



[Back To Education Home](#)

[Back To Education Library](#)

[Print this Page](#)

Condominium "Coverage A" Amounts-How Much is Enough?

By [David Thompson, CPCU](#)

Insurance professionals have heard the question hundreds of times: "How much building coverage should I carry on my HO-6 unit owners policy?" If only there was an easy answer to this question.

Insurance professionals realize that building coverage limits must be selected by the insured; that's of course easier said than done. When a homeowners policy is provided on single-family dwellings there are tools available to insurance agencies to assist them in determining the estimated replacement cost. For example, many insurance companies provide cost estimating software programs ("costimators") that are useful tools to help establish an estimated replacement cost of the dwelling. Unfortunately fewer such tools are available for determining condominium Coverage A amounts.

Unit owners need to select a limit of insurance based on the items that are their insurance responsibility. For starters, during the 2003 and 2008 sessions the legislature clarified/changed what the unit owner is responsible for, as a minimum. That list includes the following items:

- Floor coverings, wall coverings, and ceiling coverings (Paint, wallpaper, etc)
- Electrical fixtures
- Appliances
- Air conditioning or heating equipment **
- Water heaters
- Water filters
- Built in cabinets and counter tops
- Window treatments, including curtains, drapes, blinds, and hardware
- Replacements for any of the above listed property
- Air conditioning compressors that serve only one unit no matter where located

** As of 1/1/09 air conditioning and heating equipment is no longer excluded under the condominium association master policy, per House Bill 601 signed into law in 2008.

(For a complete analysis of the condominium coverage situation see our on-line Education

Library article titled "Condominium Coverages")

Additionally, if the unit owner has upgraded any of the original items, then those upgraded items become their responsibility. For example, if the standard bath tub, sink, and toilet were removed and replaced with expensive gold-plated fixtures at an increased cost of \$4,000, that amount must be insured by the unit owner. If new interior walls or custom bedroom closet cabinets were installed then those items are also the responsibility of the unit owner.

During the 2008 legislative session House Bill 601 was passed. This new language makes it clear that if a unit owner installs items of real property which benefit less than all unit owners (such as an enclosed balcony, BBQ pit, or new interior walls as examples) these items are the insurance responsibility of the unit owner.

Another change during the 2008 session was the ability of the association bylaws to change the way property losses are handled if the master policy does not cover the loss, or if the loss is below the association policy deductible. The statute, 718.111(11)(j), states that such losses are a common expense of the association. The association, however, may alter the manner in which losses are allocated after meeting certain statutory requirements. For example, if the bylaws are properly amended a unit owner could be required to pay for a major fire loss confined to their unit that was below the association deductible. This would necessitate the unit owner having an adequate Coverage A limit on their HO-6 policy. It will make it even more difficult for a unit owner to decide on an appropriate amount of Coverage A since it will vary from association to association. Before selecting a Coverage A limit now, it's essential that a unit owner read the association bylaws to see what responsibility each unit owner may have at the time of a loss to property within their unit.

Once the unit owner has an idea of what items must be insured, a limit of insurance must be selected and only the unit owner knows these costs. Prices can vary dramatically for some of the items. For example, carpet can range from \$10 per yard to well over \$50 per yard; refrigerators cost between \$400 and \$6,000. (Yes, six-thousand dollars!); air conditioning units range from \$2,000 to well over \$8,000; cabinets can range from around a thousand dollars to tens of thousands.

The unit owner has to be the one to select coverage; there simply is no way that anyone else (including the agency personnel) can come up with an accurate figure. Costs start to add up quickly and those who casually say, "I have \$15,000 of coverage so that's adequate" may find themselves woefully short of insurance proceeds come claim time. Claims adjusters have advised FAIA that they have handled condominium claims for building damage with payment amounts in excess of \$100,000. While it's easy to discount such claims as "not the norm" it does point out that those who carry minimal building limits on their HO-6 unit owners policy may regret the decision after the claim.

The below list, while certainly not all inclusive, is a starting point for unit owners to use when selecting a Coverage A amount. By estimating the costs for the below items (plus any estimated installation charges) the unit owner would have a "bare minimum" figure to start with when selecting a Coverage A amount.

Insurance Responsibility per Statute

\$_____ Interior paint

\$_____ Carpet, tile, vinyl

- \$_____ Ceiling tile/"popcorn"
- \$_____ Interior lights
- \$_____ Ceiling fans
- \$_____ Exhaust fans
- \$_____ Range
- \$_____ Built in microwave
- \$_____ Dishwasher
- \$_____ Refrigerator (If building property)
- \$_____ Garbage disposal
- \$_____ Air conditioning unit (** see 1/1/09 change)
- \$_____ Water heater
- \$_____ Water filtration systems
- \$_____ Kitchen cabinets
- \$_____ Bathroom cabinets
- \$_____ Laundry room cabinets
- \$_____ Counter tops
- \$_____ Curtains & blinds & hardware
- \$_____ Insurance responsibility per condo bylaws (2008 changes)

Upgrades & Additions (Examples only, not all-inclusive)

- \$_____ Bath tubs
- \$_____ Sinks
- \$_____ Toilets
- \$_____ Windows
- \$_____ Interior shutters
- \$_____ New interior walls
- \$_____ Other

\$_____ Other

\$_____ Other

Summary

The bottom line is that the process of selecting the Coverage A/building limit on the HO-6 unit owners form is a difficult task. The unit owner is the one who must make the selection after careful analysis of what the costs to rebuild may be. Finally, it's better to err on the side of caution and have "a little too much coverage" come claim time.

Copyright FAIA, 10/6/08, David Thompson