Home (https://hub.associaonline.com/) > A Board Member (https://hub.associaonline.com/-a-board-member) >
Condo & Townhome Insurance: The Coverage Responsibilities of Associations & Owners

Condo & Townhome Insurance: The Coverage Responsibilities of Associations & Owners

August 8, 2017 Bo Bond (https://hub.associaonline.com/authors/bo-bond)

If you don't understand **condo and townhome insurance (https://www.associaonline.com/management-services/insurance)** coverage, don't worry; you're not the first and certainly won't be the last person to express total confusion. It's okay! The good news is there are some steps you can take to help you better understand the level of coverage a condo association is supposed to be providing versus what an owner should be providing.

1. Start by consulting the community's governing documents paying particular attention to the section about insurance. There's no need to involve any other section of your **governing documents (https://www.associaonline.com/management-services/association-management)** unless it specifically relates to insurance for the community. However, the **maintenance (https://www.associaonline.com/maintenance-services)** section and the insurance section are sometimes combined, even though this should never be the case. These are two completely separate responsibilities for both unit owners / members, and the community as an entity. For example, a unit owner may be responsible for maintaining their water heater if it breaks down due to age, their carpet if it wears out over time, or their windows if they're old and start to leak, but may *not* be responsible for any of these items if they're damaged by a covered cause of loss (such as fire, water damage due to a pipe burst in a unit wall, etc.). In short, while the owner may be responsible for maintaining certain items inside and outside of their unit, they may *not* be responsible for insuring those same items after a covered cause of loss.

2. Know the Insurance Differences Between Condos and Townhomes. Another thing to keep in mind is that while the term "condo" almost always refers to the community having some level of insurance responsibility for the physical buildings within the community, the word "townhome" does not. Townhomes can be very confusing if you just look at the title "townhome" itself without actually looking at the community's documents to determine coverage. The tricky thing is that townhomes can be insured like single-family communities (where the community has no responsibility for insuring the actual residential buildings at all), or they could be insured like condos (where the community is responsible for some level of protection for the residential buildings within the community). Always keep this in mind when you see the “townhome” title within the legal name of any community.

3. Understand the Types of Insurance. This leads us to the three main types of condo insurance coverage found in most governing documents. These insurance terms are known as “bare-walls,” “walls-in” (a.k.a. original design or single entity) and “all-in.” These are the most common terms and ways to insure a condo or townhome-style association.

- **Bare-walls Coverage.** This is the most basic type of condo style coverage. With this level of coverage in place, the condo community is only responsible for the community’s buildings inside and outside, back to the bare sheetrock walls of every unit. Picture walking into every unit and the only thing you see is bare sheetrock and concrete floors (no fixtures, toilets, tubs, cabinets, countertops, appliances, etc.). So with a “bare-walls” type of insurance, all of these items listed above would be up to the unit owner to insure, plus the unit owner’s personal contents, and any upgrades made to the inside of their unit. However, keep in mind that 99.9% of the time, all plumbing, electrical, and HVAC components are a part of the “bare-walls” coverage that the community provides. These items run between the bare sheetrock of the unit and the outer walls of the building, and thus are almost always covered by the “bare-walls” policy. Just remember that the term “bare-walls” refers to the building being built back to the bare sheetrock walls of every unit within the community.
- **Walls-in Coverage.** The next level of condo insurance (which is most common these days) is known as “walls-in” (a.k.a. original design or single entity) style insurance. With this type of coverage the community’s policy responds back to the original design of every building and unit. This means back to the original design and finish-out of each unit at the time the developer finished the unit and sold it for the first time. This level of coverage does *not* provide protection for improvements made to any unit once the developer is gone, nor does it protect the unit owner’s personal contents or belongings.
- **All-in Coverage.** The last and most inclusive type of condo coverage in the market is known as “all-in” style coverage. With this style of condo coverage, the community is responsible for insuring the inside and outside of every building and unit back to its *current* finish-out. With this level of coverage being provided by the condo community’s policy, the only physical property a unit owner would need to insure is their personal contents or belongings, and the community would be responsible for insuring everything on the outside and inside of every building and unit, back to its pre-loss condition (including unit owner upgrades or improvements). This style of condo insurance is much like that of an apartment complex in that the only physical property the unit owner is responsible for insuring is their own personal belongings inside their unit.

As a final though, it’s worth mentioning that there is no condo insurance purchased by a community that would ever insure a unit owner’s personal belongings or contents. The coverage for these personal items will always be the responsibility of the unit owner no matter what level of coverage the condo association provides. Also, remember that while these are the three main styles of condo/townhome insurance in the marketplace today, there are always communities that have different variations of these three main types of insurance.

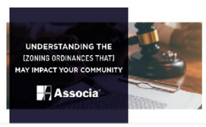
I hope you've found this article helpful in understanding the different variations of condo/townhome insurance and how they should apply to your specific situation. Just remember that not all governing documents are created equal, and some are more difficult than most to decipher, but with a little investigation, you can successfully determine which party is responsible for insuring what.

About the Author

Bo Bond, CIRMS, is the Senior Sales Executive at Associations Insurance Agency, Inc. (AIAI) — the agency dedicated to the insurance needs of community associations. Bo is a member of CAI and Independent Insurance Agents of Texas. He obtained his CIRMS designation from CAI National as a distinguished insurance professional in the community association industry. Bo is licensed in more than 30 states and strives to educate board members and community managers about the insurance decisions they make on behalf of their communities.

MORE CONTENT BY BO BOND (HTTPS://HUB.ASSOCIAONLINE.COM/AUTHORS/BO-BOND)

OTHER CONTENT IN THIS STREAM



Understanding The Zoning Ordinances That May Impact Your Community

Disaster Preparedness: Creating A Plan For Your Community

Understanding The Rights Of Service Dogs & Emotional Support Animals In HOAs & Beyond

How To Membe

Return to Home (https://hub.associaonline.com/)