

Condominium Insurance -

Similar, but not the same as Homeowners Insurance



Q: I own (or wish to buy) a condo, and want to be adequately insured. Where do I begin?

A: Purchasing the proper types and amount of condo insurance for your individual unit begins with understanding what is, and is not, insured under your association's master policy. What's covered under the master policy is essentially determined by your association's bylaws. Because rules differ from association to association, it's essential that you review your bylaws, or contact your association directly, to determine the extent of your responsibility.

Q: What's commonly insured under an association's master policy?

A: Often, a master policy insures the condominium buildings and commonly owned property, and coverage typically stops at the exterior walls of the buildings. This means you're responsible for insuring the interior of your unit, which likely includes any alterations, fixtures and improvements, such as cabinets, interior walls, carpeting and flooring, etc.. You'll also need to insure all of your personal possessions. Your individual condo policy (commonly known as an HO-6 policy) provides protection for situations such as theft, damage to the interior of your condo, and your personal liability (such as if someone unintentionally gets hurt while visiting your condo).

Q: What are some key considerations in determining my overall coverage needs?

A: Personal Property - When determining the amount of coverage, be careful not to undervalue your personal possessions. And, because a standard HO-6 policy only reimburses you for losses at "actual cash value" (the price you paid, minus depreciation), you'll want to consider having your personal possessions insured at "replacement cost".

Loss Assessment: Bylaws customarily allow for proportionate assessments to be levied against all individual unit owners in the event a loss suffered by the association isn't adequately insured for under its master policy. As an example, pretend a fire destroys a couple of buildings in the complex, which were insured by the association for \$350,000, but the cost to rebuild them would be \$500,000. Under such a scenario, the association is permitted to assess each unit owner his or her share of the \$150,000 deficiency. A standard HO-6 policy provides for \$1,000 of loss assessment coverage, but this amount can be increased.

Q: What are some of the standard coverages provided for in an HO-6 policy?

A: **Dwelling Coverage:** Provides coverage for the interior walls, drywall, flooring, carpeting, built in cabinets, etc., and represents the coverage you need to insure your part of the building - the unit you own.

Personal Property: Provides coverage for your household belongings, such as furniture, televisions, clothing, small appliances, books, bedding, etc.

Loss of Use: Provides coverage for alternate housing and additional expenses in the event your unit becomes uninhabitable due to a covered loss.

Personal Liability: Provides coverage if you are sued for bodily injury or property damage caused by your negligence.

Medical Payments: Provides coverage for medical costs and expenses arising from injuries suffered by a visitor at your condo.

Q: Are there any optional coverages I should consider?

A: Several coverage options you should discuss with your agent are:

- Replacement cost coverage
- Water back-up/sump pump failure
- Identify theft; and
- Business property in the home

Some key questions to be considered to help you determine your insurance needs are:

- How much would it cost to replace my personal possessions?
- Do I want "replacement cost" coverage?
- Do I own valuable items, such as jewelry, antiques or fine art?
- What parts of my condo unit am I responsible for insuring according to my association's bylaws?
- How much would it cost to replace or repair the inside of my condo unit?
- How much is the deductible on my association's master policy?
- Is the "loss assessment" coverage of \$1,000 provided in the HO-6 policy sufficient?
- Do I need flood insurance?

Q: How do I know what I should do?

A: Making such a personal decision about your options is yours - and yours alone under the law. As your independent insurance agent, I can help explain these options. Our agency's job is to help provide you with information on these choices so you can make informed decisions.