

Multiple Unit Insurance Claims



Full Service Disaster Restoration



Agenda

Flow of single unit claims vs. multiple unit claims

Fire Damage Procedure

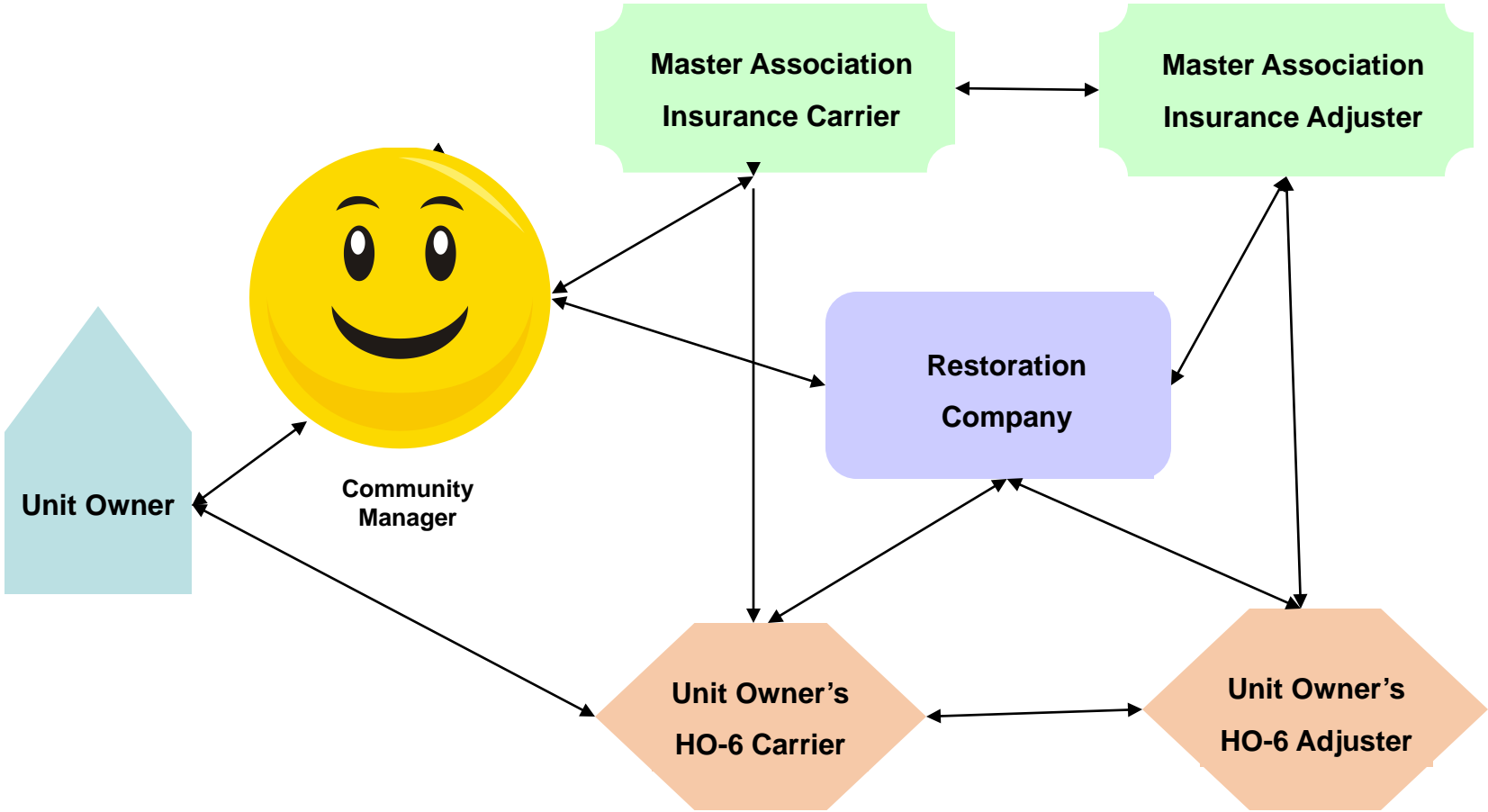
Anatomy of a Property Claim

Frequently Asked Questions from Community Managers and Boards

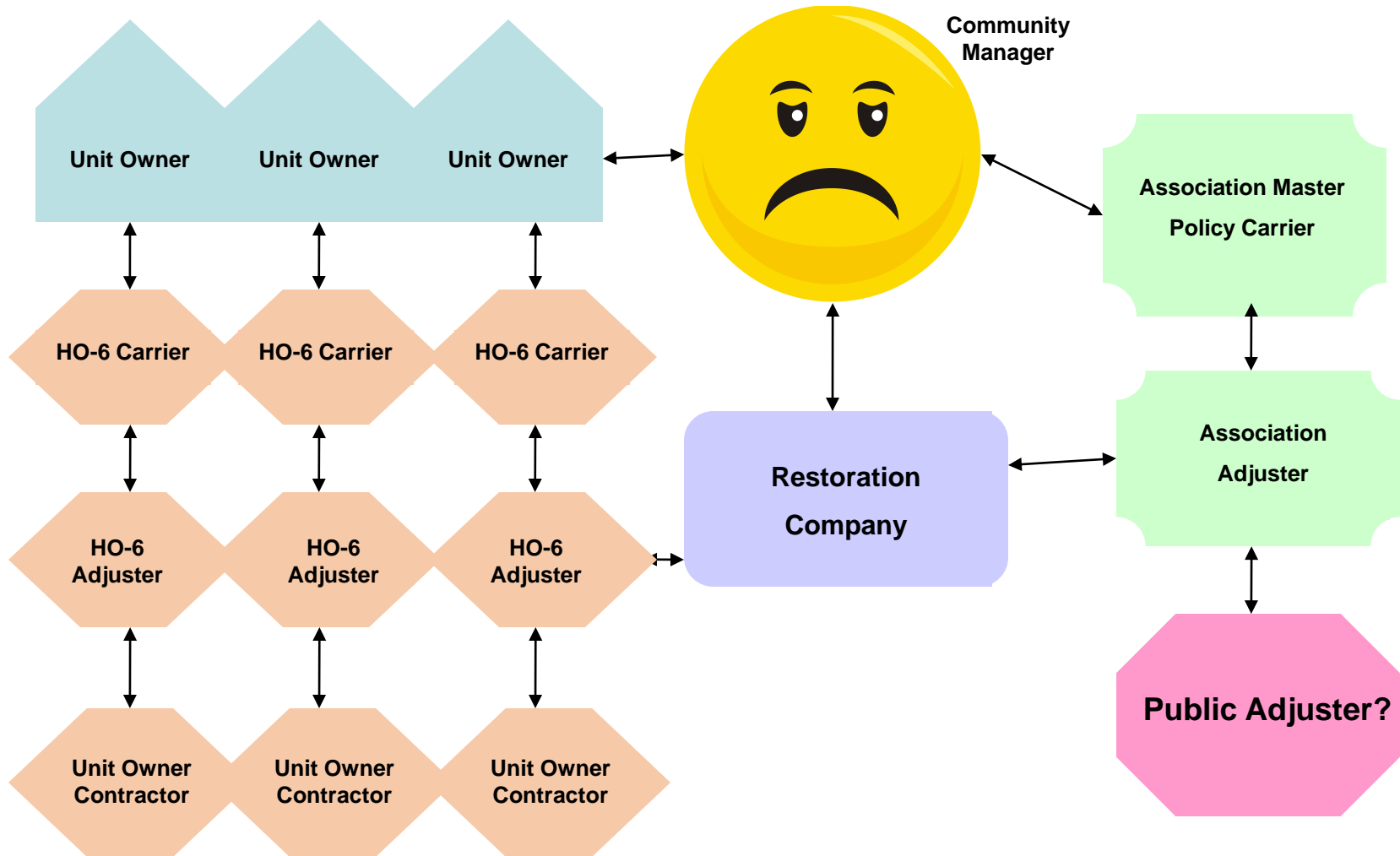
Suggestions for Improving the multiple unit claims process

Questions and Answers

General Flow of Single Unit Claims



General Flow of Multiple Unit Claims



Fire Damage Procedure

Make sure all residents are accounted for

Make contact with the Fire Chief or Fire Marshall, give him all your contact information and find out when he is planning on releasing the scene

Contact a restoration company to secure and protect the property

Contact your insurance carrier, give them a description of the damage, ask for a claim number and find out when a claims adjuster will be available to view the damage

Gather contact information from all displaced residents including cell numbers, emergency contact numbers, temporary residence and homeowner's insurance information

Make sure all residents have a place to stay for the night.

