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10/22/2022

Inadequate Condo Coverage

1:30PM - 3:30 PM

Ryan Bankas

CEUs:2

Massachusetts Association
of Insurance Agents





Inadequate Condo Coverage

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CONDO OWNERSHIP **vs.** INSURANCE

“SPECIAL” ISSUES

Definition:

A condominium can be defined as a **single real estate unit in a multi-unit development** in which a **person has both separate ownership of a unit and a common interest**, along with the development's other owners, **in the common areas**.

Unique Needs:

- Condominiums have **special insurance needs**
- They **don't need as much dwelling insurance as a house**, but **unit-owners have more to insure than a renter**
- Condominium owners **may only need to insure a small amount of real estate, such as built-in units** (*cabinets, fixtures, appliances and shelves*)
- **Coverage determination will be effected by the ownership and insurance responsibilities** as outlined in the condo association's declarations & by-laws (the Master Deed)

The Associations Master Policy:

- **Almost all associations have a master insurance policy** that covers Unit owners for the **actual structure and commonly owned real estate elements** -- areas such as a swimming pool or tennis court
- The **association documents spells out where common areas end and where each individually owned unit starts**

CONDO OWNERSHIP **vs.** INSURANCE

Condo Documents

- Association **Declaration** - is the legal document that actually **creates a condominium development** under relevant state law (a.k.a. Master Deed). **The declarations contain information such as:**
 - **Use, Occupancy and Maintenance of the Property** –provides details regarding the unit’s boundaries, ownership of the common elements and “exclusive use” of a terrace, balcony, parking spot, locker, patio, etc.
 - **Insurance** – often explains the **minimum insurance requirements that both unit owners and the association must obtain**. A waiver of subrogation clause, found in 99% of declarations, waives and releases claims between owners, to the extent damage is covered by insurance
- Condominiums have **By-Laws** – **define the rights and obligations of the association and unit owners. They are approved by the board and voted on by the members.** By-laws’ purpose is to **complement what is missing or is not specific enough in the declaration**. By-laws contain information such as:
 - **A description of the property and units**
 - **What parts of the condo the unit owner owns**
 - **A list of the percentages of ownership**
 - **Who pays the insurance deductible**

CONDO UNIT OWNERS

Unit Description – Determining what is individually owned:

The Condo By-Laws will include a section that describes the condo ownership. The title of the section, its placement in the by-laws and the description of each unit will vary. **Sample of a condo ownership description:**

Description of unit: *The unit number of each unit and a statement of its location, approximate area, number of rooms and value its contained in Appendix B hereto. Each unit has at least two decks, and each unit has two enclosed storage areas, within the Common area. **The boundaries of each unit with respect to floors, ceilings, and the walls, doors and windows thereof area is as follows:***

- i. **Floors:** The unfinished upper surface of the concrete of the lowermost floor;*
- ii. **Ceilings:** In the case of all finished ceilings of units, the unfinished lower surface of the sheetrock ceiling, and in the case of unfinished ceilings of units, the plane created by the lower surfaces of the roof trusses (rafters) in the attic ceiling;*
- iii. **Perimeter wall and door frames:** The unfinished interior surface thereof;*
- iv. **Windows and door:** As to the doors, the unfinished exterior surface thereof; and as to windows and window frames, the exterior surface of the glass and unfinished exterior surface of the frame, and each unit shall include the portions of the buildings within said boundaries and the space which is enclosed by said boundaries; except the intervening floors which are Common Areas*

CONDO OWNERSHIP **vs.** INSURANCE

The Condominium Master Policy:

- The unit owner is always responsible for all of their own personal property. The insurance question that needs answering is “*does the unit owner need any Coverage A – Dwelling insurance*”
- **The association** – *based on their documents* - may **or may not insure the “building property” inside of the individual units.**
- The condominium association will insure the building and its common elements based on one of three approaches: **1) bare walls, 2) single entity or 3) all-in-concept**

The Condominium Master Policy:

- Because it **can be more efficient or economical**, the association may **insure all the building and common elements** under a **single package policy**, commonly called an association master policy.
- The **three typical ways to provide coverage**, all through an association policy:
 1. Insures the basic building(s) (walls, roof, floors, elevators) but leaves the unit owner the responsibility of insuring appliances, carpeting, cabinets, wall coverings, and other items in the unit, and in some instances the interior walls.
 2. Insures both the basic building(s) and the building items within the individual units- as sold to the original purchaser.
 3. Insures both basic building(s) AND includes unit owner fixtures and improvements – *not just the original installations or replacements of like kind and quality.*

CONDO OWNERSHIP **vs.** INSURANCE

Bare Walls

- "Bare walls" means that the association will insure only the building including walls, the roof, floors, elevators, etc.
- The *association is not responsible for insuring anything inside the unit* such as appliances, cabinets, carpeting, wallpaper, interior partitions, plumbing, wiring, and bathroom fixtures, among others.

