

Know Your Insurance

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Understanding Condo Insurance and the Risks Condo Owners Face

If you own a condominium, determining your insurance needs requires a little background research. Typically, your condo association has a master policy that insures all of the property and common areas that are collectively owned by the unit owners. But how do you cover the cost of damage caused by a kitchen fire or theft of your personal items? Condo insurance is necessary for the personal belongings in your condo and any parts of your condo that aren't covered under your condo association's insurance policy.

When selecting condo coverage, it's important to determine what is covered by your association's master policy and what items are your responsibility.

Types of Condominium Master Policies

Your condominium association has likely purchased one of two types of condominium master policies: a bare walls-in policy or an all-in policy.

The **bare walls-in policy** is the most common type of master policy purchased by condominium associations. This policy covers all property inside the structure of the building, excluding your personal belongings. Fixtures and other installations in your unit may also be excluded. This means your hardwood floors and granite countertops might not be covered. If the master policy for your condominium is a bare walls-in policy, it is crucial that you determine which items

are excluded and obtain your own coverage for those items.

If your condominium association has purchased an **all-in policy**, the fixtures and installations in your unit are covered, along with all of the property inside the structure of the building, excluding your personal belongings. In this case, you would only be responsible for obtaining coverage for your personal belongings.

Ask the following questions to determine what is included and excluded in your

condominium association's master policy:

- Is the master policy a bare walls-in policy or an all-in policy?
- Are any fixtures, installations or other items excluded on the master policy?

Master Policy Deductible

Like any insurance policy, your condominium's master policy will have a deductible. When a claim is filed, the condominium association will be

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responsible for paying the deductible before coverage kicks in. It's important to read your condominium by-laws to determine your responsibility in the event of a claim on the condo's master policy. Many times, individual condo owners are responsible for paying a percentage of the deductible. In the past, master policy deductibles have commonly hovered around \$5,000, but, recently, deductibles in some regions have reached upwards of \$50,000. Two issues arise for individual unit owners when master policy deductibles are high:

- Paying a percentage of a large deductible can be expensive.
- The insurance association may choose not to file a claim if the deductible amount will not be reached.

It is imperative that you ask for a copy of the association's insurance agreement before purchasing your unit, so that you are aware of your responsibilities and the amount you need to pay for the association deductible. Ask these questions to learn more about the deductible on your condominium's master policy and how it will impact you:

- What is the deductible on the master policy?
- How are individual unit owners responsible for damage to areas covered by the master policy?
- If a claim is filed on the master policy, are individual unit owners responsible for paying a portion of the deductible? If so, how much?

Determine the Amount of Property Protection You Need

After you've determined what's covered by the association's master policy, a personal condominium policy will help to safeguard you from losses to your personal property and the interior of your unit. Calculating the value of your belongings can be difficult, but these three easy steps will help you.

1. Create extensive records of your possessions. It is recommended that you take close-up, wide-shot pictures of individual belongings. Then make an item-by-item list so that, if necessary, you can quickly skim it to see what items are documented in the photos. Some people find it easier to keep their lists of belongings grouped according to the rooms they are located in. Others group their belongings by item type, such as jewellery, artwork, books, furniture, etc. However you decide to record your possessions, it's a good idea to store the information in at least two different places. Consider keeping a hard copy of all of your lists and photos in your office at work and also saving them to a folder on your computer.
2. Learn the difference between policies that provide "actual cash value" and "replacement value." With "actual cash value," once an item is lost, you'll receive the current, depreciated value of the item. If your policy provides you with the "replacement value," you'll receive the amount it costs to replace the item at its pre-loss condition with another item of comparable value.
3. Do your research. Even though your kitchen table may have cost you \$500 when you first bought it, a comparable new one could cost you double that amount, so that's the amount you want to be covered for. Check out websites and local furniture stores to see what comparable prices are.

Determine the Amount of Liability Protection You Need

In addition to your belongings, the liability portion of your policy covers you against lawsuits for bodily injury or property damage that you or a family member—and, in some cases, a pet—causes to other people. It pays for both the cost of litigation and any court awards, up to the limit of your policy, and covers you at home or away.

It is important that you have adequate liability coverage, so if you require more protection than is

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provided under regular policy limits, consider an umbrella policy, which provides broader coverage when liability limits are exhausted in underlying policies.

Additional Coverages to Consider

There are a lot of different additional coverage options to consider, like unit assessment coverage, sewer backup and flood or earthquake coverage. Talk to Lloyd Sadd Insurance to determine your best options.

Make sure to set aside some time each year to review your policy and ensure that the limits and coverage you have selected are right for you. Evaluate your needs based on your provincial regulations, the value of your condo and personal belongings, the money you have in savings and the amount of risk you feel comfortable taking. Then, make sure to read the entire insuring agreement—especially the exclusions—to guarantee that you are covered in every situation that is necessary for your lifestyle. If you have questions about your condo insurance policy, contact Lloyd Sadd Insurance today.