Keep an emergency list of hotels in the area along with the number for the Red Cross

Do not move any debris and do not touch anything in the unit where the fire originated

Do not allow anyone in the fire damaged units until the Fire Marshall AND the Insurance Adjuster have released the scene.

The Insurance Company AND the Fire Marshall may require that a cause and origin specialist investigate the origin of the fire. The fire scene will not be released until a cause has been determined and evidence has been gathered. Do not allow entry until this has been accomplished.

When residents are allowed in, have them sign in and out of the building

Have the restoration specialist present when the insurance adjuster arrives to walk the property

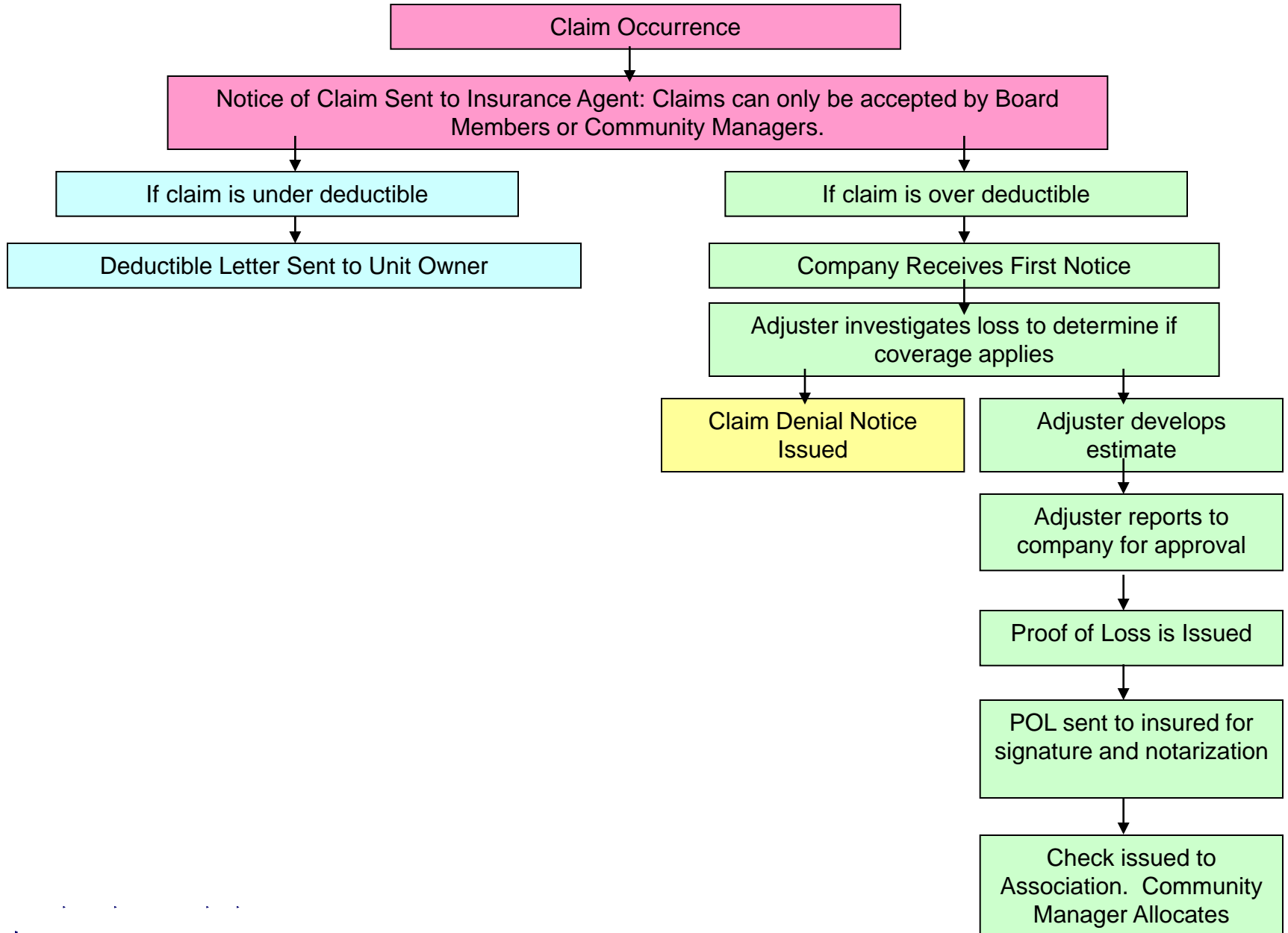
The Board needs to pick a restoration contractor they can work with and then hold a Homeowner's Association meeting to go over timeline and scope of work.



