

The Complete Guide to Condo Association Master Insurance

What kind of insurance does a condo building need?

Condo buildings have unique insurance needs because each unit owner owns a portion of the building. In this “shared ownership” situation, condo building residents will form a condo association or a condo board to oversee the management of the building.

Whether a 100 unit high-rise or a small duplex with two units, condo owners need to form an official association. This group makes decisions for the building, they manage building expenses, and generally take care of the management of the condo building. Since the building has joint ownership, you need joint decision-making.

Every multi-unit building needs a “master policy”

When it comes to insurance, every condo building needs a master policy. This policy provides coverage for general liability, common area property, and several optional areas of risk as well. Individual unit owners also need a separate policy to cover their personal property, but a building master policy is required to cover shared risks.

This master policy is not purchased by an individual, but by the condo association. Associations should establish themselves as a legal entity, such as a trust or LLC. When the master policy is purchased, it is issued in this name.

For example: the Named Insured on a master policy might be “542 Beacon Street Condo Trust”. This establishes them as an organization instead of individuals.



Even this 2 unit condo needs a master insurance policy

What does a condo master policy cover?

The condo building master policy must cover two key risks: General Liability and Property (common areas). There are many additional coverage that you should consider, but these two parts are the main focus of a master policy. The building and the condo association need coverage against physical damage to the property, as well as liability protection.

A master policy will cover general liability, the common area property, and several other risks

The additional coverages listed below are very important as well. They take your building protection even further with better property coverage, personal liability coverage for condo board members, and even coverage for theft of condo funds. These are just a few examples; there are dozens of add-on coverages that you might consider. The different areas of coverage are described below.

Standard Coverage

General Liability- This covers the condo association from a liability standpoint. A classic example is the "slip & fall", where someone is injured on your property and files a lawsuit. With a master policy you will have liability protection. The coverage amount for liability can vary, but is often \$2-5 million dollars.

Property- This provides coverage for the common areas of your condo building, including hallways, elevators, sidewalks, the roof, basement, and building equipment such as boiler and machinery. Much like a homeowner policy, these items need to be covered for a condo building. The joint ownership aspect of a condo building requires this to be covered with a master policy.

Property coverage limits are based on the value of the building. The value can be either Actual Cash Value or Replacement Cost Coverage. Actual Cash Value pays the amount needed to replace the damaged item, minus depreciation. Replacement Cost Coverage pays to fully replace the damaged item, regardless of depreciation at the time of loss. We will discuss this more later, but Replacement Cost Coverage provides better protection.

Additional Coverage

Directors & Officers- This provides protection for the directors and officers of your association in the event they are sued in conjunction with their performance as association members.

For example: If you are an association officer and hire a contractor who then damages the building, you will have protection against lawsuits against you.

This is a very important coverage to consider. Board members volunteer their time to deal with condominium issues; they handle many important decisions throughout the year. The last thing you want is to be held personally liable for a decision you make while acting as a condo board member.

This add-on coverage typically doesn't cost much, but can be a lifesaver for any condo board member.

Demolition & Increased Cost of Construction- This provides for various extra expenses incurred after a covered loss.

For example: Your building suffers a major loss but a portion is still standing, and needs to be demolished and removed. This coverage would provide for those demolition and removal expenses.

Increased Cost of Construction provides for extra expenses associated with bringing a property up to current building code after a loss.

For example: When the structure was built, there were no fire escape, emergency lighting, handicap access, or sprinkler laws in effect. After a loss, you will incur these extra expenses to bring the building up to code. Increased Cost of Construction provides coverage for this.

Backup of Sewer & Drain- This provides coverage for a specified dollar amount for damage related to sewer or drain backup. Every insurance policy, whether for an auto, home, boat, or your health, has exclusions. Exclusions are situations in which coverage is not available. Many master insurance policies do not cover damage caused by the backup of sewers and drains, but it can be added with this special coverage.

Hired & Non-Owned Auto- This provides auto liability coverage for accidents while using a personal vehicle and conducting association business.

For example: You are an association member driving your own vehicle while on association business. You are in an accident, but your insurance company finds out you were using the vehicle for "business purposes". This option would provide coverage in that situation.

Crime & Fidelity- This part of the policy provides coverage for the theft of condo association funds or other financial misconduct by an association member. *For example: your association treasurer cleans out the condo trust's bank account.* This coverage would provide coverage against crime and theft of association funds, and is very important to consider.

What type of coverage do I need for our condo building?

If you are on the association board, you have a responsibility to find the right coverage for your building. The standard liability and property coverage is a straightforward decision; you know you need property and general liability coverage.

Weighing your options- What about the optional coverages?

As with many insurance policy options, the additional coverage sounds great. Who wouldn't want to be covered in every conceivable situation? The decision often comes down to one thing: money. With more coverage and higher limits comes higher insurance premiums. It becomes a balancing act.