Condo Unit Owner's Insurance Needs:

- The association has no ownership interest in property within a unit's bare walls
- Unit owner must insure all interior "building" property, fixtures, even the finished wall surface such as paint or wallpaper

Example of "Bare Walls" Language

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.

CONDO OWNERSHIP **vs.** INSURANCE

Single Entity (“Original Specifications”)

"Single entity" (or original specifications coverage) means that the association will insure the building as well as certain fixtures *(those sold to the original purchaser or replacement of such property if replacements are of like kind and quality)* inside the individual units including carpeting, cabinets and appliances.

Condo Unit Owner’s Insurance Needs:

The *condo owner is only responsible for his or her personal property inside the unit* and for any additions or alterations made to the original structure.

Example of “Single Entity” Language

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 (including the units but not including furniture, furnishing . . . etc.) as originally included at the time of sale to the original purchaser. Subsequent replacements of building items with property of like kind and quality are considered original facilities .

CONDO OWNERSHIP **vs.** INSURANCE

All-In-Concept (“Additional Installation Coverage”)

"All-In-Concept" (or additional installation coverage) means that the association will insure the building and all improvements and betterments made by the unit owner, *not just the original installations or replacements of like kind and quality* inside the individual units

For example: *If the unit owner replaced laminate kitchen counters with granite and replaced wood flooring with marble, the association would be responsible for insuring the upgraded installations.*

Condo Unit Owner’s Insurance Needs:

The condo owner is only responsible for his or her personal property inside the unit

Example of “All-In-Concept” Language

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 (including the units but not including furniture, furnishing . . . etc.)** .

CONDO DOCUMENTS vs. STATE LAWS

Rhode Island CHAPTER 34-36-29 Condominium Law

§ 34-36-29 Insurance. – The manager, management committee, or association of unit owners, **if required by the declaration, bylaws or by a majority of the unit owners**, or at the request of a mortgagee having a first mortgage of record covering a unit, **shall have the authority to, and shall, obtain insurance for the property against loss or damage by fire and other hazards under the terms and for amounts as shall be required or requested.**

MASSACHUSETTS CHAPTER 183A, SECTION 10:

(b) Such corporation, trust or association shall have, among its other powers, the following rights and powers: (3) To obtain insurance on the common areas and facilities.

CONNECTICUT CHAPTER PA 09-225, § 29

ALL IN CONCEPT:

The act also requires that **the insurance on such units include coverage for improvements unit owners installed, unless** the declaration limits the association's authority to do so or the executive board decides, after giving notice and an opportunity for unit owners to comment, not to insure them.

For common interest **communities containing more than 12 units**, the act **requires that, unless the association insures all improvements and betterments, it must:**

1. prepare and maintain a schedule of the standard fixtures, improvements, and betterments in the units, including any standard wall, floor, and ceiling coverings covered by the association's insurance policy;
2. provide the schedule at least annually to the unit owners
3. include the schedule in the resale certificate required by law

Reasonable Deductibles (PA 09-225, § 29) PA 09-225 specifies that the insurance policies that associations are required to maintain may be subject to reasonable deductibles.

CONDOMINIUM ASSOCIATION COVERAGE FORMS (CP 00 17) and (BP 17 01)

ISO BOP language BP 1701 and also CP 00 17 (Condominium
Association Coverage Form) **building definition**

- **Amends building definition** to include unit-owner building items **IF** the bylaws **REQUIRE** the association to insure it
- The building definition **adds a 6th category**:

a. Building, meaning the building or structure described in the Declarations, including:

- (1) Completed additions;
- (2) Fixtures, including outdoor fixtures;
- (3) Permanently installed:
 - (a) Machinery and
 - (b) Equipment;
- (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
 - (a) Fire extinguishing equipment;
 - (b) Outdoor furniture;
 - (c) Floor coverings; and
 - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
- (5) If not covered by other insurance:
 - (a) Additions under construction, alterations and repairs to the building or structure;
 - (b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure.
- (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.

