

September 26-29, 2024 | Sheraton Boston Hotel



09/28/2024

Your Questions, Our Answers - Personal Condo Coverage

10:00 AM - 11:00 AM

Irene Morrill

1 CEU

Sponsored by The Andover Companies

Your questions, our answers personal condo coverage



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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.



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"walls in" coverage

A unit owners bank is requesting confirmation of "walls in" coverage.

The underwriter advised, in the event of a loss, the claims adjuster will default to how the condo bylaws read.

How do I put this on an EOP or explain this to a nervous condo owner?



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"walls in" coverage

I wish banks and Fannie Maewouldn't use language that doesn't exist.

SO ...you are the commercial agent that insures the master policy?

Whether using the ISO BOP endorsement BP 17 07 or the ISO CP 00 17, either covers the building for the association ...just as a normal CP 00 10 or BP 00 03 would ...

The commercial policy only covers where there is a financial interest of the insured

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



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"walls in" coverage

by law in MA (MGL183A) the association is only REQUIRED to insured "common area" which is defined in the law.

Section 10

Corporation, trust or unincorporated association; owners interest; powers and duties; management

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. 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



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"walls in" coverage

The BP 17 07 and the CP 00 17 also adds (the following is from the CP 00 17 but the BP endorsement says the same):

- (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.



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"walls in" coverage

So, the underwriter is CORRECT!!!!!!

If the bylaws tell the association to insure everything in the unit, then the commercial policy will ... bylaws vary ...

is everything always required to be covered which could include unit owner improvements and betterments ...or just at original sale ...or everything ...except ... carpeting ...etc.

One needs to read the bylaws ...and the BANK SHOULD TOO ...

**Then I worry that you ...
the commercial agent has accurately valued the building ...but ...that's a different issue.**



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"walls in" coverage

If I were the commercial agent I would not say "walls in" or "all in" coverage ... at least unless I read the bylaws and KNEW what they said ... since those words are NOT in the policy ...

technically they are "illegal" ... per our certificate of insurance law and the bank has no right to ask for language that is NOT in the policy.

I could certainly show the bylaw language where it tells the association what kinds of individually owned areas it needs to insure.



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Multiple deductibles and Coverage A limit

Our office is a bit perplexed by a request from our insured.



He sent over the attached Master Policy coverages after they renewed recently. He's adamant that he needs to increase his COV A to get coverage for the \$165k for the 1 % wind/hail deductible.

He claims that each individual unit would be responsible for that much.

We're of the mindset that the wind/hail deductible would be assessed among all the units and thus covered under Loss Assessment.

What would you do in this situation?



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Multiple deductibles and Coverage A limit

the master policy agent

said the policy was covering both common areas and individually owned areas.

(I prefer to read the bylaws and know if there is a company specific "all in" endorsement)

Why is your insured worried about the wind deductible and not the earthquake deductible?



Just reading what you sent

Dear Unit Owner:
 Outlined below is the basic guideline for purchasing insurance for your condominium unit.
 PLEASE CONTACT YOUR AGENT TO PURCHASE THE PROPER COVERAGE FOR YOUR UNIT
 It is highly recommended that each unit owner carries a condominium (HO-6) insurance policy.

The Master Policy: Areas of Coverage
 The Master Policy covers all common areas of the condominium as well as the individual units including improvements or betterments.

The Master Insurance Policy Deductibles:

All Other Peril Deduct	\$5,000
Water Deductible	\$50,000
Wind/Hail	1% or \$166,224
Earthquake	2% or \$332,448
Equipment Breakdown	\$25,000

These are NOT "per unit" deductibles

Individual Unit Owners Policy:
 It is the sole responsibility of each unit owner to insure his or her personal effects (contents) and personal liability and to include the coverage on the dwelling to cover any loss under the master policy deductibles. All unit owners should purchase a HO-6 Policy. With the increased Master Policy deductibles, we highly recommend you have your agent read the insurance section of the condo documents so he can recommend the correct coverage for your personal policy.

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Multiple deductibles and Coverage A limit

The insurance policy for the Peterborough Condominium Trust is written by the Greater New York Mutual Insurance Company and insures the common areas and portions of each unit on the following basis:

How are Improvements and Betterments Covered?	<u>ALL-IN PER CONDO DOCUMENTS</u>
---	-----------------------------------

** See the definition page attached

Master Policy Deductible:	\$10,000
Per Unit Ice Dam Deductible:	\$10,000
Per Unit Water Damage Deductible:	\$10,000
Earthquake Deductible:	4%
Flood Deductible:	\$50,000

This is another example of letter re: per unit deductible



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Multiple deductibles and Coverage A limit

I worry about the master policy deductible if there is no other unit damaged ...

is it possible that wind/hail could cause \$166,224 of **damage to JUST your client's unit**

if so

they should carry that much.

But ...is it **REALLY REALLY** possible for the windstorm to just hit YOUR unit and NOTHING else...?????????

does your unit have common area ...(roof, exterior siding) – then the deductible will be split between you and association – at the least

Just as,

could **\$332,448 of earthquake damage happen to JUST your client's unit.**



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Multiple deductibles and Coverage A limit

Somehow, I don't believe either could happen.



