Personal Condo Policies and Master Policy Deductibles ... one more time!
Personal Condo Policy

v.

Master policy deductible

with

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With special thanks to the Insurance Services Office, Inc. for advance information, continued support, and permission to use their forms and information.
Why buy loss assessment?

I always include the maximum amount of loss assessment coverage when I quote on a condominium policy.

What are some good reasons for doing so?
7. Loss Assessment. We will pay up to $1000 for your share of loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of direct loss to the property, owned by all members collectively, caused by a Peril Insured Against under COVERAGE A – DWELLING, other than earthquake or land shock waves or tremors before, during or after a volcanic eruption.

This coverage applies only to loss assessments charged against you as owner or tenant of the "residence premises."

We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.

The limit of $1000 is the most we will pay with respect to any one loss, regardless of the number of assessments.

Condition 1. Policy Period, under SECTIONS I and II CONDITIONS, does not apply to this coverage.

7. Loss Assessment

a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against under Coverage A other than:

(1) Earthquake; or
(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph P. Policy Period under Section I – Conditions does not apply to this coverage.
4. Loss Assessment. We will pay up to $1000 for your share of loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of:

   a. "Bodily injury" or "property damage" not excluded under Section II of this policy; or

   b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided:

      (1) The director, officer or trustee is elected by the members of a corporation or association of property owners; and

      (2) The director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

This coverage applies only to loss assessments charged against you as owner or tenant of the "residence premises."

We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.

Regardless of the number of assessments, the limit of $1000 is the most we will pay for loss arising out of:

   a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or

   b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

The following do not apply to this coverage:

1. Section II – Coverage E – Personal Liability Exclusion 2.a.(1);

2. Condition 1. Policy Period, under SECTIONS I AND IL CONDITIONS.

D. Loss Assessment

1. We will pay up to $1,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of:

   a. "Bodily injury" or "property damage" not excluded from coverage under Section II – Exclusions;

   b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:

      (1) Is elected by the members of a corporation or association of property owners; and

      (2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

2. Paragraph I. Policy Period under Section II – Conditions does not apply to this Loss Assessment Coverage.

3. Regardless of the number of assessments, the limit of $1,000 is the most we will pay for loss arising out of:

   a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or

   b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.
We see that under Section I ... loss assessment applies to

COMMON PROPERTY ....

What is common property?

1. Defined in condo documents

2. Defined in MA law MGL 183A
"Common areas and facilities" shall, except as otherwise provided or stipulated in the master deed, mean and include:

1. The foundations, columns, girders, beams, supports, party walls, common walls, main walls, roofs, halls, corridors, lobbies, public stairs and stairways, fire escapes and entrances and exits of the building;
2. Installations of central services such as power, light, gas, hot and cold water, heating, refrigeration, air conditioning and incinerating;
3. The elevators, tanks, pumps, motors, fans, compressors, ducts, and in general all apparatus and installations existing for common use;
4. The land on which the building is located, or the lessee's interest in any lease of such land which is submitted to the provisions of this chapter;
5. The basements, yards, lawns, gardens, recreational facilities, parking areas and storage spaces;
6. The premises for the lodging of custodian or persons in charge of the condominium;
7. Such community and commercial facilities as may be provided for in the master deed as being owned in common.
8. All other parts of the condominium necessary or convenient to its existence, maintenance and safety, or normally in common use.
What does it do ...good reasons for buying

1. Loss assessment is important for both property and liability losses
What does it do …good reasons for buying

2. The *general rule* …for an assessment to be covered….
   whether property or liability:

   If the insured had the loss him/herself …
   or was sued for that situation …

   would his/her HO-6 respond?

   If the answer is yes …then it is most probably a covered loss assessment situation also!
For property losses .. loss assessment applies to damage to **COMMON** property due to an HO-6 loss scenario.

If the limit of insurance was not enough to repair the common areas and the individual was assessed ...

the increased loss assessment could apply!

Why buy loss assessment ....
When the HO-6 is amended to cover "open perils coverage" with the HO 17 32 ...

