

CONDOMINIUM MASTER POLICY

(HO - 3 POLICY)

INSURER:

Community Association Underwriters of America, Inc. (CAU)

CAU is one of the largest providers of insurance for community associations, in the world. They created an insurance policy that sets them apart from other insurance providers. The A.M. Best company rates CAU as an "A +" or Excellent Insurance Company.

Characteristics & Unique Policy Coverage:

~ **Guaranteed Replacement Cost** for all buildings and structures.

Interior Restoration

If a unit, building, etc., were destroyed by a fire, tornado, or any other covered peril, CAU will rebuild the outer core of the unit/building including the interior wall and original wall surface, the interior floor and original floor surface (carpet, hardwood, tile, etc.) and the ceiling with all original light fixtures.

Permanently attached cabinets, countertops, "built-in" appliances (stove, dishwasher, refrigerator/freezer, etc.) are also covered under this policy allowing the unit owner to reduce his/her \$\$\$ value on contents because you do NOT want to duplicate coverage (insurance carriers will only pay once!)

HO-6 Policy (contents, betterments, improvements, general liability, etc.) will be discussed later in this synopsis.

~ **Three (3) Year Policies** provides security for the community association. The premium quoted in the first year can **NOT** be increased during the three years of the policy. The association only makes one down payment to the insurance carrier during the three year policy.

~ **Fidelity Coverage is GUARANTEED** to meet with Federal Lending Guidelines effective in 2011. This feature is optional to the association but, CAU was the first provider to introduce it.

~ **NO co-insurance** or retention which are monetary penalties to the association if their buildings insurable value is not sufficient.

~ **NO AGGREGATE** with respect to the General Liability coverage of the policy. Most policies have an aggregate which is twice the amount of the limit. So, if you have a million dollar limit for G/L the aggregate (not to exceed amount) for the policy period would be two million dollars. CAU has **NO AGGREGATE** which allows you to file numerous claims, beyond that threshold.

~ **Directors & Officers Liability** coverage for both Monetary & Non-Monetary Damage lawsuits.

~ **Building Ordinance Law** which automatically includes demolition, contingent liability and increased cost of replacement construction due to more stringent building codes, at **NO** additional cost to the association (special assessments).

~ **Environmental Impairment Pollution Coverage** provides protection (\$500,000) against the following risks of financial loss:

- Bodily injury caused by pollution conditions.

- *Property damage, including damage to tangible property, the loss of use of such property that has **NOT** been physically injured or destroyed and the diminished market value of a third party's property.*
- *Remediation expenses, including investigating the extent & nature of the pollutant, monitoring, removing and disposing of the pollutant.*
- *Defense costs incurred in the investigations adjustment settlement and defense of a claim.*

~ Machinery & Equipment Coverage automatically includes damage caused by explosion of vessels under pressure, mechanical breakdown and power surges.

~ Maintenance Fees and Assessments Coverage will be paid under this policy to the association for loss of income (this coverage only applies to property).

~ Deductible: The deductible for this coverage is \$2,500.00, which serves two purposes...

1. *Distinguish between General Maintenance line item repairs and an actual claim.*
2. *It will reduce the number of claims made, thus, strengthening the association's ability to renew the policy when appropriate.*

CONDOMINIUMS INDIVIDUAL UNIT OWNER **INSURANCE**

(HO-6 POLICY)

Owners need to purchase their own homeowner insurance policy (HO-6). Under the CAU Master Insurance Policy, owners need only insure their contents (clothing, furniture, etc.,) any improvements they've made to the condo unit and provide general liability coverage, in the event of personal injury.

Every condo owner should have an HO-6 Policy that also includes general liability. Owners who rent their unit(s) should mandate their renters purchase a renters policy. Both are described below:

HO-6 Policy: Contents, Betterments **& Improvements**

This type of policy will differ from person to person in that it is subject to the individuals' value of contents (clothing, furniture, jewelry, etc.,).

The unit owner should take photos of any improvement that increases the value of the unit (sun room, new lighting, etc.,) and attach it to the invoice for the improvement and place it in safekeeping other than in the unit (possibly a safe deposit box).

- *The Master Policy with CAU will guarantee the replacement to the original condition of the condo unit. The association has a General Liability coverage with stated limits in case anyone slips and falls on common area; however, any injury that takes*

place within an individuals' condo unit(s) is the responsibility and liability of the condo owner. Thus, condo owners may want to also purchase general liability for a typical coverage limit of \$300,000.

RENTER'S POLICY &

General Liability

If the unit owner rents the unit(s) the owner should request or require the renter to secure a renter's policy and require the unit owner to be designated as an additional insured on the renter's policy. By performing this request, the unit owner will be notified if changes/limits are made to the policy.

The owner who rents should be concerned with the renter's coverage should someone slip or fall inside the unit. In such an event, the first course of defense should be with the renter's policy and then the unit owner's individual HO-6 policy, that should include General Liability coverage.

The information in this document accurately reflects the coverage found within the CAU Master Policy. The content was provided by Joseph Waldron, a licensed insurance producer in the states of Tennessee & Kentucky. Joseph Waldron is employed by Robins Insurance Agency, Inc.; 30 Burton Hills Blvd. – Suite #300; Nashville, Tennessee 37215; 615.579.1054 or 800.526.9271; jwaldron@robinsins.com