

Insuring Your Property Properly

By: Michael Berg
Berg Insurance Agency, Inc.

Ownership of a condominium is a unique endeavor. At times it can be relieving to know that someone else is responsible to make sure the exterior of your unit and the common area of the complex are kept in good condition. However, understanding how the Association Master policy works and what you need to do to protect yourself can be tricky.

This communication will briefly explain three different types of insurance policy coverage's:

- **Association Master Policy** - covers common area Liability and Property maintained by the Association. Purchased and paid for by the HOA.
- **HO-6, or Condominium Unit Owners Policy** – covers homeowners Personal Property, Building (interior) Property and Personal Liability. Purchased and paid for by the homeowner.
- **Earthquake** – covers Loss Assessment; Loss of use; earthquake damage. Purchased and paid for by the homeowner. The HOA purchases and pays for a policy for the building structure only up to \$10 million in damage.

The **Association Master Policy covers common area Liability** (that's the places everyone shares-walkways, pools, etc.) **and Property maintained by the Association** (Buildings, pool restrooms, club house, etc.). The Association also insures the structure in which you live. At Bixby Village, this coverage carries a \$25,000 deductible **which is the responsibility of YOU, the homeowner**. The coverage includes the exterior of the building and extends to the interior surface of the drywall **but not the paint, plaster or wall paper covering that surface**. Interior built-in improvements, such as floor coverings and cabinets, as were originally installed by the builder are also included on the Master Policy.

An **HO-6, or Condominium Unit Owners Policy**, is available for purchase through many major insurance companies. Of the coverage available in this contract, perhaps the most important are Personal Property, Building Property and Personal Liability.

Personal Property is your clothing, bed, television, kitchen items, etc. If you picked up your condo and flipped it over, your Personal Property would fall out. You need to determine roughly how much you would spend if you had to replace those items, and include that amount as your limit of Personal Property.

Building Property is the interior improvements and betterments to your unit. When you turned your condo over just a moment ago, the Building Property is everything that stayed inside (cupboards, bathroom fixtures, floor coverings, etc.). In some policies, such as the one offered by Farmers Insurance, this coverage will also pay for your responsibility of the Association Master Policy deductible.

It is the responsibility of the unit owner to insure the **interior improvements** to their unit, up to \$25,000. Items of this nature include floor coverings, wall coverings, cabinets,

bathroom fixtures, etc. The unit owner can purchase a policy to cover their personal exposure. A short conversation with an insurance agent, using some of the information provided below, can help ensure your personal exposure is covered in a way that works well with what the Association already has insured.

Personal Liability is your liability for personal injury or property damage to a third party. If someone trips and falls on your property, this coverage could be used to pay medical expenses for their injuries, as well as any defense and judgment made or imposed on you in a lawsuit.

Other coverage to discuss with your agent are **Loss Assessment** (very important in the event there is a major earthquake loss to BVCA and a special assessment is made to each homeowner to cover the repairs), **Loss of Use** (if your unit is un-inhabitable), and the **Earthquake Insurance** (covering damage to interior portions of your unit not covered by the HOA policy). Usually, you can get a discount for having more than one policy type with the same carrier, so start with your auto insurance agent.

In the world of condo insurance, things can get tricky and confusing very quickly. Federal lending agencies are increasingly requiring a condominium unit owner's policy be in place for a loan to meet guidelines. We urge you to contact your insurance professional or the professionals in our office and discuss how these and other policies work together to protect the exposure you have in the environment of a Community Association.

Michael Berg has been a licensed insurance agent and member of the Berg Insurance Agency since 1999. He has since received his Masters in Business Administration from Chapman University. Michael is very active in CAI and CACM, currently co-teaching the insurance section of CAI Orange County's Community Leadership Training Program. You can reach Michael at 800-989-7990 or michael@berginsurance.com