

WVHOA UNIT OWNER'S GUIDE ON INSURANCE

INTRODUCTION: The purpose and intent of the information contained within this brief document is to (1) ensure all unit owners are well versed with respect to their responsibilities concerning insurance and (2) to aid and assist each unit owner with what is expected from them in the event of major damage to their unit.

WVHOA INSURANCE: WVHOA has in place a Master Policy ("MP") wherein all units are insured. The coverage includes every aspect of the building, all portions of the building that are permanent will be covered under the Master Policy to include Sewer Back Up and Earthquake Coverage. The Master Policy deductibles are: 5% of the building insured value for wind and hail; \$20,000 per occurrence for all other perils; and 10% per building for earthquake.

UNIT OWNER'S COVERAGE:

PROPERTY INSURANCE: As noted above the Master Policy has three deductibles including earthquake. Earthquake is the higher deductible. The Association recommends each unit owner purchase Property coverage under their HO-6 policy to cover the Earthquake deductible. *Should the unit owner choose not to purchase Property Coverage under their HO-6 policy the unit owners are still responsible for any and all of the deductibles*

See the revised WVHOA Claim Process for further information and examples of applying the unit owner's deductible.

Please refer to Illustration Number 1 for further information on how the amount of your deductibles are determined. Since the insurable values vary within each building, each unit owner's share of the Master Policy deductible is based upon the relative value of one unit to the other. Thus, the unit with a higher insurable value will have a proportionately higher share of the Master Policy Deductible. The \$20,000 other perils deductible is "per occurrence. This means for any one occurrence whether it impacts a multiple number of units or just one unit the \$20,000 applies. If multiple units are impacted the \$20,000 is shared among those units. If only one unit is affected the \$20,000 applies to just that one unit.

Most HO-6 policies are subject to a 20% Earthquake Deductible; however, each unit owner needs to determine what their HO-6 policy calls for as some insurance carriers vary and as such your Earthquake Deductible may be either higher or lower than the 20%.

OTHER HO- 6 COVERAGES AVAILABLE: Each unit owner also should consider purchasing specific insurance for those items wherein dollar limitations are imposed on their HO-6 policy, such as fine art, furs, jewelry, cameras and even tools should someone have an extensive collection of tools for wood working purposes. Simply stated those items within the household of value, wherein the HO-6 limits the amount of payment on such items, should be specifically scheduled on their HO-6 policy.

SEWER BACK-UP COVERAGE: As noted the Master Policy does provide sewer back-up coverage which is subject to the \$20,000 deductible. Therefore, the unit owner needs to consider purchasing this coverage as well. *However, if the unit owner chooses not to purchase this specific coverage, the unit owners will be financially responsible for the first \$20,000 or the Master Policy's Deductible.* The unit owner should also assure they have sewer back-up coverage for personal property.

LIABILITY COVERAGE:

The HO-6 does provide Liability Coverage and Medical Pay (or Medical Expenses as referred to in some policies). The liability coverage under the HO-6 should not be confused with the liability coverage provided under the Master Policy.

The liability coverage for each unit owner(s) would cover accidents or occurrences within the dwelling itself or for actions of the unit owner outside of or away from the premises.

As an example, should a unit owner leave a water hose lying across their driveway and someone trips over the hose and believes the accident was solely the fault of the unit owner – the handling of such a matter would be under the unit owner's HO-6 liability policy provisions and not the Master Policy's (although such an occurrence should be reported to someone acting on behalf of the WVHOA).

As to the amount of liability coverage this is the unit owner(s) option. However, one should consider now, with a very litigious society, it would be reasonable to carry up to \$1,000,000 in liability coverage.

The Master Policy's liability coverage responds to actions or events occurring on the common grounds or actions stemming from work being done within the community.

The Medical Payment or Medical Expenses coverage is intended to cover those medical bills incurred by someone regardless of fault. In the example as noted above should the person tripping fracture an arm and does not wish to pursue a liability claim against the unit owner – the medical expenses incurred could be paid under the unit owner(s) HO-6 Medical Expenses.

CLAIMS INFORMATION:

Please refer to the WVHOA Claims Process for the particulars with respect to the steps to be taken in the event of a claim or potential claim. The information following in this section of the Guide will pertain to what is needed in the event of a major claim (as to the building) and some suggestions as to what should or could be done to support a claim for your personal property.

UNIT OWNER(S) RECORDS:

With the Master Policy providing coverage for the building should a serious claim take place the ultimate payment for damages sustained would be made payable to the WVHOA.

