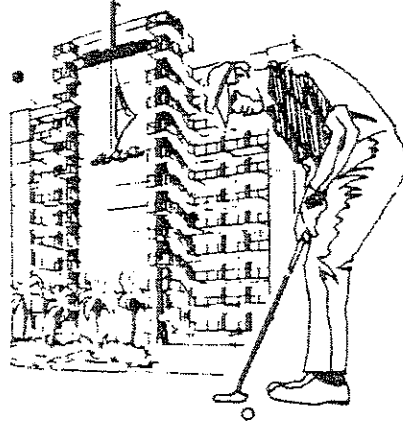


# INSURING THE CONDOMINIUM



*An Insurance Guide for  
Florida Condominium  
Unit Owners*

Presented by your:  
Independent Insurance Agent



## **Introduction**

Condominium home ownership not only brings many advantages, but also unique insurance hazards and problems. Fortunately, there are insurance products designed to deal with these hazards and reduce risk of financial loss. These products with many flexible options permit thoughtful condominium unit owners, in consultation with their independent insurance agent, to adequately cover against risk of loss. Florida Statutes set forth the responsibilities and risks assumed by the association and those assumed by the individual unit owners.

This booklet was prepared to help the Florida condominium unit owner recognize and measure hazards, and be aware of the insurance available. The information herein is a general guide only and specific questions should be resolved by the terms of the specific policy contract. Our agency will be pleased to discuss policy contract provisions with you at any time.

## **The Florida Condominium Unit Owners Policy**

This form of protection is a variation upon the popular homeowners "package" protection utilized by most residence owner and renters. It provides protection against a wide range of hazards for personal property both at and away from the condominium unit, for certain interior building items that are the unit owner's responsibility, for "additions and alterations" to the unit, and for liability protection against injuries or damage to others arising from the unit itself or personal activities away from the unit. In addition, there is a wide range of options to expand the basic coverage.

### **1. Coverage on Personal Property**

The condominium unit owner's policy covers personal property (clothing, furniture, other property which is not "additions and alterations") 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 upon replacement value or actual cash value (the latter being replacement cost less allowance for depreciation). For this purpose, it is recommended that a household inventory be prepared. This not only establishes an appropriate amount of insurance, but also will assist materially in making any claim in the event of a serious loss.

The most common deductible applicable to each property loss is \$500. Usually, arrangements may be made for other deductible.

Special limits apply to certain types of property such as money, securities, jewelry, furs, silverware, boating equipment and guns. The special amounts vary in some company policy forms from \$200 to \$2,500 or more. Often these limits can be increased, or the unit owner may desire "personal article floater" coverage on

certain types of valuable property such as jewelry, furs, fine arts, boats, silverware, guns, musical instruments, photographic equipment, golfers' equipment, stamp and coin collections or other "special" 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.

### **2. Unit Owners Additions and Alterations**

As distinguished from personal property, "additions and alterations" are those types of property which comprise a permanent attachment to the realty, for example: floor coverings, wall coverings, built-in cabinets and appliances, tile, light fixtures, and plumbing fixtures. This area of loss exposure demands the close attention of the condominium unit owner. Two important questions must be resolved: (1) what property is the responsibility of the unit owner, and (2) what is a proper valuation of such property?

The answer to the first question may be found in Section 718.111(11)(b) of the Florida Statutes.

It states:

*(b) Every hazard insurance policy issued or renewed on or after January 1, 2004, to protect the condominium shall provide primary coverage for:*

- 1. All portions of the condominium Property located outside the units;*
- 2. The condominium property located Inside the units as such property was initially installed, or replacements thereof, of like kind and quality, and in accordance with the original plans and specifications or, if the original plans and specifications are not available, as they existed at the time the unit was initially conveyed; and*
- 3. All portions of the condominium property for which the declaration of condominium requires coverage by the association.*

*Anything to the contrary notwithstanding, the terms "condominium property," "building," "improvements," "insurable improvements," "common elements," "association property," or any other term found in the declaration of condominium which defines the scope of property or casualty insurance that a condominium association must obtain shall exclude all floor, wall, and ceiling coverings, electrical fixtures, appliances, air conditioner or heating equipment, 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 which are located within the boundaries of a unit and serve only one unit and all air conditioning compressors that service only an individual unit, whether or not located within the unit boundaries.*

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 or as existed at the time the unit was initially conveyed." Any such 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. To avoid under or over-insurance, the unit owner should clearly identify the property for which there is personal responsibility. If in doubt, or in event the condominium documents and the Florida Statutes are unclear as to the particular areas of responsibility between unit owners and the association, the best recommendation would be 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.

The statute specifically references these items: floor coverings; wall coverings; ceiling coverings; electrical fixtures; appliances; air conditioners or heating equipment; water heaters; water filters; built-in cabinets and countertops; window treatments; including curtains, drapes, blinds, hardware, and similar window treatment components. Additionally referenced are: replacements of any of the foregoing items which are located within the boundaries of a unit and serve only one unit; and all air conditioning compressors that service only an individual unit, whether or not located within the unit boundaries. The Florida Statutes prohibit the condominium association from insuring any of these items. Consequently, unit owners should protect these properties by increasing the amount of additions and alterations insurance (sometimes called "building coverage") in their condominium unit owners policy. The charge for this added protection is usually quite normal.

