

## What does the Association cover? What does your personal insurance cover? How much coverage do you need?

A common misconception when purchasing a personal homeowners policy is that the Association covers the building, thus minimizing your personal risk. While this may be true in some instances, it is not always the case-and it's important to understand all of this before you purchase your coverage. Following are four main areas to look at when securing the proper Homeowners Policy: Building Coverage, Personal Property Coverage, Liability and what the Association (Master Insurance Policy) covers.

**Dwelling (Building) Coverage:** While most Condominium Associations insure the main structure of the building and grounds, the Dwelling portion of coverage can vary based upon individual Association Governing Documents. We always recommend familiarizing yourself with your individual Association's Master Deed or Declaration, particularly the section that addresses the portion the Association is obligated to insure versus the portion you as a unit owner are responsible for. You will want to make sure you are carrying adequate building coverage to ensure you are able to rebuild the portion of the building you own (based upon the Association's Documents and Master Insurance Policy). In a condominium, this could include paint, cabinets, flooring, and fixtures as well as any improvements or betterments you might have done to the unit. Not having enough coverage could be further devastating in the event of a major loss.

**Personal Property Coverage:** This protects all of your personal belongings within the unit. There are two main variations of personal property coverage, and knowing the difference and what you have is important. First is Actual Cash Value (ACV) coverage, which will give you the value of any lost items based on their current depreciated value. The other option is Replacement Cost (RC) coverage, which will give the value of your lost property based upon today's values. For example, suppose your 10-year-old couch burns in a fire. With ACV coverage, you would only receive a fraction of the cost it would take to replace it. However, with RC coverage, you would be reimbursed for whatever it costs to replace that couch with today's like, kind, and quality item. We always recommend carry RC coverage.

**Liability Coverage:** The personal liability coverage within your homeowner's policy provides coverage for bodily injury and property damage sustained by others for which you or your family members are legally responsible. For example, someone falls down your stairs, or your child accidentally throws a ball through a neighbor's window, breaking an expensive Chinese vase - you may be held responsible for the damages caused. Under personal liability coverage, the insurance company defends you if you are sued, and pays damages to the injured person up to the limit of liability.

Most homeowner's policies provide a minimum of \$100,000 in personal liability coverage, meaning the insurance company will pay up to the amount in total to injured persons per accident. If you feel you need more protection, you can increase this amount up to \$500,000. You can also purchase a personal liability umbrella policy if you think you need more than \$500,000 in liability coverage.

**Association Master Policy:** There are two main areas to focus on. First, like all insurance policies, your Association's Master Policy will contain a deductible (which varies depending on the Association). When a loss occurs, the association can pass that deductible along to the impacted unit owner(s) on an individual basis - generally through an insurance deductible resolution adopted by your board or as part of your documents. An example of this would be a water heater burst and the resulting water damages a number of units. Some personal unit owner Condominium policies (HO6) will cover the Association's deductible, some will not, and others offer the coverage as an additional endorsement. Please use the information enclosed to be sure you have proper coverage.

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Below and enclosed you will find a list of policy types and a brief description of each. For a brief explanation of the coverage your Association Master Insurance Policy carries see the Explanation of Coverages – Attached

Specific Details are attached on the coverages listed below or you may contact us directly to discuss your specific situation:

- As a Condominium Unit Owner with building coverage being maintained by your Association, you will be required to purchase a HO6 policy ...  
*For More Details - Refer to the Attached Information*
- If you rent your Condominium Unit to others, you may wish to purchase a Combo Dwelling policy ...  
*For More Details - Refer to the Attached Information*
- If you are a Tenant and rent your unit from others you may purchase a HO4 policy...  
*For More Details - Refer to the Attached Information*

Another coverage which is important to consider when living in an Association is called *Loss Assessments*. *Loss Assessments* provide coverage against any special assessment levied against the unit owners either for a loss that the Association's insurance does not cover or one in which the association's policy is not adequate to cover totally. Many unit owner policies carry a base Loss Assessment coverage of \$1,000 but offer higher coverage options for a nominal premium. An example would be a significant liability claim that exceeded the association's master coverage. Any additional claim payments could be assessed to each unit owner on an even-share basis.

