

Maintaining Individual Unit Owner Coverage has never been MORE important...

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With many Association's forced to accept higher deductibles and, in some cases, much narrower coverage on the Master Policy, it becomes even more important that individual unit owners maintain their own coverage. Despite the fact that most governing documents encourage individual unit owners to maintain coverage, surveys indicate that one out of every four individual unit owners fails to maintain their owner personal coverage.

During the present insurance crisis it's particularly alarming that individual unit owners are without insurance considering that more and more Associations are maintaining \$10,000 deductibles and higher and many Association's have chosen to scale back coverage on wall coverings, floor coverings, built-in cabinets and appliances. A recent survey indicates that 60% of the claims submitted under Master Policies are due to unit owner negligence. Unit owner negligence can be defined as: (1) a loss within the interior of the unit that was due to the unit owner's negligence; or (2) a loss due to a failure of an individual unit owner to fix, repair or maintain a structural item within their care custody and control.

Not all individual unit owner insurance carriers will address the Master Policy deductible – so caution must be exercised. If an individual unit owner contacts his/her individual agent/broker and is unable to properly address the Master Policy deductible, he/she should be encouraged to keep looking.

The Master policy provided by the Association provides basic coverage for the structure, however, there are at least five items that are not provided by the Association's policy that need to be maintained by the individual unitowner:

- **Personal Property** – This important provision provides coverage for contents within an individual unit owner's home - such as clothing and furniture, for specific perils.
- **Personal Liability** protection provides payments for bodily injury or property damage an individual unit owner may be legally responsible for. Because of the nature of condominium associations (proximate to neighboring structures and, in many cases, shared walls), most insurance experts agree that individual unit owners have a greater exposure than owners of single family homes. If an individual unit owner should have a fire or other catastrophe emanating from his/her unit, the resulting damage almost always has impacted their neighbors.
- **Loss of Use Protection** pays for necessary additional living expenses (hotel, restaurants, etc.) while an individual unit owner's home is uninhabitable because of damage from an insured peril. (If the individual unit owner is an absentee owner, then coverage should be purchased for "loss of rents" protection.)
- **Loss Assessment Coverage** offers protection against an individual unit owner's portion of a loss assessment levied by the condominium association on all members - for an insured peril.
- **Real Property Coverage** is designed to pick-up coverage for those portions of the premises not insured by the Master policy and, in some cases, even the Master policy deductible.

TIP: The California Department of Insurance has provided a source for comparing insurance premiums. If an individual unit owner is looking for competitively priced individual unit owner coverage, he/she should check out the DOI website at: www.insurance.ca.gov. When entering the site, click on the link labeled “Consumers”, next click the link labeled “Premium Comparisons”, and finally, click the link labeled “2002 Homeowners Insurance Survey”. From the drop-down list, select the geographic location of the unit and the amount of coverage desired. Within seconds, the Department of Insurance website will serve up all 20+ carriers writing coverage in our area, along with their corresponding rates.

As an example, according to the Department of Insurance, a condominium unit owner in Cathedral City with \$50,000 of contents coverage and maintaining a \$250 deductible provision, could pay as little as \$142 (USAA) to \$1,112 (Clarendon) per year for the identical coverage.

Absentee Owners Should Exercise Caution

If an individual unit owner owns the condominium unit as a “second home” or vacation home, just having that location “added” on to his/her existing homeowners policy may not provide sufficient coverage. In most cases, that “extension” of coverage is generally limited to premises liability (bodily injury and property damage) coverage ONLY and does not provide protection for (1) real property; (2) loss of use/rents; or (3) loss assessment coverage. In most cases, purchasing a separate individual unit owner policy on the subject unit may be the only way to properly provide protection for the unit’s owner.

About the Author: Tim Cline, CIRMS, is President of Timothy Cline Insurance Agency, Inc. of Santa Monica. Tim is a past President of the Greater Los Angeles Chapter of Community Associations Institute, a former Chair of the CAI National Insurance and Risk Manager Professionals Networking Committee and currently on the Board of Directors of the Los Angeles Chapter of the Insurance Brokers and Agents Association of the West.

This letter contains only a general description of coverage and is not a statement of contract. For a more detailed description of the policy conditions and exclusions, please consult the policy itself.

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