



## NEWS OF VALUE

### PERSONAL INSURANCE—WHAT EVERY UNIT OWNER SHOULD KNOW

Individuals who live in a community association may assume they and their possessions are covered against loss by the association's master policy. Usually, this is not the case. A community association generally must purchase insurance to provide coverage for typical hazards and perils that might affect an individual owner, but this coverage usually does not extend to improvements and betterments made to a unit subsequent to conveyance from the developer, a unit owner's personal property, or personal liability.

What liability coverage does the master policy provide for owners?

Usually the master policy will provide insurance protection for owners against liability claims caused by or arising out of membership in the association. For example, if somebody slips and falls on a common area, subject to the terms of coverage, the master policy will indemnify and defend all owners against a liability claim for bodily injury that might result.

If anybody slips and falls or otherwise sustains bodily injury within an individual unit, the master policy generally will not apply. Should a resident inadvertently leave the water running in his kitchen sink, allowing water to overflow, the master policy likely will not protect him against the claim from the resident in the unit below for damage to his personal property or the expensive wallpaper he installed.

What should owners and renters do to protect themselves?

Owners must be aware of the type of master policy insurance coverage their community association has purchased. Regardless of the kind of policy a community association has, owners as well as renters should purchase a personal insurance policy to fully protect their interests.

Resident owners should purchase an individual Community Association Unit Owners policy (HO-6). This policy can provide coverage for personal property, unit improvements, betterments, additions and alterations, additional living expenses, personal liability, loss assessments, and damage less than the master policy deductible.

Non-resident owners may not need coverage for personal property or additional living expenses; however, they do have all of the other insurable exposures of a resident owner. Additionally non-resident owners can be insured for loss of rental income.

Renters should purchase a Tenants Homeowner (HO-4) policy to provide coverage for personal property, additional living expenses, and personal liability.

Coverage can be arranged under some HO-6 policies to pay for damages to a unit over the personal policy deductible, usually \$500 or \$1,000, up to the master policy deductible, which now is usually \$5,000 or more. This type of coverage is generally referred to as "building" or "dwelling" coverage under a personal homeowner's policy. Unit owners should check with their HO-6 policy agent or the insurance company to determine if they have appropriate "building" or "dwelling" insurance to cover damage to their unit up to the master policy deductible.

The master policy will not cover personal property, such as clothing and furniture within individual units, nor will it provide coverage for personal liability or additional living expenses.

Where should I go for more information?

If you have any questions or need further information, please contact Steve Dickerson (703-205-8788 or [Steve.Dickerson@usi.biz](mailto:Steve.Dickerson@usi.biz)) or Theresa Swan (703-205-8753 or [Theresa.Swan@usi.biz](mailto:Theresa.Swan@usi.biz)).