

Condominium: Loss Assessment

Over the past twenty years, associations of property owners have become more common. When you buy a unit in a condominium, you automatically become a member of such an association. If ten homes on your street share a lot to provide lake access, there may be an association of property owners to manage that lot.



One of the responsibilities of an association of property owners is the purchase of appropriate property and liability insurance. If there is a claim and that insurance is not adequate, the association has the authority to assess members for the uncovered part. A lien can be placed on the property of the association member if the assessment is not paid.

Both a standard Homeowners policy and a Condominium Unit-Owners policy automatically include a coverage called Loss Assessment. The coverage will pay some of the assessments that are levied by an association of property owners when the association's insurance is not adequate. What types of claims are covered under loss assessment?

- A child drowns in the association swimming pool and the insurance is inadequate.
- The association property policy has inadequate limits to rebuild the building after the tornado.

Not all association assessments will be paid under this coverage. It will not cover an assessment to replace the deteriorating roof of the clubhouse or property damaged by flood.

How much coverage do you have for Loss Assessment under your standard policy? In most cases, only \$1000. Fortunately, additional coverage can be purchased. Increasing the coverage to \$50,000 usually costs less than \$20 a year.

How much coverage do you need? Only you can decide.