

Condominium Insurance

OFFICE OF THE COMMISSIONER OF INSURANCE (OCI)

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In some important ways, purchasing a condominium is different than owning a home. When you purchase a condominium you become the owner of the condominium unit but you also acquire an undivided interest with all other unit owners in the jointly owned common areas (i.e., corridors, common walls, etc.). Common areas are usually determined by definition in a policy and by interpretation of the condominium association bylaws or declarations.

Unit owners form a condominium association to manage units and also to form an entity owning the common elements. The association owns the condominium building(s) and may also own other property, such as a clubhouse or swimming pool. Generally, such property is insured by the association. The association policy should cover the basic structure and common property as well as liability for injuries on common property. Check with your association board and your insurance agent to be certain you fully understand your insurance responsibilities and those of the association.

Insurance Coverage

All homeowner's policies sold in Wisconsin are package policies combining four types of insurance coverage in a single policy: property, liability, medical payments, and additional living expenses.

Homeowner's Form 6 (HO-6) is a package of insurance specifically designed for condominium owners. As a condominium owner, you do not need to purchase insurance on the building you occupy. An HO-6 policy usually provides \$1,000 of coverage. Higher limits of coverage are available at additional cost. You may want to purchase insurance providing coverage for alterations, appliances, fixtures, and improvements made as part of the building within the condominium unit.

Personal property coverage will pay for a number of different types of damage including theft, smoke, vandalism, fire, explosion, falling objects, building collapse, and rupture of steam or hot water systems.

Personal property includes household contents and other personal belongings used, owned or worn by you and your family. You select a specified amount of coverage.

Personal liability coverage applies to accidents on and off your property if the injury or damage is caused by you, a member of your family, or your pet. The liability coverage, usually \$100,000, pays for any damages you are legally obligated to pay. Higher limits are available at additional cost. Personal liability insurance does not have a deductible you must meet before the insurer begins to pay losses. Liability coverage also requires the insurer to defend a claim against you.

Medical payments coverage will pay if someone is injured at your condominium regardless of fault. This coverage does not apply to you and members of your household. The basic medical payments coverage limit is \$1,000 per person, but higher limits are available at additional cost.

Additional living expenses coverage will pay for you to move into a motel or apartment temporarily and will cover certain other additional living expenses when you cannot live in your condominium. The typical policy will pay an amount up to 40% of your personal property limit.

Loss assessment coverage provides an additional coverage of \$1,000 when the condominium association levies an assessment to cover expenses for direct losses to the common property. For example, if someone is injured on common property, such as a swimming pool, the courts could award a judgment higher than the amount of liability coverage provided by the condominium association policy. Loss assessment coverage would also provide coverage for damage to commonly owned buildings not fully covered by insurance. *Check with your agent to see if loss assessment coverage is included in the policy.* Additional coverage may be available for an increased premium.

Additional Coverages

Your condominium owner's policy generally provides the following additional coverages:

Debris removal

Coverage of the expense of having debris which is left as a result of a loss removed from the premises.

Trees, plants, and shrubs

Trees, plants, and shrubs are usually covered for 10% of the limit of liability applying under the personal property coverage up to \$500 per item.

Reasonable repairs

If your property has been damaged, it is important to make any necessary temporary repairs to protect from further loss or damage. Expenses for making necessary temporary repairs are covered under your policy, so be sure to save any receipts or bills.

Credit card coverage

Personal property coverage extends to credit cards as well. Most policies will pay up to \$500 to cover unauthorized use of your credit cards.

Flood insurance

Typical condominium insurance does not cover flood losses. If your community is a participant in the National Flood Insurance Program (NFIP), you are eligible for federally sponsored flood insurance coverage for your condominium. Contact your insurance agent to learn more about your eligibility for flood insurance protection. For general information on the flood insurance program contact:

National Flood Insurance Program (NFIP)
U.S. Dept. of Homeland Security
500 C Street SW
Washington, D.C. 20472
1-888-379-9531

www.fema.gov/national-flood-insurance-program

Other Coverages to Consider

Absentee ownership

If you own a home in a condominium association but rent it to others all or most of the time, special insurance arrangements can be made. Contact your agent for a complete review.

