

This brochure contains only a general description of coverages and is not a statement of contract. All coverages are subject to the terms, provisions, exclusions and conditions in the policy itself and in any endorsements.

A Guide to Insurance for Residents of CONDOMINIUMS/ASSOCIATIONS



State Farm Insurance Companies®
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581-6029.1



Printed in USA
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A GUIDE TO INSURANCE FOR RESIDENTS OF CONDOMINIUMS/ ASSOCIATIONS

- Condominiums
- Townhome Associations
- Cooperatives
- Homeowner Associations
- Other Planned Communities

In many instances, the condominium/association entity assumes responsibility for insuring certain types of damage to the dwelling or structure. When the condominium/association insures the structure, a unit owner policy is normally written to cover the unit owner.

In other instances, the condominium/association does not insure the structure. In this situation, a homeowners policy would be written for the unit owner, just as it would be for an insured person with a conventional home.

As the owner of a home in a condominium/association

you have chosen a popular alternative to buying a one-family home or renting an apartment.

With ownership comes the need to protect your investment through insurance. Buying coverage, however, is different for a condominium/association owner than for owners of conventional homes or renters. That's why a special unit owners policy was developed.

This pamphlet explains how that policy provides coverage. Remember though, it's important to work with your insurance agent to have the right kinds and amounts of coverage.

A unit owners policy is usually appropriate when the association insures the physical structure. It is somewhat like a standard home insurance policy, with some differences.

How it's similar

- Protects you from loss of personal property from fire, theft or other specified causes.
- Protects your assets in case you are legally responsible for injury to others, while at home or elsewhere.

How it's different

- Helps you meet many of the obligations that arise from your shared responsibility with the condominium/association.

The Condominium/Association Master Policy

Because it can be more efficient or economical, your association may insure all the buildings and common elements under a single package policy, commonly called an association master policy. The three typical ways to provide coverage, all through an association policy:

1. Insures the basic building(s) (walls, roof, floors, elevators) but leaves to you the responsibility of insuring appliances, carpeting, cabinets, wall coverings, and other items in your unit, and in some instances the interior walls.
2. Insures both the basic building(s) and the items within your unit other than personal property.
3. Insures both the basic building(s) and includes unit owner fixtures and improvements.

Building Coverage

When an association master policy insures some of the buildings, a condominium unit owners policy provides coverage for:

- Items not covered by the association master policy that may be your insurance responsibility.
- The value of building additions or alterations made by you, at your expense.
- Value added (If you've put in a better-quality carpet than was originally there, for example, this coverage would make up the difference in case of a loss).
- Damage to your unit not compensated because of the master policy deductible.

If this sounds a bit complicated, it is. Building coverage is one of the more complex parts of insuring an association. You should discuss your needs fully with your insurance agent.

Your Personal Property Coverage

Because you have a large investment in your personal property, you need enough coverage to compensate you if you suffer a major loss.

One study has found that many condominium/association unit owners are underinsured in terms of their personal property.

Whatever type of association you live in, a good way to be certain you have adequate coverage is to complete an inventory of your possessions and their purchase date and price. Some insurers have inventory forms available to assist you.

Put your inventory listing in a safe place **outside your home**. Photographs or videotape of your possessions will supplement your inventory. To speed up your claim settlement if you have a covered loss, save receipts for major purchases.

Check to make sure your policy has an inflation-guard feature — one that automatically increases coverage for belongings.

What's Covered, What Isn't

Your condominium unit owners policy will protect your personal property against loss or damage from a number of specified causes, such as:

- Fire or lightning
- Weight of ice, snow or sleet
- Windstorm or hail
- Theft
- Accidental discharge or overflow of water
- Explosion
- Riot or civil commotion
- Accidental eruption of hot water heating system
- Aircraft
- Vehicle damage
- Freezing
- Smoke damage
- Artificially generated electrical current
- Vandalism or malicious mischief
- Falling objects

Your personal property is covered against these kinds of losses both at your residence and at any other location worldwide, subject to some restrictions. For example, theft from another residence you own, if you are not occupying it at the time, is **not** covered.

Guests' property would be covered within your unit. Most basic coverage for property **does not include flood or earthquake insurance coverage**. To protect your condominium unit against these and possibly other unspecified losses, you need special coverage.

Deductibles

Your policy will include a deductible — the amount of a covered loss you must pay before insurance payments begin. With a \$250 deductible, for example, you pay the first \$250 of each covered loss. Higher deductibles such as \$500, \$1,000 or more are also available.

