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Protect yourself against condo insurance deductible

There is a lot of confusion out there by buyers and real estate salespeople as to what insurance is required when buying a condominium. The mistake is thinking that the insurance policy for the building will always cover your situation. In most cases, the buyer will still have to pay for part of the damages, even if they have done nothing wrong.

Here's why:

Condominium buildings do have an insurance policy that insures the building and the units. However, it will not cover any improvements to the unit made by the owners or the owners' contents, should damage occur, whether by water leakage, fire or smoke damage. In addition, if someone you invite into your unit gets hurt, they can sue the owner personally for liability. As a result, most condominium buyers purchase a policy that provides coverage for their contents, any upgrades that they do to their unit and liability insurance to protect them if someone gets hurt visiting their unit.

What is confusing to most buyers is that just about every condominium insurance policy has deductibles, which become the owner's responsibility should any damage occur, even if it is not the owner's fault. The deductibles are usually \$5,000 but I have seen many policies that have \$10,000 deductibles. What this means is that let's say you leave the bathtub overflowing and water damages the unit below you. You are responsible to pay the deductible, and the condominium will pay for any damage above the deductible. This will also be the case if you are responsible for the HVAC equipment in your unit and any malfunction causes damages to the building or to other units.

Let's say the pipes in the wall burst, your unit was damaged and you did nothing wrong. Although the pipes may be the responsibility of the condominium corporation, you will still have to pay the deductible before the condominium pays anything extra to repair the damages. The only way to fight this is if you could prove that the condominium corporation was negligent in conducting repairs and should have known that the damage could occur. In my experience, you will pay more in legal fees to fight this than the deductible, so it is just preferable to have the proper insurance instead.

In every condominium status certificate, there is a summary given of the insurance policy for the building, including any deductibles. One way to protect yourself is to send this certificate to your own insurance company and tell them that you wish to buy extra coverage for the deductibles noted on the policy.

A better idea, in my opinion, is to use the same insurance company that your building is using for your own insurance package. This company likely understands the deductibles better than anyone and will make sure that your package covers any gap that may exist in the building insurance policy.

If you are buying a condominium as an investment, you still need to make sure that you have this type of insurance protection. Most tenants purchase insurance for their belongings and to cover liability. If you

want the tenant to also pay for insurance for the deductibles, you need to say so in your lease agreement and make sure that the tenant provides proof that they have obtained all required insurance coverage before you give them the keys to the unit.

When you understand the insurance you need before you move into a condominium unit, you will be prepared should anything occur later.

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