Windstorm/hail would probably happen to exterior of building (common area) ... more than one unit and any common areas inside building.

In which case, the master policy deductible would be "apportioned" between common area

and

individually owned units being damaged.



The deductible amount that is apportioned to individually owned units would need to be covered under the unitowner's Coverage A.



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Multiple deductibles and Coverage A limit

Loss within a unit is **NOT** a "loss assessment" issue.

NO!

Loss assessment coverage only applies to assessments due to a Coverage A peril happening to **COMMON PROPERTY**.

And then, that portion of a DEDUCTIBLE due to damage to common assessed to each unitowner might or might not be covered completely under their Loss assessment coverage.

(that depends on what edition of the HO-6 the insured has)



The letter did state that there is a \$50,000 water deductible ...and a water damage claim **COULD** be contained within just one unit ... so I think the client needs at least \$50,000 coverage A.



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Multiple deductibles and Coverage A limit

Personally, I am not a “pessimist” nor am I an “optimist” ... I am a “realist”.

A pessimist wants \$166,224 or \$332,448.

An optimist might rely on just the overall \$5,000 deductible.

Me, I’d buy \$50,000 because I could have a \$50,000 water damage loss

And .. if there is a large windstorm/hail loss – hopefully I share it with other unitowners

I would “assume” that the loss will happen to more than just me - at least common area and probably another unit ...

now the deductible is split between 3 entities ...and probably ... 4



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Multiple deductibles and Coverage A limit

Regarding the earthquake issue ...

I’d have to add earthquake onto my HO-6 (HO 04 54) and I’d also need to add HO 04 36 Loss assessment by earthquake too ...

depending on how I view the world and my “luck”.



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Multiple deductibles and Coverage A limit

POLICY NUMBER: _____ HOMEOWNERS
HO 04 54 10 00

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE

SCHEDULE*

Earthquake Deductible Percentage Amount: _____

Exterior Masonry Veneer Exclusion 1.
 Check here only if this exclusion does not apply.

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

A. Coverage

1. We insure for direct physical loss to property covered under Section I caused by earthquake, including land shock waves or tremors before, during or after a volcanic eruption.

One or more earthquake shocks that occur within a seventy-two hour period constitute a single earthquake.

2. This coverage does not increase the limits of liability stated in this policy.

B. Special Deductible

The following replaces any other deductible provision in this policy with respect to loss covered under this endorsement.

We will pay only that part of the total of all loss payable under Section I, except:

- Coverage D; and
- The Additional Coverages, that exceeds the earthquake deductible.

The dollar amount of the earthquake deductible is determined by multiplying either the:

Coverage A; or
Coverage C;

limit of liability shown in the Declarations, whichever is greater, by the deductible percentage amount shown in the Schedule above.

The total deductible amount will not be less than \$250.

C. Special Exclusions

1. **Exterior Masonry Veneer**

We do not cover loss to exterior masonry veneer caused by earthquake. The value of exterior masonry veneer will be deducted before applying the earthquake deductible described above. For the purpose of this exclusion, stucco is not considered masonry veneer.

2. **Flood**

We do not cover loss resulting directly or indirectly from flood of any nature or tidal wave, whether:

- Caused by;
- Resulting from;
- Contributed to by; or
- Aggravated by;

earthquake.

3. **Filling Land**

This coverage does not include the cost of filling land.

D. Exception To The Earth Movement Exclusion

The Section I – Earth Movement Exclusion does not apply to loss caused by earthquake, including land shock waves or tremors before, during or after a volcanic eruption.

All other provisions of this policy apply.

POLICY NUMBER: _____ HOMEOWNERS
HO 04 36 10 00

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LOSS ASSESSMENT COVERAGE FOR EARTHQUAKE

SCHEDULE*

A. Location Of The Unit And Limit Of Liability

B. Earthquake Loss Assessment Deductible Percentage Amount: _____

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

A. Loss Assessment Coverage

We will pay your share of any loss assessment charged during the policy period against you by a corporation or association of property owners, up to the limit of liability shown in A. in the Schedule above for each unit. 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:

- Earthquake; or
- Land shock waves or tremors before, during or after a volcanic eruption.

One or more earthquake shocks that occur within a seventy-two hour period constitute a single earthquake.

B. Special Deductible

The following deductible applies to your share of each assessment made for each loss caused by earthquake. No other deductible applies to this coverage:

For each unit covered, we will pay only that part of your assessment which is more than the earthquake loss assessment deductible. The dollar amount of the earthquake loss assessment deductible is determined by multiplying the limit of liability for each unit shown in A. in the Schedule by the deductible percentage amount shown in B. in the Schedule.

However, this deductible amount will not be less than \$250 in any one assessment. We will apply only one deductible, per unit, to the total amount of any one loss to the property described in this endorsement, regardless of the number of assessments.

C. Special Exclusions

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

We do not cover any assessment made as a result of loss resulting directly or indirectly from flood of any nature or tidal wave, whether caused by, resulting from, contributed to or aggravated by earthquake.

D. Exception To The Earth Movement Exclusion

The Section I – Earth Movement Exclusion does not apply to loss caused by earthquake, including land shock waves or tremors before, during or after a volcanic eruption.