This HO-6 "special form" coverage is broader than a special form commercial policy!

Not all “specials” are equal!!!
There is a possibility that there could be a loss that is excluded under the Commercial policy but ... when assessed to the members ... could be covered by the loss assessment coverage If HO-6 plus HO 17 32
Rain leaking in during a rainstorm that does NOT create an opening in the roof would NOT be covered under the CPP /BOP Special Form but WOULD be covered under the HO 17 32 Special Form.

And a “covered” assessment should each unit owner be assessed their share to common property (attic, common walls, etc.)
Why buy loss assessment ....

In one of my classes someone gave me a GREAT reason ...

the HO-6 provided coverage for an assessment due to fire damage to the common property that was exacerbated by an ordinance issue

Commercial policy did NOT have ordinance or law coverage
Fire loss to common area activated ordinances to rebuild to TODAY’S code …

those expenses NOT covered by commercial policy
Unit-owners assessed and Section I loss assessment responded because … common property was damaged by an HO-6 covered peril
Why buy loss assessment ....

HO Section II provides loss assessment coverage

Association Liability losses that are either
not covered at all

or

not covered adequately
under the Condo Master Policy
could be assessed to unit owners
Why buy loss assessment ....

HO-6 Liability coverage is broader than Commercial liability coverage (fewer exclusions)

A pollution liability loss would be excluded under the commercial policy...

but the ISO HO-6 covers such an issue and therefore assessment would respond
Consider a serious swimming pool accident where the judgment is higher than the Commercial Policy liability limit – would be a covered assessable situation.

Why buy loss assessment ....
In the “hardening” market around Condominium Master Policy coverage … an insured is prudent to purchase as much loss assessment as is allowed. The ISO maximum is $50,000 and it costs Less than $50.
LOSS ASSESSMENT COVERAGE

SCHEDULE

A. "Residence Premises" – Additional Amount Of Insurance:

B. Additional Locations
   Location Of Unit And Limit Of Liability

*Entries may be left blank if shown elsewhere in this policy for this coverage.

1. Additional Insurance – Residence Premises
   We will pay, up to the additional amount of insurance shown in A. in the Schedule above, for one or more assessments arising out of a single loss covered under:
   a. Section I Additional Coverage E.7. Loss Assessment (This is Additional Coverage C.7. in Form HO 00 04 and D.7. in Form HO 00 06.);
   b. Section II – Additional Coverage D. Loss Assessment, or
   c. Both Section I and Section II.

2. Additional Locations
   We will pay, up to the limit of liability shown in B. in the Schedule, your share of covered loss assessments as described in Section I Additional Coverage E.7. and Section II – Additional Coverage D. of the policy, arising out of the premises listed above. This is the most we will pay for one or more assessments arising out of a single loss covered under:
   a. Either Section I Additional Coverage E.7. Loss Assessment or Section II – Additional Coverage D. Loss Assessment; or
   b. Both Section I and Section II.

3. Special Limit
   We will not pay more than $1,000 of your assessment per unit that results from a deductible in the policy of insurance purchased by a corporation or association of property owners.

4. Section II – Exclusion
   Section II – Exclusion F.1.a. does not apply to this coverage.

All other provisions of this policy apply.
The association club house burned down on April 1st. Unfortunately, no one had ever told the insurance company/agent that this building had been constructed and therefore it was not covered under the Commercial Condo Master Policy.

Each unit owner is assessed $1,000 for his/her share to rebuild the building. Will his/her loss assessment coverage respond?
7. Loss Assessment. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of direct loss to the property, owned by all members collectively, caused by a Peril Insured Against under COVERAGE A – DWELLING, other than earthquake or land shock waves or tremors before, during or after a volcanic eruption.

This coverage applies only to loss assessments charged against you as owner or tenant of the "residence premises."

We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments.

Condition 1. Policy Period, under SECTIONS I and II CONDITIONS, does not apply to this coverage.

a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against under Coverage A, other than:

(1) Earthquake; or
(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph P. Policy Period under Section I – Conditions does not apply to this coverage.

