

## Hail Damage, Insurance, Deductibles and Special Assessment

### HOA Insurance: single family or condominium HO6

Do yourself a favor and review your homeowner's insurance. If you live in an HOA or condominium (with an HOA) your insurance needs most likely are different from that of a home not governed by an HOA. You may be over insured. Most HOA homeowners get what is referred to as an HO6 policy. The policy normally covers that which is inside the home and that which is not addressed via the HOA community policy. Read the specifics and ask questions. Get your insurance agent and HOA involved so the right questions are asked and the right coverage meets your needs.

If you live in a single family home in an HOA you may be eligible for a condo insurance policy, HO6, depending on the insurance carried by the HOA. The cost of an HO6 policy is normally less than a regular/non-HOA policy. Worth repeating: Ask your HOA and insurance agent about the type of insurance policy you need. If an HO6 policy is applicable then the next issue to be addressed is the amount of risk (liability) or deductible that you are willing to accept in the event of a claim: the amount you will be responsible for in the event of an community HOA insurance claim and a personal claim. The deductible is your financial responsibility in a claim. For example, if your loss is \$1,000, your deductible is \$200, then you pay \$200 and the insurance company pays \$800. The lower the deductible the higher your insurance rate.

Just a quick note: Your total cost of homeowner's insurance is the amount of your personal policy plus the amount of your HOA dues paid toward the community policy.

Overview: There are two types of condo insurance policies, one for individual condo insurance owners (which can include single family, patio and townhome units) and another for the condo (HOA) owners association, says the [Insurance Information Institute](#) (III). Your individual [condo insurance policy](#) helps to protect your personal unit — helping to pay for damages to your home and personal belongings. A [condo association insurance policy](#) typically covers the building, including the roof and siding, and common or shared areas, such as hallways and pools. Also called the master policy, the condo association's policy sometimes extends to the interior of the unit, says the III. In these cases, the master policy may cover standard fixtures, bare walls, floors and ceilings within each condo unit.

Typically, you'll only need to purchase insurance for your own personal condo unit, and the association's board will take care of getting the master policy for the building and shared spaces. (Keep in mind that your association dues pay for the insurance as well as other routine costs, such as maintenance.) It is a good idea, however, to understand what the association's policy covers and to be sure your insurance policy will help pay for necessary repairs to your home after a covered incident.

Reference a few articles on HOA and condo insurance for specifics: [article one](#) [article two](#). Ask your HOA and insurance agent about specific needs and review your policy at least yearly as any change in the community policy may impact your personal policy.. The idea is to complete a review of your insurance needs. Understand your liability for

any given claim be it within your home or that of a community claim in which you have to participate in paying your portion of the loss incurred by HOA. A simplistic example: if the community has \$1 million in roof damages to homes/units/buildings. The HOA community policy has a \$400,000 deductible: the HOA pays \$400,000, the insurance company pays \$600,000. Remember, you are the HOA and hence the \$400,000. If the community has 40 homes then each homeowner (if the HOA decides not to use any reserve funds) would be liable for a \$10,000 "special assessment". If your homeowner's insurance has a \$2,000 deductible you would, in most cases, pay \$2,000 out of pocket and the insurance company would pay \$8,000. Thus, the out-of-pocket cost to each homeowner is determined by the homeowner's insurance policy. If your neighbor had a \$500 deductible then they would pay \$500 and their insurance company would pay \$9,500. Your insurance policy deductible should reflect the amount of liability you want to accept in the event of any claim including a community-wide claim. This is a simple example so be sure to ask your agent and HOA about your liability on community claims.