



AN EXTRAORDINARY ADVANTAGE<sup>SM</sup>

# Insurance Basics – HO-6 Condominium Owners The Woodlands Condominium Association Inc.



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## ASSOCIATION - PROPERTY 2023 - 2024

**Blanket Buildings:** Association common and limited common elements and property. i.e. (condominium) buildings including pool house, swimming pool, entrance monuments, various , fences, walls, gates, mailboxes, outdoor property, business income, etc.

**Original Specifications:** Units are repaired/replaced after loss to original build specifications. Excludes improvements and betterments installed by Owners and/or personal property of Owners and their guest, invitees and tenants.

*Unit owner must supplement coverage through their own HO-6 policy.*

### Master Policy Property Deductibles

*\$5,000 Per Occurrence Except;*

*\$5,000 Per Unit Ice Damming;*

*1% Per Building Value, All Other Wind & Hail;*

*2% Per Building Value, subject to \$50,000 Minimum, Named Windstorm*

*5% Per Building Value, Earthquake*

# MASTER INSURANCE – ALL OTHER | 2023 - 2024

## ***General Liability***

- \$1,000,000 Per Occurrence
- \$1,000,000 General Aggregate

## ***Hired & Non-Owned Automobile Liability***

- \$1,000,000 Per Occurrence

## ***Directors & Officers Liability***

- \$1,000,000 Per Claim
- *Subject to \$1,000 Per Claim Retention*

## ***Workers Compensation Employers Liability***

- \$ 500,000 Each Accident
- \$ 500,000 Each Disease
- \$ 500,000 Each Employee

## ***Cyber Liability***

- \$1,000,000 Limit Per Incident
- *Subject to \$2,500 Per Incident Retention*

## ***Umbrella Liability***

- \$5,000,000 Per Occurrence
- \$5,000,000 Aggregate

## ***Umbrella is Excess over these Scheduled Policies***

- ✓ General Liability
- ✓ Hired & Non-Owned Automobile Liability
- ✓ Directors & Officers Liability
- ✓ Workers Compensation Employers Liability

## ***Crime Fidelity***

- \$700,000 Limit Per Loss

## ***Governing Documents (CC&R's or Master Deed) will speak to the Association and Unit Owner's responsibility to insure.***

*Define what elements are considered common and/or limited common elements as well as what the unit is deemed to include.*

### 5.1 Hazard Insurance.

(a) The Association will obtain, maintain and pay the premiums, as a Common Expense, upon a "master" or "blanket" type policy or policies of property insurance covering the entire Project, except (i) land, foundation, excavation, or other items normally excluded from coverage; (ii) all improvements and betterment made to Units by Owners at their expense; and (iii) personal property of Owners and lessees of Owners, their families, invitees and guests. Such coverage will also insure supplies, equipment and other personal property of the Association. All policies of property insurance will be single entity condominium insurance coverage. The master insurance policy will afford, at a minimum, protection against loss or damage by fire and other perils normally covered by standard extended coverage endorsements; and all other perils which are customarily covered with respect to condominium projects similar in construction, location and use, including all perils normally covered by a standard "special coverage" endorsement, where such is available. The policy will be in an amount equal to one hundred (100%) percent of the current replacement cost of the Project, exclusive of land, foundations, excavation, and other items normally excluded from coverage. A "deductible amount" not to exceed the lesser of \$10,000 or one percent (1%) of the policy face amount may be included at the discretion of the Board of Directors if available and if a material savings, as determined by the Board in its sole discretion, in premium cost results therefrom, but the deductible amount will be considered a Common Expense and borne by the Association regardless of the number of Owners directly affected by the loss and reserves will be established therefor.

## **Valuation represents the Dollar Amount the Association/Unit Owner expects to receive at the Time of the Loss.**

Actual Cash Valuation – The cost to Repair or Replace the Damaged Property Minus Depreciation; the Damaged Property’s “Fair Market Value” or using the “Broad Evidence Rule” calls for considering all relevant evidence of the value of the Damaged Property (wear & tear).

Replacement Cost – The cost to Replace Damaged Property with materials of like kind and quality without any deduction for depreciation.

