Condominium Unit-Owner Coverage - A Simplified Property Ownership & Insurance Nightmare!
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• Condo Documents:
  1) Condominium Declarations
  2) Condominium by-laws

Insurance Obligations - Association:
• Generally the Association is only required to insure:
  1) Commonly owned Property
  2) Common Liability Exposures

Massachusetts (MGL 183A)
Section 10. Corporation, trust or association; interest of unit owner; powers and duties; manager or managing agent; by-laws; records; fidelity insurance; reserve accounts; effect of recorded certificate.
Section 10. (a) Each unit owner shall have the same percentage interest in the corporation, trust or unincorporated association provided for in the master deed for the management and regulation of the condominium as his proportionate interest in the common areas and facilities. Such interest shall not be separated from ownership in the unit to which it appertains and shall be deemed conveyed or encumbered with the unit even though such interest is not expressly mentioned or described in the conveyance or other instrument.
(b) Such corporation, trust or association shall have, among its other powers:
(1) To lease, manage, and otherwise deal with such community and commercial facilities . . .
(2) To own, convey, encumber, lease and otherwise deal with units conveyed to it or purchased by it . . .
(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.

Insurance Obligations – Unit Owner:
• State laws do NOT require the unit owner to purchase insurance on his/her unit
• We must look to the specific condo by-laws to determine insurance requirements
CONDO OWNERSHIP VS. INSURANCE

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**.

- **When the condominium/association insures the structure, a unit owner policy is normally written to cover the unit owner for.**
  - Items **not covered by the association** master policy
  - Possibly, the value of building **additions or alterations made by the unit owner at their expense - value added (installation of a better quality carpet than was originally there)**.
COVERAGE

Definition – HO-6:

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

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.
SECTION I – PROPERTY COVERAGES

Reasons for purchasing Coverage A

a. Insured has responsibility to insure INDIVIDUALLY owned building items

b. Large association deductible
   1) Buy Coverage A in amount of association deductible (where Association has responsibility to insure the building values owned by the individual unit owners)
   2) For HO 2000 & later editions include HO 17 34 10 00 to guarantee that Coverage A will respond to Master Policy deductible

Unendorsed ISO HO-6

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.

Endorsement Option (HO 17 34 10 00)

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.
**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 “free” building coverage for Coverage A – Dwelling
- The ISO basic Coverage A is $5,000
- Carriers may provide some other amount as their basic limit

**Determining Coverage A – Dwelling:**

**Two Basic Questions:**

1. What has the Association insured?
2. What is the insured actually purchasing?
SECTION I – PROPERTY COVERAGES
PERILS

DWELLING – COVERAGE A: (HO-6)

HO - 6:

Dwelling is covered on a named perils basis with the same applicable perils as personal property.

- 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.

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 $1000, 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.

HO ’11 – Self-Storage Facilities
b. SECTION I – PROPERTY COVERAGES

c. 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 $1,000**, 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".

**New 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

- **Personal Property** is covered on a named perils basis

- **HO 17 31 (personal property) “UNIT-OWNERS COVERAGE C SPECIAL COVERAGE”**
  
  ⇒ 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 I – PROPERTY COVERAGES

Property Not Covered (HO-6)

Property in an apartment rented to others:

HO-6: but there is no coverage provided for landlord’s furnishings

SECTION I – PROPERTY COVERAGES

Coverage D – Loss of Use (HO-4 & HO-6)

Coverage D provides the same protection as found under other homeowner forms, except reference is to perils 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

CONDO UNIT OWNERS
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**.

**Loss Assessment - $1,000:**

⇒ **HO 04 35 Loss Assessment** increases the limit **BUT $1,000 remains as the limit arising from assessments due to deductible of the Association. This limitation is eliminated in the ’11 revised edition.**

**LOSS ASSESSMENT - Two (2) ISO Endorsement Options**

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<tr>
<th><strong>Limit</strong></th>
<th><strong>To expand the limit add HO 04 35 Loss Assessment Coverage</strong></th>
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<td>The endorsement can increase both the Section I and Section II loss assessment limit.</td>
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**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.

**Perils** - The unendorsed HO-6 is providing only Board Form (16 Named Perils)

⇒ To expand the perils to an “open peril” coverage add **HO 17 32 Unit-Owners Coverage A Special Coverage**
CONDO UNIT OWNERS

ANOTHER GAP IN COVERAGE:

Regularly renting the Condo:

- The HO-6 does not cover any property on the premises or personal liability under these circumstances
- The theft peril does not apply to a loss from the part of a residence premises rented by an insured to a noninsured
- The unendorsed HO-6 excludes bodily injury or property damage in connection with a "business"
- SOLUTION: HO 17 33: Used when the condo or unit owner rents out the entire condominium unit for a temporary period

LOSS SETTLEMENT: (HO-6)

- **Dwelling (HO 6 only): replacement cost** with no coinsurance requirement
  - Specifies that an insured is permitted to elect the replacement cost option by notifying the insurer within 180 days after the loss of such intent and emphasizes that property rebuilt at a different premises is limited to the cost of rebuilding at the original premises.
- **Personal Property:** ACV

SECTION II - LIABILITY

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

- **Loss Assessment - $1,000**
  - HO 04 35 Loss Assessment increases the limit