Full Service Disaster Restoration



Anatomy of a Property Claim



What if the property damage is less than the Association's master

Turn in the claim to the master policy carrier if the extent and cost of damage could potentially exceed the master policy deductible

Have the Association's insurance agent provide a letter for the HO-6 carrier stating that the Association will not submit a property claim unless the damage exceeds the Association's deductible

Sample Deductible Letter

May 13, 2010

XYZ Condominium Association
C/O Community Manager
123 Broad Street
Philadelphia, PA 19103

Re: Water Leak in Unit 1

Dear Property Manager:

Please accept this letter as confirmation of our telephone conversation yesterday regarding water damage which occurred on May 7, 2010 in Unit 1 which is occupied by Mr. Doe.

As we discussed, the Association's master policy carries a \$5,000 deductible. The damage to insured property would have to exceed \$5,000 for the master policy carrier to respond to this claim. In addition, please note that we do not cover any personal contents owned by the unit owner. The master policy covers the interior of the unit (drywall, paint, cabinets, fixtures, and appliances) as per the original specifications of the unit. Any improvements made by the homeowner need to be insured under their personal HO-6 policy along with their personal belongings.

If the damage to the insured property under the master policy has exceeded \$5,000, please advise us so that we can turn a claim into the carrier. If the damage does not exceed \$5,000, we would advise Mr. Doe to file a claim with his personal HO-6 policy.

Thank you for your consideration in this regard.

Best personal regards,

A handwritten signature in blue ink that reads "Bin Jil".

Smith Insurance Associates, Inc.

Why do unit owners need to turn claim into their homeowner's carrier

The Association's Master Policy is primary, however:

HO-6 policyholder has a duty to turn in their claim to their HO-6 carrier

The HO-6 covers the Master Association deductible

The HO-6 provides coverage for Personal Property and Contents

The HO-6 provides loss of use for temporary living arrangements

Who Pays for the Association's Master Policy Deductible?

Some states mandate how Condominium Association deductibles should be handled

PA: May be assessed as to a unit owner (Section 3312 and 3314)

DE & NJ: No specific deductible language

Also look to the Association Declarations and Bylaws to see if there is language related to how the master policy deductible should be handled.

Most Association Documents do not address how the deductible should be allocated for multiple unit claims. Therefore it commonly falls on the Board to decide.

In general, if there are multiple units involved, the majority of Board's allocate the deductible based on a percentage basis.

Pennsylvania Uniform Condominium Act

- Effective October 30, 1980
- Section 3312 - Insurance

Recovery of deductibles.—If any insurance policy maintained by the association contains a deductible, then that portion of any loss or claim which is not covered by insurance due to the application of a deductible, as well as any claim or loss for which the association is self-insured, shall be levied by the executive board in accordance with section 3314(c) (relating to assessments for common expenses)

Pennsylvania Uniform Condominium Act

Section 3314 (c): Special allocations of expenses.—Except as provided by the declaration:

- (1) Any common expense associated with the maintenance, repair or replacement of a limited common element shall be assessed in equal shares against the units to which that limited common element was assigned at the time the expense was incurred.
- (2) Any common expense benefiting fewer than all of the units shall be assessed exclusively against the units benefited.
- (3) The costs of insurance shall be assessed in proportion to risk and the costs of utilities that are separately metered to each unit shall be assessed in proportion to usage
- (4) If any common expense is caused by the negligence or misconduct of any unit owner, the association may assess that expense exclusively against his unit.

