

What type of insurance do I need for a co-op or condo?

If you have purchased a condo or co-op, the bank will require insurance to protect its investment in your home. You may, however, need more insurance to cover your personal items, liability or fees that may be charged to you regarding shared areas of the building like the lobby.

You will need two separate policies to protect your investment:

1. **Your own insurance policy.**
This provides coverage for your personal possessions, structural improvements to your apartment and additional living expenses if you are the victim of fire, theft or other disaster listed in your policy. You also get liability protection.
2. **A "master policy" provided by the condo/co-op board.**
This covers the common areas you share with others in your building like the roof, basement, elevator, boiler and walkways for both liability and physical damage.

To adequately insure your apartment, it is important to know which structural parts of your home are covered by the condo/co-op association and which are not. You can do this by reading your association's bylaws and/or proprietary lease. If you have questions, talk to your condo association, insurance professional or family attorney.

Sometimes the association is responsible for insuring the individual condo or co-op units, as they were originally built, including standard fixtures. The individual owner, in this case, is only responsible for alterations to the original structure of the apartment, like remodeling the kitchen or bathtub. Sometimes this includes not only improvements you make, but those made by previous owners.

In other situations, the condo/co-op association is responsible only for insuring the bare walls, floor and ceiling. The owner must insure kitchen cabinets, built-in appliances, plumbing, wiring, bathroom fixtures etc.

Also ask your insurance professional about the following additional coverages:

1. **Unit assessment**
This reimburses you for your share of an assessment charged to all unit owners as a result of a covered loss. For instance, if there is a fire in the lobby, all the unit owners are charged the cost of repairing the loss.

2. **Water back-up**

This insures your property for damage by the back-up of sewers or drains. Water back-up may not always be included in a policy. Check to see that it is included.

3. **Umbrella liability**

This is an inexpensive way to get more liability protection and broader coverage than is included in a standard condo/co-op policy.

4. **Flood or earthquake**

If you live in an area prone to these disasters, you will need to purchase separate flood and earthquake policies. Flood insurance is available through FEMA's National Flood Insurance Program (<http://www.floodsmart.gov/floodsmart/pages/index.jsp>). Both flood and earthquake insurance can be purchased through your insurance agent.

5. **Floater or endorsement**

If you own expensive jewelry, furs or collectibles, you might consider getting additional coverage since there is generally a \$1,000 to \$2,000 limit for theft of jewelry on a standard policy.

When purchasing insurance, it is important to find an agent or company that specializes in condominiums or co-ops. Also don't forget to ask about all available discounts. You can reduce your rates by raising your deductibles and by installing a smoke and fire alarm system that rings at an outside service. If you insure your unit with the same company that underwrites your building's insurance policy, you might also get an additional reduction in premiums.

Source: *Insurance Information Institute, Inc. (www.iii.org)*