

Shareholder Insurance Review

Highland Green

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Agenda

- Brief overview of master program
- What the master policy covers
- Recommended shareholder coverages & endorsements

Master Policy Overview

Insurer: Hanover Insurance Company

- Property Coverages
 - Blanket Building - \$80,431,342
 - 90% coinsurance/agreed amount
 - Blanket Business Income/Extra Expense - \$1,325,914
 - 50% coinsurance
 - Special form
 - \$10,000 Deductible
 - Earth Movement coverage included - \$5,000,000 limit, \$25,000 deductible
- Liability Coverages
 - General Liability - \$2,000,000 aggregate/\$1,000,000 each occurrence
 - Hired & Nonowned Auto Liability - \$1,000,000 combined single limit
 - Directors & Officers Liability - \$1,000,000 each claim and aggregate
 - Umbrella/Excess Liability - \$10,000,000 per occurrence/\$10,000,000 aggregate

Management Company Responsibility for Damage to a Unit

Commercial Master Package Policy Management Company (Lessor) (as defined in 3. Damage of the Proprietary Lease) is responsible for the following damage to the unit:

“at its own cost and expense except as otherwise provided in this Proprietary Lease, with reasonable dispatch after receipt of notice of damage, repair or replace or cause to be repaired or replaced (with material of a kind and quality then customary in property of the type of Property) the portion of the Property damaged, including the walls, floors, ceilings, pipes, wiring and conduits in the building”. This includes pre-approved additions built onto the unit by either the Management Company or Shareholder

Shareholder Responsibility for Damage to a Unit

Shareholder (Lessee) of the Homeowners Corporation is responsible for the following damage to or in their unit:

“repair or replace any personal property of Lessee or any equipment, fixtures, furniture, furnishings or decorations installed by the Lessee nor shall Lessor be obligated to repaint or replace wallpaper or other decorations in Unit”.

What is an HO-6 Policy?

- The Homeowners 6-Unit-Owners Form (HO 6) covers the real property interest, personal property and personal liability of persons owning a unit in a condominium or sharing an ownership interest in a cooperative building.
- Coverage A (Dwelling)
- Coverage C (Contents)
- Coverage D (Loss of Use)
- Coverage E (Personal Liability)
- Coverage F (Medical Payments)

How Associations Are Using HO-6 policies to Protect the Loss Experience of the Master Policy

- We are seeing a trend of carriers requiring “per-unit” deductibles on master policies.
- For most associations, the largest line item on their balance sheets, after landscaping and property management fees, is insurance costs. As insurance costs directly impact fees, anything that can be done to mitigate this cost benefits owners directly.
- The use of Per Unit deductibles can improve the loss ratio on the association master policy, and ultimately help to control insurance costs.
 - An example:
 - For instance, if there were a water heater loss resulting in two units being affected, there would not be a \$10,000 deductible applying to each unit for a “total” deductible of \$20,000.
 - If one unit had an \$8,000 loss and the other had a \$12,000 loss, the unit with the \$8,000 loss would have that paid by their HO6 carrier entirely.
 - The other unit would have their \$10,000 deductible paid by the HO6 carrier, and the remaining amount (in this case \$2,000) would be paid by the master policy carrier.
 - Ultimately, what could have been a \$18,000 loss without a Per Unit deductible becomes a \$2,000 loss under the master policy.

What Real Property is Covered Under an HO-6 policy?

- Alterations, appliances, fixtures, and improvements that are part of the building contained within the residence premises
- Real property items pertaining only to the residence premises
- Property that is the insured's responsibility to cover under a corporation or property owner association agreement
- Structures owned solely by the named insured, other than the residence premises, at the location of the residence premises

HO-6 Comments

- Each unit owner should have a minimum of \$25,000 in Coverage A (Dwelling Coverage) to cover 1) the master policy all peril deductible as well as 2) property in the unit that is not covered by the master policy in the event of a claim.
- Many companies will allow for the use of your dwelling coverage towards the master policy deductible or claims below the master policy deductible. Make sure to ask your agent what your current company's philosophy is on this claim situation. If they do not cover the master deductible, you should switch to a company that does for greater protection against deductible assessments.
- The HO 17 31 and HO 17 32 (Special Coverage Building & Special Coverage Contents) endorsement should be added as it allows for more perils to be covered by switching covered types of claims from "named" to "open" which is preferable.