This coverage is additional insurance.
What if each person’s share was $5,000 and each Unit-owner had purchased $50,000 Increased Loss Assessment coverage.

Would they still have coverage?
HO-2000
Loss Assessment Endorsement (HO-91 is similar)

Yes ... the Underlying coverage responds ... and so will the increased loss assessment coverage 😊
What if a hurricane rips the roof and siding off of the condominium building ... which IS listed on the Master Policy but there is a 5% windstorm deductible on the Master Policy.
Due to the Master policy’s deductible ... each unit-owner is assessed $3,000.

Will the increased loss assessment coverage that each unit-owner purchased respond to this $3,000 assessment?
损失评估背书

背书号：HO 04 35 10 00

此背书更改政策，请仔细阅读。

损失评估覆盖

计划*

A. 居住场所” - 补充保险金额：

B. 另外的地点
   位置和赔偿限额

**注：可留空白，若本政策中其他部分已显示。

1. 补充保险 - 居住场所
   我们将支付，超出上述计划中所示的补充保险金额外，因单个损失覆盖下的任何额外或进一步的损失。

a. 第一部分补充保险 E.7. 损失评估。这是补充保险 C.7. 在表 HO 00 04 和 D.7. 在表 HO 00 06。)
   b. 第二部分 - 补充保险 D. 损失评估，或
   c. 第一部分和第二部分。

2. 另外的地点
   我们将支付，超出上述赔偿限额，您在计划中所示的补充损失评估，如同在第一部分补充保险 E.7. 和第二部分 - 补充保险 D. 损失评估中所述。

3. 特殊限制
   我们不会支付超过1000美元的您因使用保险政策中的附带损失，由公司或公司所出售的政策的扣除。

4. 第二部分除外
   第二部分除外 F.1.a. 不适用于此覆盖。

所有其他条款和条件适用。
3. Special Limit

We will not pay more than $1,000 of your assessment per unit that results from a deductible in the policy of insurance purchased by a corporation or association of property owners.

Be VERY careful to FULLY explain this “restriction”....

Special usually means “good” …but NOT in this case!
With the ISO HO-91 or HO-2000

If the ONLY, ONLY reason that you are assessed is due to a Master Policy deductible ...

the increased loss assessment does NOT apply!!!
Supplemental Loss Assessment Coverage

1. Additional Insurance – Residence Premises
   We will pay, up to the additional amount of insurance shown in A. in the Schedule above, for one or more assessments arising out of a single loss covered under:
   a. Either Section I – Additional Coverage E. 7. Loss Assessment or Section II – Additional Coverage D. Loss Assessment, or
   b. Both Section I and Section II.
   c. Section II – Exclusion F. 1.a. does not apply to this coverage.

2. Additional Locations
   We will pay, up to the Limit of Liability shown in B. in the Schedule, your share of covered loss assessments as described in Section I – Additional Coverage E. 7. Loss Assessment and Section II – Additional Coverage D. Loss Assessment of the policy, arising out of the unit or premises listed in B. in the Schedule above. This is the most we will pay for one or more assessments arising out of a single loss covered under.

Information required to complete this Schedule, if not shown above, will be shown in the Declarations. Entries may be left blank if shown elsewhere in this policy for this coverage.

Changes name to reflect real intent ...
Supplemental coverage

Removes "special limit" language
Going back to the club house burning... that wasn’t covered under the Master Policy.

Club house burned 4/1/15

Irene looks at condos at this association this past summer and decides to buy one. You sell her an HO-6 with increased loss assessment and the policy runs 8/1/16-17
On 09/1/16 the association hires a builder to rebuild the clubhouse.

On 11/1/16 each unit-owner is assessed $4,000 for his/her share of rebuilding... this **INCLUDES** Irene

Will Irene’s Loss assessment coverage respond?
7. Loss Assessment

a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner, tenant, or association of property owners, for assessment must be made to the repair of direct loss to property, or collectively, of the type covered by this policy if owned or used by a Peril Insured Against under Coverage A, other than:

(1) Earthquake; or
(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph P. Policy Period under Section I – Conditions does not apply to this coverage.

