

Condo Owners Insurance – HO-6 Policy

What is an HO-6 Policy?

An HO-6 policy is a personal insurance policy that provides coverage for the interior of the unit and also provides coverage for personal property, loss of use, personal liability and coverage for special assessments levied against the owners. The basic HO-6 Policy consists of five coverage sections (standard in the industry) but the amount of coverage may differ by insurance company. Optional insurance coverages can be purchased to supplement and/or expand the underlying coverage.

HO-6 Policies insure against loss and damage from covered perils. Typical covered perils include fire, lightning, wind and hail, smoke, theft, freezing of systems, explosion, falling objects, vandalism, riot, aircrafts and vehicles, volcanic ash, weight of ice and snow, sudden and accidental discharge of water or steam, electrical surge, glass or safety glazing and damage from home systems such as a water heater and air conditioning unit.

Coverage A – Dwelling

This section of the HO-6 policy provides coverage for “items of real property” (building items) that pertain exclusively to the residence premises. Many insurance carriers will use this coverage for the unit owner to cover the association’s insurance deductible. CB Insurance recommends having a minimum of \$15,000 limit for this coverage when the Association has “All-Inclusive” building coverage. Your association has “All-Inclusive” building coverage which covers the following parts of the dwelling:

Attached fixtures	Wallpaper/paint	Carpeting/flooring
Cabinetry	Appliances	Furnaces
Countertops	Plumbing fixtures	Doors
Trim work	Wood beams	Betterments & Improvements
Ceiling fans	Hot water heater	Air conditioning unit

Coverage C – Personal Property

This coverage provides insurance for personal items including everything that is not permanently affixed to the unit such as clothing, furniture, TVs and other electronics, appliances, rugs, bikes, linens, towels, dishes, utensils, pots/pans, toiletries, etc. Many people underestimate the value of their personal property and it’s not until they suffer a loss do they realize they don’t have enough insurance to replace all their personal belongings that add up. HO-6 Policies also include special limits on certain classes of personal property such as jewelry, cash, securities, furs and property away from the premises.

There are 2 types of settlement options for Personal Property – Actual Cash Value or Replacement Cost.

*Actual Cash Value will replace or repair the damaged/lost property minus depreciation.

*Replacement Cost will provide the full value to replace the damaged/lost property without depreciation.

Coverage D – Loss of Use

This coverage will normally pay for the reasonable increase in expenses to maintain your standard of living for a certain amount of time due to a covered loss. This coverage may reimburse you for the cost to stay in a hotel and for additional living expenses incurred due to a covered cause of loss. Coverage can be stated in terms of time or dollar amount. For example, a policy may provide coverage for up to 12 months or it may have a flat dollar amount.

Coverage E – Personal Liability

Personal Liability coverage protects you against the legal responsibility for bodily or property damage caused to other people on or away from your premises. An example would be a severe slip and fall injury incurred by one of your guests who hold you liable for their injury. It also covers the cost to defend you in court and to cover monetary damages up to the policy limit. The Coverage E amount is typically available at \$100,000 or \$300,000 limits and some HO-6 carriers can offer higher limits.

Coverage F – Medical Payments to Others

This coverage provides payments to your guests who are accidentally injured at your premises for reasonable medical expenses such as an examination, ambulance ride, hospital visit, x-rays and surgery. Coverage F is usually provided with a \$1,000 or \$5,000 limit and can be increased. This is considered a “goodwill” type of coverage with no liability required for a coverage trigger.

Loss Assessment Coverage*

Loss Assessment coverage responds when the loss assessment imposed by the Association is the result of a claim that otherwise would be covered by the Association’s master policy, but is not, because of inadequate limits or possibly because of a high deductible that must be borne by all unit owners. Limits vary by company and usually can be increased ranging from \$1,000 up to \$50,000. The cost to increase this coverage limit is usually minimal. CB Insurance recommends that unit owners carry at least \$15,000 in Loss Assessment coverage to cover their responsibility for loss deductibles. Note that Loss Assessment coverage does not apply to financial assessments that are not related to insurance claims.

*For unit owners who lease out units to others – Coverage for your unit can be purchased under a Dwelling policy form. Since dwelling policies differ from HO-6 policy forms, be sure to ask your agent or insurance carrier if you have, or can obtain, loss assessment coverage. Many dwelling policies do not automatically cover loss assessment therefore it is important to check.

Special Note:

This outline is for informational purposes only. Your HO-6 insurance agent should be consulted to assist you in determining the limits applicable to your coverage needs. We also encourage you to share the CB Insurance Unit Owner Packet with your personal HO-6 agent which provides coverage information on the association’s master policy.