By increasing your deductible, you can lower your premium. By going to a \$500 deductible from \$250 you can save significantly. As you select your deductible, try to balance the savings with your ability to share in a loss. The trend nationally is toward higher deductibles.

Special Limits of Liability

Like all homeowners policies, your policy has maximum limits the company will pay for loss to specified types of property (these limits can vary among companies):

- Money, bank notes, coins – \$200
- Business property – \$1,000 on premises, \$250 off premises
- Watercraft, including trailers, furnishings and equipment – \$1,000
- Trailers (other than boat trailers) – \$1,000
- Firearms (applies to theft only) – \$2,500
- Silverware and goldware (applies to theft only) – \$2,500
- Computers and data processing equipment – \$5,000
- Rugs, tapestries (theft only) – \$5,000 one article, \$10,000 aggregate

Why are limits imposed on items such as these? It's the fairest to all policyholders. An example: Since most people don't own a yacht, it would be unfair to increase everyone's premium to cover the losses of the few who own yachts. Likewise, it would be unfair to force everyone to share in the losses of people with expensive collections — firearms or silverware.

If you need higher limits for certain types of property, your agent can help you.

Replacement Cost Coverage vs. Actual Cash Value

Historically, most homeowners policies have covered personal property on an actual cash value basis: current replacement cost less depreciation. For example, your five-year-old sofa is destroyed by fire and would cost \$1,000 to replace. You might expect to receive about \$500, based upon 50 percent depreciation. (The condition of your sofa would affect the insurance payment.)

Now, however, most insurers offer a replacement cost provision on condominium and other forms of homeowners protection. This allows your destroyed property to be replaced without deduction for depreciation (your deductible would still apply to the loss). Of course, this may cost more.

Personal Liability Coverage

Personal liability coverage protects you if others make a claim or bring suit against you for bodily injury or property damage for which you or members of your family are responsible, either in your home or elsewhere and to which coverage applies.

In addition to settlement costs, this coverage may pay defense costs and court costs — even if a suit brought against you is groundless.

It is essential that you select liability limits high enough to protect your assets.

If you need more protection than your regular policy limits, consider a personal liability umbrella policy. It adds an extra layer of personal liability protection to your car policy, your boat policy (if you have one) and your condominium unit owners (homeowners) policy.

Medical payments coverage, typically \$1,000 to \$5,000 per person injured, is usually provided along with personal liability coverage. This pays medical bills of others injured in your home even though you may not be responsible for their injury.

Loss Assessment Coverage

This valuable coverage is uniquely designed for owners in condominiums/associations. It recognizes the potential for owners to be assessed for certain kinds of loss. Here are examples of circumstances that might require the condominium/association board to assess all unit owners:

- Someone is seriously injured on common property (perhaps at a swimming pool) and the courts award a judgment that's higher than the amount of liability coverage provided by the condominium/association policy.
- Major damage occurs to commonly owned buildings and it is not fully covered by insurance.

In either case (and other similar cases), loss assessment coverage would pay your share (up to a stated amount). You should review the need for this coverage with your agent and buy an appropriate amount of coverage.

Absentee Ownership

If you own a home in a condominium/association but rent it to others all or most of the time, special insurance arrangements also can be made. For example, you could:

- Reduce your personal property limits so they cover only your items in the unit you are renting out.
- Make sure you have coverage to reimburse you for the loss of rent payments if the unit becomes uninhabitable due to a fire or other covered loss.

Contact your agent for a complete review if you are in this situation.

Loss of Use

Should a major fire, explosion, tornado or other insured catastrophe severely damage your unit, you could need a substitute place to stay. Loss of Use coverage will cover the necessary increase in cost to maintain your standard of living. The amount of coverage is either a dollar value or may be limited to your actual costs for up to a specified time. You should review your limit with your insurance agent.

Other Special Needs

If you operate an office or small business in your home, you may need special coverage. Check with your agent if you have a home business or a hobby that could be considered a business. This will help make sure that you have the right kind of coverage.

Putting It All Together

Condominium/association living has grown in popularity and the insurance industry has responded by providing a broad selection of coverages and policies. Remember, however, that conditions in condominium/association bylaws and other governing regulations may vary widely. Be certain that your policy covers any potential gaps in the condominium/association master policy.

Discuss these needs with your insurance agent — someone you most likely already trust for your car, life and health insurance needs.

Don't delay. The best protection against financial loss is well-planned coverage of your home and your possessions.