

Insuring the Property Gap

A Home Owner's Association (HOA) insurance policy usually covers the main structure or buildings of a HOA complex. Also, it should include "general liability" for the commonly owned areas of the complex.

It is important to refer to the Covenants, Conditions and Restrictions (CC&R) of the HOA complex for information on how the insurance is directed to cover the buildings. Also, review the HOA's insurance policy because it may have a limitation on the interior portion for each unit and not follow the CC&R's. As an example does it cover up to the bare walls or does it include all built-in additions for each unit. Therefore, you need to review both documents to find out how you should cover your own unit's structure or interior built-in items (cabinets, plumbing fixtures, appliances, lighting, flooring, windows). Usually an HOA insurance policy will follow the insurance instructions in the CC&R's, but it's important to verify because changes to the policy may have taken place.

A residential unit owner's or condo owner's insurance policy (form HO-6) can be endorsed to cover the interior built-in items to bridge the gap. If a HOA insurance policy only covers up to the bare walls of each unit then it could easily cost the unit owner \$50,000 to replace a burnt out kitchen and bathroom. This coverage is separate from the personal property limit (coverage C) listed on these policies and I've seen too many policies with inadequate limits.

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