Sample Insurance Deductible Resolution

ADMINISTRATIVE RESOLUTION # 10 INSURANCE DEDUCTIBLES

Whereas, the Board of Directors of the XYZ Condominium Association (“Board”) is charged by the Declaration of Covenants, Conditions and Restrictions with the responsibility and authority to procure and maintain certain insurance coverage for the Community including the Units, the Common Facilities and Limited Common Facilities; and

Whereas, the Board has determined that coverage containing a “deductible” is commercially available and appropriate; and

Whereas, the Board wishes to state its policies and practices with respect to insurance coverage and deductibles, for the benefit of the unit owners;

Now Therefore Be It Resolved:

1. The Association adopts the following statement of policy and intent with respect to insurance coverage and deductibles:

The Association shall strive to maintain the insurance coverage required by the Uniform Condominium Act and the Declaration of Covenants, Easements and Restrictions. In order to encourage sound maintenance and repair policies, and to discourage unnecessary claims, the Association shall include an appropriate deductible provision in such policies. The unit owner(s) shall be responsible for the deductible for all portions of the loss which are associated with the unit. Unit owners are encouraged to consult with their own insurance advisors to ensure that adequate coverage is maintained for their units.

2. The Board of Directors shall, from time to time, in its discretion, advise the unit owners about the nature and scope of the insurance coverage maintained by the Association, the applicability and apportionment of deductible provisions in such coverage and such other matters as may be relevant to the unit owners and their insurance needs.

I certify that the foregoing Resolution was adopted by the Board of Directors of XYZ Condominium Association at a meeting duly convened pursuant to the Bylaws of the Association on January 1, 2010.

Gene T. Ebright

Gene Ebright, Secretary



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So who is responsible for repairing what within the damaged units?

It depends on...

State Law

The Association's Documents

The Insurance Carriers

Definition of a Unit

Bare Walls

Provides coverage for common and limited common elements. It *excludes* property within the **unfinished interior surface** of the perimeter walls, floors and ceilings of units or private storage areas, additions, alterations and structural repairs, finishes, coating and coverings of walls, floors, ceilings, and permanently installed appliances and fixtures.

Original Specifications

Provides for common elements, limited common elements, and property included in units and private storage areas which were **initially installed in accordance with the association's original plans and specifications** or a replacement of like kind and quality.

All In

Provides coverage for common elements, limited common elements, property included in units and private storage areas and improvements, betterments, additions, alterations and upgrades **made at the expense of the unit owner**, regardless of when they were installed.

Sample Declaration Language – Older Condominium Association

- Insurance to Be Maintained: The Board of Directors shall obtain and continuously maintain:
 - 1) “All Risk” insurance against direct physical loss by damage to or destruction of the Commonly Insured Real Property, in an amount equal to the full insurable replacement value thereof, without deduction for depreciation, with a deductible provision in an amount to be determined by the Board of Directors but not to exceed Ten Thousand Dollars (\$10,000.00)

