



Insuring Your Property Properly

By: Michael Berg

Ownership of a condominium is a unique endeavor. At times it can be relieving to know that someone else is responsible to make sure the exterior of your unit and the common area of the complex are kept in good condition. However, understanding how the Association Master policy works and what you need to do to protect yourself can be tricky.

The Association Master Policy covers common area Liability (the places everyone shares-walkways, picnic areas, pools, etc.) and Property maintained by the Association (buildings, pool house or club house, guard houses, etc.). The Association also insures the structure in which you live for accidental direct physical loss. At The Villas at Rancho Via Verde, this coverage carries a \$**** deductible for property loss. The coverage includes the exterior of the building and extends to the interior surface of the drywall. The policy also includes interior built-in items, such as floor coverings, countertops and cabinets, similar in like kind and quality to that of original installation.

It is the responsibility of the unit owner to insure, repair and maintain items attached or built into the unit. Items of this nature include floor coverings, wall coverings, cabinets, bathroom fixtures, etc. These items are sometimes called Building Property, Interior Improvements and Betterments, or Additions and Alterations.

The unit owner can purchase a policy to cover their personal exposure. A short conversation with an insurance agent, using some of the information provided below, can help ensure your personal exposure is protected in a way that works well with what the Association already has insured.

An HO-6, or Condominium Unit Owners Policy, is available for purchase through many major insurance companies. Of the coverage available in this contract, perhaps the most important are Personal Property, Building Property and Personal Liability.

Personal Property is your clothing, bed, television, kitchen items, etc. If you picked your condo up and flipped it over, your Personal Property would fall out. You need to determine roughly how much you would spend if you had to replace those items and include that amount as your limit of Personal Property.

Building Property is the interior improvements and betterments to your unit. When you turned your condo over just a moment ago, the Building Property is everything that stayed inside (cupboards, bathroom fixtures, floor coverings, etc.). Your limit of Building Property needs to be written at a level that would replace the interior fixtures and improvements. We



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recommend contacting a contractor and having that professional determine the approximate cost per square foot to replace the interior fixtures and improvements, then include that number as the Building Property limit. In some policies, such as the one offered by Farmers Insurance, this coverage will also pay for your responsibility of the Association Master Policy deductible.

Personal Liability is your liability for personal injury or property damage to a third party. If someone trips and falls on your property, this coverage could be used to pay medical expenses for their injuries, as well as any defense and judgment made or imposed on you in a lawsuit.

Other coverage limits and policy types to discuss with your agent are Loss Assessment, Loss of Use, and the California Earthquake Authority (CEA). Usually, you can get a discount for having more than one policy type with the same carrier, so start with your auto insurance agent.

There has been some discussion over the insurance needs of an owner who rents his/her unit to others. The policy these individuals need to purchase is a Condominium Rented to Others policy. It is essentially the same policy described above, except that personal property insurance is typically reduced because the property owner does not have personal items in the unit. Of course, that would change if the unit were rented fully furnished. In any case, each owner who rents a unit to others should require their renter purchase a Renters Insurance policy. These policies protect the liability exposure of the unit owner and, in turn the Association.

In the world of condo insurance, things can get tricky and confusing very quickly. We urge you to contact your insurance professional or the professionals in our office and discuss how these and other policies work together to protect the exposure you have in the environment of a Community Association.

Michael Berg has been a licensed insurance agent and member of the Berg Insurance Agency since 1999. He received his Masters in Business Administration from Chapman University. Michael is very active in Community Association Institute, currently co-teaching the insurance section of CAI Orange County's Community Leadership Training Program.

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