

## I. Coverage on Personal Property

The condominium unit owners policy covers personal property (clothing, furniture, etc.) against many perils, including fire, windstorm, vandalism, and theft anywhere in the world. It is the unit owner's responsibility to establish the desired amount of coverage. This amount may be based on replacement cost or actual cash value (the latter being replacement cost less allowance for depreciation). For this purpose, a household inventory should be prepared. This will not only establish an appropriate amount of insurance, but also will assist in making a claim in the event of a loss. The personal property coverage limit selected by the unit owner should be adequate to replace all personal property.

The most common deductible applicable to each property loss is \$500. Usually, arrangements may be made for other deductibles. A separate deductible usually applies for losses due to windstorm during a hurricane and this deductible is normally significantly higher than the regular policy deductible.

Special limits apply to certain types of property such as money, securities, jewelry, furs, silverware, watercraft, guns, and collectables. The special limits vary in some company policy forms from \$200 to \$2,500 or more. Often, these limits can be increased, or the unit owner may purchase a "personal articles floater" policy on those types of valuable property.

Theft coverage in the basic unit owners policy is excluded if the unit is rented to others. The policy may be amended to provide such coverage.

## II. Building Coverage/Additions and Alterations

Under the association master policy, the statutes exclude certain building items as well as unit owner additions and alterations. Thus, the unit owner must insure these to be protected from the financial consequences of loss. Per the statutes, the following items are not covered by the master policy: floor coverings; wall coverings; ceiling coverings; electrical fixtures; appliances; water heaters; water filters; built-in cabinets and countertops; and window treatments, including curtains, drapes, blinds, hardware, and similar window treatment components, or replacements of any of the foregoing. Air conditioning and heating equipment was excluded prior to the 2008 legislative session, but as of January 1, 2009, the master policy no longer excludes this equipment. This area of loss exposure demands the close attention of the condominium unit owner.

According to statute, insurance on condominium buildings provided by the condo association must include, "All portions of the condominium property as originally installed or replacement of like kind and quality, in accordance with the original plans and specifications." It is important to note that the policy carried by the condominium association will apply only to those interior items "initially installed, or replacements thereof of like kind or quality, in accordance with the original plans and specifications." Any interior items additionally installed by the unit owner after acquisition of the unit, or any increase in value created in upgrading the existing interior items, would have to be protected by the unit owner. Items such as new interior walls, customized closets, and upgraded bathroom fixtures are examples of such additions or alterations, which are the insurance responsibility of the unit owner.

To avoid under- or over-insurance, the unit owner should clearly identify the property for which there

is personal responsibility to insure. If in doubt, or if the condominium documents are unclear as to the particular areas of responsibility, the best recommendation is to increase the amount of coverage the unit owner maintains for additions and alterations. It is also important to determine whether or not the condominium association carries a high deductible, which may preclude the payment of relatively minor damages on interior unit items under the association policy. If so, coverage should be provided by the unit owner. Additionally, the statute allows condominiums to alter their bylaws in a manner that may make a loss to a single unit the sole insurance responsibility of the unit owner. Thus it is critical that owners read the bylaws to see how losses are allocated after a property loss.

The unit owner should know the cost of building items and the additions and alterations made at personal expense. Establishing an amount of insurance adequate for a serious or total loss to the additions and alterations is important because quality and quantity varies so greatly among unit owners. While there is no "magic number" for an adequate amount of insurance, suffice it to say that limits in the tens of thousands of dollars have been inadequate after a major loss. It is not uncommon to find limits well above \$100,000 on some policies, and for condominium units in upscale associations, it's not uncommon to find coverage limits greater than \$1 million. Only the unit owner knows what an adequate limit is. Building items as well as additions and alterations are normally valued on a replacement cost basis, not a depreciated value; so, it is critical that this fact be taken into consideration when selecting a proper limit.

The limit on additions and alterations may be increased to any desired amount (subject to insurance company underwriting) and the perils may be broadened from "named peril" to "special coverage" (subject to certain exclusions). With so many items

specifically eliminated from coverage under the condominium association policy, special consideration should be given to these coverage improvements.

### **III. Other Property**

If the condominium unit owner personally owns a separate, detached structure on the association premises (such as a carport, storage building, or cabana), it may be covered under the unit owners policy for the same perils that apply to additions and alterations (as long as the structure is not rented to others nor used for business purposes). Increased coverage for these other structures is typically available.

### **IV. Loss of Use**

The condominium unit owners policy covers the additional (above normal) living expenses incurred when the unit is unfit to live in because of damage to the unit or to the building from a peril insured against. The basic limit of coverage, which is automatically included, is 50 percent of the limit selected to cover personal property. With some insurers, this limit may be increased.

When the unit owner purchases the option to broaden coverage for rental of the unit to others, as described under "Coverage on Personal Property," that option also provides for application of the Fair Rental Value coverage to loss of rents that would have been realized during the period of time the unit was unfit to live in.

### **V. Personal Liability and Medical Payments**

The condominium unit owners policy includes protection against claims for bodily injuries and damage to property of others arising from within the unit, or personal activities away from the unit. In addition, and without regard to whether or not the unit owner is legally liable, the policy pays for