Loss Assessment Coverage Tips

Properties with shared ownership, such as homeowner and residential and commercial condominium associations, ose special challenges for unit owners and their insurance mpanies. Damage to property in common areas in such association may end up being the responsibility of the it owner. Loss assessment coverage can help in these ses, but it has limitations. Helping clients understand the mplexities and providing proper coverage when dealing th shared ownership properties, is another value-added rvice of the professional insurance agent.

Condominium/townhouse and homeowner association surance can pose a challenge for owners and agents alike. overage requirements for various building and common operty items in these shared ownership situations is andated by provisions of the master deed and bylaws. These quirements vary from association to association, and may ange depending on what features were present when the it was purchased. In addition to insuring the owner's unit d contents, there is also exposure from common areas, cluding buildings, elevators, pools, clubhouses, and gyms.

Condominium and homeowner associations have master surance policies that cover property and liability for mmon areas. Unit owners may need loss assessment hen the master policy limits are insufficient, or to cover the ductible in the master policy. In these cases, the association sesses all of the unit owners for the uncovered damage. r example, the master policy has a limit of $600,000, with deductible of $25,000. Fire damage results in a loss of 50,000. The deductible is applied against the loss amount. e master policy pays the policy limit of $600,000. Unit vners are assessed their share of the difference, or $175,000. there are 100 units, then each unit is assessed $1750.

Unit owners pay a monthly fee to the association to ver such things as insurance and maintenance. Well-anaged associations have adequate insurance and reserves cover most losses. Loss assessment does not respond to aintenance or upkeep costs, such as roof replacement due age or failure to budget enough money for snow removal. kewise, loss assessment may not respond to uninsured ability events.

In recent years, many associations have increased ductibles on their master policies to save on insurance sts. It is important to note that loss assessment coverage pically includes a cap, often $1,000, for assessments for a aster policy deductible. While some insurance companies fer higher limits of loss assessment coverage to manage unit vner risk of higher deductibles, not all do. In addition, loss

assessment applies only to losses that were covered, or would have been covered without the deductible, under the master policy. If the loss is caused by an excluded peril, such as flood, loss assessment coverage does not apply.

Physical damage to common property is not the only time loss assessment coverage comes into play. Liability exposures – brought about by injuries that happen in the common areas – can also trigger a loss assessment. Coverage for both property and liability loss assessments should be purchased.

It may not be an option for unit owners to purchase building coverage to address these gaps. If the unit owner does not own the building, and is not responsible for insuring it, the policy may not respond. It is essential to discuss with the insurance company prior to a loss how the policy will apply in such cases.

When considering condominium and homeowners associations, It is essential for agents and policyholders to understand the unique exposures and how to address them. Helping clients navigate the puzzle and ensure proper coverage is another sign of the true insurance professional.

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