Inflation

This coverage automatically increases the amount of insurance coverage on your building property and personal property as inflation changes the cost of replacing your property. The changes are based on the movement of an inflation index and are reflected in the premium on each renewal.

Business owners

If you operate an office or small business in your condominium unit, you will need special coverage. Check with your agent if you have a home business or a hobby that could be considered a business. This will help make sure you have the right kind of coverage.

Umbrella liability insurance

If you need more protection than your regular policy allows, you should consider a personal liability umbrella policy. Umbrella policies supplement the liability coverage you already have through your condominium owner's policy and your auto policy and provide an extra layer of protection.

For example, if you are responsible for someone's injury requiring \$150,000 of medical treatment and the liability limit of your condominium owner's policy is \$100,000, your umbrella policy will pay the additional \$50,000. Also, there are some situations, such as libel and slander, a standard policy does not cover. An umbrella liability policy enables people to protect themselves against catastrophic lawsuits in such situations.

The basic coverage limit for this separate policy is \$1 million. Higher limits are available. Umbrella policies are usually sold with a deductible ranging from \$250 to \$1,000.

How Much to Buy—Replacement Cost vs. Actual Cash Value

The main factor to consider in determining how much insurance to buy is the actual value of your belongings. This involves establishing the "actual cash value" of all your possessions, specifically the value of the property at the time it was damaged or destroyed. Actual cash value is determined by taking the cost of the property when it was new and subtracting the amount of depreciation. For example, a chair which costs \$500 to replace may have a reasonable "life" of 20 years. If it is destroyed after 10 years, its actual cash value might be much less than \$500, probably about \$250. The condition of your chair would also affect your insurance payment.

If you want insurance protection for the cost of repair or replacement at current prices, you can buy a personal property replacement endorsement with your policy. Replacement cost coverage does not include a deduction for depreciation.

The easiest way to determine value is to make a complete inventory of your belongings and try to determine their value at the time of inventory. Re-inventory and reevaluation of your belongings should be done annually. OCI offers a Personal Property Home Inventory at oci.wi.gov/Documents/Consumers/PI-224.pdf.

Some property increases in value over a long period of time. Examples are antiques, paintings, and silverware. You should insure these objects by listing them on the policy. Usually it is best to get extra insurance for your most valuable possessions. Your policy can be modified at additional cost to protect you against such losses. Be sure to discuss your coverage needs with your insurance agent.

Deductibles

A deductible is the amount of any loss you must pay before the insurance company will cover damages. Deductibles reduce costs because you pay the first \$100 or \$250 of every loss.

Deductibles save the insurance company money, since they eliminate many small claims. Typically, higher deductibles can reduce your premium.

Premium

The cost of condominium insurance depends on the type of building, the location, the amount of insurance coverage, and the deductibles. Brick buildings, for example, are more fire-resistant than stick-built buildings and sometimes cost less to insure. The building's location affects the cost of coverage because some communities have better fire protection than others. Some areas have greater crime and vandalism problems than others, which can affect the cost of insuring against such losses.

What To Do if You Have a Loss

When you are the victim of a theft, fire, or accident at your condominium, you should contact your insurance agent or company immediately. You should also notify the police if the loss is by theft. Claims should be filed as soon as possible after a loss occurs. Do not hesitate to request assistance from your insurance agent in filling out your claim form.

The company or agent will arrange for an adjuster from the insurance company to examine the damage and give an estimate on the cost of repair or replacement. You should negotiate the final settlement with the adjuster.

If your property has been damaged, it is important to make any necessary temporary repairs to protect from further loss or damage. For example, if windows are broken, have them boarded up to protect against vandalism or weather damage. However, no permanent repairs should be made until the company has inspected the property and agreed with you on the cost of repairs.

