

# CONDOMINIUM INSURANCE: WHO COVERS WHAT?

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# Association Responsibility for Repairs

If a unit is damaged or destroyed by a casualty loss, then the responsibility for repairs and restoration of the unit shift from the individual unit owner to the association.

# Examples of Casualty Losses

- Fire or smoke damage.
- Sudden and accidental water damage, such as from a failed hot water heater or a burst pipe.
- Damage caused by wind and wind-driven debris.
- Damage caused by ice dams.

# NOT Casualty Losses

- Damage caused by continuous and repeated exposure to a peril, such as a small leak where the damage accrues over a long period of time.
- Sewer and water-line back-ups (though coverage for these events can be purchased separately)
- Mold remediation after a water loss, if the mold is the result of not promptly repairing the water damage.

# The Master Policy

If there is a casualty loss, the master policy is primary. This means that the association must first obtain and use the available proceeds under the master policy, before it can tap into any other available funds.

# What Isn't Covered by the Master Policy?

Deductibles: Deductibles under master policies have risen quite high over the past couple of decades. We are now seeing deductibles of \$25,000 and up. For certain types of claims, such as damage from ice dams, we are also seeing insurance policies applying per-unit deductibles. As a result, much larger portions of the repair costs are not covered by the master policy.

Personal Property: The master policy does not provide coverage for the personal property of the unit owners. If the loss damaged the owner's television, clothing, furniture, jewelry, or the personal property, the master policy will not compensate the owner.

# What Isn't Covered by the Master Policy? (cont'd)

Relocation Expenses: If the unit owner must move out of the unit so that the association can perform the repairs, the owner's relocation expenses are not covered by the master policy. Similarly, the master policy does not cover the cost of storing the owner's personal property while the repairs are performed.

Landlord/Tenants: The master policy will not compensate a unit owner for lost rents while damage to his or her unit is repaired. It also will not compensate a tenant for his or her relocation expenses.

# Unit Owner Policies

Unit owner policies, typically referred to as HO-6 policies, bridge the gap in coverage not afforded under the master policy. The HO-6 policy will cover the following:

- The deductible under the master policy.
- The owner's personal property.
- Any relocation expenses incurred by the owner.



# Summary of Coverage Requirements

- The association's master insurance policy includes a deductible of \$25,000. All costs of repairs in excess of \$25,000 will be covered by the master policy, up to the coverage limits.
- Unit owners should purchase HO-6 policies that cover their dwellings for at least \$25,000 worth of damage.
- Cooperation between the association and the unit owners is both necessary and mandatory.

# Contact Information

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