NATIONAL ASSOCIATION OF REALTORS®

CONSUMER GUIDE: CONDOMINIUM INSURANCE

Buying a condominium often means navigating two insurance policies: one purchased by the condominium association and one purchased by the unit owner. Understanding how these policies work together can help you avoid coverage gaps and unexpected costs. A licensed insurance agent can help you evaluate your coverage needs, and your condominium association can answer questions about its insurance coverage.

What is condominium insurance? Unlike a single-family home, a condominium is typically insured through two separate policies.

- **Condo association master insurance** is purchased by the association and generally covers the building, roof and other common areas. Depending on the policy, it may also cover certain portions of individual units.
- **The unit owner's policy** (often an HO-6 policy) is purchased by the individual owner. Depending on the master policy, it may cover interior components of the unit, such as flooring, cabinets, fixtures and owner-installed improvements or upgrades. It may also provide personal liability coverage, coverage for personal belongings and protection against certain assessments charged to unit owners.

How do I know what each policy covers? Some master policies cover units as originally constructed. Others provide only "bare walls" coverage, leaving more responsibility with the unit owner. Responsibility for flooring, cabinets, countertops, fixtures and other interior components can vary by community. Before purchasing a condominium, ask the association, board or property manager what the master policy covers and what responsibilities remain with unit owners.

Is condominium insurance required? In many cases, yes. For condominiums eligible for financing backed by Fannie Mae or Freddie Mac, the condominium project generally must maintain master insurance coverage that meets certain requirements. Unit owners may also be required to maintain their own coverage. Buyers should consult their lender regarding financing and insurance requirements for a specific condominium.

What happens if the association's insurance is not enough? In some cases, unit owners may be responsible for a share of costs that are not fully covered by the condominium association's master policy, including certain deductibles or covered losses that exceed available coverage.

Some unit-owner policies include loss assessment coverage, which may help pay certain covered assessments charged to unit owners. Ask your insurance agent whether your policy includes this coverage and whether additional limits are available.

What if I cannot obtain condo insurance? In high-risk disaster areas, obtaining condo insurance may be more difficult. If you're having trouble finding coverage, consider working with an independent insurance agent who can compare options from multiple insurers. In some cases, surplus lines insurers that specialize in hard-to-place risks, or a state insurer-of-last-resort program, may provide coverage when traditional insurance is unavailable. An insurance professional can help you understand your options and any tradeoffs in coverage or cost.

Where can I get more information? Questions about the association's master policy should generally be directed to the condominium association, board or property manager. Questions about your personal insurance needs should be directed to a licensed insurance agent. The Community Associations Institute (CAI) also maintains a directory of credentialed professionals, including insurance specialists, through its Directory of Credentialed Professionals.

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