CONDOMINIUM ASSOCIATION COVERAGE FORMS (CP 00 17) and (BP 17 01)

The **loss payment and other insurance policy language** is also amended by BP 17 01 and stated in CP 00 17

- Trustee/association can adjust loss on behalf of the individual Unit-owners
- Financial interest required before the loss is paid
- Commercial insurance is PRIMARY and does NOT contribute with ANY insurance purchased by Unit-owner on same property

The following is added to the **Loss Payment Condition** in **Section I – Property:**

If you name an insurance trustee, we will adjust losses with you, but we will pay the insurance trustee. If we pay the trustee, the payments will satisfy your claims against us.

d. We will not pay you more than your financial interest in the Covered Property.

D. The following is added to the **Property Loss Conditions** in **Section I – Property:**

10. 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.**

CONDOMINIUM ASSOCIATION COVERAGE FORMS (CP 00 17) and (BP 17 01)

BP 17 01 and CP 00 17 also waives the insurance company's right of subrogation against a unit owner!

F. The following is added to Paragraph **K. Transfer Of Rights Of Recovery Against Others To Us** in **Section III – Common Policy Conditions**:

3. Waiver Of Rights Of Recovery

We waive our rights to recover payment from any unit-owner of the condominium that is shown in the Declarations.

BOP LIABILITY

Since BOP has liability ... the BOP liability coverage is amended to include unit-owners as insureds for common areas in the BP 17 01.

In CPP package the CG00 01 needs to be amended with CG 20 04 – identical to the BOP language below

E. The following is added to Paragraph **C. – Who Is An Insured** in **Section II – Liability**:

4. Each **individual unit-owner of the insured condominium, but only for liability arising out of the ownership, maintenance or repair of that portion of the premises which is not reserved for that unit-owner's exclusive use or occupancy**

CONDO UNIT OWNER

Eligibility – Unitowner Form (Condo/ Townhouse, Cooperative) *(HO 6)*

Owner of a *condominium or cooperative* unit which is:

- **used exclusively for residential purposes**, *except for certain allowable business occupancies* and
- **residences held in trust** if the premises are **occupied principally for private residential purposes** (*'00 & later ISO editions*)
- the unit is **not occupied** by more than **one additional family or two boarders**

COVERAGE

*The HO-6 form includes similar coverages as other HO forms **with some distinctive differences** resulting from the **issue of “ownership”** for the “unitowner”.*

DEFINITIONS - HO 6 “Residence Premises”

Residence Premises:

HO-6

11. "Residence premises" means the unit where you reside shown as the "residence premises" in the Declarations.

COVERAGE

SECTION I – PROPERTY COVERAGES

Coverage A – Dwelling

HO-6

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".

2. We do not cover:

- a. **Land**, including land on which the "residence premises", real property or structures are located;
- b. **Structures rented or held for rental** to any person not a tenant of the dwelling, *unless used solely as a private garage*;
- c. **Structures** from which **any "business" is conducted**; or
- d. **Structures** used to **store "business" property**.

However, we do cover **a structure that contains "business" property solely owned by an "insured" or a tenant of the dwelling** provided that "business" property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.

CONDO UNIT OWNERS – Coverage A

Determining Coverage A:

Coverage A – Dwelling:

The HO-6 allows each unit owner to buy the amount of “building value” that represents their interest in their individual unit.

- The HO-6 includes some amount of minimal “free Coverage A
- The ISO basic Coverage A is \$5,000
- Carriers may provide some other amount as their basic limit

Determining Coverage A – Dwelling - Tips:

1. Review the “Declarations” & the “By-Laws”.
2. Determine **what insurance requirements** are placed on the association and the unit owners
3. Make a **list of any items not covered by the association’s master policy** (*i.e. carpet, hardwood floors, kitchen cabinets, plumbing and electrical fixtures, built-in appliances, unit owner improvements, etc.*)
4. Have the insured **estimate the replacement cost of each structural item** (*materials & labor*) he is responsible for.
5. The list should include **any remodeling projects performed** that are the **unit owner’s responsibility**. *Replacement cost estimator software packages are often helpful in this area.*
6. Consider **potential assessments** from the association designed to reimburse the association for deductibles it incurs following a loss.
7. **Construction costs** – cost per square foot can be provided by contractors to assist in determining the current replacement cost
8. **Association Board of Directors** may provide helpful information

CONDO UNIT OWNERS – Coverage A

Condominium Assessment Issues:

