



## Information on Condo Owner's Insurance – HO-6 Policies

### What is an HO-6 Policy?

An HO-6 policy is a personal insurance policy that provides coverage for the interior of the unit and also provides coverage for personal property, loss of use, personal liability and coverage for special assessments levied against the owners. The basic HO-6 policy consists of five coverage sections (standard in the industry) but the amount of coverage may differ by insurance company. Optional insurance coverages may be purchased to supplement and/or expand the underlying coverage.

HO-6 policies insure against loss and damage from covered perils. Typical covered perils include fire, lightning, wind and hail, smoke, theft, freezing of systems, explosion, falling objects, vandalism, riot, aircrafts and vehicles, volcanic ash, weight of ice and snow, sudden and accidental discharge of water or steam, electrical surge, glass or safety glazing and damage from home systems such as a water heater and air conditioning unit.

### Dwelling Coverage

This section of the HO-6 policy provides coverage for “items of real property” (building items) that pertain exclusively to the residence premises. Many insurance carriers will use this coverage for the unit owner to cover the Association's insurance deductible. CB Insurance recommends that unit owners discuss this coverage limit with their personal HO-6 agent or carrier to be sure it is sufficient to cover the following parts of the unit owner's dwelling:

Attached fixtures	Wallpaper/paint	Carpeting/flooring	Cabinetry
Appliances	Furnaces	Countertops	Plumbing fixtures
Doors	Trim work	Wood beams	Betterments & Improvements
Ceiling fans	Hot water heater	Air conditioning unit	

### Personal Property Coverage

This coverage provides insurance for personal items including everything that is not permanently affixed to the unit such as clothing, furniture, TVs and other electronics, appliances, rugs, bikes, linens, towels, dishes, utensils, pots/pans, toiletries, etc. Many people underestimate the value of their personal property and it's not until they suffer a loss that they realize they don't have enough insurance to replace all of their personal belongings. HO-6 policies also include special limits on certain classes of personal property such as jewelry, cash, securities, furs and property away from the premises.

There are two types of settlement options for Personal Property: Actual Cash Value or Replacement Cost.

- Actual Cash Value will replace or repair the damaged/lost property minus depreciation.
- Replacement Cost will provide the full value to replace the damaged/lost property deduction for without depreciation.

## **Loss of Use Coverage**

This coverage will normally pay for the reasonable increase in expenses to maintain your standard of living for a certain amount of time due to a covered loss. This coverage may reimburse you for the cost to stay in a hotel and for additional living expenses incurred due to a covered cause of loss. Coverage can be stated in terms of time or dollar amount. For example, a policy may provide coverage for up to 12 months or it may provide a flat dollar amount.

## **Personal Liability Coverage**

Personal Liability coverage protects you against the legal responsibility for bodily or property damage caused to other people on or away from your premises. An example would be a severe slip and fall injury incurred by one of your guests who hold you liable for their injury. It also covers the cost to defend you in court and to cover monetary damages up to the policy limit. The Coverage E amount is typically available at \$100,000 or \$300,000 limits and some HO-6 carriers can offer higher limits.

## **Medical Payments to Others**

This coverage provides payments to your guests who are accidentally injured at your premises for reasonable medical expenses such as an examination, ambulance ride, hospital visit, x-rays and surgery. Coverage F is usually provided with a \$1,000 or \$5,000 limit and can be increased. This is considered a “goodwill” type of coverage with no liability required for a coverage trigger.

## **Loss Assessment Coverage\***

Loss Assessment coverage responds when the loss assessment imposed by the Association is the result of a claim that otherwise would be covered by the Association’s master policy but is not because of inadequate limits or possibly because of a high deductible that must be borne by all unit owners. Limits vary by company, range from \$1,000 up to \$50,000, and usually can be increased. The cost to increase this coverage limit is usually minimal. CB Insurance recommends that unit owners carry at least \$10,000 in Loss Assessment coverage to cover their responsibility for loss deductibles. Note that Loss Assessment coverage does not apply to financial assessments that are not related to insurance claims.

\*Owners who are renting their unit to a tenant need a Rental Dwelling policy instead of a Unit Owners Homeowners policy. Since dwelling policies differ from HO-6 policy forms, be sure to ask your agent or insurance carrier your policy contains, or if you can obtain, loss assessment coverage. Many dwelling policies do not automatically cover loss assessment, therefore, it is important to check.

**This outline is for informational purposes only. Your HO-6 insurance agent should be consulted to assist you in determining the limits applicable to your coverage needs. We also encourage you to share the CB Insurance Unit Owner Packet with your personal HO-6 agent which provides coverage information on the Association’s master policy.**



## Important Questions for Your Personal Insurance Agent

1. Does my policy include Loss Assessment coverage?
2. If yes, what are my policy limits for Loss Assessment?
3. Can the limit be increased? If so, what is the maximum amount available and the cost?
4. Will my Loss Assessment coverage pay for a special assessment that is due to the Association's master policy deductible?
5. Is there a lower limit paid by my carrier if the reason for my Loss Assessment claim is to pay my portion of the Association's deductible?

**This is a very important question! Some carriers will show higher limits on the policy declarations page but still not cover a loss assessment (or offer a sublimit of only \$1,000) if it is triggered by the master policy's deductible. This is not something you want to find out after a loss has occurred.**

*CB strongly recommends that you contact your personal insurance agent (or carrier) to ensure your personal Homeowners insurance policy offers adequate limits for all your coverage needs.*



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