All other provisions of this policy apply.



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Multiple deductibles and Coverage A limit

**RULE 505.
EARTHQUAKE COVERAGE**

A. Coverage Description

The policy may be endorsed to provide coverage against a loss resulting from the peril of Earthquake. This peril shall apply to all Section I Coverages for the same limits provided in the policy. Use Earthquake Endorsement HO 04 54.

B. Deductible

Deductible percentage amounts of 5%, 10%, 15%, 20% and 25% of the limit of liability are included in this rule.

In the event of an Earthquake loss to covered property, the dollar amount is deducted from the total of the loss for Coverages A, B, and C.

Earthquake rates are displayed for the 5% and 10% deductible in the state company rates. Credit factors for deductible percentage amounts of 15%, 20% and 25% are provided in Paragraph E. Premium for Higher Deductibles of this rule.

**RULE 505.
EARTHQUAKE COVERAGE (Cont'd)**

C. Loss Assessment Coverage

The policy may also be endorsed to cover loss assessment resulting from loss by this peril. The 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 corporation or association of property owners. Refer to company for rates. Use Loss Assessment Coverage For Earthquake Endorsement HO 04 36 for all Forms.



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Multiple deductibles and Coverage A limit

When there are large “overall” deductibles ... does the individual unit owner REALLY need to buy that much in Coverage A?

I need to ask questions re:

how many units

how is “ownership”outside in or is the outside commonly owned

Insured’s personal “comfort” level



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20% of Unit replacement value for Coverage A

I hope all is going well. I’m having a frustrating exchange with a loan processor and I thought you might have a document or two handy that would help. The person I’m working with is referring to this article:

<https://massrealestatelawblog.com/2010/04/06/the-condominium-ho-6-insurance-policy-its-more-than-you-think/#:~:text=Under%20the%20new%20lending%20rules,the%20condominium%20unit's%20appraised%20value.&text=Another%20benefit%20of%20obtaining%20an,on%20a%20master%20insurance%20policy.>

HO-6 policy benefits include:

- Coverage for damage to personal property such as furniture, computer equipment and clothing
- Fill in the gaps of the master insurance policy and cover losses under master policy deductibles
- Personal liability coverage
- Interior walls and floor coverings coverage
- Coverage for improvements or upgrades (most master insurance policies only cover the original condition and value of the unit).
- Usually has small deductible and fairly inexpensive

Under the new lending rules, an HO-6 insurance policy must provide coverage for no less than 20% of the condominium unit’s appraised value.



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20% of Unit replacement value for Coverage A

The article states that the new (article written in 2010) FNMA and FHA lending rules state that:

Under the new lending rules, an HO-6 insurance policy must provide coverage for no less than 20% of the condominium unit's appraised value.

I'm trying to explain that the bylaws dictate which policy pays following a covered loss.

Do you have any documentation that would help here?



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20% of Unit replacement value for Coverage A

I don't know why a bank would refer to a Fannie Mae edict written in 2010it's 2024 now

And ...Fannie Mae has changed what it suggests about condo insurance a few times ...

Currently



(c) Condominiums

The Project Documents will define the insurance requirements for the homeowners association and the individual unit owner in a Condominium Project, including a Detached Condominium Project and a 2- to 4-Unit Condominium Project. The insurance requirements will define the extent to which the homeowners association will insure the individual units and the unit owner responsibility for individual insurance.

There are two acceptable options for unit coverage depending on what the governing documents indicate:

- The condominium homeowners association must insure the building and structures in the Condominium Project as well as fixtures, machinery, equipment and supplies maintained for the service of the Condominium Project. To the extent required the homeowners association must also insure fixtures, improvements, alterations and equipment within the individual Condominium Units, regardless of ownership. To the extent the condominium homeowners association's policy does not cover the interior of the Condominium Unit or the improvements to the Condominium Unit, the Borrower must maintain an HO-6 unit owner policy. Coverage for the HO-6 unit owner policy must be sufficient to repair the Condominium Unit to at least its condition prior to the claim.
- If the Project Documents allow Condominium Unit owners to insure their Condominium Units individually, in lieu of a master policy, the Mortgages secured by the Condominium Units are eligible for sale to Freddie Mac provided the requirements in Section 4703.2(a) are met. Common Elements must be covered through the condominium homeowners association policy and the homeowners association must maintain all other applicable insurance coverages required in Chapter 4703.

Limit "sufficient to repair the condo unit to condition prior to the claim" Sounds like "insurance to value"

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20% of Unit replacement value for Coverage A

Fannie Mae also states

- Specifying that policy limits for master condominium and cooperative projects must be at least equal to 100% of the replacement cost value of the project's improvements, including Common Elements and residential structures, as of the current insurance policy effective date

"at LEAST equal to 100% of replacement value

Who knows what that is



Water damage limited liability endorsement

We are not getting much feedback from the company on the attached form so I wanted to run it by you. We are told this is a mandatory form on a G/L policy for a master condo. Can you give me your thoughts?



