

# SFI Group, Inc.

## Summary of Coverage's: Condominiums and HOA's

As a condo association member, your association takes responsibility and ownership for the common areas, the exterior of the building, and energy equipment. The interior of your unit, however, is your responsibility, and it's important to make sure your investment is protected.

### Dwelling Coverage

Insurance companies offer Dwelling Coverage, which generally insures the interior walls, drywall, wallpaper, paneling, flooring, carpeting, or built-in cabinets. This is the coverage you need to cover your part of the building; the unit you own.

Note: Some condo "Master Policies" provide all-in coverage. This means the entire building, including your unit, are covered. Check your condos Master Policy and find out if it covers your individual unit. If the Master Policy doesn't cover your unit, you need individual Dwelling Coverage.

**IMPORTANT! Read the highlighted section below regarding your condo documents!**

### Dwelling Coverage usually covers damage resulting from:

- Freezing of plumbing
- Accidental discharge or overflow of water from your plumbing
- Fire and lightning
- Wind and Hail
- Flood (available by endorsement)
- Explosions
- Theft, vandalism and malicious mischief
- Sudden, accidental damage from smoke
- Weight of snow, ice and sleet
- Sudden, accidental tearing, cracking, burning or bulging of a steam pipe or hot water heating system

### Dwelling does not cover damage caused by:

Earthquakes and floods are not covered events in the normal condo unit owner's form of insurance. If you want to insure your Condo against these risks, you may be able to buy an additional policy or endorsement for each of these.

- Theft by someone named on your Condo policy as an insured party.
- Normal wear and tear

### Do I need dwelling coverage for my unit?

- As noted above, your condo building Master Policy might have coverage for your unit. Find out if you have coverage, and if so, how much coverage, and at what deductible.

**IMPORTANT!** Note on Condo Documents: In some rare cases, your condo documents might say something different than your Master Policy. If your Master Policy says your unit is insured for dwelling, but your condo docs say otherwise, the condo docs win. A claims adjuster would

default to what the condo docs say, and you wouldn't have coverage. Make sure your condo docs state the same coverage as your Master Policy provides.

- If you have no coverage with your building policy, you should purchase dwelling coverage for the full replacement amount. Even if your building Master Policy provides some coverage for your unit, most condo owners still like to take out dwelling coverage for their specific unit, often around \$25,000 with a \$500 deductible. This is due to master policy limits, high deductibles, and condo document discrepancies (see above).

## **Personal Property**

Personal Property Coverage typically protects your personal belongings against the same list of risks and perils mentioned in Dwelling Coverage of Condo Policies Part 1.

Your personal property is not covered by a condo master policy, and you need to protect it. Unlike dwelling coverage, where the building policy might provide some coverage, your personal property is completely your responsibility.

Personal property includes everything you own in your unit, whether you purchased your unit furnished or unfurnished (Furniture, TVs, computers, rugs, clothing, books, cookware, etc.). Everything that is not attached to your condo is personal property and should be insured.

## **How Much Coverage Is Enough?**

There are a couple ways to determine how much coverage you need. The question is difficult: what is the replacement cost of everything you own? Most often, homeowners undervalue their property and end up under-insuring their property.

One method is to individually value each item in your home. This means taking an entire inventory of your home, assigning a value to each item. Many homeowners also like to take pictures or video of their home, to keep on file in case of a loss.

Another method of determining your personal property value is to use a simple multiplier. As a rule of thumb, for the first 1,000 square feet of your condo, assume \$40,000 in personal property. For each additional 500 square feet, add approximately \$5,000 in coverage.

Example: If your unit were 1,500 square feet you would want to consider purchasing \$45,000 in personal property coverage.

Unless otherwise specified, Coverage C - Personal Property Coverage is for actual cash value at the time of loss, which is the replacement cost of the item, minus depreciation. Buying an endorsement can increase this coverage.

## **Do you need more than actual cash value coverage for your personal belongings?**

We recommend replacement coverage for your personal property, rather than actual cash value. If you purchased most of your belongings a few years ago, their current depreciated value may be a lot less than what it would take to replace them.

Example: If your television is damaged in a fire, actual cash value coverage pays out the amount of money your 10-year-old TV would be worth today, which may only be a few dollars. Replacement cost coverage would pay for a new TV of the same size and functionality. This is why replacement cost coverage is always better than actual cash value.

If you have personal property such as firearms, jewelry, furs, antiques, collectibles, fine artwork, musical instruments or office equipment, you may need additional coverage. A standard condo policy usually has specific dollar limits for items like these. You can add or increase coverage amounts with an endorsement or additional policy.

### **Loss of Use**

If a loss occurs and your home is damaged, it will take some time for renovations. During this time, you will probably need somewhere else to live while work is being done. How will you pay for additional living expenses while your condo is being fixed?

Loss of Use Coverage will insure you for temporary housing expenses such as an apartment rental. Loss of use coverage will also cover lost rents you would have otherwise collected if the unit becomes uninhabitable due to a covered cause of loss.

The Loss of Use coverage usually has a limit based on a percentage of the Personal Property limit, often around 40%. For example, if you insure Personal Property for \$30,000, your Loss of Use coverage limit would be \$12,000 (40% of \$30,000).

### **Personal Liability**

One of the most important parts of a condo insurance policy is the Personal Liability Coverage. This will cover you against lawsuits, legal expenses, and medical costs if you are legally responsible for injury or property damage to others. The coverage here is variable, but we recommend you compare the needs for liability coverage to your underlying limits requirements for any personal umbrella you may have. If no umbrella policy exists, we suggest you purchase as much liability as is available.

### **Medical Payments**

If a person is injured in your condo, and they are not named on your policy, this coverage would pay for some minor medical treatment, such as exams or X-rays. Generally, this coverage is fairly low, but provides the insured with means to cover minor medical expenses without filing a claim against the Personal Liability Coverage portion of the HO6. Medical payments coverage is normally included on your HO6 policy.