Loss Assessment coverage - same in all HO forms

1. When an association runs out of money they assess their members
2. Associations can assess members for things such as:
 - a. Adding a new roadway or pool
 - b. Maintenance issues
 - c. Uninsured losses or inadequately insured losses
 - d. For any reason voted on by majority of owners
3. The **only assessments payable** under an insurance policy **are certain insurance related issues**

ASSOCIATION VS. CONDO OWNER

- With significantly rising insurance costs for association master policies, **more associations have gone to higher deductibles**
- Associations **have changed their rules regarding assessments** so that **all uninsured or underinsured losses are no longer always assessed association wide** against all unit owners.
- If a **specific unit owner's negligence causes a loss**, such as a bathtub that overflows or a kitchen grease fire, the **association deductible can be the sole responsibility of the negligent unit owner.**
- Unfortunately, in most cases, **insurance companies haven't amended their policy forms to provide a way of covering that increased deductible assessment.**
- **Some companies have come out with a specific endorsement that the unit owner can purchase** which will cover the full amount of the deductible assessment. But most insurance companies have not done so.

**It is better to “err” on the side of caution and
have a “little too much coverage”**

ISO LOSS ASSESSMENT PROVISION

ISO LOSS ASSESSMENT – Property

7. Loss Assessment

a. We will pay up to **\$2,000** (*\$1,000 previous editions*) **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

ISO LOSS ASSESSMENT – Liability

D. Loss Assessment

1. We will **pay up to \$2,000** (*\$1,000 previous editions*) **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; or

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**

CONDO UNIT OWNERS

LOSS ASSESSMENT - ISO HO Endorsement Options

Limit - The unendorsed HO -6 is provides only \$2,000 (*\$1,000 previous editions*) for Loss Assessment under both Property and Liability

- To expand the limit add **HO 04 35 Loss Assessment Coverage**
- Allows additional limits up to \$50,000
- The endorsement can *increase both the Section I and Section II* loss assessment limit.
- *HOWEVER, the endorsement includes a limitation*

Loss Assessment Coverage Endorsement (HO 04 35)

THE COVERAGE GAP – ('91, '00 & '01)

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.

Supplemental Loss Assessment Coverage (HO 04 35)

(2011 & 2022 editions)

In previous HO editions the following limitation was included in the endorsement. **This limitation is eliminated in the '11 revised edition, which also is sporting a new endorsement title.**

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.~~

'91, '00 & '01

ANOTHER ASSESSMENT ISSUE

- **SOME INSURERS**, are covering the unit owner's responsibility for the full association deductible under Coverage A, **providing** that the deductible responsibility is clearly spelled out in the association documents and that the Coverage A limit is high enough to cover **both the deductible and the other structural responsibilities** of the unit owner.
- **MANY INSURERS** **will NOT allow** the Coverage A limit to respond to a master policy deductible **when bylaws** are set up on a **single entity/all in basis** ... due to **their interpretation** of the ISO **"other insurance" provision** – **unless** the **HO 17 34 endorsement is added** – which is **ONLY** available with HO-2000 program & later edition.



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.

ISO '00 - '22 editions ENDORSEMENT OPTION

UNIT-OWNERS MODIFIED OTHER INSURANCE

HO 17 34 10 00

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.

COVERAGE

SECTION I – PROPERTY COVERAGES

Coverage B – Other Structures

HO-6

- **Coverage A** includes coverage for structures owned solely by you that are **located** at the “residence premises”

Coverage C – Personal Property (HO-6)

1. Covered Property

We cover personal property owned or used by an “insured” while it is anywhere in the world. **After a loss** and at your request, we will cover personal property owned by:

- a. Others while the property is on the part of the “residence premises” occupied by an “insured”; or
- b. A guest or a “residence employee”, while the property is in any residence occupied by an “insured”.

2. Limit for Property At other Residences

Our limit of liability for personal property usually located at an “insured’s” residence, other than the “residence premises,” is 10% of the limit of liability for Coverage C, or \$1500 (*\$1,000 previous editions*), whichever is greater. **However, this Limitation does not apply to personal property:**

- a. **Moved from the “residence premises” because it is being repaired, renovated or rebuilt and is not fit to live in or store property in;** or
- b. In a newly acquired principal residence for 30 days from the time that you begin to move the property there.