Underwritten by Scottsdale Insurance Company

ENDORSEMENT NO. _____

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE DATE (12:01 A.M. STANDARD TIME)	NAMED INSURED	AGENT NO.
CPS7914153	12/23/2023		20007

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WATER DAMAGE—LIMITED LIABILITY COVERAGE

This endorsement modifies insurance provided under the following:
COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. The following exclusion is added to **SECTION I—COVERAGES, COVERAGE A—BODILY INJURY AND PROPERTY DAMAGE LIABILITY**, paragraph 2. **Exclusions:**

This insurance does not apply to:

Water Damage
"Property damage" actually or allegedly arising out of, caused by, based on, or in any way related to "water damage."

"Water damage" means damage by water in any form, because of:

1. Discharge, leakage or overflow of water or steam from plumbing, heating, refrigerating or air conditioning systems, or industrial or domestic appliances;
2. Rain or snow directly entering a building through defective roofs, leaders or spouting, or open or defective doors, windows, skylights, transoms or ventilators; or
3. Flood water of any kind, including but not limited to, standing water, surface water, groundwater, water backup or overflow of water from any drains, pipes or sewers.

This exclusion applies regardless of whether any other cause, event, material, substance, good or product contributed concurrently or in any sequence to the "water damage."

We will have no duty to defend any "suit" against you seeking damages on account of any such injury unless coverage is provided below.

B. The coverage provided is described below and is subject to the terms and conditions of the Commercial General Liability Coverage Form, unless otherwise stated below.

SCHEDULE	
COVERAGE	LIMIT OF INSURANCE
"Water Damage" Liability Each Occurrence Limit	\$ 50,000
"Water Damage" Liability Aggregate Limit	\$ 100,000
Total Premium	\$ 0

Water damage limited liability endorsement

That might be a Scottsdale “mandatory endorsement” but it is not an MA mandatory endorsement – nor is it an ISO endorsement ...it is carrier specific.

Interesting so if the association is sued because of any individual unit owner water damage that unitowner thinks the association is legally responsible for ... the most it pays out is \$50,000 per occurrence with a MAX aggregate of \$100,000

I can see one and two ... plumbing and defective openings ... failure to maintain ... causing water damage ...but FLOOD? I suppose failure to keep property from being flooded



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Water damage limited liability endorsement

I’ve never seen it before ... what does the property policy do?

If its an “all in” policy or bylaws are and normal ISO language ... water damage by 1 could be paid ...

“Water damage” means damage by water in any form, because of:

1. Discharge, leakage or overflow of water or steam from plumbing, heating, refrigerating or air conditioning systems, or industrial or domestic appliances;

the second one ...not in commercial lines special form ...

2. Rain or snow directly entering a building through defective roofs, leaders or spouting, or open or defective doors, windows, skylights, transoms or ventilators; or

Third issue ...needs flood insurance

3. Flood water of any kind, including but not limited to, standing water, surface water, groundwater, water backup or overflow of water from any drains, pipes or sewers.



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Property management request

We have a client that has a condo that the Property Management Company wants to be added as an additional insured.

They sent me the attached explaining the difference on the two, insured vs. interest.

An additional interest is **someone who is notified of your policy's status**. An **additional insured is someone who receives coverage under your policy**. You can add an additional interest or additional insured to several types of insurance policies.

Understanding the differences is one thing but the companies are only allowing them to be added as "interest".

This is an age-old conversation and a back and forth, is there any light you can shed on this.



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Property management request

Most companies wouldn't even add the ASSOCIATION to the unitowners policy (and rightly so) –

I totally say "go pound sand" to the Property Management Company ...

I'd say the Property Management Company should be adding the association and the unitowners to IT'S policy

I'd say the association should find a different Property Management Company

The Association COULD add the Property Management Company to its policy ...but there is no such endorsement for the HO-6 nor should there be.



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Property management request

Thank you for the quick response, always appreciated.

So in this case the PMI should be added to the master policy, correct? Not the individual HO-6.

There is an AI endorsement for condo association to add property manager

POLICY NUMBER:	COMMERCIAL GENERAL LIABILITY CG 20 11 04 13
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.	
ADDITIONAL INSURED – MANAGERS OR LESSORS OF PREMISES	
This endorsement modifies insurance provided under the following:	
COMMERCIAL GENERAL LIABILITY COVERAGE PART SCHEDULE	
Designation Of Premises (Part Leased To You):	
Name Of Person(s) Or Organization(s) (Additional Insured):	
Additional Premium: \$	
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	



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DP or HO-6?

Potential client – 2 condos – each owned by different LLCs. LLC members do not reside in any unit, and some reside out of country.

One carrier allows us to write HO6 with LLC as additional insured.

I wanted to write a DP2 (what carrier allows when LLC is owner) with LLC as named insured.

Would LLC still get same coverage under either form? If LLC is additional insured on HO6, who would be named insured?



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DP or HO-6?

I have NO idea who the named insured would be on the HO-6 in this case.

If the condo is rented out ...the LLC would have to be the named insured with the HO 17 33 Unit-owner Rental To Others endorsement.

I “assume” the company allows year-round rental if they mentioned it. There is some “interpretation” issue regarding this endorsement

HOMEOWNERS
HO 17 33 02 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

UNIT-OWNERS RENTAL TO OTHERS

Coverage provided by this Policy is extended to apply while the "residence premises" is regularly rented or held for rental to others.

