is a covered claim under the master insurance policy (this means the cause is a covered cause and the property is covered property valued at over \$5,000), the Board will arrange for repair of the damage, subject to the unit owner covering the \$5,000 deductible.

Where can I read more on this subject?

- Fairlington Glen Master Deed (a copy was provided when you purchased your unit)
- Fairlington Glen Handbook 2008, especially pp. 10-11 on insurance and pp. 68-69 on claims procedures (available on the Glen's website www.fairlington.org/glenindex.htm).
- "Condominium Insurance and Personal Insurance" article in the October 2007 GLEN ECHO, which provides some examples and also covers other types of insurance in addition to property insurance, available on the Glen's website.

The Board hopes that all owners (and renters) will obtain individual insurance and/or review their existing policy with their individual insurance agent. Insurance coverage not only benefits you personally but can benefit the community as a whole.