MarshMcLennan Agency

CLARK INSURANCE
A Marsh & McLennan Agency LLC Company

Shareholder Insurance Review

Highland Green

October 1, 2025
Clark Insurance
Jeff Lind, Portland

A business of Marsh McLennan

Your future is limitless.℠

Agenda

- Brief overview of master program
- Recommended shareholder coverages & endorsements
  - What is an HO-6?
  - Additional Living Expense coverage
  - Loss Assessment coverage
- Master policy coverage
- Key Takeaways
- Interior Features & Finishes Definitions
- Cabinets & Countertops Features & Finishes Definitions
- Additional Q & A

Master Policy Overview

Insurer: Strathmore Insurance Company, Part of GNY Insurance Companies (Rated A+ by AM Best)

- Property Coverages
  - Blanket Building - $120,833,995
    - 90% coinsurance/agreed amount
  - Blanket Business Income/Extra Expense - $2,832,690
    - 100% coinsurance
  - Special form
  - $10,000 Deductible Per Occurrence (Except Water Damage which is a per unit deductible, excluding duplexes)
  - Earth Movement coverage included - $5,000,000 limit, 5% deductible
  - Flood coverage NOT included
  - Building Ordinance or Law Coverage
    - Loss to Undamaged Portion of Building – Building Limit
    - Demolition Costs - $500,000
    - Increased Cost of Construction - $500,000
  - Sewer & Drain Backup - $100,000
  - Outdoor Fences, Trees, Shrubs, Plants - $25,000 ($2,500 per item)
  - Interior and Underground Water Damage - $25,000
  - Additional Debris Removal - $250,000

Master Policy Overview

Insurer: Strathmore Insurance Company, Part of GNY Insurance Companies (Rated A+ by AM Best)

- Liability Coverages
  - General Liability - $2,000,000 aggregate/$1,000,000 each occurrence
  - Hired & Nonowned Auto Liability - $1,000,000 combined single limit
  - Umbrella/Excess Liability - $10,000,000 per occurrence/$10,000,000 aggregate

- Coverage was placed with GNY on 12/31/2024 as the prior insurer, Hanover, indicated they would be nonrenewing on 12/31/2025, they reduced the amount of umbrella coverage provided from $10,000,000 to $5,000,000.

- Separate Directors & Officers Liability Coverage was placed for each phase with Cincinnati Insurance Company effective 8/1/2025.

Covered Building Property Under Co-Op Policy

- Covered Property, as used in this Coverage Part, means the type of property described in this section, **A.1.,** and limited in **A.2.** Property Not Covered, if a Limit Of Insurance is shown in the Declarations for that type of property.
  - a. Building, meaning the building or structure described in the Declarations, including:
    - (1) Completed additions;
    - (2) Fixtures, including outdoor fixtures;
    - (3) Permanently installed:
    - (a) Machinery; and
    - (b) Equipment;
    - (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
      - (a) Fire-extinguishing equipment;
      - (b) Outdoor furniture;
      - (c) Floor coverings; and
      - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
    - (5) If not covered by other insurance:
      - (a) Additions under construction, alterations and repairs to the building or structure;
      - (b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

Property Not Covered Under Co-Op Policy

- Covered Property does not include:
  - a. Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
  - b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
  - c. Automobiles held for sale;
  - d. Bridges, roadways, walks, patios or other paved surfaces;
  - e. Contraband, or property in the course of illegal transportation or trade;
  - f. The cost of excavations, grading, backfilling or filling;
  - g. *Removed from this list as coverage for foundations of buildings has been added back by endorsement.*
  - h. Land (including land on which the property is located), water, growing crops or lawns (other than lawns which are part of a vegetated roof);
  - i. Personal property while airborne or waterborne;
  - j. Bulkheads, pilings, piers, wharves or docks;
  - k. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
  - l. Retaining walls that are not part of a building;
  - m. Underground pipes, flues or drains;

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”.

Current Issue – 3 Veery

- We are working through the fire claim at 3 Veery Lane presently.
- While the exact cause of the fire is unknown, the lack of fire suppression and non-working security system did not impact coverage for this claim.
- The co-op policy does not have a Protective Safeguards endorsement (except for the community center building), so it is acceptable to decommission sprinkler systems in co-op units if desired.

