



INSURANCE ISSUES

MASTER POLICY (General)

Under the provisions of the State Condominium Act, RSA 356B: 43, all condominium associations are required to carry a master insurance policy covering all the general common elements of the property and general liability of the association. The common area property will vary in most associations and will be determined by the documents. In the State of New Hampshire, insurance carriers are required to insure for 100% replacement in the event of a total loss; however, this will be restricted to as originally built unless the association has on record any improvement over \$1000.00 made to the unit structure. The board of directors will be required to establish the extent of the policy and determine the amount of deductible the unit owners individually will be responsible for. This should be published in your policy resolutions and may be changed from time to time.

Condominiums are dual ownership - that which is the associations and that belonging to the unit, which you own, thus the areas of responsibility will vary. These result in what you need to protect and what the association will be responsible for. We trust that this information will help you to put a light on this complex subject.

MORTGAGE HOLDERS

All unit owners that have a mortgage recorded will need to provide a "Certificate of Insurance" to the mortgage holder at the beginning of the insured period. Once provided, it should be forwarded annually by the association's carrier.

This is relevant only to the Master Policy which is required by the mortgage company. Should the mortgage be sold or should you change companies, they will most likely ask you to provide a copy. This request should be given to the Association or its representative to act on.

UNIT OWNERS' POLICIES

As a condominium owner, your personal property and "unit" are not covered by the Master Policy. Any unit owner or mortgage company may obtain the "Condominium Unit Owners Endorsement" for improvements and betterments made by the unit owner at his/her expense

This type of endorsement must contain a provision as a waiver of subrogation to protect the association from further obligation than required by the documents.

All unit owners should carry additional insurance to cover their personal property, partial losses, and liability for injury within their units not covered by the master policy. This HO6 Provision is fairly inexpensive and should also cover the Master Policy's established deductible.

This policy also will need to establish its own deductibles and limitations. The insurance carriers may want to review your condominium document (insurance section) to establish the limits of the "unit" and the common areas. All unit owners are strongly urged to obtain this coverage, although not mandatory by the documents.

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UNIT OWNER WITH PETS

Most Associations have a provision to allow pets and have established a Pet Policy. This policy brings additional liability to the association and most associations require the unit owner where a pet (dog) is housed to carry "Individual Condominium Insurance" due to this added liability. The existence and breed of the animal must be disclosed to the Insurance carrier. Most insurance carriers that write this type of Insurance have restrictions on the breeds it will insure or base their premiums on.

RENTAL UNITS

Unit owners that have their unit rented either temporary or as investment should have a provision in their lease that the tenant have "Renters Insurance." This is similar to HO6 but protects the tenant's actions and property in lieu of the owner.. The unit owner should still carry his own; however the cost will be considerable less as the personal property rider would not be included. Important should your tenant have a pet.

CONTRACTORS

Condominium associations, as part of the day to day operations, hire contractors to come on to the property to provide services. The association is required to obtain "Certificates of Insurance" from these contractors before allowing them to do any work. This also applies to unit owners who engage any person that comes onto the property to do any work in the limited common or common areas of the association. Your insurance would cover any liability within your unit.

GROUNDWATER

Condominiums that have basements or sublevels are not generally covered by the Master Policy or their individual condominium rider (HO6). For individual unit owners, some insurance carriers are now offering a "Ground Water Rider) for an additional cost, but must be purchased separately. As such, the general provision of coverage is limited to not covering living space below ground level including carpet installed over unfinished flooring, paneling and wallpaper. Should the unit be equipped with a sump pump, the overflow is not usually covered if the sump pump fails. Unit owners would be required to maintain the device.

Utility fixtures and machinery such as furnaces, hot water heaters and central air conditioners are usually covered under the general provision of the policy, and any damage caused by their failure are subject to the deductible

FLOOD INSURANCE

Flood insurance is a federal government product issued through an insurance provider only. The property must be designated to be in a flood plain. In the flood policy, a flood is partial or complete inundation of 2 or more acres of normally dry land or 2 or more properties from overflow of inland/tidal water, unusual or rapid accumulation or runoff or surface water from any source. This insurance pretty much covers structural damage and limited on any personal property.

MOLD

Mold, like groundwater, is not covered by the master policy or by a unit owner condominium endorsement. Most insurance companies do not provide protection for this condition. Mold

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is considered to be the result of an environmental condition under your or the association's control. Mold is considered not to be a traumatic event and can be prevented by simple inspection and proper maintenance.

DEBRIS

Most insurance carriers have a strict policy on the removal of debris resulting from acts of nature or accidents resulting to the structure. This debris removal applies only to removal from the building and not from the property. If this debris is within your limited common areas the unit owner may be responsible for its removal under the provision of the association's guidelines of unit owner responsibility to maintain such areas

LOSS ASSESSMENT INSURANCE

Insurance carriers across the country are now offering an additional coverage referred to as "Loss Assessment Coverage." This type of coverage insures for liability arising from the negligent actions resulting in injuries to persons or damage to property and you are assessed a fee for damages by the association. Policies are issued to cover a number of scenarios resulting from inaction of the association of which you, as a unit owner, are also responsible to the tune of your proportional interest in the association.

FAQ's

Do I need to have all this coverage?

No. Your mortgage company only requires the master policy to cover the mortgage conditions. The documents indicate that you "Should have" not "Shall Have" - that one word makes a big difference.

What is my deductible?

Your deductible is determined by the board of directors and usually determined when reevaluating insurance cost. Deductibles may vary from \$1000.00 to \$5000.00 and will determine the cost of the policy. Some associations have even gone to variable deductibles, for example: Standard deductible of \$2500.00 with a \$5000.00 deductible on ice damming claims with the deductible applying per unit. This is common in the New England area. Your association should publish a resolution on the Insurance deductible policy on a regular basis.

What is the sublevel?

The sublevel as what is referred to in New England as the "cellar." This area is below ground level, is enclosed on four sides with a foundation and is defined as non-living space. Normally restricted use to equipment and utility; finished structural items such as paneling and linoleum are not covered in sub grade levels. This area may or may not be required to have an egress.

What losses are generally excluded or not covered by the policy?

- ◆ *Earth movement such as earthquake, landslide, sinkholes, gradual erosion.*
- ◆ *Weight of ice or snow, freezing or thawing, rain or hail, back up of sewers or drains, and overflow from sump pump.*
- ◆ *Property not located inside a fully enclosed building.*
- ◆ *Recreational Vehicles.*
- ◆ *Deck, patios, walkways, fences, and retaining walls.*
- ◆ *Hot tubs and spas that are not bathroom fixtures, Swimming pools.*
- ◆ *Bills, coins, currency, deeds, money, stamps, securities, valuable papers.*
- ◆ *Land, trees, shrubs, lawns, plants, animals.*
- ◆ *Property owned in common with other unit owners.*
- ◆ *Personal property such as paneling, linoleum, carpeting and furniture located on floor level with all sides below grade level.*