

THE TOP TEN THINGS YOU NEED TO KNOW ABOUT INSURANCE AT THE BLUFFS OF WILDWOOD

1. WHAT DOES THE ASSOCIATION'S INSURANCE COVER?

The Association is **required** to provide the following insurance per the Declaration:

Insurance on the buildings, structures, or other improvements that are part of the Condominium Property against loss or damage by fire, lightning and such perils that are comprehended within the term "extended coverage", and vandalism and malicious mischief in an amount not less than 100% of the replacement value.

This means that if the buildings are damaged by events such as fire, lightning, windstorm, hail, explosion, smoke, vandalism, breakage of glass, falling objects, weight of ice, snow, or sleet, accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance, this damage will be covered by the Association's Master Policy. Loss to the buildings themselves and all permanent fixtures are included, as well as all "improvements and betterments" originally installed when the units were built. This type of insurance is known as Casualty Insurance.

There are different types of insurance policies available for purchase by the Association. The Association currently has in place an "original specifications" type of policy. "Original specifications" coverage will rebuild the buildings and/or repair damage to the contractor's original plans and specifications for fixtures, improvements, and alterations which are part of the building structure and appliances such as refrigerators, HVAC, dishwashers, washer/dryer, etc. However, if you have replaced your refrigerator, for example, with an upgraded appliance, the cost of the upgrade is NOT covered.

This Master Policy means that any upgrades to the above items you have installed would be your responsibility to insure. It is very important that you realize that the Association's Master Policy does NOT cover all damage to your entire unit. The Master Policy includes coverage for electrical and plumbing fixtures, interior partition walls, improvements and alterations comprising a part of the building, refrigerators, heaters, air conditioners, cooking ranges, dishwashers, clothes washers, dryers, kitchen cabinets, countertops and floor coverings contained within the units and owned by the unit owners. **However, these items must have been initially installed or replaced in accordance with the original condominium plans and specifications. The Association only insures what was originally installed by the developer. ANY UPGRADES MUST BE INSURED BY THE OWNER.**

Property losses are settled on a replacement cost basis and are subject to a deductible of \$10,000.00. This means that if the amount of the loss does not exceed \$10,000.00, no claim will be submitted to the Association's insurance company, and payment of the loss will be made in accordance with number 10 below.

The Association also has a liability insurance policy in place in the event it is sued by a third party for personal injury (slip and fall, etc.) which is part of the Master Policy, and a Directors and Officers Liability Policy in case any of the Board of Directors or Committee members are sued personally.

2. **WHAT TYPE OF INSURANCE SHOULD I HAVE AND WHY?**

The common term for a policy which you, the owner, buy to cover your personal property, personal liability, and building elements such as decorations and improvements and betterments, is referred to as an “HO6” policy. This coverage may also insure you if the Association special assesses you for your share of the Association’s deductible on the Association’s policy (this is called Loss Assessment Coverage, which is available from your insurance agent for a nominal cost). This coverage may or may not be written on a replacement cost basis. If you are renting the unit, you may wish to ask your agent about an HO3 policy. Make certain your HO6 policy includes overlapping coverage for “improvements and betterments” and upgrades to the original construction which you or any prior owner has made. Remember that the Association’s policy only covers ORIGINAL CONSTRUCTION.

If you do not have adequate insurance, or if you do not have any insurance, then you are in grave danger of losing all of the contents of your unit without any source of compensation. This includes not only your personal property (clothes, furniture, jewelry, etc.) but also the cost of upgrading or replacing your appliances – refrigerator, range, dishwasher, cabinetry, etc. The Association’s policy will never cover these items, and the Association will not pay out of pocket to replace or repair them.

3. **WHAT SHOULD MY INSURANCE POLICY COVER?**

Your homeowners (HO6) policy should cover the following:

- A. A minimum of Ten Thousand Dollars (\$10,000.00) in dwelling and/or improvements and betterments coverage (this is coverage on the upgrades you may have made to your unit). “Improvements and betterments” are generally those things which you can change or modify, but can’t take with you when you move, such as:
 - 1. The decorated surfaces of the unit such as paint, wallpaper, tile, carpet, hardwood or parkay floors, kitchen and bathroom cabinets, and built-in appliances such as ranges, dishwashers, etc.;
 - 2. Windows, doors, and screens, including frames, sashes, and jambs;
 - 3. Fixtures installed for the exclusive use of your unit, beginning from the point at which they disconnect from either the building structure or the common use, including switches, thermostats and plugs;

- B. Your personal property, furnishings, furniture, clothing and other tangible personal property and goods;
- C. Loss of use, or living expenses coverage, in the event you must move out for repairs to take place;
- D. Personal liability for damage caused to other individuals and/or other units, including bodily injury and property damage occurring both at your unit and elsewhere in the community in the recommended amount of One Million Dollars (\$1,000,000.00);
- E. Loss Assessment for losses that are underinsured or under deductibles that pertain to the Association's Master Policy. This is commonly termed "Loss Assessment" or "Building Additions and Alterations" coverage;

4. **HOW MUCH INSURANCE SHOULD I HAVE?**

The answer to this question depends upon what you own. If you or previous owners have made significant upgrades to the original construction, you will need to make sure you carry sufficient insurance to replace those upgraded items if there is a loss. Also, the Association cannot and will not tell you how much insurance to purchase on your Personal Property contents such as furniture, as the value of one's contents within a unit varies greatly from unit to unit.