Extended Replacement Cost – Typically 115% to 125% of the stated limits of property coverage, sometimes referred to as a “spike clause”. May apply during catastrophic weather events only.

Guaranteed Replacement Cost – Indemnifies the insured without any depreciation and without a maximum reconstruction payment. Replaces property even if the amount exceeds the policy limits.

Agreed Value– Coinsurance is waived. Pre-determined amount of property coverage settled upon prior to loss.

**A Deductible is the amount of money that “you” are responsible for paying toward an insured loss. The deductible amount is subtracted, or "deducted," from what your insurance pays toward a claim. Deductibles are how risk is shared between you, the policyholder, and your insurer.**

*Most all Property policies have deductibles per loss per occurrence, the deductible may be assessed as a common expense to the membership or an individual expense to Unit Owner(s) in proportion to loss.*

- ✓ *Per Occurrence?*
- ✓ *Per Unit?*
- ✓ *Per Claim?*
- ✓ *Percentage?*
- ✓ *Windstorm Separate/Increased Deductible?*
- ✓ *Does a Minimum Deductible Apply?*

## **What is the Responsibility of the Association?**

Individuals own their own unit but share ownership in limited common areas, with all other owners. Dues are collected to maintain, upgrade and insure those common areas as well as structures noted in Master Deed and/or Bylaws.

## **What is the Responsibility of the Unit Owner?**

Participation and adherence to Master Deed and/or Bylaws and is mandatory per membership agreement.

**Common Elements** are owned by and benefit all or nearly all members of the association.

Land, parking lots and the building's structural foundations and load-bearing walls are examples of common elements.

Also included in this definition are clubhouses, pool houses, pools, fences, gates, playground equipment, tennis courts and other property owned by and allocated to all unit owners.

Not all property categorized as a common element is insurable in standard property policies (i.e. land), but most can be scheduled.



**Limited Common Elements** are beneficial to more than one but less than all unit owners.

Common hallways or corridors providing access to several units;

Walls and columns containing electrical wiring or sprinkler piping and/or serving or protecting multiple units or a plenum enclosure, including providing heating and cooling to multiple units are examples.

Doorsteps, stoops, decks, porches, balconies, patios, exterior doors and windows or other fixtures designed to serve a single unit but located outside the unit's boundaries are often categorized as limited common elements because the appearance and safety of these fixtures directly affects multiple unit owners although connected to just one unit.

**Original Specifications - covers fixtures, installations and additions within the interior surfaces of the perimeters of the walls, floors and ceilings of individual units.**

The association is providing insurance for limited common elements and unit property.

*Unit owner still must have HO-6 policy inclusive of their improvements/alterations to unit as well as their personal property however limited building coverage is required.*

**Unit property** is defined by the association's declarations or statute and is limited to and benefits none but the unit owner.

The inside of the exterior walls, interior partition walls, counter tops, cabinetry, plumbing fixtures, appliances and any other real property confined to the unit are examples.

Unit property's definition can vary widely with no universal designation.

**Unit Improvements and Betterments** like unit property benefit none but the unit owner.

The three previous definitions of associational responsibility classifications require improvements and betterments be classed separately – excluding improvements and betterments from the definition of covered property under the association’s policy.

*Any unit improvements & betterments created by the unit owner increases the value within the unit, such as upgraded flooring (carpet to hardwood).*

**HO-6 Condominium Owners form is an insurance policy designed specifically for condo owners and/or condominium style dwellings.**

Coverage for personal property and personal liability as well as loss of use.

Coverage can extend to walls, floors and ceiling of unit.

All Perils except for those excluded, and endorsements can be purchased for additional premium to add coverages otherwise excluded.