SECTION I – PROPERTY COVERAGES
B. Coverage C – Personal Property
4. Property Not Covered
 Paragraph g. is replaced by the following:
g. Property in an apartment, other than the "residence premises", regularly rented or held for rental to others by an "insured";

SECTION I – PERILS INSURED AGAINST
 Under Peril 9. Theft, Paragraph b.(3) is deleted.
SECTION I – EXCLUSIONS
 The following exclusion is added:
Theft
 Theft, from the "residence premises" of:
a. Money, bank notes, bullion, gold, goldware, gold-plated ware, silver, silverware, silver-plated ware, pewterware, platinum, platinumware, platinum-plated ware, coins, medals, scrip, stored value cards and smart cards;
b. Securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps regardless of the medium (such as paper or computer software) on which the material exists; or
c. Jewelry, watches, furs, precious and semiprecious stones.

SECTION II – EXCLUSIONS
 Exclusion E.2. "Business" is replaced by the following:
2. "Business"
a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".
 This Exclusion E.2. applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".
b. This Exclusion E.2. does not apply to the rental or holding for rental of the "residence premises" for other than "home-sharing host activities".
 All other provisions of this Policy apply.

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



DP or HO-6?

A couple weeks ago someone asked me about DP and NOT an individually owned property but owned by LLC and the ISO rules do NOT require a real person as owner I would rather a DP

RULE 103. ELIGIBILITY

A Dwelling Policy may be issued to provide insurance under:

A. Coverage A – on a dwelling building:

- 1.** Used solely for residential purposes except that certain incidental occupancies or up to 5 roomers or boarders are permitted;
- 2.** Containing not more than four apartments; and
- 3.** Which may be in a townhouse or rowhouse structure; or
- 4.** In course of construction.



DP or HO-6?

DP -2 with the special form endorsement and the unit owner endorsement for dwelling coverage.

Then you add premises liability, personal injury coverage and loss assessment for both property and liability.

And add contents if care.



**RULE 505.
BUILDING ITEMS CONDO UNIT-OWNER – DP 00 01 OR
DP 00 02**

A. Unit-Owners Coverage Including Standard Other Insurance And Service Agreement

1. Coverage Description

Building items are not covered in the forms.

Named Perils or Special Coverage is available for an additional premium.

2. Stand Alone Coverage

Coverage may be written without Coverage A, B, C, D or E.

3. Premium Computation

a. Fire, Extended Coverage, Broad And Special Forms

(1) If the policy includes Coverage A, B, C, D or E, refer to the state company rates/ISO loss costs Rule 500. Miscellaneous Rates.

(2) If the policy does not include Coverage A, B, C, D or E, multiply the Coverage A, Four Family, Owner-Occupied Key Premium (for the territory, protection and construction applying to the described location) by the Coverage A Key Factor for the amount of insurance desired.

b. Vandalism And Malicious Mischief (DP 00 01)

Refer to the state company rates/ISO loss costs Rule 302. Vandalism And Malicious Mischief.

4. Endorsement

a. Use Form DP 00 01 or DP 00 02 and Unit-Owners Coverage Endorsement DP 17 66.

b. Use Form DP 00 02 and Unit-Owners Coverage Endorsement DP 17 66 and Special-Coverage Endorsement DP 04 65.

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DP or HO-6?

Loss of rents is only 10% of the building coverage if DP 1988 forms but 20% if 2002 or 2014 forms.

Can add more Loss of rents to Dec page.

I like LLC as named insured.

If voluntary company not do then MPIUA should since they follow ISO



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Are improvements and betterments covered?

The company uses the CP 00 17 – ISO form ... which modifies the “usual” building definition of the CP 00 10 ISO Building and BPP form ...by adding:

- (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.

Which says ...in addition to the common areas which NH requires to be covered under a condo policy (like MA)...
the condo policy will to ANYTHING that the bylaws/condo association agreement requires it to



so ...what do the bylaws say?

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Are improvements and betterments covered?

Agent sent bylaws

15. Insurance.

(a) Insurance policies upon the condominium property covering the items described in sub-paragraph (b) of this paragraph shall be purchased by the Association for the benefit of the Association and the Unit Owners and their mortgagees as their interests may appear. Provisions shall be made for the issuance of certificates of mortgage endorsements to the mortgagees of Unit Owners. Such policies and endorsements shall be deposited with the Insurance Trustee, which shall hold them subject to the provisions of Paragraph Sixteen.

(b) Insurance shall cover the following: (1) All buildings and improvements upon the land and all personal property included in the common elements in an amount equal to the maximum insurable replacement value excluding foundation and excavation costs as determined annually by the Board of Directors of the Association. Such coverage shall afford protections against loss or damage by fire and other hazards covered by a standard extended coverage endorsement and such other risks as are customarily covered with respect to buildings similar to the buildings on the land such as vandalism and malicious mischief; (2) Public liability in such amounts as shall be from time to time required by the Board of Directors of the Association, covering each member of the Board of Directors and each Unit Owner and with cross liability endorsement to cover liabilities of the Unit Owners individually and as a group to a Unit Owner; (3) Workmens' Compensation as required by law; (4) Such other insurance as the Board of Directors of the Association shall determine from time to time to be desirable.