YES!!!! Whether it is the ISO HO-91/2000/2011

It does NOT matter WHEN I am assessed or when the loss had happened...

because the coverage states that the policy period condition does NOT apply to Loss assessment.
How will loss assessment respond ... or will it?


a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against under Coverage A, other than:

(1) Earthquake; or

(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph P. Policy Period under Section I – Conditions does not apply to this coverage.

We generally need the loss to OCCUR during the policy period –

NOT SO with loss assessment.

We merely need the ASSESSMENT to occur during the policy period.
HO-2000 Loss Assessment Endorsement (HO-91 is similar)
And this is just more of the same coverage that you have under the HO policy.

HO-2011 is the same also
And ..of course ...

For a Section I loss assessment ... it must be

1) Common property

2) Damaged by an HO-6 covered peril
A hurricane-like wind blew through a condominium association property destroying the landscaping.

All of the unit owners are being assessed $5,000.

Will loss assessment coverage apply to this?
It “depends” ...  

on whether the insured has an 

ISO HO-91 

or an 

ISO HO-2000 or HO-2011
The ISO HO-91 WILL cover this situation ... as a covered Section I loss assessment MERELY requires:

**commonly owned property** - "landscaping"

be damaged by an **HO-6 covered peril** - "windstorm"

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7. Loss Assessment. We will pay up to $1000 for your share of loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of direct loss to the property, owned by all members collectively, caused by a Peril Insured Against under **COVERAGE A – DWELLING**, other than earthquake or land shock waves or tremors before, during or after a volcanic eruption.
The ISO HO-2000/HO-2011 WILL NOT COVER this as more words were added to the Section I Loss assessment provision:
Commonly owned property must be of the “type that WOULD be covered by THIS (HO-6) if OWNED by YOU
The HO-6 does NOT cover trees/shrubs plants, i.e., landscaping ... if damaged by windstorm

3. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, you solely own at the location of the "residence premises", for loss caused by the following Perils Insured Against:

a. Fire or Lightning;
b. Explosion;
c. Riot or Civil Commotion;
d. Aircraft;
e. Vehicles not owned or operated by a resident of the "residence premises";
f. Vandalism or Malicious Mischief; or
g. Theft.

We will pay up to 10% of the limit of liability that applies to Coverage C for all trees, shrubs, plants or lawns. No more than $500 of this limit will be paid for any one tree, shrub or plant. We do not cover property grown for "business" purposes.

This coverage is additional insurance.
Will Loss assessment respond when the loss is contained within a particular individual unit?

Does Loss Assessment respond to a loss in an individual unit where the Master Policy would have responded ... but for the Master Policy deductible?

Or ...do I need Coverage A?
Example:
My client had a fire in the kitchen of their condo. The bylaws for the association are set up on a “single entity/all in basis” where the association is obligated to insure the interior of the unit.

The association has done this, but the master policy has a deductible of $25,000. Will the Coverage A of my clients policy cover this or is this a loss assessment situation?
Loss assessment v. Coverage A for losses within the individual unit

Loss assessment coverage will NOT respond to a loss that occurs **WITHIN** an individual unit ....

Remember loss assessment **ONLY** responds when: **COMMONLY OWNED** property is damaged

The interior of a unit is **NOT** “commonly owned” ... it is **INDIVIDUALLY** owned.
In most states...a condo owner actually **BUYS** his/her unit ... **100% ownership** ...

and then gets a % of ownership in common areas.

**Massachusetts looks at condominium ownership in this way as does every other state in New England.**

**The % of ownership in common areas often determines the amount assessable.**
Most state condo laws require that the association cover common property for the benefit of the association members ... Massachusets states this in its condominium law Chapter 183A)
(b) Such corporation, trust or association shall have, among its other powers, the following rights and powers:-

(1) To lease, manage, and otherwise deal with such community and commercial facilities as may be provided for in the master deed as being common areas and facilities.

