

# Q&A for HOA insurance

*Updated September 15th, 2021.*

## **Q: What does the HOA insurance policy cover?**

**A:** In general, each condo is covered at full replacement value, as purchased., in the event of damage due to a specific cause or sudden act (and not due to maintenance issues or neglect). Valuation software is used that takes into account the style, square footage, fixtures, and types of finishes in order to determine replacement costs at today's prices. "As purchased" refers to the fixtures and finishes that were in the condo when it was originally built in purchased by the first owner. If a homeowner made upgrades to a condo after the time of purchase, the homeowner would need to cover the difference in cost between the original item and the upgraded. If replacement was necessary.

A basic way to understand what is covered by the HOA Insurance is to imagine that you were to turn your condo upside down. In general, anything that remained in place would be covered (an exception is appliances). Anything that shook loose and fell (your furniture, clothes and so on) would not be covered by the HOA policy. Those items would fall under your "personal property" coverage with your individual insurance policy.

## **Q: Can you give an example of the difference between a "sudden act" and a "maintenance issue"?**

**A:** Water damage from a pipe bursting and flooding the kitchen would be covered. The repair to the pipe itself might not be, but damage to the flooring, cabinets, etc. would be covered because the damage was due to a sudden bursting of the pipe. If the same pipe had a slow leak that, over time, led to water damage, it would not be covered because that would not be sudden and would be considered a maintenance issue, something the homeowner should have noticed and repaired.

## **Q: I am not the first owner of my condo. How do I know what the original finishes, fixtures, etc. were when it was first built?**

**A:** If you are a second, third, etc. owner of a unit and you are unaware of any upgrades by the previous owner(s), coverage is probably provided by the HOA policy because the valuation includes 15% over the replacement cost as well as its inflation guard. What is not covered by the HOA policy should be covered by your individual policy, assuming the proper coverage was obtained.

**Q: What coverage should a homeowner carry in their individual policy?**

**A:** In general, you want to insure your personal property, which is basically anything that is not permanently installed in the home. You also want coverage if you've made *major* upgrades, like a kitchen renovation, after the original purchase date. The latter would be under the Coverage A (Dwelling Protection) section of your insurance policy, and it is suggested working with your agent to establish an appropriate coverage if you have major renovation/upgrades since the time of purchase. Your policy should also have loss assessment coverage (suggested around \$50,000). Also, it's a good idea to have liability coverage of at least \$300,000, or maybe even \$500,000. (THESE ARE SUGGESTIONS; YOU SHOULD DISCUSS THESE WITH YOUR INSURANCE AGENT). Another thing to make sure is on your policy is that the Ravenswood Homeowners Association is listed as an "additional insured".

**The following are comments from a Ravenswood resident which were added to this summary and maybe of interest to all residents:** "My condo insurance policy had a loss assessment amount of \$5000". I believe our biggest risk for Ravenswood is a pool accident for a guest. We learned from our insurance meeting that we have a \$2 million max per claim. A serious pool accident could possibly be for an amount over that, especially if it involved a child. At a \$5000 loss assessment per 80 residents, that would only give the association an additional \$400,000 available with each condo owner then responsible for the difference out of pocket. I raised my loss assessment coverage to \$50,000 and the cost was just \$10 per year. I believe we would all rather spend \$10 per year rather than possibly thousands all at once.

**Q: Do I need a renter's or tenant's policy?**

**A:** No, you are an owner, so you *do not* want a renter's or tenant's policy. You want a condo owner's policy, which has extra coverage built into protect you as an owner of the property.

**Q: is a copy of the HOA insurance policy available for the homeowners to review?**

**A:** Yes. You HOA has a copy filed that you can review (only at the Clubhouse). Contact one of you HOA Members.

**Q: My cement is cracked. Is that covered under the HOA Insurance?**

**A:** If it can be tracked back to a specific cause, yes. If it cracked due to normal wear and tear, no.

**Q: If my neighbor's water tank breaks and floods my condo, will the damage be covered?**

**A:** Yes, damage from that would be covered.

**Q: Is damage from an earthquake covered?**

**A:** Yes, and the policy covers the masonry. There's a larger deductible, but yes.

**Q: What is the deductible?**

**A:** The HOA must pay a \$2500 deductible on a per-occurrence basis. For example, if one homeowner has a pipe that bursts and submits a claim for the damage, the HOA pays a \$2500 deductible on that claim. If another homeowner has a pipe burst the next day, that would be another \$2500 deductible. If a tornado goes through and damages five homes, that would only be one \$2500 deductible because the cause of the damage (the tornado) was one occurrence.

**Q: Is the clubhouse covered? And its contents?**

**A:** Yes and yes.

**Q: What if I have to stay in a motel while my place is being fixed? Are motel costs covered?**

**A:** No

**Q: What about claim frequency? Will lots of claims jeopardize our insurance?**

**A:** Possibly. If you submit lots of small claims for several years, it's a red flag that there is some sort of pattern and something is wrong. However, if a bunch of storms go through the area in one year and damage home, necessitating multiple claims, that will not work against you. But in cases where the cost to repair something is just a bit above the deductible, the HOA board may choose to pay for the repair rather than submit the claim.

**Q: Who should I call if I have something that I think is a claim?**

**A:** Contact your Management Company. It's helpful if you contact them first so they can determine whether to move forward with an insurance claim or, in the

case of multiple claims (like after a storm), they can organize the claims for efficiency. However, if something happens and you need to contact a professional, in order to mitigate the damage, please do so.