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Are improvements and betterments covered?

I know the evidence of insurance provided by that agent states – “walls in coverage”
**Northway Bank is named as mortgagee for closing purposes only with respects to 34C
 Linderhof Golf Course Road #6 Glen NH 03838 owned by xxxxxx.**

**The Master Policy is written to provide walls in coverage in accordance with the
 insurance provision of the condominium associations by-laws. Betterments and
 improvements are not included**

But I don't see that in the bylaws ...and I didn't see any “company specific” endorsement
 stating the policy covers the interior of the unit ...
 to me the insurance section of the bylaws only mentions “common areas” ...



39

Are improvements and betterments covered?

I know Item 8 of the declarations talks about the association “maintaining” much of the
 interior of the units ...but “maintaining” and “insuring” are not the same thing

8. Maintenance and alteration of units.

(a) The Association shall maintain, repair, and replace (1) all portions of the unit, except interior surfaces, contributing to the support of the unit building which portions shall include but not be limited to the outside walls of the unit building and all fixtures in the exterior thereof, boundary walls of the units, floor and ceiling slabs, and load-bearing columns, and load-bearing walls; and (2) all exterior conduits, ducts, plumbing, wiring, and other facilities for the furnishing of utility services which service two or more units; and (3) all such facilities contained within a unit which services a part or parts of the condominium other than the unit within which contained.

All incidental damage caused to a unit by such work shall be promptly repaired at the expense of the Association.



40

Are improvements and betterments covered?

I would ask the agent to point out in the declarations where it says under the insurance section that the association is to cover the interior of the units – or is there a company specific endorsement stating that it does this ... because ISO language does NOT provide “walls in” coverage ...it provides commercial condo coverage for what the bylaws told it to.

I’m not a lawyer ...but I don’t feel that the insurance section is “working” for the unitowners.



41

Are improvements and betterments covered?

Agent told me

Final #s were a \$100,000 – Coverage A HO6 based on the RCE of the interior.

The bylaws were very “A-typical” from what I’ve seen but they are also a lot older.



42

Condo claim denied

I have a denial on a claim for interior damage due to water entering a building, presumably through cracks in the roof flashing between the EIFS wall and flat rubber roof.

The policy form is CP 00 17 10 12. The association covers unitowners on an "all in" basis. The master policy denied the claim.

The limitation applied, which is the reason for the denial, is that there is no coverage for rain entering the building unless first proceeded by a covered loss. I have found several court cases that have found in favor of the insurance companies when the denial is challenged if there is no exterior damage. I'm curious if there has ever been a case where the definition of rain is challenged.



43

Condo claim denied

The limitation states no coverage for "damage caused by or resulting from rain, snow"...

Rain is defined as: moisture condensed from the atmosphere that falls visibly in separate drops."

Once the rain hits the roof and pools it ceases to be rain and is now water. Neither rain nor water are defined terms in the policy.

Are you aware of a challenge to this denial based on the argument that the water that entered is not rain?



44

Condo claim denied

My understanding is that the limitation was originally designed to prevent payment of a claim resulting from rain, snow, sleet, ice sand or dust entering an open window.

I understand that there is no coverage for the roof itself, but it seems that there could/should be coverage for the resulting damage.



45

Condo claim denied

I don't know about specific court cases but ... the ISO CP 10 30 – Special Form Cause of Loss has had the following “limitation of coverage” for decades

C. Limitations

The following limitations apply to all policy forms and endorsements, unless otherwise stated:

- 1. We will not pay for loss of or damage to property**, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.

....

- c. The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:**
 - (1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or**
 - (2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.**



46

Condo claim denied

This is why condo clients need an HO-6 first ...to “fill” the master policy deductible and To cover losses that the commercial policy might not.

The HO-6 with the HO 17 32 can cover this loss for a unitowner. Each ISO edition has its own language ...but it’s “covered unless” excluded

Personal lines “special form” is more special than commercial lines



HOMEOWNERS
HO 17 32 02 17
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**UNIT-OWNERS COVERAGE A
SPECIAL COVERAGE**

SECTION I – PERILS INSURED AGAINST

If the Broadened Home-sharing Host Activities Coverage Endorsement is not made a part of this Policy, for Coverage A, the Perils Insured Against are replaced by the following:

Perils Insured Against

1. We insure against direct physical loss to property described in Coverage A.

2. We do not insure, however, for loss:

a. Excluded under Section I – Exclusions:

b. Involving collapse, including any of the following conditions of property or any part of the property:

(1) An abrupt falling down or caving in;

(2) Loss of structural integrity, including separation of parts of the property or property in danger of falling down or caving in; or

(3) Any cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion as such condition relates to (1) or (2) above;

except as provided in D.8. Collapse under Section I – Property Coverages.

c. Caused by:

(1) Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This provision does not apply if you have used reasonable care to:

(a) Maintain heat in the building; or

(b) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment;

(2) Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:

(a) Fence, pavement, patio or swimming pool;

(b) Footing, foundation, bulkhead wall, or any other structure or device, that supports all or part of a building or other structure;

(c) Retaining wall or bulkhead that does not support all or part of a building or other structure; or

(d) Pier, wharf or dock;

(3) Theft:

(a) If such loss arises out of or results from “home-sharing host activities”; or

(b) In or to a unit under construction, or of materials and supplies for use in the construction until the unit is finished and occupied;

(4) Vandalism and malicious mischief, and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if:

(a) The loss arises out of or results from “home-sharing host activities”; or

(b) The building containing the “residence premises” has been vacant for more than 60 consecutive days immediately before the loss. A building being constructed is not considered vacant.

