

Insurance Responsibility of the Individual Unit Owner

Condominium buildings within the On Top of the World Condominium Association are insured through your Association. This fiscal year, the Board is purchasing coverage limits of full replacement value.

The deductible for “named storms” is 5% of the building value, with a minimum deductible of \$250,000, per occurrence and \$10,000,000 maximum per occurrence for wind and hail. On an “unnamed storm” event, the deductible is \$10,000 retained by the Association. Once the deductible is met, the insurance coverage takes effect. As a practical matter, a loss of \$250,000 would require an assessment to all owners. This would amount to approximately \$51/unit to make up the loss. By retaining more of the risk, the Association is able to realize a savings in the cost of coverage.

For all other property losses (fire, lightning, vandalism, etc.), the deductible is \$10,000 per occurrence.

The following is an excerpt from Chapter 718 of the Florida Statutes. Underlining is for emphasis only and is not contained in the original writing.

“Anything to the contrary notwithstanding, the terms “condominium property”, “building”, “improvements”, “insurable improvements”, “common elements”, “association property”, or any other term found in the declaration of condominium which defines the scope of property or casualty insurance that a condominium association must obtain shall exclude all floor, wall, and ceiling coverages, electrical fixtures, appliances, air conditioner or heating equipment, water heaters, water filters, built-in cabinet and countertops, and window treatments, including curtains, drapes, blinds, hardware, and similar window treatment components, or replacements of any of the foregoing which are located within the boundaries of a unit and serve only one unit and all air conditioning compressors that service only an individual unit, whether or not located within the unit boundaries.

The foregoing is intended to establish the property or casualty insuring responsibilities of the association and those of the individual unit owner and do not serve to broaden or extend the perils of coverage afforded by any insurance contract provided to the individual unit owner. Beginning January 1, 2004, the association shall have the authority to amend the declaration of condominium, without regard to any requirement for mortgage approval of amendments affecting insurance requirements, to conform the declaration of condominium to the coverage requirements of this section.

Every hazard insurance policy issued or renewed on or after January 1, 2004, to an individual unit owner shall provide that the coverage afforded by such policy is excess over the amount recoverable under any other policy covering the same property. Each insurance policy issued to an individual unit owner providing such coverage shall be without rights of subrogation against the condominium association that operates the condominium in which the unit owner’s unit is located. All real or personal property located within the boundaries of the unit owner’s unit which is excluded from the coverage to be provided by the association as set forth in paragraph (b) shall be insured by the individual unit owner.”

HO-6 Policy:

Each owner should have in effect an HO6 Policy which includes an Additions and Alterations, Loss of Use, Personal Liability rider to their personal policy. Additionally, the loss assessment provision of your policy should be at least \$2,000.

The Association policy covers original construction. If you, or a previous owner, have made major changes to your unit, the cost to replace the additions should be disclosed to your agent and insured under your HO-6 policy.

Loss of Use is an important coverage in your HO-6 policy. Loss of Use coverage pays your living expenses while you are unable to live in your unit due to a casualty. At a minimum, determine your cost of living away from your unit for 12 months and discuss with your insurance broker the appropriate level of coverage and the cost to be included in your HO-6 policy.

Personal Liability Coverage A typical HO-6 policy has \$300,000 of liability coverage. Liability Coverage protects you in case you damage Association, or a neighbor's, property. The most common occurrence is water leaking from one unit to another. By the time water has passed through and damaged a neighboring unit, the water has also damaged Association covered property. Fire can also damage multiple units. If a fire starts in your unit, and damages neighboring units, your neighbor's insurance carrier is going to try to recover its damages from you and your carrier. Your Personal Liability Coverage will protect you.

Association Policy Deductibles/ Potential Assessment

The property insurance for your association includes the following deductibles:

\$10,000 deductible per occurrence, **except:**

Named Storm Wind deductible = 5% of location total insured value subject to a \$250,000 minimum deductible per occurrence;

Named Storm Flood deductible = 5% of location total insured value subject to a \$250,000 minimum deductible per occurrence; all other Flood deductibles subject to \$100,000 per occurrence except if the building is in Flood Zones beginning with A or V, then the deductible is \$500,000.

Earthquake deductible = \$100,000 per occurrence

Sinkhole or "catastrophic ground collapse" is covered under the policy limit, with a deductible of \$10,000.

Uninsured damages (falling outside the scope of coverage, outside the limit purchased, or within the prevailing deductible) sustained by the association shall be assessed to the unit owners.

Examples:

Building insured value \$5,544,000, 72 units.

Building sustains wind damage during a hurricane amounting to \$3,000,000.

Named Storm wind deductible = 5% x \$5,544,000 = \$277,200 deductible.

\$277,200 deductible divided by Association Membership (4,968) = \$56.00/unit

Building insured value \$5,544,000, 72 units.

Building catches on fire after lightning strike with damage amounting to \$300,000.

\$10,000 deductible divided by Association Membership (4,968) = \$2.00/unit

The typical condominium unit owner's policy provides a limit of \$2,000 for association assessments. It is our recommendation that individual unit owners determine the limit provided in his/her own policy, review potential loss scenarios and increase the assessment limit if possible. The average rate is \$2 per \$1,000 limit. Confirm with your agent that the assessment limit will cover the deductible shortfall.