

# Condo Insights

## **#44 – Condominium Association Insurance – Part 4**

**The final article in this series will discuss the HO6 policy for condominium unit owners.**

The condominium unit owner benefits from having an insurance agent that is well-educated and experienced. Working with an agent who understands both association and unit owner policies is important because the insurance a condo unit owner may need tends to be different from the insurance coverage a single-family homeowner may need. Condo association policies are unique and have an effect not just on the association but on all association members.

The association's insurance policy is different from a member's individual condo insurance policy that individual members of the association can purchase for themselves. On one hand, individual condo unit owner's insurance is similar to homeowner's insurance in that it protects the owner's personal condo and pays for damages to the interior of the unit owner's condo and personal belongings, furniture and appliances and pays if someone is injured inside the unit.

But condo unit owners may need additional coverage. For condo unit owners, an HO6 policy can provide protection to the member to prevent gaps in coverage and minimize any out-of-pocket assessments. The association policy may not cover any damage inside an owner's condominium and the association's policy does not cover personal contents so condo unit owners should purchase this coverage.

Unit owner policies should include improvements and alterations coverage to insure any upgrades made by the unit owner. Additionally, regardless of whether the Master policy is insuring bare-walls or original specs (single entity) often times the Master policy has large deductibles for wind damage and wind driven rain damage. That could leave a gap in coverage allowing the HO6 policy to potentially respond to everything up to the deductible and that's why unit owners should have both coverage for improvements & contents.

If there's a catastrophic loss, the association may assess owners for insufficient coverage. Unit owners may want to consider loss assessment coverage, to cover such assessments. In some instances, the association Master Deed will have a deductible chargeback provision to unit owners affected by an insured loss which could make the HO6 Primary up to the Master policy deductible. Some HO6 insurers offer a special limit within this loss assessment coverage for deductible chargebacks and that is typically limited to \$1,000-\$5,000. However, having primary coverage is a better solution than relying on loss assessment coverage for the deductible.

The unit owner's HO6 policy should include liability coverage that defends them for injury or property damage to others. If a unit owner is negligent in filling the bathtub, leaving the stove on, if their pet injures a neighbor or if someone gets injured in their unit, the possible lawsuit scenarios are endless. Unit owners may be able to extend coverage from their primary homeowner's policy for Liability only or buy HO6 coverage for the condo that includes coverage for everything stated above.

No matter how extensive the condo association's insurance policy maybe it will never cover everything. Unit owners should have their own individual insurance policies to cover personal belongings as well as improvements and betterments and anything the association's policy may not cover such as furniture and appliances. Unit owners may also want to consider loss assessment coverage for paying damages that exceed the association's policy. Unit owners should consult with their insurance agent to ensure they have adequate insurance coverage if they rent out their condo.

Many Master Deeds are old and outdated and/or misworded and that leads to confusion and coverage gaps. HO6 policies help unit owners avoid assessments, gaps and disputes. There is an insurance solution for most problems. Unit owners should discuss how to properly complement coverage with their agent.

These are the kinds of issues condo associations and condo unit owners should consider but often don't when obtaining association insurance coverage or renewing existing policies. Many associations treat insurance as a commodity and shop based almost entirely on price without considering the nuances that may make one policy, even if somewhat more expensive, a more cost-effective choice than another.

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