47

Condo claim denied

Even if master policy deductibles are “low” ...which is NOT happening these days, I think a condo owner should probably have \$50,000 Coverage A ...

Also....maximize the amount of loss assessment coverage sold by carrier with HO 04 35

ISO only allows a loss assessment limit of \$50,000 but some carriers allow more.



48

Solar panels and the condo policy

Do you have any insight into Solar panels installed on roofs of small condo trusts?

I have one where we write the master policy, and it seems they would be part of the building, but I think they are technically owned by one of the unit owners.

I don't have their HO 6 in my agency, but not sure any HO 6 carrier would cover those under dwelling coverage A.

Have you run into this at all?



49

Solar panels and the condo policy

The ISO HO-6 – 1991, 2000,2011, 2022 all say:

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".**



50

Solar panels and the condo policy

I think the HO-6 can cover them under Coverage A ... see above ...
Are they owned or just “rented” by the unitowner?

...agent said ...”they are owned”

Then I think an ISO HO-6 covers the critters – and I think as Coverage A ...
since attached to a building and not free standing ...

otherwise they would be Coverage C ... the insured should ask their agent/company how they want
to cover these items.



51

Garage and the condo policy

I am going on vacation after today and my colleague may have to pick up where I left off. Let
me/Jackie know your thoughts on my original question below.. I have a few more details here as
well.

Apartment building was made into two condos. My insured is the only one granted use of the
garage....Could it just be considered common area?

Master Policy Agent says she can add garage for \$200 fee. Assume would not have to add it “all in”
and not originals specs and /or the by-laws are too vague.

Still waiting to find out if “all in”. Again, if it is not all ins, would she just need to increase A.

Sorry – uncharted territory here.



52

Garage and the condo policy

In MA the condo association per MGL 183A is only required by law to insure common areas ...

getting the bylaws can be important to see what the association is covering as bylaws can be broader than MA state law ...

and the ISO BOP endorsement for condos and the CP 00 17 will automatically cover individually owned items if bylaws require



53

Garage and the condo policy

The ISO HO-6 – 1991, 2000,2011, 2022 all say:

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".



54

Garage and the condo policy

So, if the insured owns it ...Coverage A can apply.

If it is owned commonly but your client has exclusive use of it ... coverage A can apply and if the association makes it your insureds responsibility to insure it Coverage A can apply....

But ...

the ISO commercial Bop condo endorsement or CP 00 17 is ALWAYS primary ... so ...it is important to see what the bylaws tell the association to insure



55

Garage and the condo policy

The HO-6 is always “excess” ... and then there is the issue of master policy deductible ...which can be “interesting” depending on the ISO HO-6 edition date.

If the garage is “separate” then the CP 00 17 or BOP needs to list it specifically or there will be a claims problem as one agent recently found out per ISO building language and company interpretation.



56

HO-3 or HO-6

I have a Client that owns a condex / condo - it's a 2-unit property and they only own ½ (1 unit)

There is no master property coverage policy in place for the building exterior.

The Client advised that the mortgage co is requesting an H03 policy to cover their unit

**I received doc's
however, I am still confused if they need a HO-3 (home style= townhouse / row house)
policy for their 1 unit**

Or

Whether they should have a master condo policy in place and a h06

I have a Master Deed and additional info I can send to review



57

HO-3 or HO-6



**You need to see the deed. If this person is buying ½
the house ...exterior of the shingles down ...
exterior of the siding in ...
bottom of lowermost foundation up ...
to a ½ point ...
then if a company will issue ..an HO-3 would work**

**If the ownership is "WE" own the exterior ...
but I own in interior of my side ...
an HO-3 will NOT work ...
the other insurance provision will be horrific –
a commercial policy would be necessary for the
"commonly owned" outside and an HO-6 for the
individually owned interiors**



58

HO-3 or HO-6

I saw the master deed...it looks like what I said ...

The person owns from exterior of shingles down ...exterior of siding in ...etc., up to some midline between units ...

And the bylaws say the commercial policy just does liability for common land ...and common building stuff ...

So, IF A COMPANY will sell an HO-3 to a home that is attached to another ...it would work ...

You can ask your voluntary carriers ...but I have been told that MPIUA/Fairplan will do it



59

Deeded timeshare

We have an insured that just purchased a deeded timeshare with access 1 week per year at Harborside Inn in Edgartown.

I spoke with the Company who writes the primary home, and they stated they do not have an endorsement to extend coverage and they would exclude it from the umbrella.

I also reached out to surplus lines, and they had not heard of it before and thought the homeowners would automatically pick it up.

I have not run into this before.

Any help in guiding us where to go would be greatly appreciated.



60

Deeded timeshare

There is no “endorsement” for liability ...
it would be adding it to the Dec page where it states “other Section II Insured locations”

Put that address in ...