(2) ........

(3) **To obtain insurance on the common areas and facilities.** Such insurance coverage shall be written in its name, and the provisions thereof shall be without prejudice to the right of each unit owner to insure his own unit for his own benefit.
Insuring losses WITHIN a unit

1. The individual unit-owner can cover his/her building value within the unit (deed of ownership provides insurable interest)
2. The Association could choose to insure the inside of individually owned units under its Commercial Master Policy.

In order for the Commercial Master policy to apply there MUST be an “insurable interest”
Insuring losses WITHIN a unit

Condominium Association bylaws can provide an insurable interest for the Association in individually owned units.
In all the New England states a unit owner buys “two” things.

1. **100% ownership in his/her unit**

2. **% of ownership in common areas.**
Loss assessment v. losses IN a unit

Remember....  

it’s all about the "bylaws"
Client doesn’t necessarily have to insure what he owns.....

must look at BYLAWS ....

To determine insurance responsibilities
Insurance responsibilities of unit owner v. association

“Bare walls” or “studs in” language

Section X Insurance
A. The trustee shall obtain and maintain, to the extent available, master policies of casualty and physical damage insurance covering the condominium for the benefit and protection of the trustees and all of the unit owners ... such insurance to cover the buildings and all other insurable improvements forming part of the common areas and facilities
Loss assessment v. losses IN a unit
A. The trustees shall obtain and maintain, to the extent available, master policies of casualty and physical damage insurance covering the condominium for the benefit and protection of the trustees and all of the unit-owners ... such insurance to cover the buildings and all other insurable improvements forming part of the condominium (including the units but not including the furniture, furnishing, etc.)
Loss assessment v. losses IN a unit
Section X Insurance

A. The trustees shall be required to obtain and maintain, to the extent obtainable, and permitted by applicable law, the following insurance:

(1) All risk coverage insuring the Property, including the Common Elements, all of the
Units only with respect to interior partitions, rough wiring, plumbing, kitchen cabinets, counters, bathroom fixtures, tile and hardwood floors installed therein on the date of recording of the Master Deed ...
Loss assessment v. losses IN a unit
If association SHOULD insure unitowner values …can it???

ISO Commercial Master Policy language

Normal building definition that covers “your” (association commonly owned) values

Additional language allowing coverage for individually owned unit-owner property – if insurable interest
Any of the following types of property contained within a unit, regardless of ownership, **if your Condominium Association Agreement requires you to insure it:**

(a) **Fixtures, improvements and alterations that are a part of the building or structure;** and

(b) **Appliances, such as those used for refrigerating, ventilating, cooking, dishwashing, laundering, security or housekeeping**
Even though the unit-owner has a deed stating building values within his/her unit ...

as well as some outside unit are his/her...

WHERE SHOULD THE INSURANCE BE PLACED???
SECTION I – PROPERTY COVERAGES

A. Coverage A – Dwelling

1. We cover:

   a. The alterations, appliances, fixtures and improvements which are part of the building contained within the "residence premises";

   b. Items of real property which pertain exclusively to the "residence premises";

   c. Property which is your insurance responsibility under a corporation or association of property owners agreement; or

   d. Structures owned solely by you, other than the "residence premises", at the location of the "residence premises".

Loss assessment v. losses IN a unit

The HO-6?

(All ISO editions the same)
WHERE SHOULD THE INSURANCE BE PLACED???

The Commercial Master Policy?

Any of the following types of property contained within a unit, regardless of ownership, if your Condominium Association Agreement requires you to insure it:

(a) Fixtures, improvements and alterations that are a part of the building or structure; and

(b) Appliances, such as those used for refrigerating, ventilating, cooking, dishwashing, laundering, security or housekeeping
Or BOTH ...

