



# What is condominium insurance and how does it work?

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This presentation does not provide legal advice.  
You should discuss specific questions with your  
trusted financial advisor or insurance producer.

# Agenda

- What is the Maryland Insurance Administration?
- What is a condominium?
- What is a master policy?
- What may be covered under the master policy?
- What is a unit owner's policy?
- What coverages are available under a unit owner's policy?
- Loss assessment coverage
- If I have a loss, how will my claim be paid?
- Filing a claim against the master policy
- Master policy deductible expense

# What is the Maryland Insurance Administration (MIA)?

- The MIA is the state agency that regulates Maryland's insurance market.
- The agency's goal is to provide efficient, effective service to both the consumers of insurance products and the insurance industry.
- The MIA assures fair treatment of consumers by regulating the availability of insurance coverage at fair prices and extends to issues of solvency and fair sales, claims and settlement practices.
- The agency strives to increase public understanding of the vital role insurance plays in the daily lives of Maryland residents and businesses.

# What is a condominium?

Condominiums are a housing alternative for those who want to own a home, but don't want to be responsible for exterior maintenance such as lawn care or find that a single family home is beyond their budget. It may also be a second home, such as a vacation home at the beach.

Condominiums come in all shapes and sizes such as:

- A unit in a high-rise
- A garden style structure
- A townhouse

# What is a condominium?

Generally, the individual owns the unit they reside in, and pays an assessment (also called a condo fee) to a condominium association, who maintains the common areas. Maryland law requires condominium associations to obtain insurance for the property.

# What is a Master Policy?

- The master policy is coverage purchased by the condominium association.
- The association is the policyholder, and each unit owner is an insured under the policy.
- The premium for the master policy is paid by the association and comes from the condo fees each unit owner must pay.

# What may be covered under the master policy?

- Common elements such as sidewalks, hallways, parking lots, and recreation facilities (e.g. gyms, pools, etc.).
- The structures and systems that make up the building itself. The roof, walls, electric and plumbing, etc.
- The interior of the units including the ceilings, walls, floors and all the elements as conveyed with the unit when first constructed such as kitchen cabinets and bathroom fixtures. (A unit owner's personal property and any improvements the owner has made to the unit are not covered though.)



# What may be covered under the master policy?

- The insurer will defend the Association in the event of liability claims.
- Unit owners should talk with their Condo Association and review all documents to find out what is and what is not covered under their Condo Association's Master Policy.

# What is a unit owner's policy?

- A unit owner's policy is a type of homeowners policy.
- Some condo association by-laws require unit owners to maintain an owner's policy.
- It is purchased by the owner of the unit.
- It typically provides coverage for loss or damage resulting from most common perils.
- This type of policy often excludes flood, earthquake, neglect, war, nuclear accident or damage resulting from freezing if the unit is unoccupied and/or unheated.

# What coverages are available under a unit owner's policy?

- Coverage for any additions or alterations to the interior of the unit made by the current or prior unit owner that are not covered under the master policy.
  - Additions and alterations can include items such as upgraded flooring, cabinetry, and built-ins.
- Coverage for contents, such as your clothing, furniture, a television and other personal property.

# What coverages are available under a unit owner's policy?

- Coverage for Additional Living Expenses (ALE) if your unit becomes uninhabitable as a result of a covered loss. ALE may cover:
  - your cost of a place to stay for the reasonable period of time needed to make your unit habitable again up to the limits stated in the policy. This may be a hotel or a rental if the repairs will take a long time to complete.
  - the cost of meals beyond your normal costs if you have been placed in accommodations that do not provide facilities to prepare meals.

# What coverages are available under a unit owner's policy?

- Liability coverage for injury to others or damage to the property of others you cause, as well as for the cost of a lawyer to defend you, up to the policy limits. Policies typically exclude liability coverage for injury or damage resulting from intentional acts or as a result of your employment.
- Medical payment coverage, which pays if someone is injured in your condo regardless of fault.
- Loss assessment coverage.

# Loss Assessment Coverage

- Loss assessment coverage under the unit owner's policy provides payment up to the limit purchased when the Condominium Association makes a special assessment against all unit owner's for a property or liability loss arising from a covered peril.
  - A special assessment that does not arise from a covered peril (for example, a special assessment for maintenance) will not be covered.
  - Your Loss Assessment coverage may have a deductible.
  - Your policy may exclude certain types of claims so be sure to read the terms of your policy.

# If I have a loss, how will my claim be paid?

- If you suffer a loss from a covered peril, your claim may be covered under both your unit owner's policy and the master policy.
- If there is damage to the structure of your unit, such as the walls, ceilings, floor or any element installed when the unit was built, the master policy will pay to make those repairs.
- If there is damage to your contents or your improvements to the unit, that portion will be paid by your unit owner's policy.

# If I have a loss, how will my claim be paid?

- If there is damage to an element which has been upgraded, such as flooring, the cost may be divided between both policies.
  - For example, the unit was originally built with low grade carpeting. You upgraded to hardwood floors. The master policy will pay for the cost to replace the flooring with similar grade carpeting, and the unit owner's policy will pay the difference for the hardwood floors.
- It is important to remember though that a covered claim will only be covered up to the amount of the policy limits.



# Filing a claim against the master policy

- If a unit owner suffers damage to their unit from a covered peril, the unit owner may file a claim under the master policy.
- The Maryland Condominium Act provides that each unit owner is an insured under the master policy, and may make a claim for a covered loss under that policy.
- Although the condominium management company may act as a conduit for any claims being made under the master policy, it cannot refuse to present a claim to the master policy insurer for a unit owner.

# Master Policy Deductible Expense

- If there is a covered loss that originates in your unit, your Association may hold you responsible for up to \$5,000 of the Master Policy deductible amount.
- Check with your unit owner's policy producer to confirm whether your policy provides coverage for this expense.

# Summary

As a condo owner, two separate policies are available to cover a loss.

The master policy is the Condo Association's policy, and provides coverage for the common elements and the building, including the interior structure of your unit and all elements as conveyed when the unit was initially built.

The unit owner's policy provides coverage for your contents, additions and alterations, ALE, medical payments to others and provide liability coverage.

## Summary

As a unit owner, you are an insured under the master policy and you may file a claim under that policy. The management company may not prohibit you from doing so.

You may be assessed up to \$5,000 if the loss originates in your unit.

# Contacts

Al Redmer, Jr., Maryland Insurance Commissioner  
Office: 410-468-2090

Maryland Insurance Administration  
1-800-492-6116  
[www.insurance.maryland.gov](http://www.insurance.maryland.gov)

Office of the Attorney General  
Consumer Protection Division  
1-888-743-0023  
[www.marylandattorneygeneral.gov](http://www.marylandattorneygeneral.gov)

# Contacts

Maryland Homeowner's Association

301-654-9242

[www.marylandhomeownersassociation.info](http://www.marylandhomeownersassociation.info)

Montgomery County Office of Consumer Protection

(Montgomery County Residents)

240-777-3636

[consumerprotection@montgomerycountymd.gov](mailto:consumerprotection@montgomerycountymd.gov)

Prince Georges County Office of Community Relations

Common Ownership Communities Program

(Prince Georges County Residents)

301-952-4729

[coc@co.pg.md.us](mailto:coc@co.pg.md.us)

# Contacts

Maryland Condominium Act  
Annotated Code of Maryland  
Real Property Article Title 11

The Maryland State Law Library webpage provides links to free, online sources of the Maryland Code.

<https://www.lawlib.state.md.us/researchtools/sourcesmdlaw.html>

Questions?