

How is Your Condominium's Property Insurance Written?

by Robin Manougian

In the Washington, D.C. Metropolitan Area, most condominium associations with good loss histories carry Master Policy insurance that includes property coverage written on a "Single Entity" basis. That means that in the event of covered loss, the insurance carrier will pay (subject to the policy deductible) to repair or replace everything deeded to a unit as it was *originally conveyed by the developer*, without depreciation, including appliances, fixtures, developer-grade carpeting/linoleum/hardwood, countertops, cabinetry, and lighting – in other words, items in accordance with the

original plans and specifications of the community.

In those instances where the association's by-laws mandate, or coverage is otherwise unavailable because of loss frequency issues, some condominium property coverage may be written on a "Bare Walls" basis, which means the building's insurance only covers up to the walls of a unit and nothing inside the unit, excluding property within the unit such as interior walls, permanently installed appliances, fixtures, cabinets, finishings, floors and ceilings. Coverage for damage to any of a unit's internal

pipes, plumbing, and wiring also is excluded.

At the other end of the range is "All-In" coverage, which includes all of the coverages provided under the Single Entity policy, plus any improvements and betterments that have been made *at the expense of the unit owner*. While purchasing this kind of coverage is at the discretion of a condominium association's board of directors, it is highly advisable that boards leave the responsibility for insuring improvements and betterments to the individual unit owners who have made such improvements, for a variety of reasons: First, at time of loss, the adjustment of a loss to an improved unit versus an unimproved unit may be vastly different and may result in arguments between owners as to why some owners receive a larger claims payment following a loss. Second, the "fairness" of an All-in policy can be called into question, especially if all owners are required to pay equally into such a policy, even if they all have not made improvements to their units (or arguably not at the same extent/value). Such issues may cause unnecessary stress to a board and management in the long run.

Writing Master Policy property coverage with the All-In endorsement is unnecessary, too, since a properly written HO-6/homeowners policy can add, for a small additional premium, a coverage endorsement to protect the improvements and betterments an owner may make within an individual unit. Because all owners need to carry HO-6 coverage anyway to protect their personal belongings and personal liability *within the unit*, adding improvements and betterments coverage is an easy, and inexpensive addition to the HO-6 policy.

If you are unsure as to how your community's insurance should be written (bare walls, single entity, or all-in), review your association's bylaws with your board and insurance agent.

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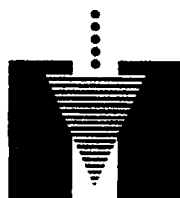
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