



PERSONAL

INSURANCE PROTECTION CONDO UNIT & ASSOCIATION COVERAGE BASICS

UNIT OWNER INSURANCE



Owners of condominium units have unique insurance needs. Much of the building structure and common areas are typically insured by the Association's Master Policy, but

the **unit owner** should carry a condo unit policy, known as an "HO-6", and is, in fact required to carry such a policy by Florida law. While your association may be sympathetic to a burglary, fire or lawsuit you suffer, such losses are **not** generally covered by your Association's policy. Condo unit insurance protects your property exposures and liabilities.

The following terms outline some of the basic options and limitations to consider, while page two outlines of how your Condo Association's coverage and laws that generally impact unit owners.

DWELLING: Dwelling coverage on a condo policy is often known as **Improvements & Betterments** and addresses such items as alterations to the basic "shell" of the units, including floors, walls and ceiling coverings as well as built in appliances, cabinets and counters such as in a kitchen or bath.

SPECIAL ASSESSMENT: A special assessment is a fee charged to unit owners by a Condo Association Board to cover items not provided for in the budget. For example, if your building needs a new roof but does not have all of the needed funds to cover the expense, they can assess owners to pay a share.

PERSONAL PROPERTY: Personal Property, also known as Contents, provides protection for furniture, clothing, electronics and other items. Losses from wind, water, fire and theft are commonly covered.

LOSS OF USE: Loss of Use provides money to rent an alternate residence in the event that your unit is damaged and you must live elsewhere while repairs are made. Most policies will reimburse you the difference between your additional living expenses and your normal living expenses.

PERSONAL LIABILITY: Condo unit owner's insurance includes liability coverage to protect you in the event of a lawsuit if a person sustains bodily injury or their property is damaged due to your negligence. For example, if your dog bites a neighbor or someone trips on your steps, liability coverage can help protect you in the event of a lawsuit. Even if the amount of personal property you own is low, the value of having liability coverage is well worth the annual premium.

MEDICAL PAYMENTS: This coverage provides medical reimbursement for injuries sustained by someone on your property in the event that there was no lawsuit involved. For example, if a friend were to slip on your porch and sprain their ankle, this coverage would help cover their medical bills.

COMMON POLICY LIMITATIONS

Insurance policies are legal contracts that include a variety of terms, conditions, coverages, limitations and exclusions. Some limitations to consider include:

WINDSTORM & HAIL: Some policies include windstorm coverage, but some others do **not**. In those cases a separate wind policy is needed. Why would a unit owner need this type of coverage? Because if a hurricane were to break a window and destroy your possessions, you wouldn't be protected without it.

ANIMAL LIABILITY: Insurers often limit or exclude coverage for liability claims from an injury caused by an animal. If you own an animal it is important to closely consider your coverage, exclusions and options.

JEWELRY, ART & COLLECTIBLES: Items such as jewelry, artwork and collectibles typically have little to no coverage under a standard condo policy. For such items you should consider an endorsement to your policy or a separate Personal Articles Floater that lists each individual item and its value.

WHO IS INSURED: Most policies protect those named in the policy and resident relatives. Because extended family, friends, fiancés and roommates are not typically covered even if they live within your home, you should ask your agent to have them specifically named on the policy if you want them to have coverage.

RECREATIONAL VEHICLES: Most policies offer little to no coverage for recreational vehicles like golf carts, ATVs, motorcycles, scooters, jet skis or boats. Contact us to discuss these exposures and to consider a separate policy designed for such items.

FLOOD: If your condo unit is subject to flooding, flood insurance is crucial. The Association may have coverage, but it will not cover your possessions and neither will a basic condo policy. A separate flood policy will provide the coverage that you need.

DEDUCTIBLE: The deductible is the portion of a covered loss that is your responsibility. Deductibles are typically available in amounts like \$500.00, \$1,000.00 or \$2,000.00. Higher deductibles lower your premium but increase the amount you must pay out of pocket if a covered loss occurs.

VALUATION: You will have two choices for how you want the insurer to value your damage at the time of loss: actual cash value or replacement value. **Actual Cash Value** pays to replace your possessions minus a deduction for depreciation up to the limit of your policy. **Replacement Cost** pays the actual cost of replacing your possessions, without deduction for depreciation, up to the limit of your policy.



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ASSOCIATION MASTER POLICY

During the 2008 legislative session, Senate House Bill 601 made changes to the statute that addresses how insurance coverage must be provided under a Condominium Association's Master Policy and also the individual unit owner policies. This bill amends Chapter 718 of Florida Statutes and the **revised statutes that were made effective on January 1, 2009 are as follows:**

- **The statute maintains that certain parts of "Building" property remain the insurance responsibility of the unit owner** and are not covered under the Association's Master Policy. These include:

1. All personal property within a unit
2. Floor coverings
3. Wall coverings
4. Ceiling coverings
5. Electrical fixtures
6. Appliances
7. Water heaters
8. Built-in cabinets & countertops
9. Window treatments

- The association shall require **each unit owner to produce evidence of insurance coverage** no more than once per year. If evidence is not provided, the association may purchase a policy of insurance on behalf of, and at the cost of, the unit owner
- **Improvements and alterations made by unit owners shall be insured by the unit owner.**



- The Condominium Association's insurance must be based on the replacement cost of the property as determined by an independent insurance appraisal performed every 36 months.
- The board may determine the deductible on the property, subject to revised language in the statute.
- **Air conditioners are no longer on the list of excluded property**, however items such as wall coverings and cabinets remain essentially unchanged.
- The statute states that **the unit owner policy must include "special assessment" coverage of no less than \$2,000.00.**
- Reconstruction work after a loss shall be undertaken by the Association, except where specifically noted in the statute.
- All hazard insurance deductibles, uninsured losses, and other damages in excess of hazard insurance coverage under the hazard insurance policies maintained by the association, are a common expense of the condominium.
- The condo policy shall name the association as an Additional Named Insured and Loss Payee on all casualty policies issued to unit owners.

- By amending the by-laws (by majority vote) the Association may opt out of the allocation of or repair or reconstruction expenses.
- Those parts of the condominium that benefit fewer than all of the unit owners are to be insured by unit owners who have the use thereof, or may be insured by the association at the cost of those unit owners who have the use thereof.
- **The Association's master policy now covers heating, ventilating and air conditioning (HVAC).** This includes air handlers, heat pumps, thermostats, compressors and duct work located inside and outside of the units.

QUESTIONS? Our TEAM of experienced insurance professionals is happy to assist you at any time.

MORRIS & REYNOLDS INSURANCE



The Reynolds family has been in the insurance profession since 1910 and has operated its Independent Insurance Agency, Morris & Reynolds Insurance, since 1950.

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