ARMSTRONG/ROBITAILLE/RIEGLE
BUSINESS AND INSURANCE SOLUTIONS

Please find below our Community Association Tip of the Week on the need for Condominium Unit Owners Homeowners Policies. (HO-6) We hope you find the information beneficial and you are welcome to share this with other staff, homeowners, board members and clients

REASONS UNIT OWNERS SHOULD HAVE AN HO-6 (CONDO) POLICY

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. Unfortunately statistics still shows upwards of 50% of unit owners do not have Condo (HO-6) policies. They are under a false impression the Association Master Policy covers their personal property and liability exposure. We want to address the importance of this coverage and recommend Board of Directors include this in an upcoming newsletter so every unit owner is aware.

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 critical because unit owners may be responsible for the "finished interiors" in his/her unit if the master policy is "bare walls". One common definition of Bare Walls is in the event of damage the carrier will only rebuild up to and including the unfinished drywall.

The Association Master Policy does ***not*** provide any coverage for the personal property or personal liability exposure of unit owners. Every unit owner needs a condominium unit owner's 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 of additional items these policies can provide:

- If the unit owner is in a condominium where the Association Master policy is "**Bare Walls**" wherein finished interiors are excluded, then the unit owner can add dwelling or building coverage to their HO-6 policy. This protects unit owners against insurable losses to the finished interiors not covered by the Master policy. Examples of finished interiors are carpeting, wood flooring, granite countertops, etc.

- If the Association Master policy covers "**Walls-in**" the unit owner needs to know what the Master Policy deductible is. The majority of deductibles for Association property losses are $5,000 and $10,000. They can be as low $1,000 or $2,500 but these are not common. If there is a loss to the finished interiors covered by the Master policy which has a $10,000 deductible, **the deductible may be determined to be the responsibility of the unit owner.** In this scenario unit owners should have at least $10,000 of dwelling or building coverage to close this gap.

- In another example let's say the Association Master policy covers a property or liability loss but the limits were not sufficient to cover the liability or the Association could have purchased insurance but didn't (i.e., Earthquake) and subsequently has to special assess all 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

- Lastly, if a unit in the Association needs to be repaired due to a covered loss from Fire or Water damage; the inhabitants of that unit are going to need to make arrangements to stay elsewhere while repairs are being done. 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. If any unit owner has questions about HO-6 (Condo) policies or would like a no obligation quote please have them contact our personal lines expert, Natalie Myrick, at (949) 381-7708 or at NMyrick@AR-Ins.com

Let us know if any questions on the above.

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