

## Your Condo Insurance Policy – It's Not Just About Price – It's Also About Protection

On July 24<sup>th</sup>, 2018, a condominium community in Sentry's Maryland Division suffered a catastrophic loss from a tornado. The tornado clocked in with winds in excess of 100 mph causing significant damage to all 86 condominium units. Each unit sustained various levels of damage. Out of the 86 units, 17 of them were deemed uninhabitable and those owners had to seek alternative living arrangements. Sadly, many of the affected owners would be displaced for over a year.



Several owners quickly found out that they were under-insured for Additional Living Expenses, otherwise known as "ALE." ALE includes coverage ranging from loss of use of your home or property to laundry service and food expenses. While some insurance carriers have a significant endorsement (policy limit) of ALE in their standard policy, others do not. That's why we stress the importance of reviewing your policy annually with your agent. Sentry Management recommends that you work with a local agent or broker who knows the area to discuss all aspects of your policy.

Most people simply look at the price of their policy and not the protections, or lack thereof. Having the additional coverages are worth the minimal increase in premium when you consider the potential losses. Not having those coverages could result in having to continue paying a mortgage on the damaged home along with monthly rent for your temporary housing.

Condominium Unit Owners Insurance is directly affected by the association's bylaws. Owners should ask their insurance agent to review the insurance section of the association bylaws to identify any gaps in coverage on their personal condo insurance policy. For example, some associations spell out that the association's Master Condo Insurance policy ends "at the studs of the unit." This means that you must have coverage in your policy to rebuild the entire unit, including floors, drywall,

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fixtures, cabinets, etc. Other association's bylaws specify that the Master Condo Insurance policy covers the finished unit, which includes the original materials but NOT upgrades inside the unit. In either case, having an insurance expert review those provisions will result in a much more comprehensive policy for the owner.

Following are questions your condo owners should be asking their insurance agent:

- What is my ALE endorsement limit?
- Does my policy cover loss of use?
- Is ALE and "loss of use" the same thing in my policy?
- Do you recommend that I increase my endorsement in the event that I am displaced for a year or more?
- In the event that I rent my unit, does my policy cover loss of rent?

**Does ALE apply to single family homeowners in addition to condo owners?** Absolutely! Homeowners can use these same questions when completing the annual insurance review with their agent.

**This update is for informational purposes only. Contact your attorney or insurance agent to obtain legal advice with respect to any particular issue or problem.**



Guest Contributor: Todd Wawrzeziak  
Sentry Division Vice President, Maryland

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