COVERAGE

SECTION I – PROPERTY COVERAGES

HO '11 & '22 editions

This Section addresses Personal Property Stored in a Self Storage Facilities

b. Self-storage Facilities:

Our limit of liability for personal property owned or used by an “insured” and located in a self-storage facility is **10% of the limit of liability for Coverage C or \$1,500** (*\$1,000 previous editions*), limitation does not apply to personal property:

(1) Moved from the "residence premises" because it is:

(a) Being repaired, renovated or rebuilt; and

(b) Not fit to live in or store property in; or

(2) Usually located in an "insured's" residence, other than the "residence premises".

2011 & 2022 Endorsement

Increased Amount of Insurance For Personal Property Located at Self-Storage Facilities (HO 06 14), is being introduced to provide for an increase in coverage

COVERAGE

SECTION I – PROPERTY COVERAGES

Coverage C – Personal Property ('22 edition)

Property Not Covered (HO-6)



g. Property in:

- (1) A space while rented or primarily held for rental to a "home-sharing occupant"; or
- (2) Subject to Paragraph g.(1), an apartment regularly rented or held for rental to others by an "insured";

HO-6: *but, unlike other owner-occupied HO form, there is no coverage provided for landlord's furnishings*

Additional Coverages (HO-6)



Except for “landlord furnishings” *all other categories are included in the HO-6 forms.*

COVERAGE

SECTION I – PROPERTY COVERAGES

Coverage D – Loss of Use (HO-6)

*Coverage D provides the same protection as found under other homeowner forms, except reference is to peril insured against to covered property **or** the building containing the property*

Coverage D:

- Additional living expenses
- Fair rental value
- Civil authority prohibiting use, with certain restrictions
- Loss or expense because of the cancellation of a lease or agreement is **not covered**

Loss of Use – Limits:

HO 00 06 50% of Coverage C limit

Reasons to Increase Coverage D Loss of Use:

- If Coverage C not highneither is Loss of Use
- Resort area
 - 1) What is going rate of comparable unit in resort area?
 - 2) Consider large increases in Coverage D to provide proper coverage
- Increased Coverage D is CHEAP

SECTION I

LOSS SETTLEMENT: (HO-6)

- **Dwelling (HO 6 only): replacement cost *with no coinsurance requirement***
 - ⇒ **Settled on a replacement cost basis if the damage is repaired or replaced within a reasonable time**; settled on a ACV if the damage is not repaired or replaced within a reasonable time; **the coinsurance requirements & exceptions under the HO 3 do not apply to the HO 6**
 - ⇒ For **those items which are considered real property** (e.g., awnings, carpeting, outdoor equipment, nonbuilding structures), the **building loss settlement provision applies *NOT ACV*** as found in the HO-3, provided the property fits the covered dwelling criteria
- **Personal Property (HO-6): ACV**

OTHER INSURANCE AND SERVICE AGREEMENT: (HO-6)

These provisions apply unless there is other insurance or a service agreement in the name of a corporation or association of property owners; if there is such an agreement, **the insured's own HO 6 will be excess coverage whether that corporation or association has collected that amount or not**. The insured's **HO 6 is primary, however, with respect to any amount covered by this policy but not due under the other insurance or service agreement** because of the application of a deductible under such policy or service agreement.

SECTION I – PROPERTY COVERAGES PERILS (HO-6)

Dwelling is covered on a named perils basis with the same applicable perils as personal property; other structures are not covered, except as provided under the dwelling section. The following amendments are made under the HO-6 named perils for both Coverage A & Coverage C.

- **Windstorm or hail** is covered, except loss to the inside of the building caused by rain, snow, sleet, sand, or dust unless the direct force of wind or hail cause an opening in a roof or wall through which the elements enter
- **Vehicle** – loss caused by vehicles are covered except -- there is no coverage for a loss to a fence, driveway, or walk caused by a vehicle owned or operated by a resident of the residence premises
- **Vandalism or Malicious Mischief** is the same coverage found under all other HO forms, except an exclusion is added for HO- 6 property which pertains to the residence premises, if the building containing the residence premises has been vacant over 60 days
- **Falling Objects** is covered, except loss to the inside of the building unless the roof or an outside wall of the building is first damaged by the object
- **Weight of Ice, snow or sleet** except the peril does not include loss to an awning, fence, patio, pavement, swimming pool, foundation, retaining wall, bulkhead, pier, wharf, or dock
- **Accidental Discharge or Overflow of water or steam** except :
 - Coverage also includes tearing out and replacing any solely-owned part of the dwelling when necessary to repair the damage
 - Coverage is excluded if the premises are vacant for more than 60 consecutive days
 - There is no coverage for a loss to or within the residence premises if caused by accidental discharge or overflow which occurs away from the building where the residence premises is located; the exclusion is narrower than that under the HO 3