## HO-6 - INCLUDES

- ✓ Accidental Discharge of Steam or Water
- ✓ Aircraft
- ✓ Explosions
- ✓ Falling Objects
- ✓ Fire & Lightning
- ✓ Riots
- ✓ Smoke
- ✓ Theft
- ✓ Weight of Ice, Sleet or Snow
- ✓ Vandalism
- ✓ Vehicles
- ✓ Volcanic Eruptions
- ✓ Wind and Hail

## HO-6 - EXCLUDES

- × Earth Movement including Earthquake
- × Flood
- × Backup of Sewers & Drains
- × Wind Driven Rain
- × Structural Damage
- × Animals or birds
- × Rust, Rot (Dry/Wet) and Deterioration
- × Water Seepage
- × Settling, Cracking, Shrinking, Bulging or Expansion of Roofs, Walls, Patios, Floors, Foundations, Ceilings, Pools, Hot Tubs, Spas or Chimneys.
- × Inherent Defect; Mechanical Breakdown
- × Freezing due to Vacancy
- × Wear & Tear, Marring or Scratching
- × Termites, Insect and Vermin Damage
- × Intentional Acts
- × Business Property
- × Tenant Property

## RECOMMENDATIONS - COVERAGES FOR CONDOMINIUM OWNERS

- ✓ Unit Owner Upgrades, Improvements, Betterments and Alterations
- ✓ HO32 17 Endorsement
- ✓ Backup of Sewers & Drains – sublimit, must be requested via endorsement
- ✓ Loss Assessment – must be increased to cover deductible assessments for common area damage
- ✓ Loss of Use – typically 12 months up to 10% of Coverage A
- ✓ Loss of Rents
- ✓ Fine Arts/Jewelry Floaters – high value items should be scheduled as coverages is limited on HO6 form.
- ✓ Spoilage
- ✓ Earthquake, Flood, Wind Driven Rain, Mold/Fungus, Identity Theft, and other items typically excluded may be purchased via endorsement or through a separate policy.



## COMMON QUESTIONS

- What does the Master Association policy cover?
- What is the Owner required to insure?
- What is a Tenant required to insure?
- What is a master policy deductible and who is responsible for the deductible?
- What is to be insured? Structure? Walls in? Walls out? Contents? Liability?
- What is the value to be insured?
- How much coverage is appropriate?
- Can you subrogate against an Owner for damages incurred due to their negligence?
- Who is responsible for obtaining the insurance?
- Where do I find within the governing documents the sections which state what my responsibilities are to insure?

## THE CIRMS™ INSURANCE AGENT ROLE

- ✓ **Community Insurance and Risk Management Specialist™ (CIRMS™)**, a professional designation from the Community Association Institute. The CIRMS designation recognizes an individual who has demonstrated a high level of competency within the risk management profession. **CIRMS™** designees must have a minimum of five years experience in the community association insurance field and be of satisfactory legal and ethical standing in the industry.
- ✓ Insurance agents should be licensed in the State for which the community association is located. Insurance agents and brokers serve as intermediaries between you and the insurance companies. Insurance agents have legal obligations to the clients they serve and have a duty to assist in procuring and providing advice and insurance coverages. Insurance agents are not paid by the Association (client) but directly by the carrier or the wholesale broker/program a percentage or flat fee based upon the premium paid (exclusive of taxes and fees). The expertise of the agent is not quantified in the cost of the premium; however the lack of expertise of the agent can have a direct correlation with increased costs and further unanticipated expenses.
- ✓ Insurance agent's review data including insurance policies, loss summaries, financials including audits, governing documents, appraisals, inspection reports, reserve studies and other data related to underwriting and determining hazard of risk to obtain the best available coverages at the most affordable pricing in the marketplace.
- ✓ Insurance agents do not determine the price of the coverage or the cost of the rates; all premium for admitted carriers are filed with deviations for credits and debits based upon certain criteria. Non-admitted carriers and programs may require wholesale broker representation through the selected agent. Agents do not adjust claims.
- ✓ Only one insurance agent may represent a insurance carrier at one time; carriers do not honor requests for quotes unless a broker of record letter is filed to appoint said agent; excluding the other. The Board and Association is best served by choosing the most knowledgeable expert agent with the broadest market capabilities for coverage placement.
- ✓ Agents provide quotations and placement of insurance coverage, provide advice and expert knowledge on community association specific risks and hazards. Agent's assist in placing of coverage and with claims processing. Agents will provide evidence of insurance for lenders and others that require/request such. Agents also assist in recommendations to mitigate risk and reduce costs. Risk and claims management including contractual risk transfer are additional services that may be provided for no additional cost.