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/Additional Living Expenses)
  - Coverage E (Personal Liability)
  - Coverage F (Medical Payments)

- The HO-6 policy is the proper policy to insure a co-op unit, an HO-4 policy is not. An HO-4 policy is designed for a renter and does not provide the option to purchase building coverage to cover items that are the unitowner's responsibility.

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 resident's responsibility to cover under a corporation or property owner association agreement
- Structures owned solely by the resident, other than the residence premises, at the location of the residence premises (i.e. outbuildings and sheds)

Definition of Fixture

- Fixture is not defined in the policy, but Black's Law Dictionary's (Third Edition) definition of fixture is:

Personal property that is attached to land or a building and that can be regarded as an irremovable part of the real property, such as a fireplace built into a home.

Loss of Use/Additional Living Expenses

- The co-op policy does not cover additional living expenses incurred by a resident. That coverage is provided under an HO-6 policy under coverage D. This limit should be discussed with your insurance company. Below is the Additional Living Expense (ALE) coverage provided by a standard HO-6 policy:

1. Additional Living Expense

If a loss by a Peril Insured Against under this Policy to covered property or the building containing the property makes the "residence premises" not fit to live in, we cover any necessary **increase** in living expenses incurred by you and residents of your household who are:

a. Your relatives; or

b. Other persons under the age of 21 and in your care or the care of a resident of your household who is your relative;

so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damaged property or, if your household permanently relocates, the shortest time required for your household to settle elsewhere.

- Coverage for ALE is determined by determining a resident's normal living expenses had the loss not occurred, and what the actual living expenses were post-loss, with ALE coverage paying the difference.

Loss Assessment Coverage

- Loss assessment coverage under an HO-6 policy (Condominium Unit Owners Insurance) provides protection for the insured unit owner against certain assessments levied by a corporation or association of property owners. Specifically, if the corporation or association imposes a special assessment on unit owners to cover a loss or damage to common areas or shared property that is not fully covered by the corporation or association's master insurance policy, loss assessment coverage helps pay the insured's share of that assessment.
- This coverage typically applies to situations such as damage from a covered peril (like fire or storm) to common elements, liability claims against the corporation or association, or other covered losses that result in the association charging unit owners to cover costs beyond the master policy limits.
- Loss assessment coverage under an HO-6 policy helps protect owners from unexpected financial burdens arising from their share of losses or liabilities affecting the corporation or association's common property.
- We suggest discussing this limit with your insurance provider and increasing beyond the base limit of your HO-6 policy.

HO-6 Comments

- Each unit owner should have a <u>minimum</u> of $50,000 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. *<u>At 3 Veery, the cost for painting alone was approximately $26,000</u>*.

- 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.