Do you need the extra coverages?

Many times you can get a lot of coverage for very little money

Many condo association members are surprised when they see that they can get a lot of additional coverage for a small amount of money. The bulk of the policy cost (premium) comes from the basic liability and property coverage. Additional coverages usually account for a small increase in premium over the base expense, and are well worth the extra money.

This is when it helps to [get a comparative insurance quote for your master policy](#). You are able to see your additional coverage options and how much they would cost if you opt for them.

Know the different between Master Insurance and Unit Insurance

The other aspect to consider when determining the coverage for your master policy is how much coverage your homeowner's policy provides. As a condo unit owner, you need to have a homeowner's policy for your personal property and liability. This condo-specific homeowner's policy is called an HO6, and every condo unit owner should have this insurance.

Between the two policies, however, there can be coverage overlaps or even coverage gaps. *For example: Some master policies provide coverage for the entire building, including the interior of your unit. This is called a "studs in" or "all in" policy, meaning it covers everything within the building that is not your personal property (like furniture, rugs, carpets, clothing, etc).*

In general, master policies are "all in", and they will provide coverage for the interior of your unit. In this case, you can adjust your HO6 accordingly and reduce the structural coverage.

This is why it is important to know what your master policy covers, and what your personal HO6 covers.

Who provides condo master policies?

There are several companies that provide these types of policies. National insurers have condo association master policies as well as regional insurance companies. But, just as there are many different types of condo buildings, there are many different types of condo master policies.

The best way to shop for a condo master policy is by getting a comparative quote

Since there are several companies that provide this type of insurance, it is important to get a comparative quote and let your agent come back to you with the best options.

A knowledgeable agent will be able to guide you through the process; but it is important to find an agent that is well-versed in condo master policies. Many agencies conduct the majority of their business in the field of auto insurance, homeowners insurance, business insurance, etc., and might not know much about condo master policies.

You want someone who know condo association needs, know the products, and can help you make the right decision.

Not only is it important for your insurance agency to have experience in condo policies, but they should have access to the best insurance companies. Again, a typical auto/home/business agency might be inexperienced with condo association insurance, and would not have access to the best companies. This would be like using a travel agent that only works with one airline; you wouldn't get the benefit of comparison shopping.

A good agent will know the products, find out what your needs are, and guide you to the best policy at the best price.

You can use InsureOurCondo.com to get a comparative quote. Simply visit <http://insureourcondo.com/free-quote/>, fill out the form, and click "Submit".

We will assess your situation, find the best insurance company for your building, and provide a "ballpark" quote to get you started.

How do I get started?

The process of purchasing a master policy for your condo building can be overwhelming. You need to figure out what you need, why you need it, who to buy it from, and get it all approved by your condo association. Let's break this down into several steps to make it easier.

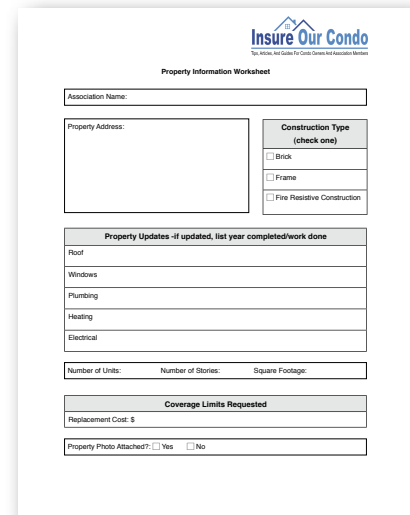
Here is a simple list of steps to follow:

1. Gather Information- Before talking about coverage, you need to gather the necessary information for the property. This information will be needed to move forward and start getting a quote, and if you prepare ahead of time you will be thankful. [We have a worksheet available for download here.](#)

This is the information that an insurance company will need to give you a quote, and if you have it prepared it will make the process much easier. The following pieces of information will be sufficient for most companies to begin the process. After getting an initial premium “indication”, they might ask for more details before moving on to an official proposal.

Here are 10 pieces of information you will need:

1. **Association Name-** The official condo association name will be required for the application process
2. **Property Address-** This is the address of the property to be insured
3. **Construction Type-** This is the physical construction type of the building; brick, wood frame, fire resistive, etc.
4. **Year of Construction-** To receive a quote, insurance companies will need to know the year of construction
5. **Property Updates-** The insurance company will also want to know about recent updates to various parts of the building. Note what was renovated and when it was completed in these areas; Roof, Windows, Plumbing, Heating, and Electric.
6. **Number of Units in the Building-** This is the total number of units in the building.
7. **Number of Stories-** This is the total number of floors or stories in your condo building



The screenshot shows a 'Property Information Worksheet' form. It includes fields for 'Association Name', 'Property Address', and 'Construction Type (check one)' with options for Brick, Frame, and Fire Resistive Construction. There is a section for 'Property Updates -if updated, list year completed/work done' with rows for Roof, Windows, Plumbing, Heating, and Electrical. Below that are fields for 'Number of Units', 'Number of Stories', and 'Square Footage'. A 'Coverage Limits Requested' section includes a 'Replacement Cost: \$' field. At the bottom, there is a 'Property Photo Attached?' field with 'Yes' and 'No' checkboxes.