ISO allows liability be extended to another residence ...they would pay a “full year”
premium for One lousy week ...



61

Deeded timeshare

I would also add the HO 04 35 05 11 since
carrier is a 2011 ISO carrier. Have that
location put in for \$50,000 loss
assessment ...

I own timeshare I don’t need a Ho-6 ...
I only want to have it be an “insured
location” ... for my time there and loss
assessment coverage if it is necessary

There is no other way of doing this ...and
many people don’t



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POLICY NUMBER: HOMEOWNERS
HO 04 35 05 11

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SUPPLEMENTAL LOSS ASSESSMENT COVERAGE

SCHEDULE

A. "Residence Premises" – Additional Amount Of Insurance: \$	
B. Additional Locations	
Location Of Unit Or Premises	Limit Of Liability
	\$

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

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.

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. Section II – Exclusion
Section II – Exclusion F.1.a. does not apply to this coverage.
All other provisions of this policy apply.

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:

Loss assessment

I have a client who owns a condo up in New Hampshire.

The pool at the condo was deemed structurally unsafe and has to be replaced, not due to a claim, but it apparently wasn't built to code.

The association is asking their unit owners to pay a portion of the pool estimated at \$8,000-\$9,000 per unit owner.

Would loss assessment cover this issue, or is it only due to an actual loss to the property?

Especially in the current insurance market, I don't want to submit a claim that may not be paid or flag the client for non-renewal. Please let me know.



63

Loss assessment

The following is the HO-2000 ...but the issue is the same in the HO-91 and HO-2011

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.

This coverage is additional insurance.



64

Loss assessment

So ...

if commonly owned property is damaged by the unitowner HO-6 Coverage A perils ... then it is a valid loss assessment.

Just because they are “assessed” for something because they are an owner doesn’t count



65

Loss assessment again

Our agency insures a 14-unit Condo Association with multiple Buildings. 3 Buildings are 3-unit town houses insured at \$1m each and 5 are single family condo unit insured at \$400k each. Lloyds TIV is \$5,000,000 with 2% or \$100,000 Wind/Hail Deductible. Wind/Hail Deductible is not per Building but based on the TIVs.

Attached is one of the Unit Owners HO6 policies with MPI. Coverage A is at \$20,000 with HO 1732 & HO 1734.

I am recommending every unit owner increase Coverage A to \$100,000 to cover the \$100,000 Wind/Hail Deductible for worse-case scenario if only one unit is damage.

The attached HO6 does not have a separate Wind/Hail deductible so the Coverage A limit should pay the full Wind/Hail damages amount less the \$1,000 deductible.



Am I correct?

66

Loss assessment again

That is what I would do ...

If the loss could happen just in my unit, then I would suffer the full brunt of master policy deductible and would need Coverage A to address it.

It looks like the HO-2000 filing which pretty much says you also need the HO 17 34 Unit Owners modified other insurance condition endorsement to guarantee that Coverage A will pay – according to Iso ...

since HO-6 is “excess” to the Master policy and ISO said in its filing that excess means after the master policy has paid

The HO 2011 ...fixes the Other insurance condition to say it is primary if loss due to master policy deductible.



67

Loss assessment again

HOMEOWNERS
HO 17 34 10 00

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.



68

Loss assessment again

I lost you

**The wind blows off the roof on the 3-unit town house.
\$70k to replace the roof but master policy has \$100k Wind/Hail Deductible.**

It is my understanding the 14-unit owners would each be assessed \$5,000 (\$70k / 14).

Does the HO6 provide coverage under Loss Assessment or Coverage A for the \$5k assessed to each unit owner to cover the \$70k under the \$100k Deductible?



69

Loss assessment again

Loss assessment is when commonly owned property is damaged (not commonly insured)

If building with 14-unit owners... “assume” roof commonly owned ...so agree about loss assessment being apportioned by association

The question you mentioned below was if ONE unit owner (I was “assuming damage to individually owned area) was damaged .

Need Coverage A for individually owned stuff need Loss assessment for commonly owned stuff



70

subrogation

If there is water damage caused by the unit above, damage into my unit (I understand my HO6 will take care of damage to my unit),
but can my insurer subro against the unit above insurer.



71

subrogation

And the answer is ... maybe
Almost every set of bylaws that I have seen required the commercial and personal policies have “waiver of subrogation” clauses ...so no one can sue each other.

The ISO HO-6 (HO-2000 but all the same) provision states:

F. Subrogation

An "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must sign and deliver all related papers and cooperate with us.

Subrogation does not apply to Coverage F or Paragraph C. Damage To Property Of Others under Section II – Additional Coverages



72

subrogation

The policy will “honor” a waiver of subrogation ...but that’s the issue ...
having the provision in the policy isn’t sufficient ...

there **MUST** be a “waiver of subrogation” ...which based on a MA court case ...
doesn’t appear to be happening ...

So ... when purchasing the condo – in the paperwork was there actually a “waiver of
subrogation” ...
or just the requirement to have the clause in the policy ..which is not sufficient.



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Thank you for attending...

Your questions,
our answers
Personal Condo



Irene Morrill imorrill@massagent.com

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