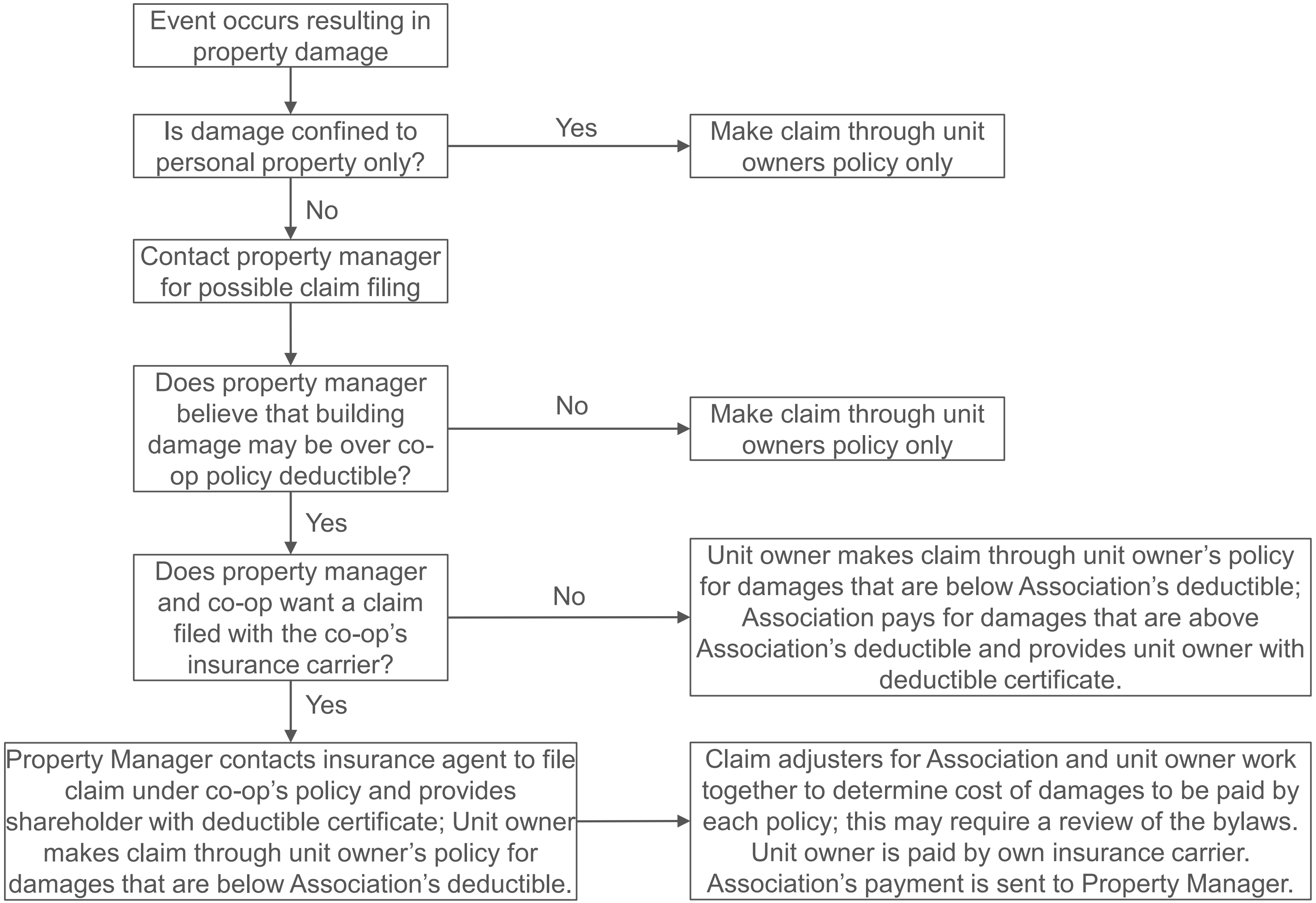
HO-6 Comments (continued)

- 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 for Consideration

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

How Can We Assist With Determining HO-6 Limits?

- We have replacement cost valuation software that can help estimate the replacement value of the interior of a unit.
- We ran a test case on one unit:
  - Original specifications are **Above Average** for both interior finishes and cabinets and countertops
    - Suggested Replacement Cost for Original Interior based on Original Specifications = $180,300
  - Current unit has been upgraded to **Custom** for both interior finishes and cabinets and countertops
    - Suggested Replacement Cost for Improved Interior = $267,190
  - Suggested amount of coverage for improvements over original specifications = $86,890 ($267,190 - $180,300)
    - Does not include other upgrades such as solar panels and radon mitigation systems so those costs would need to be added to this number, as would an estimate for painting cost.

- With your assistance in determining construction quality of your unit (information attached in Addendum A & B) , we can assist with developing replacement cost estimates for interior improvements.

Key Takeaways

- The co-op policy provides broad coverage for co-op property, but there are items to note.
  - Alterations made by current Lessees are the responsibility of the Lessee to insure, except for pre-approved additions.
  - Painting, wall coverings and decorations in a unit are the responsibility of the Lessee to insure, regardless of when the work was originally done.
  - Coverage for alterations made by previous Lessees is under discussion and we recommend reviewing HO-6 building limits while the coverage issue with regard to alterations made by previous lessees is under discussion with the insurer.
  - Coverage for resident Additional Living Expenses is covered by the resident's HO-6 policy, not the co-op policy.
  - Residents should review their limits of coverage for building, additional living expenses and loss assessment.

- We suggest amending the requirement for pre-approval for additions to also include interior renovations and alterations that add value to the unit, including cost details, so the history of the unit's improvements can be documented, tracked and stored centrally for future reference.