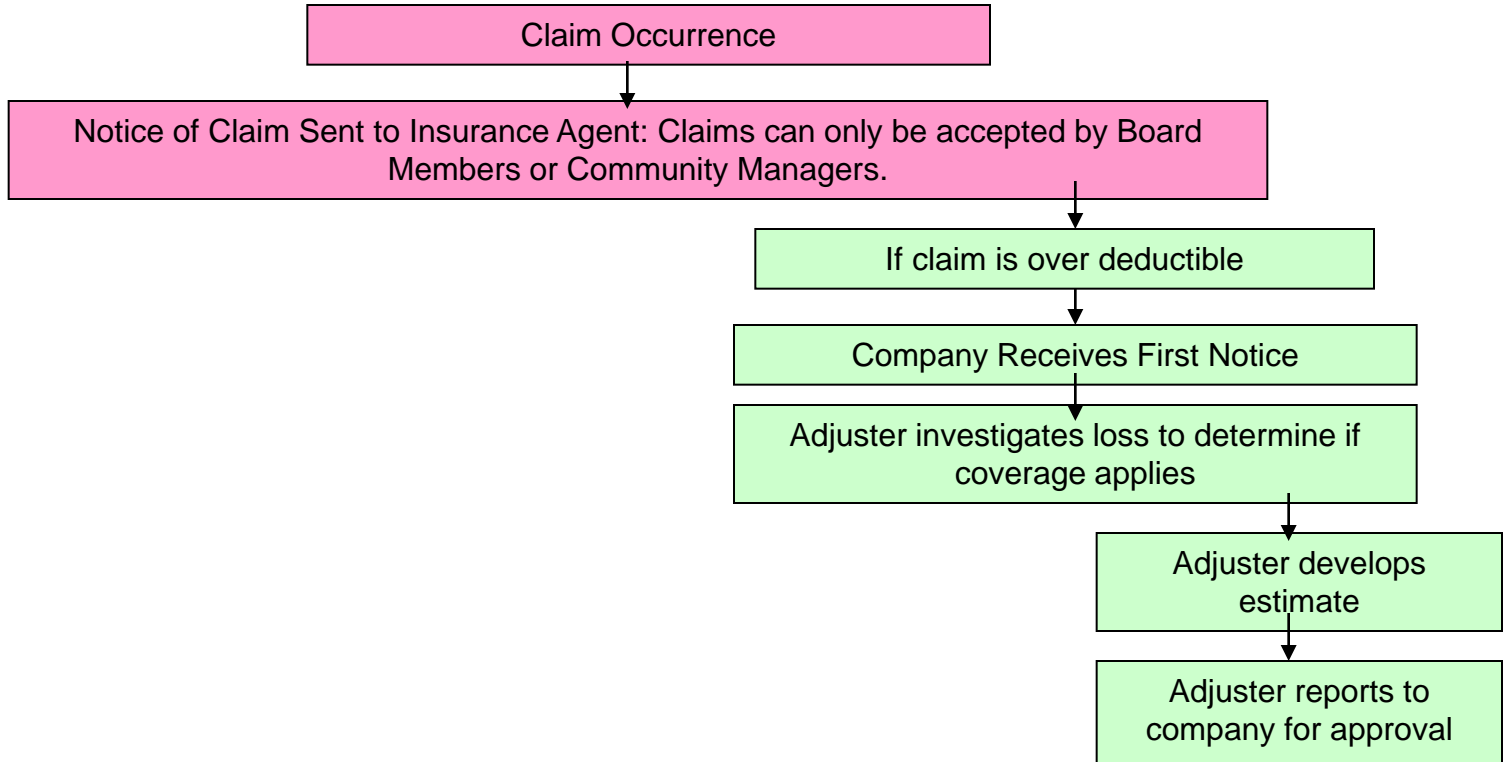
Sample Declaration Language – Recent Condominium

- The amount of property insurance obtained pursuant to the Act shall be equal to the full insurable replacement cost of the Commonly Insured Property (excluding land, foundations, excavations or other items that are usually excluded from coverage), without deduction for depreciation. Full insurable replacement cost coverage is to be assured by either (i) a guaranteed replacement cost endorsement (pursuant to which the insurer agrees to replace the insurable property regardless of the cost) and an agreed amount endorsement (which waives the requirement for coinsurance).
- The Association's property insurance shall cover fixtures, equipment, and other personal property and supplies of the Association and fixtures, equipment within Units, if any, **as of the date of initial sale of each Unit by Declarant**, whether or not part of the Common Elements, but not personal property within Units or Betterments and Improvements within Units (whether or not removable and whether or not part of the Common Elements, in whole or in part).

The Association's Declarations state the maintenance responsibility ends where the definition of the unit ends.

Example: Owner has a maintenance responsibility for hot water heater. If a claim occurs due to hot water heater, the Association's policy should still cover the damage if it is a covered cause of loss

Anatomy of a Property Claim



Sample Estimate for Multi Unit Claim (slide 1)

Recap by Room

Estimate:

Area: UNIT17B

Area: Main Level

E-SERVICE		351.36	2.95%
Coverage: Emergency Services	100.00% =	351.36	
Dining Room		624.46	5.24%
Coverage: Dwelling	94.76% =	591.76	
Coverage: Emergency Services	5.24% =	32.70	
ComputerRoom		2,221.40	18.63%
Coverage: Dwelling	58.03% =	1,289.18	
Coverage: Emergency Services	41.97% =	932.22	
1 Bath		877.19	7.36%
Coverage: Dwelling	28.74% =	252.12	
Coverage: Emergency Services	71.26% =	625.07	
Bedroom		4,123.16	34.58%
Coverage: Dwelling	70.48% =	2,905.88	
Coverage: Emergency Services	29.52% =	1,217.28	
Hall		373.72	3.13%
Coverage: Emergency Services	100.00% =	373.72	
Closet		294.04	2.47%
Coverage: Emergency Services	100.00% =	294.04	
WaterCloset		621.21	5.21%
Coverage: Dwelling	15.89% =	98.74	
Coverage: Emergency Services	84.11% =	522.47	
Area Subtotal: Main Level		9,486.54	79.56%
Coverage: Dwelling	54.16% =	5,137.68	
Coverage: Emergency Services	45.84% =	4,348.86	
Area Subtotal: UNIT17B		9,486.54	79.56%
Coverage: Dwelling	54.16% =	5,137.68	
Coverage: Emergency Services	45.84% =	4,348.86	