ENDORSEMENT OPTIONS

SPECIAL FORM – ENDORSEMENT OPTIONS:

- **HO 17 32 (building) “UNIT-OWNERS COVERAGE A SPECIAL COVERAGE”:**

The endorsement has two parts (1) expands the dwelling coverage from named perils to all risks, (2) adds three Concurrent Causation exclusions found in all “all risk” forms

- **HO 17 31 (personal property) “UNIT-OWNERS COVERAGE C SPECIAL COVERAGE”:** *expands the personal property coverage from named perils to all risks; therefore, it resembles, in part, the HO-3 and HO-5. The endorsement has four parts.*
 - ⇒ Special coverage applies as long as the named insured resides and occupies the condominium in which the personal property is located.
 - ⇒ Expands the three Coverage C Special Limits “theft” categories to include misplacing or losing the item
 - ⇒ Expands the collapse peril to cover **any cause** not just covered perils
 - ⇒ Expands coverage by deleting some of the limited “exception” coverages that exist under the named perils

SECTION II – LIABILITY (HO-6)

Both the Personal Liability and the Medical Payments coverages are a mirror image of the other HO forms.



SECTION II - LIABILITY

Additional Coverages: (HO-6)

Loss Assessment - \$2,000 (*\$1,000 previous editions*)

⇒ **HO 04 35 Loss Assessment** *increases the limit*

CONDO OWNERS

OTHER ENHANCEMENT ENDORSEMENTS:

Loss Assessment – Earthquake (HO 04 36)

- ❖ The insured must buy assessment coverage for earthquake separately

HO-6

7. Loss Assessment

- a. We will pay up to **\$2,000** (*\$1,000 previous editions*) **for your share of loss assessment charged** during the policy period against 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 insurer will pay its share of any assessment that occurs during the policy period, **up to the limit shown**
- ❖ Its limit of liability shall be based on the insured's proportionate interest in the total value of all collectively owned buildings and structures of the association
- ❖ It covers the perils of earthquake, or land shock waves or tremors before, during, or after a volcanic eruption.
- ❖ One or more earthquake shocks that occur within a **72-hour time frame are considered a single earthquake.**
- ❖ **Two exclusions apply** (1) any assessments charged against the named insured by any governmental body, and (2) any assessments made resulting from flood of any nature or waves, including tidal waves and tsunamis, whether caused by or related to an earthquake.
- ❖ Coverage is subject to a special deductible that is a percentage of the limit specified in the endorsement schedule for that particular unit, **but not less than \$500 for any one assessment**

CONDO OWNERS

OTHER ENHANCEMENT ENDORSEMENTS:

Unit-Owners Rental to Others (HO 17 33):

- ❖ If the **condo is rented or held for rental** to others, the *Unit-owners Rental to Others (HO 17 33)* endorsement is necessary.
- ❖ This endorsement provides coverage while the condo is regularly rented or held for rental to other parties.
- ❖ Without this endorsement, the **HO 6 does not cover** any property on the premises or personal liability
- ❖ Normally, it is used when the owner rents out the entire condo unit for a temporary period, such as for 3 months every summer, but the condo **remains owner-occupied for the remainder of the year**

The endorsement consists of four parts.

1. Amends the “Property Not Covered” provision. Under the HO-6, property in an apartment or unit regularly rented or held for rental to other parties is not covered. This **endorsement deletes this restriction**.
2. The HO-6 theft peril **does not apply to a loss** from the part of a residence premises rented by an insured to a noninsured. This **endorsement deletes this restriction**.
3. The **third part** also addresses theft. With the theft peril included, some restrictions on this coverage are added. Theft of the following property **is excluded**.
 - Money, bank notes, bullion, gold, silver, pewterware, platinum, coins, medals, scrip, stored value cards, smart cards, and related items
 - Securities, accounts, deeds, letters of credit, passports, tickets and stamps regardless of the medium on which the material exists, and related items
 - Jewelry, watches, furs, and precious and semiprecious stones
4. The **fourth part** amends the business liability exclusion. The endorsement **adds an exception**; it does *not* apply to the rental or holding for rental of the residence premises, even rental on a regular basis.