*If the bylaws grant the association an “insurable interest” in the individual units by requiring that coverage be purchased for unitowner values...*

*How does the master policy deductible get paid ... since we know that loss assessment is NOT the way.*
I have seen some company specific endorsements that don’t care about bylaws ... but it is NOT guaranteeing 100% R/C
There are some companies that have changed ISO language to “all in” regardless of bylaws ... but it IS company specific language.
But ...there are NO guarantees as to extent of payment ...

on a loss
Should each unit owner purchase Coverage A in a limit at LEAST equal to the master policy deductible when the bylaws tell the association to cover the unit owner individually owned building values?
If the unit-owner chooses to purchase his/her own insurance ... for the ENTIRE value of the individually owned items...

but the bylaws are the single entity as shown previously

WHICH POLICY PAYS???????
1) The policy states that I CAN buy the coverage ...but we also need to look at the “other insurance” provision:

HO-91 language

7. Other Insurance.
   ....
   If, at the time of loss, there is other insurance in the name of a corporation or association of property owners covering the same property covered by this policy, this insurance will be excess over the amount recoverable under such other insurance.

HO-2000 language

F. Other Insurance And Service Agreement

2. If, at the time of loss, there is other insurance or a service agreement in the name of a corporation or association of property owners covering the same property covered by this policy, this insurance will be excess over the amount recoverable under such other insurance or service agreement.
Both the HO-91 and the HO-2000 state that the HO-6 will be excess over the “amount recoverable” by the Master policy when both the Association AND the unit owner are covering the “same property”.

Loss assessment v. losses IN a unit
The association would be covering “same property covered by this policy” due to a bylaw requirement.

The ISO Commercial Condo Master Policy language states:

6. Unit-Owner's Insurance
   A unit-owner may have other insurance covering the same property as this insurance. **This insurance is intended to be primary**, and not to contribute with such other insurance.
Both ISO policies ... personal and commercial “agree” that when BOTH policies COULD cover the loss – the HO-6 due to “ownership” and the Commercial policy due to bylaws ... that the COMMERCIAL POLICY WILL take precedence over the personal policy and be primary.
What if the Master Policy addressing “single entity” bylaws ...

has a $25,000 deductible as in the Kitchen fire example...

NOW what does the Unit-owner do?
My client had a fire in the kitchen of their condo.

The bylaws for the association are set up on a “single entity/all in basis” where the association is obligated to insure the interior of the unit.
The association has done this, but the master policy has a deductible of $25,000. Will the Coverage A of my clients policy cover this or is this a loss assessment situation?
If the Master Policy based on “single entity” bylaws is primary ...

and the HO-6 is excess ...

can’t the unit-owner buy the first $25,000 of loss to his/her unit through Coverage A??????
NO, NO, NO ...says ISO ... read the Other Insurance provision!!!
According to ISO ... 
the HO-6 was **NEVER intended to**
fill the Master Policy deductible gap...

when the bylaws tell the 
Association to cover
individually owned unit owner 
items
In the HO-2000 filing ISO stated that the HO-6 was intended to pay AFTER ...

every dime of the Master Policy had been paid out ...

and this is under the HO-91 or the HO-2000
The following statement was written into the HO-2000 filing:

The unit-owner is only covered for the amount of loss that exceeds the amount RECOVERED BY the association under it’s policy. **If the association doesn’t recover because of a high deductible or other reasons, the unit-owner does not recover.**
The filing insinuated that this has been a problem ...”forever” ...

Many Carriers had been allowing the individual unit-owner to use his/her Coverage A to fill the Master Policy deductible when the loss occurred within his/her unit.

The HO-2000 filing suggested this was done “in error”
If one has the HO-91 HO-6 ... then when the bylaws are single entity and the loss happens within the unit ... how does one address the gap caused by the Master Policy deductible????

ONE CANNOT.....
On HO-91, must get underwriting department to GUARANTEE that Coverage A will respond … if both Master policy and HO-6 could apply …

Or suggest that you will take ALL the condos and autos and umbrellas and place them with a company that WILL make such a guarantee
The HO-2000 filing does offer a “fix” .... Buy the HO 17 34 Unit-Owners Modified Other Insurance End.

25% of the HO-6 base premium Not filed for the HO-91 program!!!