Although there are many other coverage options, enhancements and endorsements available, these are a few major coverage areas we generally see overlooked. It is a good idea to sit down with an insurance agent to review your current coverage and ensure you have adequate protection in the event of a loss.

Attachments:

*Explanation of Coverage*  
*HO6 Coverage*  
*Dwelling Combo Coverage*  
*H04 Coverage*

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# An Explanation of Your Association Insurance Protection

*The Association provides protection for the interest of the Association, Owner Members, Trustees and Mortgagees.*

## I. PROPERTY COVERAGE:

- A. **“Risk of Direct Physical Loss” coverage** (subject to policy limitations) The Association is protected by Comprehensive Property coverage, subject to the standard exclusions such as, but not limited to, **earthquake, flood, water seepage, back-up of sewers and drains, war, pollution, normal wear and tear and vermin.**
- B. **Replacement Cost** restores Association Insured Property to the builder’s original grade in the event of a covered loss.
- C. **A deductible applies to all property losses.** **NAME OF ASSOCIATION** association deductible is \$5,000 per occurrence for all property related claims except; Flood \$25,000 per occurrence.
- D. **The Association’s insurance policy covers the homes with the builder’s standard grade basic features.** This includes such items as bathroom fixtures, kitchen cabinets, built-in appliances, basic carpeting, partitioned walls, repairing sheetrock and a sealant coat of paint. You are responsible to insure any decorations, additions, alterations, upgrades or options (such as wallpaper, lighting, painting and finished basements) that are made by you, or a prior owner.

## II. LIABILITY COVERAGE:

This coverage protects the Association against bodily injury or property damage to others for which the Association becomes legally liable. It is recommended that homeowners purchase insurance to protect themselves from personal liability, as well as for the interior of their home.

## III. ADDITIONAL ASSOCIATION COVERAGES:

**The Association may also be protected for Fidelity, Workers Compensation and Directors and Officers Liability.** For more information concerning these coverages, please feel free to contact our office for details.

## IV. CLAIMS:

Any and all claims against the insurance policies held by the Association **must first be reported to the Property Manager and/or Board of Trustees.**

## V. HOMEOWNER’S NEED FOR PERSONAL INSURANCE:

In order to complete your insurance protection, you, as a Resident Homeowner, **will need to purchase coverage for your personal contents, loss of use, personal liability, loss assessment, and additions and alterations** (including decorating, upgrades or options made by you or a prior owner.) This policy is commonly known as a **Condominium Homeowners or HO-6 policy.**

**As an Owner-Nonresident,** insurance is still necessary. The policy that is needed is a Combination Dwelling Policy. The coverages listed above, as well as “loss of rents” should be included.

Please review your policy with your individual insurance agent or **call us at (908) 382-6625** for a complete review of your needs.

*For More Information Contact:*

*Your Management Company  
Representative*

*or*

*Jessica Due  
908-382-6625 X84152  
Jessica.Due@InsurePeopleFirst.com*

## HO 6 – Condominium Owners Policy Overview

**Definition:** HO-6 provides coverage for the homeowner for building and personal property. However, the dwelling coverage is less extensive due to the Association purchasing insurance to cover the building.

### Policy Highlights:

**Coverage A: Dwelling Coverage:** While the Association maintains building coverage for the Association termed “single entity”, the homeowners policy needs to include this coverage and incorporate the additions and alterations, improvements and betterment’s made by the unit owner or previous unit owner. In the event of a covered loss the Association’s policy and homeowner’s policy merge to make the homeowner whole.

**Coverage B: Other Structures:** Covers other structures on the residence premises, set apart from the dwelling by clear space (e.g. tool shed, detached garage). This also includes structures connected to the dwelling by only a fence, utility fence or similar connection.

**Coverage C: Personal Property:** Coverage is defined as and should include such items as the couch, jewelry, clothes, dishes, etc. (All those things you would take with you when you move).

**Coverage D: Loss of Use:** If a covered loss makes the unit uninhabitable, the policy covers the living expense that results.

**Coverage E: Liability:** Protects the insured should a claim be made or suit be brought for damages because of bodily injury or property damages caused by an occurrence for personal liability within the home. The policy will provide defense and pay damages up to the limit of liability for which the insured is legally liable.

**Coverage F: Medical Payments to Others:** Will pay the necessary medical expenses incurred or medically ascertained within 3 years from the date of the accident causing the bodily injury within the home.