As such it is the responsibility of the WVHOA to work closely with the unit owner(s) in resolving of the claim. Again, for further information on this issue please review the guidelines in the WVHOA Claims Process.

Such close cooperation dictates all pertinent information on improvements and betterments done by a unit owner(s) be reported to the WVHOA. Each year a request goes out to the community asking for information from each unit owner(s) to report what improvements and betterments were done in the preceding year and the value of those improvements and betterments.

WVHOA is keeping a log of those yearly reports to document (1) the total amount of coverage needed for the Master Policy renewal and (2) documentation in the event of a claim.

However, for all prior years the documentation on file does not contain any of the support documents for such work – this is record keeping that would be incumbent upon the unit owner(s). The only information now on file by the WVHOA is the dollar amount reported by the unit owner as to the improvement made. The actual support documents, such as the initial estimate, final billing or other such documents should be in the possession of the unit owner (see below for additional information).

DOCUMENTS REQUIRED:

WVHOA would recommend the following documents be preserved:

1. Documents pertaining to the cost of the work done, e.g., original estimate and final invoicing. If the final invoice is marked paid it would not be necessary to keep copies of your canceled checks. However, in the absence of such a confirmation of payment being made copies of the canceled checks would be in order.
2. Photos of the completed project would be of benefit to support the work completed. Depending upon the nature of the work would depend on the number of photos and/or the preciseness of the photos. If “before and after” photographs are available so much the better.
3. If the work was completed solely by the unit owner(s) the receipts for the material used would be appropriate. The unit owner(s) and a representative from the WVHOA would then need to agree on the valuation of the work completed.

PRIOR YEARS DOCUMENTATION:

As noted above when the MP first went into place, and it was necessary to obtain upgrade information from the unit owners – the only information initially obtained was the dollar value of the upgrade. With several years having gone by it would be difficult to develop any of the support documents for those upgrades at this time.

However, beginning with the year (2010) when asking for information on any upgrades completed in 2010 it will be necessary to support the upgrade with the proper documents. This is an essential part of supporting a claim and certainly makes the handling and processing of the claim considerably easier.

In the event the upgrade is something the unit owner has done himself/their selves a representative from the WVHOA and the unit owner will come to an agreement of the value of the upgrade. Photos will also be required and, if available, some before photos would be of great benefit.

PERSONAL PROPERTY (HO-6):

While the WVHOA or the MP does not become involved with the unit owner’s personal property claims here are some comments and/or suggestions for what would be of benefit in the event of a major claim.

1. Household Inventory: Actually, this can be done as simply or complicated as you prefer. A simple inventory is to take either photos of (1) each room and/or (2) photos of the furniture and individual accessories in each room.

A more complicated and time consuming (but far superior for claim handling purposes) would be a detailed listing of the furniture and accessories by room. Such a detailed inventory allows the unit owner to describe the piece in detail. In other words, a photo may not depict the quality of a piece of furniture whereas a written description would.

The inventory also provides space for the date the item was purchased, where it was purchased and what the current replacement cost of the item is. A sample of such an inventory spreadsheet is enclosed with this guide.

2. Scheduled Items: The benefit of scheduling items of value is those items are insured on an “all risk” basis. While there are some exclusions on scheduled items, they basically refer to wear and tear, intentional damage, etc. So, if there are no exclusions applicable to how the scheduled item was damaged coverage will be provided.

As an example, should a valued vase slip out of your hands and shatter coverage would be provided and replaced at the amount you had the vase scheduled on your HO-6 policy.

Generally, most insurance companies will require an appraisal for any item with a value in excess of \$5,000. This is a general rule so your insurance company may require appraisals for a lesser amount or require them on a periodic basis.

If you have questions as to what should or could be scheduled refer to your homeowner policy and you will find those items listed where there are limitations and/or consult with your agent.

Illustration of Deductible and Unit Share Calculations

	Building		
	<u>Total</u>	<u>Unit A</u>	<u>Unit B</u>
Building Information			
Insured Value	\$600,000	\$275,000	\$325,000
Unit Share		45.8%	54.2%
Deductibles			
Wind & Hail @5%	\$30,000		
Unit Share		\$13,750	\$16,250
Other Perils	\$15,000 per occurrence. If only one unit is impacted (example: fire) they are responsible for the total \$15,000 deductible		
Earthquake @10%	\$60,000		
Unit Share		\$27,500	\$32,500

In this example, each unit owner should purchase enough HO-6 Dwelling coverage to cover their Earthquake deductible liability. That would provide the unit owner enough coverage for either of the two other deductibles