Loss assessment v. losses IN a unit

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

UNIT-OWNERS MODIFIED OTHER INSURANCE AND SERVICE AGREEMENT CONDITION
FORM HO 00 06 ONLY

SECTION I – CONDITIONS

F. Other Insurance And Service Agreement

Paragraph 2. is deleted and replaced by the following:

2. If, at the time of loss, there is other insurance or a service agreement, in the name of a corporation or association of property owners covering the same property covered by this policy, we will pay only for the amount of the loss in excess of the amount due from that other insurance or service agreement, whether they can collect on it or not.

All other provisions of this policy apply.
If you’re still selling the HO-91 program ... I guess I would ask my carrier

What their opinion of the “other insurance” provision is

And ... if the carrier is utilizing the HO-2000 ... are they “automatically” adding HO 17 34 for “free” ... or will there be a charge!
Other insurance provision now says Coverage A can be PRIMARY when master policy SHOULD have covered loss due to bylaws - but master policy deductible was applied.
Under the ISO HO-2011 filing

**HO 17 34 Modified Other Insurance Condition endorsement will be WITHDRAWN from use!**
I thought the association covered my condo...

We know the unitowner purchased their unit and the deed is recorded... but do they have to insure it?
I THOUGHT THE ASSOCIATION COVERED MY CONDO ...

It depends on WHAT the association has said it will cover in the insurance section of the condo documents ... bylaws or CCRs (Covenant, Conditions and Restrictions)
If the bylaws/CCRs tell the association to cover the individually owned unit values then the commercial policy is PRIMARY.

1. Paragraph A.1.a. Building in the Business-owners Property Coverage Form is replaced by the following:
   a. Building, meaning the building or structure described in the Declarations, including:

   (6) Any of the following types of property contained within a unit, regardless of ownership, if your Condominium Association Agreement requires you to insure it:
   (a) Fixtures, improvements and alterations that are a part of the building or structure; and
   (b) Appliances, such as those used for refrigerating, ventilating, cooking, dishwashing, laundering, security or housekeeping.

   But Building does not include personal property owned by, used by or in the care, custody or control of a unit-owner except for personal property listed in Paragraph A.1.a.(6) above.

ISO CP 00 17 or BOP condo endorsement

9. Unit-Owner's Insurance
   A unit-owner may have other insurance covering the same property as this insurance. This insurance is intended to be primary and not to contribute with such other insurance.
If the bylaws/CCRs tell the association to cover the individually owned unit values then the HO-6 would be excess

F. Other Insurance And Service Agreement
   1. If a loss covered by this policy is also covered by:
   2. If, at the time of loss, there is other insurance or a service agreement in the name of a corporation or association of property owners covering the same property covered by this policy, this insurance will be excess over the amount recoverable under such other insurance or service agreement.
If the bylaws/CCRs tell the association to cover the individually owned unit ... then WHY is the bank still making the unitowner carry Coverage A under the HO-6?

We’re from the government and we’re here to help....
Dec 2008 announcement from Fannie Mae discussing changes

Hazard Insurance for Units in Attached Condominium Projects Including 2-4 Unit Projects

The Selling Guide, Part XII, Chapter 5, Insurance Requirements require that lenders verify that hazard insurance for all condominium projects with attached units, including two- to four-unit projects, covers fixtures, equipment, and other personal property inside individual units if they will be financed by the mortgage.

The updated policy now requires that the borrower obtain a “walls-in” coverage policy (commonly known as HO-6 policy) unless the lender can document that the master policy provides the same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that the borrower may have made to the unit.

The HO-6 insurance policy must provide coverage in an amount that is no less than 20 percent of the condominium unit’s appraised value. In the event such coverage cannot be obtained, the lender should call the Fannie Mae Project Standards Department at the phone number listed at the end of this Announcement. The standard requirement for a 5 percent deductible applies.
Loss assessment v. losses IN a unit

December 2008 announcement from Fannie Mae discussing changes

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Loss assessment v. losses IN a unit

The April 2009 CPM (Condo Project Manager Release notes are even WORSE for us ....