Addendum A

Interior Features & Finishes Definitions

Standard - Typical Standard finishes/features:

- Crown molding/chair railing in 1 or 2 rooms
- Vaulted ceilings in some areas
- Paint, medium-grade wallpaper, and/or some natural wood paneling
- Hollow-core, raised-panel/painted doors
- Medium-grade flooring, such as carpet with some sheet vinyl, ceramic tile, hardwood, or laminate

Above Average - Typical Above Average finishes/features:

- Crown molding/chair railing in several rooms
- Vaulted/tray ceilings in several areas, may have exposed structural/decorative wood beams in some areas
- Paint, high-grade wallpaper, and/or natural wood paneling
- Hollow-core, raised-panel/stained wood doors
- High-grade flooring, such as top-quality carpet, with some sheet vinyl, ceramic tile, hardwood, laminate, or marble/granite/travertine
- Built-in features, such as bookcases or a wet-bar

Addendum A

Interior Features & Finishes Definitions (continued)

Custom - Select "Custom" if the home has a combination of "Above Average" and "Premium" features. Typical Custom finishes/features:

- Crown molding/chair railing in several rooms
- Vaulted/tray ceilings in several areas, may have exposed structural/decorative wood beams in some areas
- Paint, high-grade wallpaper or natural wood paneling, tile, and/or brick
- Hollow-core, raised-panel/stained wood, French or 8-foot high interior doors
- High-grade floor covering, such as top-quality carpet, sheet vinyl/ceramic tile, hardwood, laminate, or marble/granite/travertine
- Built-ins, such as bookcases or a wet-bar, an ornate staircase, ornate chandeliers, hanging lights, or recessed lights

Premium - Typical Premium finishes/features:

- Oversized crown molding/chair railing in several rooms
- Vaulted/tray ceilings in several areas, with 9- to 12-foot ceilings throughout; may have exposed structural/decorative wood beams
- Paint, high-grade wallpaper, natural wood paneling, tile, brick, and/or marble, hand painted murals or wall designs
- Solid-core hardwood/ornate doors, French doors, 8-foot high doors, and/or arched-top doors
- High-grade floor covering, such as wool carpet with ceramic tile, top-quality hardwood, or marble/granite/travertine
- Columns and built-ins, such as bookcases or a wet-bar, curved/ornate staircase(s), ornate or crystal chandeliers, hanging lights, or recessed lights

Addendum B

Cabinets & Countertops Features & Finishes Definitions

Standard - Typical Standard cabinet/countertop features:

- Solid pine/other softwood material or pre-fabricated, modular box-style, particleboard cabinets with hardwood frames
- Hardwood cabinet door fronts with a flat, recessed panel
- Laminate countertops, may have hardwood edging, low-grade solid surface material, or natural marble/granite tile countertops

Above Average - Typical Above Average cabinet/countertop features:

- Solid pine/other softwood material or pre-fabricated, modular box-style, particleboard cabinets with hardwood frames
- Hardwood raised-panel cabinet door fronts, may have cathedral-style/glass panes
- High-grade laminate with hardwood edging, medium-grade solid surface material, or domestic solid natural marble/granite countertops

Addendum B

Cabinets & Countertops Features & Finishes Definitions

Custom - Select "Custom" if the home has a combination of "Above Average" and "Premium" features. Typical Custom cabinet/countertop features:

- Solid hardwood or pre-fabricated, modular box-style cabinets
- Hardwood raised-panel cabinet door fronts, may have cathedral-style/leaded/beveled glass panes
- High-grade solid surface material, domestic solid natural granite/marble, quartz, or solid wood butcher block countertops
- Special features like slide out lower cabinet shelves, concealed hinges, soft or self-close hinges or drawer slides

Premium - Typical Premium cabinet/countertop features:

- Solid hardwood or pre-fabricated, modular box-style cabinets
- Hardwood raised-panel cabinet door fronts, may have cathedral-style or leaded/beveled glass panes
- Highest grade imported solid natural granite/marble or quartz, concrete countertops with decorative edging, or stainless steel countertops
- Built-in or commercial grade appliances
- Plywood box construction with unique design features, solid wood face frames and soft or self-close hinges, drawer slides, etc.
- Built-in spice racks, pantry doors or custom valances

Additional Q&A

- Questions?

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