

Cline Agency Insurance Brokers

Master Policy

Insurance Discussion

1 HO6 Condo Unit

Owner Policy

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Question: "Isn't the Master Insurance Policy Coverage Enough?"

Answer: No. As an individual, you retain certain personal property and liability exposures that can only be insured by you.

Here is a general guide to coverages that you should be securing as an individual owner.

The Master Policy provided by the Association provides basic coverage for the structure, however, there are at least five items that are not provided by the Association's policy that need to be maintained by the individual unit owner:

- **Personal Property Coverage** protects things in your home such as clothes and furniture from damage caused by specific perils.
- **Personal Liability Protection** provides payments for bodily injury or property damage you may be legally responsible for, such as incidents occurring inside your unit or resulting from your personal activities (for example, if your dog bites someone).
- **Loss of Use Protection** pays for necessary extra expenses (hotel, restaurants, etc.) while your home is uninhabitable because of damage from an insured peril.
- **Loss Assessment Coverage** offers protection against your portion of a loss assessment levied by the condominium association on all members to repair damage caused by an insured peril or cover an under-insured liability loss.
- **Real Property Coverage** is designed to pick-up those structural features of your unit (interior fixtures, cabinets, countertops, wall treatments, floor treatments, et al) that may not be insured by the Master Policy. In some cases, this coverage may even extend to the Master Policy deductible.* (If a loss originates within the interior of your unit, the Board of Directors may indicate that the loss is your responsibility and hold you responsible for the Master Policy deductible.)



*Some carriers do not provide coverage under either "Real Property" or "Loss Assessment" coverage for the Master Policy deductible; please consult your personal lines insurance agent/broker to find out whether your carrier is willing to extend this coverage. Similarly, inclusion of interior structural betterments/improvements in the Master Policy varies by carrier; please consult your association's insurance agent/broker for more information about your Master Policy's real property limitations or extensions.

The above five (5) coverages are available from a number of insurance carriers under a package called an HO-6 or an "Individual Unit Owner Policy."

**Questions? Please contact us: Cline Agency Insurance Brokers
TOLL FREE: (800) 966-9566 or email us at: info@clineagency.com**

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This letter is only a general description of coverage and is not a statement of contract. For a more detailed description of the policy terms, conditions, limitations and exclusions, please consult the policy itself.

Question: "Whether or not the Association maintains master earthquake coverage, what coverage should I maintain individually?"

Answer: *There are four basic coverages available in an individual unit owner's earthquake policy. Most unit owners will be offered coverage from the California Earthquake Authority (CEA). The following will provide you with a general description of the coverage you should purchase individually.*

It's important to recognize that these are personal (not corporate) exposures, and as a result, they are YOUR responsibility to address/ insure. If your Association maintains a master earthquake policy, these coverages will help to supplement that protection. However, the coverages are equally (if not more) important if the Association has NO earthquake insurance, as they will still help to insulate you from personal earthquake loss.

- **Earthquake Loss Assessment Coverage** – The normal loss assessment coverage under most HO-6/ individual unit owner policies specifically excludes a special assessment for damage caused by earthquake. As a result, it's important that you contact your personal lines agent or broker to ensure that Earthquake Loss Assessment Coverage is included as part of your earthquake policy.



If there was an earthquake loss, it's likely that the Board of Directors would have no other alternative but to levy a special assessment against all of the unit owners.

The special assessment will impact everyone – regardless of whether or not your unit sustains direct damage by the earthquake. Those unaffected unit owners will still be called upon to pay for their proportionate share of earthquake damage elsewhere in the project.

If your HOA *has* a master earthquake policy, the Board will likely assess you for your share of the deductible amount, which is often considerable. If there is no master earthquake policy, the Board will have to assess for the *total* cost to rebuild or repair the damage without the help of insurance: while your individual loss assessment coverage will most likely fall short of this larger amount, it will certainly contribute to diminishing your out-of-pocket expense in this scenario.

- **Earthquake Personal Property Coverage** – This portion of the individual unit owner's earthquake policy would insure the contents within your condominium unit, such as your clothes, furniture, electronics, etc., from loss due to earthquake.
- **Earthquake Loss of Use Coverage** – This portion of the individual unit owner's earthquake policy would pay for necessary additional living expenses (hotel, restaurants, etc.) while your condominium unit is uninhabitable because of damage from an earthquake.
- **Earthquake Real Property Coverage** – This portion of the individual unit owner's earthquake policy would compensate for any damaged structural elements within the interior of your condominium that are your responsibility to maintain/ repair/ insure. This could include coverage for wall treatments, floor treatments, built-in cabinets, built-in appliances and non-load bearing walls, as most master earthquake policies exclude these features (unless your governing documents *require* the Association to maintain/ repair/ insure them).

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