

Three important questions a Unit Owner should ask when considering HO-6 insurance needs:

- 1. WHAT ARE MY INSURANCE RESPONSIBILITIES, ACCORDING TO MY MASTER DEED AND BY-LAWS?*
- 2. HOW IS THE REGIME'S PROPERTY POLICY DEDUCTIBLE HANDLED (AS STATED IN MY ASSOCIATION'S MASTER DEED and BY-LAWS) IN THE EVENT OF A LOSS TO MY UNIT?*
- 3. WHAT COVERAGE(S) DO I NEED TO PURCHASE?*

The first two questions are easily answered by reading your Master Deed and By-Laws. Every property owner is required to purchase an annual HO-6 policy. Most property policies issued today include an "all in" endorsement which insures interior finishes, appliances, floor coverings, cabinets and countertops. These are considered an actual part of the building and the values are included in the building's original "replacement cost" valuation.

Deductibles are usually either a "common" expense or a "shared" expense. Your Master Deed or By-Laws will instruct you as to how deductibles will be handled if there is a total loss and a loss that is limited to less than all units. If the deductible is a COMMON EXPENSE, all unit owners will share in the expense. If the deductible is a SHARED EXPENSE, only the unit owners who actually suffer a loss are responsible for the association's property policy deductible.

From the perspective of coverage for a deductible under your HO-6 policy, the deductible MUST be a SHARED EXPENSE. Otherwise, all unit owners in your association would be assessed for the association's property policy deductible according to their percentage of ownership, not just unit owners who actually suffered damage.

Outlined below is a brief summary of a standard HO-6 policy and several OPTIONAL or ADDITIONAL COVERAGES AVAILABLE. (Please note that policy coverage forms and options vary with each carrier and it is important to discuss each section and your specific situation with your agent when buying or reviewing this coverage.)

COVERAGE A: DWELLING (Improvements and Betterments) -This coverage varies the most with different carriers. Improvements and Betterments refer to any modification of the property which is greater in value than that which was provided during original construction (i.e., upgrades to tile, carpet, wall coverings, large appliances, etc.) This is the section which will provide COVERAGE for your ASSOCIATION'S PROPERTY POLICY DEDUCTIBLE if your Master Deed and/or By-Laws state that deductibles are a SHARED EXPENSE.

It is important to include the amount of the association's property policy deductible IN ADDITION TO any limits for improvements and betterments that you have made to the unit.

COVERAGE C: PERSONAL PROPERTY (CONTENTS) - This is the limit you choose for your contents in the unit (i.e., furniture, dishes, clothes, small appliances, linens, etc.). Most policies require jewelry, fine arts, furs and silverware to be scheduled and require an appraisal to insure. A separate limit is used for such items.

COVERAGE F&G: PERSONAL LIABILITY & MEDICAL PAYMENTS - The Personal Liability is usually \$300,000, but may be increased to \$500,000 with some carriers. This coverage provides liability for you personally for any bodily injury or property damage for which you are legally liable which OCCURS INSIDE YOUR UNIT. Medical payments is an amount included in the policy for any medical expenses resulting from bodily injury within your unit or caused by your activities. This excludes your own medical expenses.

OPTIONAL ADDITIONAL COVERAGES:

- 1) LOSS OF USE - Additional Living Expense or Fair Rental Value
- 2) LOSS ASSESSMENT - Payment for any loss assessment charged to all unit owners by association. (Association property policy deductibles are usually excluded.)
- 3) REPLACEMENT COST COVERAGE - Contents valuation is Replacement Cost rather than Actual Cash Value (not depreciated).