5. **ARE THERE ANY EXCLUSIONS UNDER THE ASSOCIATION'S MASTER POLICY?**

Regardless of the type of coverage in place, your personal property such as furniture, clothing, etc. will never be covered. The Master Policy excludes: property owned by, used by, or in the care, custody or control of a unit owner, or property of any kind or description contained within the unfinished surfaces of the perimeter walls, floors and ceilings or individual units acquired at the expense of the original or any subsequent owner including paint, wallpaper, paneling and floor covering. Again, any upgrades you or any prior owner has made to your unit are NOT covered by the Master Policy.

The Master Policy excludes coverage of: earthquake, landslide, flood, surface water, water which backs up through sewers or drains, and water seeping through foundations, walls, basement or other floors, or through doors, windows, or any other openings in the foundations, walls, or floors.

The Association's policy will also not cover: wear and tear, deterioration, mold, damage by insects or animals, terrorism, or settling or cracking of foundations, walls, or basements. The Master Policy will not cover loss of rents if your unit is rented.

Additionally, damage caused by failure to perform routine maintenance (such as a leaky toilet, shower, and bathtub) is not covered.

6. WHAT IF THERE IS NOT ENOUGH INSURANCE?

If you make any upgrades to the original installations in your unit and do not sufficiently insure them, then you may end up replacing them at your own out of pocket cost. The Master Policy excludes property of any kind which is designated in the Declaration as the unit owner's responsibility for insurance purposes. But there is no property which you are required to insure by the terms of the Declaration. Although you are authorized by the terms of the Declaration to obtain insurance on individual contents or property insurance covering all items located within the unit, including installed fixtures, appliances, kitchen cabinets, carpeting, draperies, and furnishings, you are not required to obtain this coverage. If you do not wish to insure the improvements you've made above the original construction or his/her personal property, you are not required to do so. But the Association's insurance will not cover those costs, and you will pay them, or your unit will not be repaired to the same standard.

7. WHAT DO I DO IF I HAVE A WATER LEAK OR OTHER LOSS JUST WITHIN MY OWN UNIT?

You should immediately submit a claim under your own homeowner's insurance policy. If the damage occurs exclusively to your unit and the amount of the damage is under \$10,000.00 no coverage is available under the Master Policy. If the damage occurs exclusively to your unit and the amount of the damage exceeds \$10,000.00, then you should report the incident to the Association's Managing Agent, and the Board of Directors will decide whether to submit a claim under the Master Policy. If you have insurance to cover the kitchen fixtures, for example, and the Association does too, then in the event of a kitchen fire in which the appliances are destroyed, the Master Policy will cover the loss but only to the extent of the cost to replace the kitchen fixtures as they were originally installed by the developer of the condominium. Your insurance will cover the cost of the upgrade.

8. WHAT DO I DO IF I HAVE A LOSS THAT AFFECTS MORE THAN JUST MY UNIT?

You should notify the Association's Managing Agent immediately so that the Association can determine whether to submit a claim under the Master Policy. With "original specifications" coverage, and with a loss to both unit and common element, it will almost always be the case that two claims must be submitted: one under the Master Policy for damage to common element and to the unit to the extent of original construction, and one under the HO6 carrier to the extent of any upgrades made by the owner.

9. IF A CLAIM IS SUBMITTED UNDER THE ASSOCIATION'S POLICY, WHO PAYS THE DEDUCTIBLE?

The Master Policy has a \$10,000.00 per occurrence property deductible. If only one unit is affected by a loss, the full \$10,000.00 deductible would apply. If two or more units are affected by the same event, the \$10,000.00 is shared by all owners involved.

The Declaration provides that the amount of any deductible is determined by the Association, and losses relating to the Common Element which are within the deductible amount shall be the Association's expense. If the loss sustained is only to the unit itself, however, the deductible is not necessarily paid by the Association. The following addresses situations in which the insurance proceeds are not sufficient to pay the cost of repairs.

- A. If the damage or destruction is to the Unit or the Limited Common Element, the cost is paid by the owner.
- B. If the damage or destruction is to the Common Element, the cost is a common expense.

There is enough support in the Declaration for an administrative resolution assigning responsibility for the insurance deductible in this fashion. The Association can, however, require the owner to pay the deductible on the Master Policy if the loss is sustained to the unit alone.

10. **WHO PAYS FOR THE DAMAGE IF THE COST IS LOWER THAN THE ASSOCIATION'S DEDUCTIBLE?**

If the loss amount is less than the deductible, and the damage is sustained exclusively to the unit, then the owner must pay for this damage. If the loss amount is less than the deductible, and damage is sustained to both the unit and the common element, then the owner must pay for the damage to the unit and the Association must pay for the damage to the common element. If investigation leads to the conclusion that the owner was negligent, the Association may require the owner to pay for the cost of remediating the damage to the common element as well. The Declaration provides that the Association maintain the Common Element and those portions of the Limited Common Element contributing to the support of the building, while the unit owner maintains the unit.