Tips on Loss Prevention

- Install smoke and heat detectors near sleeping areas.
- Keep your condominium clear of accumulated trash, oily rags, and combustible materials.
- Check lamps, lamp cords, and light switches to make sure there is no faulty wiring.
- Practice fire drills. Make sure everyone (especially children) knows what to do in case of fire.
- Keep matches away from children. Make sure smokers do not smoke in bed.
- Install adequate locks on your condominium and take other precautions such as not letting newspapers accumulate in your absence.

Trouble Finding Insurance?

Companies may choose the people they wish to insure. However, they may not refuse to insure you on the basis of race, color, creed, national origin, or ancestry. If you are turned down by one company, check with others. Companies have different standards.

Cancellation Requirements

Companies may not cancel your policy in the middle of a policy term unless you stop paying premiums, there has been material misrepresentation, there has been a substantial change in the risk assumed except to the extent the company should reasonably have foreseen the change or contemplated the risk, or the contract is breached in some other way. The insurer may refuse to renew your policy. If a company is going to refuse to continue covering you, it must provide you with written notice at least 60 days in advance so you have time to find other insurance. If the cancellation is because you have

not paid premiums on time, only 10 days' notice is necessary. When you are changing companies voluntarily, keep the policy you have until you are sure you have other coverage.

Remember:

- **Review your condominium association bylaws and declarations to understand the coverage you have or need.**
- **Shop around.** All companies are not the same. Their prices, policy provisions, claims practices, and services differ. Do not be afraid to ask questions.
- Agents and companies differ. Friends may have some recommendations. If not, try the internet.
- **Read your policy** before a loss occurs so you will know exactly what coverages it provides and what you should do if you have a loss. If you have questions, do not hesitate to ask your agent.
- Before signing an application for any insurance coverage, verify the company and agent you are dealing with are licensed in Wisconsin. Licensing information about agents and companies can be found on OCI's Web site at oci.wi.gov or by calling 1-800-236-8517.
- Prepare ahead of time by making sure you have a comprehensive inventory of your personal property. See the Personal Property Home Inventory on OCI's Web site at oci.wi.gov/Documents/Consumers/PI-224.pdf.
- Keep a record of the serial numbers of your most valuable possessions.
- Claims should be filed as soon as possible after the loss occurs.
- Wisconsin laws prohibit insurance companies from refusing, cancelling, or denying insurance coverage to a class of risks solely on the basis of past criminal record, physical or developmental disability, mental disability, age, race, marital status, sex, sexual preference, "moral" character, location, or occupation.

You may wish to contact one of the following insurance industry associations or groups for further information:

Independent Insurance Agents of
Wisconsin (IIAW)
725 John Nolen Drive
Madison, WI 53713
(608) 256-4429 or
1-800-362-7441
www.iiaw.com

Professional Insurance Agents of
Wisconsin (PIAW)
6401 Odana Road
Madison, WI 53719
(608) 274-8188 or
1-800-261-7429
www.piaaw.org

Community Insurance Information Center (CIIC)
600 West Virginia Street, Suite 101
Milwaukee, WI 53204
(414) 291-5360
insuranceinfo-ciic.org

Have a Complaint?

If you have a specific complaint about your insurance, refer it first to the insurance company or agent involved. If you do not receive satisfactory answers, contact OCI.

To file a complaint online or to
print a complaint form:

OCI's Web Site
oci.wi.gov

Phone
(608) 266-0103 (In Madison)
or
1-800-236-8517 (Statewide)

Mailing Address
Office of the Commissioner of Insurance
P.O. Box 7873
Madison, WI 53707-7873

E-Mail
ocicomplaints@wisconsin.gov
Please indicate your name and phone number.

**Deaf, hearing, or speech impaired callers
may reach OCI through WI TRS**