



FAQ | 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 adequate condo insurance begins with understanding what is, and is not, insured under your association's master policy. What's covered under the master policy is determined by your association's bylaws. As rules differ from association to association, it's essential to review your bylaws, or contact your association directly, to determine your responsibilities.

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

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

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

- A:
- **Personal Property:** Be careful not to undervalue your personal possessions. And, because an HO-6 policy only reimburses for losses at "actual cash value" (the price you paid, minus depreciation), consider having personal possessions insured at "replacement cost".
 - **Loss Assessment:** Bylaws allow for assessments to be levied against all unit owners if a loss suffered by the association isn't adequately insured for under its master policy. For example, pretend fire destroys a building in the complex, which was insured by the association for \$350,000, but the cost to rebuild is \$500,000. In this case, the association may assess each unit owner a share of the \$150,000 deficiency. An HO-6 policy only provides for \$1,000 of loss assessment coverage, but this amount can be increased.

Q: What are the basic coverages in an HO-6 policy?

- A:
- **Dwelling Coverage:** Provides coverage for interior walls, 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:** Covers your household belongings, such as furniture, clothing, small appliances, books, bedding, etc.
 - **Loss of Use:** Provides coverage for alternate housing and related expenses if 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 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

Q: What issues should I discuss with my agent?

- A:
- Do I want "replacement cost" coverage?
 - What parts of my condo unit am I responsible for insuring according to my association's bylaws?
 - How much is the deductible on my association's master policy?
 - Is the "loss assessment" coverage of \$1,000 sufficient?

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.