



SCHNEIDERMAN INSURANCE AGENCY

Get wise about your insurance!

HO6 Condo Insurance – The Other Half of Your Condo Insurance



Frequently I speak with condo and townhome owners that are misguided as to what they need to properly insure their residence. HOA's master policies are not sufficient on their own to insure a condo or townhome. Not included in the master policy is coverage for personal liability, personal property (contents), interior improvements and upgrades and more. Those who do not have an HO6 (walls-in) insurance policy in addition to their HOA master policy are risking more than they realize by not being properly insured – and most who do not have an HO6 don't even know the difference.

Until around 2010, lenders did not require condominium owners to obtain property insurance beyond coverage provided in the condominium association's master policy. New condominium and townhome lending guidelines from Fannie Mae (FNMA) and FHA now require borrowers to obtain an H0-6 insurance policy.

The condominium master insurance policy typically covers items such as the exterior of the building, common areas, elevators and the roof – these items can be referred to as “studs out”. The master policy, in most instances, does not cover the unit owner’s wall coverings, flooring, and other improvements within the unit – typically referred to as “walls-in”.

In addition to the HO6 condo owner’s policy insuring the improvements inside of the unit, the HO6 policy also provides coverage for the unit owner’s contents as well as personal liability coverage. Personal liability insurance is an important part of your insurance portfolio that provides coverage if you’re found liable for bodily injuries to others and/or damage to their property, your HO-6 policy will generally cover you up to certain limits.

An HO-6 policy will cover losses caused by certain perils named in the policy. Typically, these perils include fire, smoke, explosion, vandalism, theft, riot, lightning, storm, broken glass, aircraft, and volcanic eruption. To cover additional perils, you may want to purchase separate protection such as an earthquake insurance policy and a flood insurance policy as those perils are not covered under a standard HO-6 policy and if the HOA has a master policy for those perils the same issues arise when it comes to the improvements in your unit as well as contents within the unit.

HO-6 policies can also provide coverage for assessments applied to an individual unit due to a direct loss to the condominium. The loss must be covered under the unit owner’s individual policy, not be levied by a governmental agency, and not be related to earthquake or flood damage. Note that not all special assessments are covered. A standard condo policy typically includes up to \$1,000 in loss assessment coverage. Additional coverage can be covered for a nominal amount. This coverage is like a “safety net” to protect the unit owner against a special assessment that might result when there isn’t adequate coverage in the Master Policy. As associations and their properties get older and reserves don’t keep pace with the need of the association, special assessments occur more often. Loss Assessment coverage does not protect against a special assessment due to deferred maintenance, normal wear and tear, latent building defects as well as other losses not associated with a covered peril

When you really consider the alternatives the HO-6 policy is a must have for every condominium owner, regardless of what your associations master policies may cover.

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