



Loss Assessment vs. Special Assessment

“All squares are rectangles, but not all rectangles are squares.”

A common question is whether a **special assessment** is covered by **loss assessment** insurance and to what extent. In sum, all **loss assessments** are **special assessments**, but not all **special assessments** are **loss assessments**.

In general, a **special assessment** is a tool in an Association’s arsenal to cover **maintenance expenses** which are generally greater than what is available in the Association’s reserve funds. Typically, an Association’s Declaration will set forth the procedures and limitations for levying special assessments and these assessments are not covered by loss assessment insurance.

A **loss assessment** is also a special assessment; however, the purpose of the loss assessment is **to cover an insured loss** – either for a large deductible or costs beyond the deductible. This applies to situations where each homeowner of said shared property is financially responsible for a portion of the costs related to **damage** to the common elements not fully covered by the Association’s insurance policy.

For example, the Association’s insurance policy will cover most of the damage to the common elements, however, the deductible on the policy will usually be paid by a special assessment (referred to as a loss assessment) levied by the Association on each individual unit owner. Insurance agencies offer HO-6 policies to homeowners which may help cover insured **loss assessments**. The typical **loss assessment** insurance limit is only \$1,000 and any homeowner who lives in an Association should increase this to a higher limit, considering the high deductibles for certain claims.

It is very important for homeowners to know the deductibles of their Association’s property and liability insurance policy and to what extent they are responsible for paying those deductibles in order to obtain proper insurance coverage for loss assessments.

Please note that HO-6 policies could differ substantially, and depending on when the policy was purchased, could have drastic differences in coverage (i.e. whether the policy covers the Association’s deductible).

Please contact us if you have questions about special and/or loss assessments.

Do you have any HOA questions? Contact us at: info@westernlawgroup.com or give us a call at: (720) 542-8726