Sample Estimate for Multi Unit Claim (slide 2)

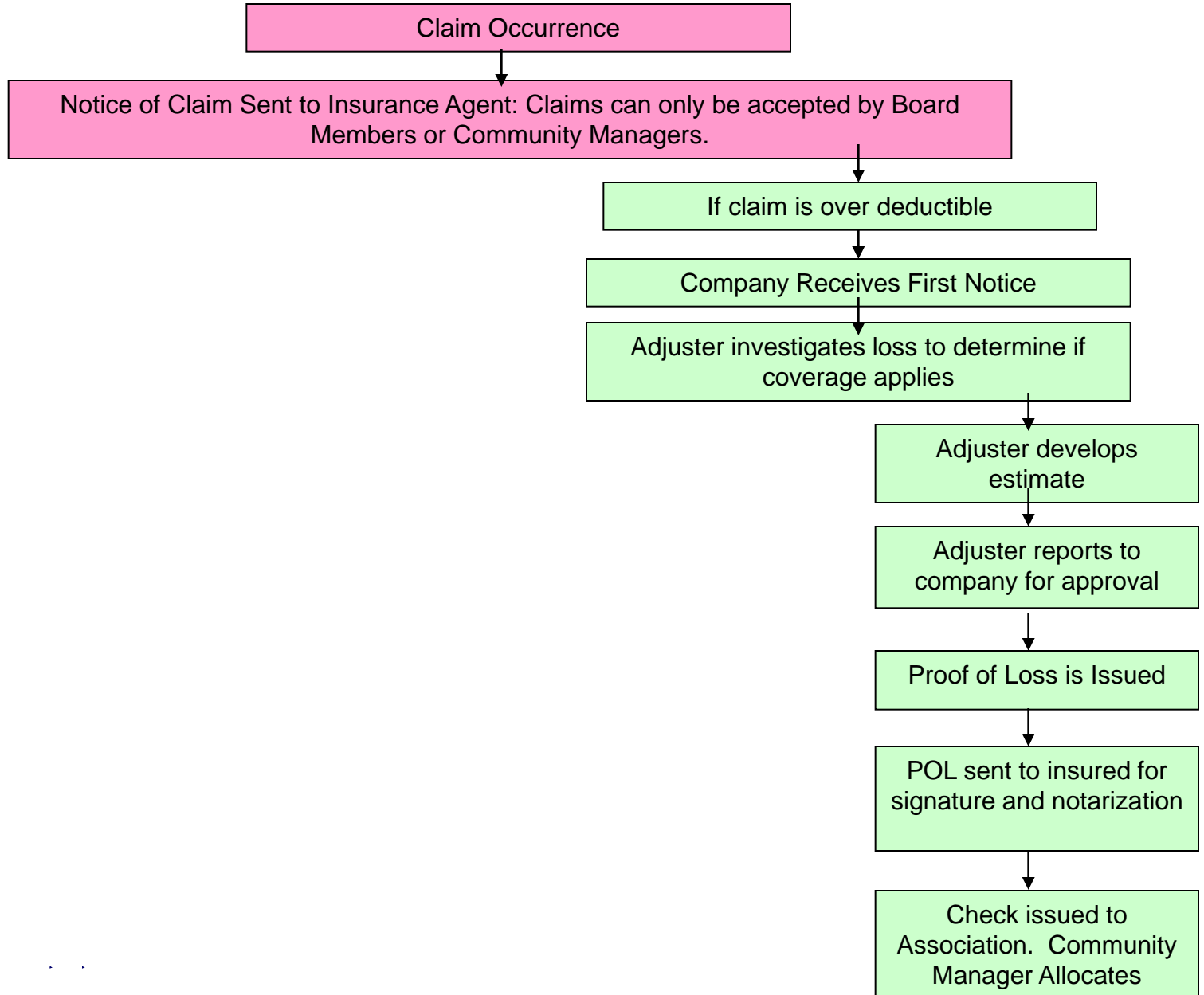
Area: UNIT16B

Area: Main Level			
Bedroom		448.36	3.76%
Coverage: Dwelling	100.00% =	448.36	
Entry		50.03	0.42%
Coverage: Dwelling	100.00% =	50.03	
Bathroom		399.09	3.35%
Coverage: Dwelling	100.00% =	399.09	
<hr/>			
Area Subtotal: Main Level		897.48	7.53%
Coverage: Dwelling	100.00% =	897.48	
<hr/>			
Area Subtotal: UNIT16B		897.48	7.53%
Coverage: Dwelling	100.00% =	897.48	

