

***THE NEED FOR CONDOMINIUM UNIT OWNERS  
HOMEOWNERS POLICIES  
(HO-6 POLICIES)***

One glaring issue we continually see when reviewing claims for property damage losses to a condominium unit is how few unit owners have homeowners insurance. Statistics have shown that as many as 50% do not have a Condo (HO-6) policy. Some say to us they thought the Association Master policy would cover their personal property and the liability exposure. Due to this we wanted to take a moment and review the importance of this coverage and recommend Board of Directors provide this information to each and every unit owner.

The Association Master policy covers the buildings (structures) in a condominium owned as tenants in common along with the common area liability. This property coverage (usually depending on the CC&R's) is either "bare walls" or "walls in." This is important in that the unit owner may be responsible for the "finished interiors" in his/her unit if the master policy is "bare walls" only. It is important to note that the majority of CC&R's state "improvements" which is a key word for finished interiors are to be covered.

The Association Master Policy does *not* provide any coverage for the personal property or personal liability exposure of unit owners. Accordingly, every unit owner needs a condominium unit owners' policy (commonly known as an HO-6 Policy). These policies are designed to provide the unit owner with coverage for his/her personal property and personal liability. Below are examples additional items these policies can provide:

1. If the unit owner is in a condominium where the Association Master policy covers "bare walls" only, then the unit owner can add dwelling or building coverage to their HO-6. This will protect the unit owner against insurable losses to the finished interiors not covered by the Master policy.
2. If the Association Master policy covers "walls in," the unit owner needs to check with the policy to determine what the deductible is. In today's market, the deductibles for Association property losses are generally \$5,000 or \$10,000. Accordingly, if there is a loss to the finished interiors covered by the Master policy but there is a \$10,000 deductible, the deductible may be determined to be the responsibility of the unit owner. Thus, in this case, at least \$10,000 of dwelling or building coverage to close this gap.

3. Secondly, let's say the Association Master policy covers a property or liability loss but the limits were not enough to cover the liability or the Association could have purchased insurance but didn't (i.e., Earthquake) and subsequently has to special assess all the unit owners equally. In these examples the unit owner can amend their HO-6 policy to include "Loss Assessment" and even "Earthquake Loss Assessment" to provide coverage against Special Assessments
4. Lastly, if a unit in the Association needs to be repaired due to a covered loss such as a Fire or Water damage, the inhabitants of that unit are going to need to make arrangements to stay elsewhere while repairs are being done to the unit. The Associations policy would have no coverage for the expenses occurred during that time. This is where your Condo(HO-6) policy can be beneficial. That policy can provide up to 24 months of suitable/comparable living arrangements and in some cases, food, clothing, and personal items. This coverage is normally known as "Additional Living Expense." We highly recommend this to all unit owners.

The above are just a few of the compelling reasons why unit owners need to be encouraged to purchase this valuable coverage. These policies can cost as little as \$300.00 annually.

***A/R/R Personal Lines Expertise***

If you have any homeowners that would like to obtain a no obligation quote please have them contact our personal lines expert, Matthew McMullen, at (949) 373-8415 or via email [MMcMullen@AR-Ins.com](mailto:MMcMullen@AR-Ins.com)

**\*\*The information contained in these HOA Tips of the Week is for information purposes only and is not specific legal advice or a substitute for specific legal counsel. Readers should not act upon this information without seeking professional counsel. If you do not want us to contact you by email, we will gladly unsubscribe you from our online community by replying to this email with the word "remove" in the subject line\*\***