The second question is more difficult to resolve. The unit owner should know the cost of additions and alterations made at personal expense. However, property installed by the builder or a previous owner may have to be evaluated with the help of the association, suppliers, contractors and others. Establishing an amount of insurance deemed adequate for a serious or total loss to the additions and alterations is most important because quality and quantity varies so greatly among unit owners.

The basic unit owners policy automatically provides between \$1,000 and \$5,000 of coverage (this may vary by company) on building or additions and alterations and covers for the same perils which apply to personal property. However, while personal property may be covered for its actual cash value or replacement value, additions and alterations are covered for their replacement value, with no deduction for depreciation, if actually replaced (subject to the basic policy deductible). This fact should be taken into consideration when determining the valuation of additions and alterations and building items for insurance purposes.

The limit on additions and alterations may be increased to any desired amount, 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 and an increase in the amount.

### **3. Other Property**

If the condominium unit owner personally owns a separate, detached structure on the association premises (such as a storage building or cabana), it may be covered under a 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).

If the condominium unit owner personally owns a part of the building which is not within the individual apartment's inner walls (an enclosed balcony, for example) it, too, may be covered for the same additions and alterations perils under a unit owners policy.

### **4. Loss of Use**

The condominium unit owners policy covers the additional (above normal) living costs incurred during a period of time when the unit is untenantable 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% of the limit selected to cover personal property. This limit may be increased, if desired.

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 Additional Living Expense coverage to loss of rents which would have been realized during the period of untenability.

## *5. 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 medical and related bills incurred by a member of the public accidentally injured in the unit or arising from personal activities of the unit owner.

Limits from \$100,000 to \$500,000 are generally available for liability coverage. In addition, many persons buy a separate "personal umbrella policy" to provide protection against a catastrophic judgment. For example, a limit of \$300,000 per occurrence might be selected for a condominium unit owners policy, with a personal umbrella policy increasing this protection by an additional \$1,000,000 or more.

The basic policy does not provide any liability coverage for business activities on or away from the unit. Additionally, if the unit is rented to others, your agent should be fully informed to assure proper amendments to the policy.

One of the more important limitations of the liability and medical payments coverage relates to watercraft. If the unit owner owns an outboard motor of 25 horsepower or less, or a sailboat less than 26 feet in length, liability protection is automatically included. Where liability and medical payments protection for boats is not included, coverage may, as an option, be extended to provide the necessary protection.

Those who own a golf cart should consult with their insurance agent for an explanation of coverages and available option to enhance the basic coverage. Coverage is extremely limited under the policy and in almost all cases endorsements or separate policies are required to properly cover golf cart physical damage as well as liability protection.

Unit owners are advised to be aware of and satisfied with the liability insurance carried by the condominium association. Be sure that (1) an adequate limit is carried by the association, and (2) the association policy provides that unit owners are individually protected in the event of a claim directly against them.

## *6. Loss Assessment Coverage*

If the condominium association suffers a loss or claim which is not insured by the association, then, of course, the unit owners may be assessed for the necessary funds which must be raised. This again makes it incumbent on all unit owners to be aware of and satisfied with the insurance program of their association.

Unit owners may, however, take steps to avoid assessment losses by purchasing "Loss Assessment Coverage" as an option under their own condominium unit owners policies. While \$1,000 is usually included in most policies, that amount is seldom adequate and should be increased. This coverage reimburses unit owners for assessments arising from (1) property losses, if covered by a

peril insured against under their own unit owners policy; (2) liability losses covered under their own unit owners policy; and (3) Directors and Officers claims arising from acts of elected directors, officers or trustees serving without income.

Examples of the need for this coverage include (1) a large liability claim exceeding the limit of the association's coverage; (2) loss to the association's property by a peril not insured against in the association's policy but covered by the unit owners policy; (3) a property loss wherein the association's amount of insurance was inadequate; and (4) a property loss wherein the association's insurance did not respond because of a high deductible. In the case of a Loss Assessment payment as a result of the association's deductible, no more than \$1,000 will be paid under the unit owners policy.

It is emphasized that this option does not cover assessments from every cause. For example, if the association were to assess unit owners as a result of flood damage, any assessment for such a loss is not covered by Loss Assessment Coverage, because the condominium unit owners policy also does not cover flood or rising waters. Additionally, routine maintenance items such as assessments to replace a worn roof are not covered.

If this optional coverage is desired, it is often difficult to make a decision on the appropriate amount of coverage to be purchased. While this decision must be made by the unit owner, and should be based on knowledge of and the degree of satisfaction with the insurance carried by the association, this agency will gladly provide counsel and advice.

## *7. Rental of Unit to Others*

Special policy provisions should be made whenever your unit is rented to others, whether it be on a short-term or a long-term basis. A separate insurance contract may be necessary if the unit has been purchased for investment purposes and is rented to others continuously. Please note some of the rental limitations referred to under: 1. Coverage on Personal Property, 3. Other Property, 4. Loss of Use, and 5. Personal Liability and Medical Payments.

## *Other Forms of Insurance*

The foregoing information briefly describes the condominium unit owners policy and principal options, which is the sole purpose of this booklet. Other kinds of coverage not unique to condominium unit owners' needs, such as automobile, life, and health insurance, may be appropriate.

As an independent insurance agency, we will be happy to consult and advise on all forms of coverage.