Condominium Property Insurance Coverage:

What Boards and Homeowners Need to Know

Does the Condominium Association Insure the Units?

- Yes – but the *level* of coverage on the Units is the question
  - Bare Walls Coverage
  - Original Construction Coverage
  - All-In Coverage
- Level of property insurance coverage (sometimes referred to as "hazard insurance") will be specified in the Condominium Declaration
  - Level of Association Provided Coverage; and
  - Level of Coverage Homeowners Must Purchase ("HO-6 Policy")

Can the Board of Directors Change the <u>Property Insurance Coverage</u> Which the Declaration Requires on the Units?

- Insurance brokers are required to insure the condominium association at the levels specified in the Condominium Declaration
- The Board cannot adopt a *policy* changing the level of coverage required by the Condominium Declaration
- To change the level of coverage in the Condominium Declaration, the Declaration must be amended

Submitting a Claim on the Condominium Association's Property Insurance Coverage

- **Fault DOES NOT Matter!!**
- Is the loss above the insurance deductible?
  - If YES – submit or self-insure;
  - If NO – do not submit and refer to provisions in the Condominium Declaration pertaining to maintenance responsibilities
- The insurance proceeds will be provided to the Condominium Association
- The Condominium Association will adjust the claim and proceeds must first be used to repair the Unit/Common Elements

Other Important "Stuff" You Need to Know About Property Insurance Coverage (for CCIOA Communities)

- Association's insurer must waive rights of subrogation against owner or resident
- Fault of an owner or resident cannot be a condition for recovery under the insurance policy
- If owner has similar property insurance coverage, the Condominium Association's Coverage will be primary

(For pre-CCIOA communities, this information will be in the Condominium Declaration)

What if Condominium Association Refuses to Submit a Claim?

- Colorado law permits owners to submit a claim on the Condominium Association's property insurance coverage <u>if</u>:
  - Owner gives notice in writing to the Association of a claim;
  - Allows the Association at least 15 days to respond in writing;
  - Provides the Association and adjuster the right to inspect the damage; and
  - The Association's property insurance covers the damage/loss to the unit

How Are Insurance Deductibles Handled for Property Insurance Claims?

- CCIOA Communities (Condominium Associations created on or after July 1, 1992)
  - Assess the deductible as a Common Expense
  - Assess the deductible to at-fault Owner
  - Assess the deductible to Units benefitted by the insurance
- Pre-CCIOA Communities (Condominium Associations created before July 1, 1992)
  - Condominium Declaration will govern
  - Probably will be a common expense

Tips for Homeowners and their HO-6 Policy

- Take the Condominium Declaration into your Insurance Agent
- Make sure your HO-6 Policy covers those parts of your Unit not covered under the Association's insurance
- Make sure your personal property is covered
- Make sure you are carrying liability insurance
- Purchase Loss Assessment Coverage – over the standard $1,000
- Purchase endorsement to cover deductibles on Association's insurance (negligent/at-fault owners)

Thanks, APCHA!!

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