 *download our worksheet available on our website*

8. **Total Square Footage-** This is the entire interior square footage of the building, including each unit and common areas.
9. **Desired Coverage Amount-** This is typically the replacement cost of the building. It can be determined by applying a rate per square foot. For example: In the Boston area, a replacement cost of \$200 per square foot is commonly used, so a 3000 square foot building would have a replacement cost of \$600,000 ($\$200 \times 3000 = \$600,000$)
10. **A Photo of the Property-** Take an exterior photo of your property from a few angles, preferably with a digital camera. Some agencies will not need this right away, but most will eventually ask for a photo.

2. Review the Optional Coverage- This is when you will want to consider the additional coverage. When you buy a car, it helps to show up at the dealership fully prepared and knowing exactly what you want. Knowledge is power.

If you know all about your condo policy coverage options, you will be able to move through the process easily. You won't need your agent to explain everything from scratch, or you can proactively inquire about the coverages. If you know what you're talking about, you will be more confident and have an easier time with the process. To help, review the optional coverages discussed earlier in this guide.

3. Get a Quote- By now you have all of your building information gathered together, and you have a good idea of what types of optional coverage you want. It is time to get an "indication" of your insurance premium. An indication is merely an estimate of premium based on the basic information you provide. To receive a binding quote and proposal for insurance, the company will need additional information.

[Use our simple online form to request an indication for your condo master insurance policy](#)

InsureOurCondo.com will get back to you with a general indication of premium. This is not a binding quote, but just a “ballpark” amount based on the limited information they have received so far. If you move forward with a particular company, the insurance company will gather more specific information about the building.

4. Analyze Results- You should receive an indication of premium very quickly. If you are re-quoting an existing building policy, don’t be surprised when the premium amounts vary. Many factors can effect the premium. A lower priced policy is not necessarily worse than a more expensive policy, and an expensive policy is not always better than a cheaper one. The important thing is to get the right coverage for the right price from a reputable company.

One reason you will see a wide range of premium indications is the fact that every insurance company has a different rating system. A company might specialize in large condo high-rises with over 100 units, and if they use that same rating system for your two-unit duplex it might not be the right fit.

Conversely, if a company specializes in smaller buildings with under 10 units, they might not be competitive quoting the 100-unit downtown high-rise.

When analyzing the quote, make sure you are comparing apples to apples. Look at the coverage, the coverage amount, and the premium. Some companies automatically include some extra coverages, while another will make every additional coverage “optional”.

5. Ask Questions- Now is the time to get back in touch with your agent and start asking questions about your coverage. If you have concerns about various coverage, or need advice, a good agent will be able to help you.

Present your materials to the condo association members and take note of questions and concerns. You will be able to present these to your agent and return with specific answers. There will be some back-and-forth while you take care of the details of the policy, but that is normal.

6. Bind Coverage- When you have decided on the right coverage and the right company, it is time to move to the proposal and binding stage. This is when your insurance agent might ask for more information and get a complete application filled out. This will be much more detailed; the insurance company requires more information to officially offer coverage and issue the policy.

One thing they might ask for is a loss history, or “loss runs”, for your property. This is a report from a previous insurer about how many losses your building had, and this can effect the indicated premium. You can acquire this from your previous insurer. Contact the insurance office and ask for a loss report or “loss runs”. They should be able to supply this, and you can forward it to your new insurer.

7. Payment- You can pay your premium all at once, but many insurance companies will offer financing for their condo association policies. Since they tend to be large dollar amounts the financing makes it easier for the association to pay the premium.

The financing is typically done by an outside party, and they will require a down payment, followed by payments spread out over a period of time. Again, for a large premium this can be a preferred method of payment, rather than paying upfront. Some associations might not have the funds available to pay an entire years insurance premium at once.

Hopefully this guide has given you enough information to confidently shop for a condo master policy. It can be confusing, but by reading this comprehensive guide, doing a little homework, and working with a knowledgeable agent, you will be able to find the right policy for your condo building.

[Click here to get an instant quote at InsureOurCondo.com](https://insureourcondo.com)

Resources

[Insurance Glossary](#)

[Property Information Worksheet](#)

[Coverage Worksheet](#)

[Agent Contact Log](#)