Habitational Insurance for Homeowner Associations

PROTECTING COMMUNITIES, PRESERVING VALUE

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What is Habitational Insurance?

- \- Specialized property & liability insurance for residential communities
- \- Covers multi-family dwellings, condos, townhomes, apartments
- \- Protects both common areas and association responsibilities

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Why HOAs Need It

- - HOAs are responsible for shared property & structures
- - Governing documents often require coverage
- - Provides financial protection in case of:
-     • Property damage
-     • Liability claims
-     • Catastrophic events

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Core Coverages

- - Property Insurance – Buildings, clubhouses, pools, landscaping
- - General Liability – Injuries on HOA property
- - Directors & Officers Liability (D&O) – Protects HOA board decisions
- - Crime/Fidelity Coverage – Theft or misuse of HOA funds

What’s Typically Covered

- - Fire, wind, hail, water damage
- - Slips, trips, and falls in common areas
- - Lawsuits against the HOA or board members
- - Damage to shared assets like roofs, elevators, or fences

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Supplemental Coverages

- - Crime/Fidelity Bond – Protection against theft or fraud involving HOA funds
- - Workers' Compensation – If employees or contractors are hired by the HOA
- - Umbrella Liability – Extra layer of protection beyond standard policies

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Catastrophic Coverage

- - Flood Insurance – Required in FEMA flood zones
- - Earthquake Insurance – Important in seismic regions
- - Windstorm/Hurricane Coverage – For coastal HOAs

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What's Not Covered

- - Homeowner personal property (covered by HO-6 policies)
- - Flood & earthquake (separate policies required)
- - Wear and tear / poor maintenance

Individual vs. HOA Coverage

- HOA Policy Covers:
- - Common structures (roofs, hallways, elevators)
- - Amenities (clubhouse, pool, playgrounds)

- Homeowner Policy Covers:
- - Interior of unit (walls-in coverage)
- - Personal belongings
- - Personal liability

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Key Insurance Considerations

- - Review HOA governing documents & lender requirements
- - Ensure coverage limits are updated to current property values
- - Regularly compare policies with community risks

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HOA vs. Homeowner Responsibility

- - HOA policy: Common areas, exterior structures
- - Individual homeowner policy: Interior walls, personal belongings, liability inside unit
- - Encourage residents to carry their own coverage

Risk Management Tips for HOAs

- - Regular property inspections
- - Clear maintenance responsibilities
- - Update insurance values annually
- - Work with an experienced insurance broker

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Benefits of Adequate Coverage

- \- Preserves property values
- \- Reduces financial risk for members
- \- Helps maintain lender compliance
- \- Provides peace of mind for the community
- \- Most associations are bound by their documents to carry insurance

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Next Steps for Your HOA

- - Review current policies
- - Assess coverage gaps
- - Consult with insurance professionals
- - Educate homeowners about their individual responsibilities

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Understanding Wind & Hail Deductibles

FOR CONDOMINIUM ASSOCIATIONS

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What Is a Deductible?

- \- The portion of a loss the association must pay before insurance kicks in
- \- Example: If damage = \$100,000 and deductible = \$10,000 → HOA pays first \$10,000

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What Makes Wind/Hail Deductibles Different?

- - Often based on % of Building Value (e.g., 2%)
- - May apply Per Building or Per Occurrence
- - Can result in higher out-of-pocket costs after storms

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Example Scenario

- - Condo insured for $5,000,000
- - Wind/Hail Deductible = 2% per building
- - Deductible = $100,000
- - HOA must pay $100,000 before insurance responds

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Who Pays the Deductible?

- - Determined by HOA governing documents
- - HOA may use reserve funds
- - HOA may levy special assessments
- - Owners' HO-6 policies may help via Loss Assessment Coverage

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Why It Matters to Condo Owners

- - Deductibles can be very large (six-figure amounts)
- - Owners may share costs after storm damage
- - Owners should:
- • Carry HO-6 policy with Loss Assessment Coverage
- • Understand association's insurance deductibles

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Key Takeaways On Deductibles

- - Wind/Hail deductibles are usually percentage-based
- - Can represent significant costs to the HOA and owners
- - Proper HOA reserves and HO-6 coverage are essential

General Liability Insurance

- Typically, you see on the general liability insurance 1,000,000/2,000,000

The Two Numbers:

- **$1,000,000 Per Occurrence Limit**
  - The maximum the insurer will pay for **one single claim or incident**.
  - Example: A visitor slips and falls at the clubhouse, sues for $900,000 → the policy would cover it (minus deductible).
- **$2,000,000 Aggregate Limit**
  - The maximum the insurer will pay for **all claims combined within the policy period (usually 1 year)**.
  - Example: Multiple claims in one year totaling $2M → once limit is reached, the HOA is responsible for additional costs.

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Umbrella Policies

•An **extra layer of liability protection** that sits on top of the HOA's existing insurance policies (general liability, D&O, auto liability if applicable).
•Kicks in when underlying policy limits are exhausted.

How it works
•HOA is protected from paying out of pocket.
•HOA has General Liability: $1M per occurrence / $2M aggregate.
•HOA purchases Umbrella Policy: $5M.
•If a $3M lawsuit occurs:
•General Liability pays first $1M.
•Umbrella pays the remaining $2M.
•HOA is protected from paying out of pocket

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Thank You

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PROTECTING COMMUNITIES TOGETHER

CONTACT YOUR HOA OR INSURANCE AGENT

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