Modified Hazard Insurance question for units in attached condominium projects, including 2- to 4- unit projects

The updated policy, as stated in Announcement 08-34, requires that the borrower obtain a “walls-in” coverage policy (commonly known as an HO-6 policy) unless the lender can document that the master policy provides the same interior unit coverage. As a result, CPM Version 3.0 will be updated with a modified Guide Eligibility question:

<table>
<thead>
<tr>
<th>Current Text</th>
<th>Modified Text</th>
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<tbody>
<tr>
<td>“Is hazard insurance in place to cover 100% of the insurable replacement cost of the project improvements, including the individual units? (The deductible amount must not exceed 5% of the policy's face amount.)”</td>
<td>“Is hazard insurance in place to cover 100% of the insurable replacement cost of the project improvements, including the individual units? (The deductible amount must not exceed 5% of the policy's face amount.) Also answer yes if the individual units are not fully covered by the master policy but are supplemented by a “walls-in” or HO6 policy in an amount that is not less than 20% of each unit’s appraised value.”</td>
</tr>
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2012 Fannie Mae requirement for proof of insurance

- **Condo Requirements** — The lender must review the entire condo project insurance policy to ensure the homeowners’ association maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The insurance requirements vary based on the type of homeowners’ association master or blanket insurance policy as follows:

  - **“Single Entity” policy**: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the homeowners’ association. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.
Now ... if no PROOF that commercial policy covers individual units ... then HO-6 needed limit DETERMINED BY INSURER!!!!!!
Q14. If a condo master/blanket insurance policy provides for “all-in” coverage, is an HO-6 policy for the individual condo unit necessary?

Fannie Mae does not require an HO-6 insurance policy for the condo unit when the master/blanket policy provides for “all-in” coverage. However, if the policy excludes coverage for improvements or betterments, the borrower must obtain an HO-6 policy that provides coverage for 100% of the insurable value of the improvements and betterments.
Q15. What is meant by the term “improvements and betterments?”

The details included in the definition of “improvements and betterments” may vary by insurance carrier, but generally refer to permanent changes, alterations, or upgrades made to an individual unit. Further details and guidance should be available from the insurance agent to confirm that the HOA’s master policy, combined with the unit owner’s HO-6 policy, provides sufficient coverage to restore an individual unit to its condition prior to a loss claim event.
Q16. Can Fannie Mae provide more guidance on the requirement “to restore the unit to its condition prior to a loss claim”? How should a seller/servicer determine this?

A seller/servicer should use the best known/available information to determine whether the insurance coverage provided at the loan’s origination was a reasonable representation of the condition of a property at the time the mortgage loan was delivered to Fannie Mae. Examples to determine the reasonableness of coverage include, but are not limited to:

- an appraisal,
- a replacement cost estimate performed by a third party,
- the original or updated condo unit specifications, or
- an interior Broker’s Price Opinion.

It is a servicer’s responsibility to ensure that the borrower maintains at least that amount of coverage throughout the life of the loan. The borrower may, of course, increase the amount of coverage.
Q17. Fannie Mae’s guidelines prior to 2012 stated that if a condo master/blanket insurance policy provided only “bare-walls” coverage, an HO-6 insurance policy had to be obtained in an amount no less than 20% of the condo unit's appraised value. Under the current guidelines, how much HO-6 insurance coverage as a percentage of the unit’s appraised value is required?

The amount of coverage necessary under an HO-6 insurance policy is determined as a result of collaboration between the insurer and the borrower. Fannie Mae no longer requires that the amount of HO-6 coverage equal a specific percentage of the condo unit’s appraised value.
Q18. Why does Fannie Mae require the coverage under the HO-6 insurance requirements to be “determined by the insurer”? Can it be determined by some other entity or method?

Yes, it can be determined by another entity or method. When an HO-6 policy is required, the seller/servicer must ensure that the policy provides coverage in an amount that is determined from the best known/available information to the seller/servicer, including existing information from the borrower in collaboration with the insurer and the condo association.
Thank you for attending…

Personal Condo Policy
v.
Master policy deductible