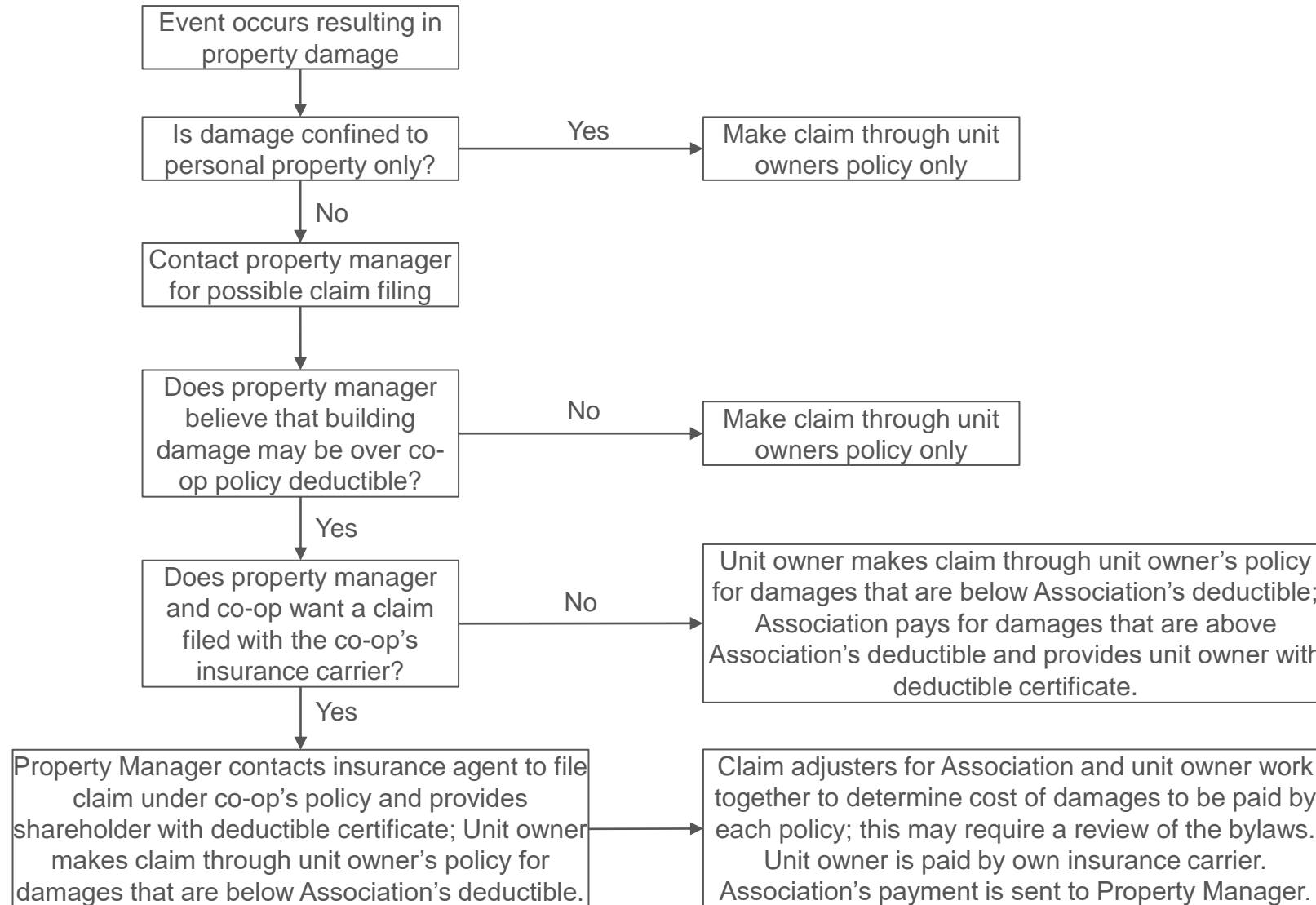
HO-6 Comments (continued)

- Unit owners should carry increased loss assessment coverage (base HO-6 policy comes with \$2,000 limit).
- 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 the policy** (notable exclusions include flood and earth movement).
- Coverage is subject to the deductible on a shareholders HO-6 policy.
- If a unit is rented, the HO 17 33 endorsement must be considered at a minimum as the base HO-6 policy that excludes coverage for business exposures (which rentals would be considered business). A dwelling fire policy or commercial policy form could be considered to provide loss of rents coverage and coverage for damage caused by a tenant.

Important Condo Endorsements

- HO 04 95 - Water Backup of Sewer and Drains
- HO 04 35 - Loss Assessment Coverage
- HO 04 90 - Replacement Cost on Personal Property
- HO 17 31 - Special Coverage C
- HO 17 32 - Special Coverage A

Claim Filing Decision Tree



Other Coverages

- Scheduled Articles (Jewelry, Artwork, etc.)
- Personal Umbrella Liability
- Personal Auto
- Golf Carts and Other Low-Speed Vehicles

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