

## **The Condominium: A Unique Form of Ownership**

A condominium is a unique form of real-estate ownership. It is a combination of both individual and joint property ownership. Some of the real property in the condominium complex is individually owned by the unit owners; the rest of the property is owned jointly by all of the unit owners.

Long before the condominium was introduced, joint property ownership was prevalent in major U.S. cities in the form of the cooperative. Today, joint ownership is found throughout the country in the Planned Unit Developments (PUDs) where single-family homeowners share a wooded area or a park with other homeowners.

Joint property ownership is catching on; real estate experts predict new variations of it will emerge over the next few decades. This type of ownership creates unique problems and challenges for property owners and for the professionals who serve them, including the insurance agent.

### **The Insurance Challenge**

Today, most insurance agents have written coverage for a condo unit owner and maybe also for the association. The agent, committed to properly insuring these exposures, must address some challenging issues:

- Who is responsible for insuring the building items within the unit and how much coverage is needed?
- Why is an unendorsed unit-owner's policy considered to be a significant E&O exposure?
- How much coverage should the unit owner carry for Loss Assessment?
- How important is Directors and Officers coverage to the individual unit owner?
- What happens to the insurance coverage when a unit owner rents out the unit?

When an agent writes the insurance on a condominium complex, or even just one unit in that complex, some of these issues will arise. The professional agent is prepared to address the issues, advising clients of the unique exposures that exist and discussing the options that are available to cover them.