

property items in these shared ownership situations are mandated by provisions of the master deed and bylaws. These requirements vary from association to association, and may change depending on what features were present when the unit was purchased. In addition to insuring the owner's unit and contents, there is also exposure from common areas, including buildings, elevators, pools, clubhouses, and gyms.

Condominium and homeowner associations have master insurance policies that cover property and liability for common areas. Unit owners may need loss assessment when the master policy limits are insufficient, or to cover the deductible in the master policy. In these cases, the association assesses all of the unit owners for the uncovered damage. For example, the master policy has a limit of \$600,000, with a deductible of \$25,000. Fire damage results in a loss of \$750,000. The deductible is applied against the loss amount. The master policy pays the policy limit of \$600,000. Unit owners are assessed their share of the difference, or \$175,000. If there are 100 units, then each unit is assessed \$1750.

Unit owners pay a monthly fee to the association to cover such things as insurance and maintenance. Well-

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.