- The Community Manager should facilitate the process between the Board Members and the Professional Insurance Agent and their representatives.
- The Community Manager should be fair and non-discriminatory recommending any professional choice of insurance agents and carriers; there should be no self-dealing or improper relationships between the Board, Manager and/or the Agent. Discuss any concerns or considerations in advance with the Board and/or Agent.
- Review and disclosure of all material information, facts and representations with Board of Directors in timely fashion.
- Review and present insurance policies and quotation/proposals to Board; assist as liaison between Board and Agent.

## THE BOARD'S ROLE

- ✓ The Board is tasked with managing the risks of the association; including determination of coverage to be bound as well as the declination of coverage. The Board makes the final determination and selection of coverage.
- ✓ The Board should be fair and non-discriminatory in its choice of agents and carriers; there should be no self-dealing or improper relationships between the Board, Manager and/or the Agent.
- ✓ Review and disclosure of all material information, facts and representations; it is the Board's duty to be involved in the process and to ask questions and review all terms, conditions, quotes and policies as well as applications for insurance. The Board is also responsible to affirm that coverages are in place as requested and that the policy meets the requirements of the governing documents.
- ✓ The Board has the fiduciary duty and obligation to adhere to the requirements of the governing documents. The Board is protected by the Business Judgement Rule only so far as heeding the advice and recommendations licensed and credentialed third party professionals. The absence of insurance may not negate the responsibility of the Board to repair or replace; further no where within the governing documents is it the duty for the Board to save money. Further, the Board is responsible for the fiscal management of the Association, not of the Owners.



***Dawn M. Becker-Durnin, EBP, CIRMS™ is the Vice President of Acrisure's Community Association Division. Dawn is a multi-state licensed Property & Casualty insurance agent. Dawn has been intimately involved with brokering specialized insurance products, risk consulting, and reviewing insurance programs on behalf of Common Interest Communities (Condominiums & HOA), Co-Ops and Apartments. Dawn leads with an emphasis on contractual risk transfer and risk management. Dawn has written several published articles relating to community associations and is often a guest lecturer and educator.***

In June of 2020, Dawn earned the prestigious designation of Community Insurance and Risk Management Specialist **CIRMS™** Pin #151. **CIRMS™** are individuals who have demonstrated the knowledge and skills to provide quality professional service to condominiums, cooperative and homeowner associations.

Dawn also has the distinction of being a CAI Educated Business Partner.

In Dawn's personal life, she is a New Jersey State Certified Firefighter (certified since 1995). She is a former member of Washington Valley Volunteer Fire Company, Warren, serving as the first female Fire Company President and as Interior Fire Fighter and Driver from 2002 through 2016. Dawn also served as EMT and 1<sup>st</sup> Lieutenant Firefighter and Driver with the Basking Ridge Fire Company from 1995 through 2002. Certificates of training include Officer Incident Command, Emergency Preparedness, Hi-Rise Fire Operations, Confined Space, Pump Operations and Flashover. She resides in Waxhaw, North Carolina with her husband of over 14 years, Steven and two young boys; Sidney, age 12 and Ashton, age 8.

Member of CAI-NJ, CAI-PA, CAI-NC and CAI-SC; "The Community Associations Institute" (CAI) is an international trade association and special interest group that provides education and resources to the volunteer homeowners who governing community associations (and those that assist them) and provides petitions for legislative and regulatory beneficence for its members.

Dawn has been a panel member for CAI South Carolina Blue Ribbon Committee since 2019. Dawn has been a guest speaker for CAI chapters on various insurance related topics and is a member of the CAI National Short Term Rental Task Force and the Surfside Condominium Collapse Insurance CIRMS Task Force. Dawn has been serving as committee member on CAI National's Business Partners Council since 2021.

Recipient of the 2018 and 2019 CAI SC Member of the Year, 2019 CAI SC Chapter Executive Director and 2022 CAI SC President's Awards.