

HIGHLAND COLONY CONDOMINIUM ASSOCIATION

What insurance should the Association obtain?

The Board of Directors shall obtain a master policy affording fire and extended coverage insuring all the buildings in The Condominium including, without limitation all portions of the interior of such buildings as are for insurance purposes normally deemed to constitute part of the building and customarily covered by such insurance, such as heating and other service machinery, interior walls, all finished wall surfaces, bathroom and kitchen cabinets and fixtures, and heating and lighting fixtures, except for improvements made by individual owners which exceed a total value of One Thousand Dollars (\$1,000.00) and are not reported to the insurer, such insurance to be in an amount at least equal to the full replacement value of the building, and to be payable to the Board as trustees for the unit owners and their mortgagees as their respective interests may appear.

What insurance should the Unit Owner obtain?

Each owner must obtain insurance for his benefit and at his own expense, insuring all personal property located in his unit or Limited Common Area, all floor coverings whether or not fixtures, and all improvements to his unit which exceed a total value of One Thousand Dollars (\$1,000.00) and which are not reported in writing to the Board.

Current Master Policy Coverage

Blanket Property Limit (Replacement Cost)	\$9,780,152
Base Deductible / All Covered Causes of Loss Per Unit Deductible	\$10,000 / \$25,000

Recommended Unit Coverage

Coverage A (Building): Cover the master policy deductible, add in the value of the floor coverings, and include unit improvements (complete "fit-out" from studs in). There may be some overlap of coverage but there are situations where the master policy may not always provide adequate coverage and it is wise to fully insure your unit ownership interest. Include Special Form Coverage, including sewer and water backup enhancement. Confirm with your insurer they will cover the master deductible if the loss occurs within your unit.

Coverage C (Contents): Your decision!

Coverage D (Loss of Use): 40% of Coverage A

Coverage E (Liability): \$500,000

Coverage F (Medical): \$5,000

Loss Assessment: \$50,000

If you now rent your unit out using AirBnb, VRBO, or other means you may need to reconfirm your property and liability coverage is adequate. A standard HO-6 Unit Owner policy covers owner occupied condos and may limit coverage when used as an investment property. Check with your insurance advisor for proper coverage.

Why you should insure the full value of inside of your unit, even though there is a master policy

1

The purchase of your condo unit may be one of your largest purchases and assets you own. Fully insuring what you own inside your unit (building interior and contents) makes financial sense to protect your investment.

2

If the association policy deductible increases and you are not notified, **you will be underinsured**. Some association deductibles today are approaching or exceeding \$25,000.

3

If the association policy cancels for any reason, or is not renewed timely, at least you know your unit is fully protected.

4

Most association policies have a stricter “failure to maintain heat” exclusion than unit policies. In other words, you may have coverage under your unit policy where a large water loss may be excluded by the master policy due to failure to maintain heat resulting in freezing pipes. A typical master insurance exclusionary language states no coverage unless “heat is maintained in the unit.” A typical unit policy states no coverage unless “you have used reasonable care to maintain heat in the unit.” Those extra two words can be very important!

5

Most association policies have a stricter “continuous or repeated seepage” exclusion than unit policies. A typical master insurance exclusionary language states no coverage for “continuous or repeated seepage of water that occurs over 14 days or more.” A typical unit policy only limits water losses if the unit is vacant for more than 60 days.

6

In the event of a significant loss, where the master insurance settlement is insufficient and the association votes not to rebuild, a unit policy may provide the necessary funds for you to go and purchase a condo at another location.

7

Mold Coverage. Most association master policies will exclude all mold damage and remediation. Typically, unit owner policies provide some limited mold coverage (i.e., \$10,000) and will cover in full any mold, fungus or wet rot when hidden within the walls or ceilings or beneath the floors or above the ceilings.



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