**Loss Assessments** is defined as a charge by the Association to each homeowner collectively for their share when such an assessment is made necessary by an insured whereby, the limits of insurance have been exceeded.

### Important Points:

- *Deductible Reimbursement Coverage – Coverage A “Special Perils”*
- *In many policies Coverage C will combine personal property and additions and/or alterations (improvements/betterments) as one limit. Therefore, this coverage limit must represent the full value of your improvements as well as your personal property.*
- *Recommended that unit owners purchase endorsements or coverages such as:*
  - a. *HO 32 17 endorsement*
  - b. *Water Sewer Backup*
  - c. *Mold/Fungi*
  - d. *Earthquake*
  - e. *Flood*
  - f. *Increased Ordinance or Law*
  - g. *Umbrella Liability*

## Combo Dwelling – Investor Owner Overview

**Definition:** *Combo Dwelling* policy provides coverage similar to the HO-3 but the insured has the flexibility to exclude personal contents. This coverage applies to owners who rent out their unit.

### Policy Highlights:

**Coverage A: Dwelling Coverage:** While the Association maintains building coverage for the Association termed “single entity”. The homeowners policy needs to include this coverage and incorporate the additions and alterations, improvements and betterments made by the unit owner or previous unit owner. In the event of a covered loss the Association’s policy and the homeowner’s policy merge to make the homeowner whole. (Such as sheetrock damage below the Association’s deductible).

**Coverage B: Other Structures:** Covers other structures on the residence premises, set apart from the dwelling by clear space (e.g. tool shed, detached garage). This also includes structures connected to the dwelling by only a fence, utility fence or similar connection.

**Coverage C: Personal Property:** Coverage is defined as and should include such items as the couch, jewelry, clothes, dishes, etc. (All those things you would take with you when you move). \*

**Coverage D: Loss of Use:** If a covered loss makes the unit uninhabitable, the policy covers the living expense that results.

**Coverage E: Liability:** Protects the insured should a claim be made or suit be brought for damages because of bodily injury or property damages caused by an occurrence for personal liability within the home. The policy will provide defense and pay damages up to the limit of liability for which the insured is legally liable.

**Coverage F: Medical Payments to Others:** Will pay the necessary medical expenses incurred or medically ascertained within 3 years from the date of the accident causing the bodily injury within the home.

**Loss Assessments** is defined as a charge by the Association to each homeowner collection for their share when such an assessment is made necessary by a loss to the Association. Please make sure the Association Deductible is part of your loss assessment coverage.

**Additional Living Expense:** The necessary increase in living expense incurred by you so that your household can maintain its normal standard of living. For example, this would include the increased cost to live in a motel, eat all meals at restaurants and increased costs to do laundry.

### Important Points:

**Loss of Rents/Fair Rental Value,** if the loss makes the unit rented to others or held for rent by you not fit to live in, you will be reimbursed the fair market rental value less any expenses that do not continue while the premises are not fit to live in.

\* In many policies Coverage C will combine personal property and **additions/alterations** (improvements/betterments) as one limit. Therefore, this coverage limit must represent the full value of your improvements as well as your personal property. However, on a Combo Dwelling Policy, this coverage usually represents appliances or built-in upgrades.



## HO-4 Tenant Policy Overview

**Definition:** *HO-4 Tenant policy is designed to cover the belongings and exposures of a tenant. There is no need for Coverage A dwelling or Coverage B other structures. Contents are all the items the individual brings with them to the unit and belong to them.*

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### Policy Highlights:

**Coverage C: Personal Property:** *Coverage is defined as and should include such items as the couch, jewelry, clothes, dishes, etc. (All those things you would take with you when you move).*

**Coverage D: Loss of Use:** *If a covered loss makes the unit uninhabitable, the policy covers the living expense that results.*

**Coverage E: Liability:** *Protects the insured should a claim be made or suit be brought for damages because of bodily injury or property damages caused by an occurrence for personal liability within the home. The policy will provide defense and pay damages up to the limit of liability for which the insured is legally liable.*

**Coverage F: Medical Payments to Others:** *Will pay the necessary medical expenses incurred or medically ascertained within 3 years from the date of the accident causing the bodily injury within the home.*