



Why Condo Owners Need Their Own Insurance

AOAO maintains a “Master Insurance Policy” to cover property and liability claims involving the common property of the condominium association. This includes building exterior shell, internal walls, floors, ceilings, kitchens and bathrooms built-in cabinets under specifications of “as built”. Personal home owner insurance (HO-6) can cover the gap in what is not covered by the AOAO, including *additions, upgrades, furnishings, personal property, loss of rents and personal liability*. The intent of this article is to flag possible misunderstandings about unit owners insurance, and provide reasons why owners need personal insurance on their property.

Surprisingly, it is estimated that only about 65-70% of condo owners throughout the islands have personal HO-6 insurance. This number is getting higher since Condominium Law 514B was passed which allows Condominium Associations to require unit owners to provide insurance.

The standard policy for condominium unit owners (HO-6 policy) assumes that the property is intended for personal use by the owner and his immediate family. If renting, your unit, you need a “rental endorsement” added to the standard policy. The same holds true if you have non-rental guests more than occasionally using your property in your absence.

For those unit owners who rent their units, it is important that they have their renters purchase an HO4 policy or Rental Unit policy, which will insure the Contents of the renter and could also include the Additional Relocation expense in the event that the renter has to temporarily relocate if their unit is damaged.

What happens if a water pipe bursts in your unit, and damages your neighbor’s property? If your negligence or your guest was a cause, then it is your liability coverage that reimburses your neighbor for his losses. Without this, you may be sued by your neighbor or his insurance company.

If your unit is damaged by fire or other loss, what are consequences of inadequate or no HO-6 insurance?

- The AOAO is obligated to repair only the basics of your unit to the original “as built” specifications. Items such as Upgrades to the flooring, cabinets, countertops, Personal Property, etc. are not insured by the AOAO’s policy.
- If you are responsible for the loss or it originates from your unit, and the AOAO is obliged to repair the damage, the AOAO can assess you for all costs incurred up to its insurance deductible. The most current deductible today is \$5,000 but many associations are increasing their deductible to \$10K or higher. Many HO6 policies can insure this assessment.
- The AOAO is not responsible for an owner’s loss of rental revenue or the cost of temporary relocation expenses during repairs. Coverage can be obtained under a HO-6 policy.
- Also for those who own a Condominium as a second residence, don’t assume that a liability umbrella on your primary residence extends to your HO-6 policy on your condo unit.

All accidents or damage should be reported immediately to the Property Management

Company or Resident Property Manager so they can notify the AOA's insurance agents.

Coverage A	Dwelling (Upgrades and alterations to the unit)
Coverage B	Other Structures (not usually applicable)
Coverage C	Personal Property (Furniture, Clothing, Art, Computers, etc.)
Coverage D	Loss of Use/relocation expense or loss of rents
Coverage E	Personal Liability, including Landlord liability
Coverage F	Medical Payments to Others
Loss Assessment	Assessments imposed by AOA because the loss exceeds insured limits.
Hurricane	By Endorsement or separate policy

To the left is a list of coverage usually found under an HO-6 insurance policy. Since there are differences between each of the insurance carriers in their policy coverage and how they address issues such as Assessment of Deductibles, you should be aware that all policies are not the same. Individual requirements should be discussed between you and your insurance agent. The average annual costs for this coverage can be \$300 but depending on limits and the various sections selected the costs can increase significantly. The hurricane coverage can increase the premiums by an additional 50%.

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