

## **PRVA Insurance Coverage**

Insurance is a confusing thing to most of us. This article will try to clarify exactly how our Master Insurance Policy works for the benefit of its members.

First, what association members 'own' and what they need to insure are two different things. We all own 'studs-in' subject to the restrictions of our Condo Documents. However, in regards to insurance coverage, it makes much more sense for the association to provide 'studs-in or all-in' insurance. This is due to the savings it ultimately provides for the individual unit owners.

As an association member, I questioned our personal insurance agent. Lee Gaudette of Gaudette insurance was kind enough to supply this explanation. "As far as your condo – the Association bylaws determine what is covered by the master insurance policy. Typically, as a unit owner, you technically own from the "studs-in", but the association agrees to cover your portion (studs-in) along with the common portion or "studs-out".

I have seen a few Associations, particularly older developments, which do not extend the master policy to a studs-in or all-in basis. This approach has fallen out of favor because of the Associations' superior buying power and complications in adjusting losses when the damage is spread among multiple unit-owners and the Association.

Therefore, the unit-owners need a policy that covers their personal property and a couple of risks unique to condos, such as loss assessment." Mr. Gaudette goes on to say unit owners should obtain dwelling coverage to cover the master insurance policy deductible of \$5,000.

So, how, exactly does this work? We have had our current policy in place for some time. In 1999, we had a fire in one of our units and our policy kicked into effect. At that time, we had a \$1,000 deductible. The unit owner's insurance absorbed the first \$1,000 in damages and then our master insurance policy paid for the new flooring required for the unit.

So, what should we do as unit owners? You recently received a letter from the Board advising you that it had raised the deductible of the master policy from \$1,000 to \$5,000. It also urged you to be sure your individual insurance policy "provides \$5,000 in dwelling coverage". On my personal policy this was the first line item simply called 'Dwelling' with the 'Limit of Liability' amount of \$5000. We have heard of several instances where people checked their policy and learned they were covered for, and therefore paying for, far more than they had to. So, this could be a savings for you. Be sure to check your status!

So, in conclusion, the superior buying power of our association is saving the unit owners money on their individual policies. If you needed to insure your units for an amount that would cover a 'studs-in' policy, it would cost much more than the current requirement.

