



Why Condo Owners Need Their Own Insurance

AOAO maintains a “Master Insurance Policy” to cover property and liability claims involving the common property of the condominium association. This includes building exterior shell, internal walls, floors, ceilings, kitchens and bathrooms built-in cabinets under specifications of “as built”. Personal home owner insurance (HO-6) can cover the gap in what is not covered by the AOAO, including *upgrades, furnishings, personal property, and personal liability*. The intent of this article is to flag possible misunderstandings about unit owners insurance, and provide reasons why owners need personal insurance on their property.

Surprisingly, it is estimated that only about 60% of condo owners throughout the islands have personal HO-6 insurance. This number is getting higher since Condominium Law 514B was passed which allows Condominium Associations to require unit owners to provide insurance.

The standard policy for condominium unit owners (HO-6 policy) assumes that the property is intended for personal use by the owner and his immediate family. If renting, whether through Rental Pool or independently, you need a “rental endorsement” added to the standard policy. The same holds true if you have non-rental guests more than occasionally using your property in your absence.

The supplemental rental liability insurance offered by many Rental Pool Companies to participants is not a substitute for your own HO-6 insurance. The liability insurance offered by Rental Pool Companies covers only Rental Pool guests.

What happens if a water pipe bursts in your unit, and damages your neighbor’s property? If your negligence was a cause, then it is your liability coverage that reimburses your neighbor of his losses. Without this, you may be sued by your neighbor or his insurance company.

If your unit is damaged by fire or other loss, what are consequences of inadequate or no HO-6 insurance?

- The AOAO is obligated to repair only the basics of your unit to the original “as built” specifications. Items such as Upgrades to the flooring, cabinets, countertops, Personal Property, etc. are not insured by the AOAO’s policy.
- If you are responsible for the loss or it originates from your unit, and the AOAO is obliged to repair the damage, the AOAO can assess you for all costs incurred up to its insurance deductible. The most common deductible is \$5,000.
- The AOAO is not responsible for an owner’s loss of rental revenue or the cost of temporary relocation expenses during repairs. Protection is optional under a HO-6 policy.

Also for those who own a Condominium as a second residence, don’t assume that a liability umbrella on your primary residence extends to your HO-6 policy on your condo unit.

All accidents or damage should be reported immediately to the Property Management Company or Resident Property Manager so they can notify the AOAO’s insurance agents.

Coverage A	Dwelling (Upgrades and alterations to the unit)
Coverage B	Other Structures (not usually applicable)
Coverage C	Personal Property (Furniture, Clothing, Art, Computers, etc.)
Coverage D	Loss of Use
Coverage E	Personal Liability, including Landlord liability
Coverage F	Medical Payments to Others
Loss Assessment	Assessments imposed by AOA because the loss exceeds insured limits. (Some carriers include Deductible Assessments in this category.)
Hurricane	By Endorsement

To the left is a list of coverage usually found under HO-6 insurance. Since there are differences between each of the insurance carriers in their policy coverage and how they address issues such as Assessment of Deductibles, you should be aware that all policies are not the same. Individual requirements should be discussed between you and your insurance agent. The average annual costs for this coverage can be between \$150 and \$250 depending on limits and the various sections selected. The hurricane coverage can increase the premiums by an additional 50%.

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