Area: UNIT14A

Area: Main Level			
Bathroom		613.95	5.15%
Coverage: Dwelling	100.00% =	613.95	
Shower		3.41	0.03%
Coverage: Dwelling	100.00% =	3.41	
<hr/>			
Area Subtotal: Main Level		617.36	5.18%
Coverage: Dwelling	100.00% =	617.36	
<hr/>			
Area Subtotal: UNIT14A		617.36	5.18%
Coverage: Dwelling	100.00% =	617.36	
Miscellaneous		119.26	1.00%
Coverage: Dwelling	100.00% =	119.26	
<hr/>			
Subtotal of Areas		11,120.64	93.27%
Coverage: Dwelling	60.89% =	6,771.78	
Coverage: Emergency Services	39.11% =	4,348.86	
Base Service Charges		802.40	6.73%
Coverage: Dwelling	100.00% =	802.40	
<hr/>			
Total		11,923.04	100.00%

Anatomy of a Property Claim



SWORN STATEMENT IN PROOF OF LOSS

POLICY NUMBER
AMOUNT OF POLICY AT TIME OF LOSS
DATE ISSUED
DATE EXPIRES

OUR FILE NO.
COMPANY CLAIM NO. 1120 Bethlehem Pike Springhouse, Pa
AGENCY AT Smith Insurance, Inc.
AGENT

" Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, any information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties."

Building

To
At the time of loss, by the above indicated policy of insurance, you insured _____ at _____ against loss by all risk to the property described under Schedule "A," according to the terms and conditions of the said policy and all forms, endorsements, transfers and assignments attached thereto.

1. **Time and Origin:** A water loss occurred about the hour of _____ o'clock _____ M., on day of _____, 2009. The cause and origin of said loss were _____.
 2. **Occupancy:** The building described, or containing the property described, was occupied at the time of the loss as follows, and for no other purpose whatever: as allowed.
 3. **Title and Interest:** At the time of the loss the interest of you insured in the property described therein was owner. No other person or persons had any interest therein or incumbrance thereon, except: n/a.
 4. **Changes:** Since the said policy was issued there has been no assignment thereof, or change of interest, use, occupancy, possession, location or exposure of the property described, except n/a.
 5. **Total Insurance:** The total amount of insurance upon the property described by this policy was, at the time of the loss, _____, as more particularly specified in the apportionment attached under certified listed schedule, besides which there was no policy or other contract of insurance, written or oral, valid or invalid.
 6. **Full Replacement Cost of said property at the time of loss was.....** \$ _____
 7. **Full Cost of Repair or Replacement is.....** \$ _____
 8. **Applicable Depreciation or Betterment is.....** \$ _____
 9. **Actual Cash Value of Loss is (Line 7 minus Line 8).....** \$ _____
 10. **Less Deductibles and/or Participation by the Insured** \$ _____
 11. **Actual Cash Value of Claim is (Line 9 minus Line 10).....** \$ _____
- Supplemental Claim**, to be filed in accordance with the terms and conditions of the Replacement Cost coverage within 180 days from the date of settlement as shown above, will not exceed..... \$ _____

The said loss did not originate by any fact, design or procurement on the part of your insured, or this affiant; nothing has been done by or with the privity or consent of your insured or this affiant, to violate the conditions of the policy, or render it void; no articles are mentioned herein or in annexed schedules but such as were destroyed or damaged at the time of said loss; no property saved has in any manner been concealed, and no attempt to deceive the said company, as to the extent of said loss, has in any manner been made. Any other information that may be required will be furnished and considered a part of this proof.

The furnishing of this blank or the preparation of proofs by a representative of the above insurance company is not a waiver of any of its rights.

State of _____

County of _____ Insured _____

Subscribed and sworn to before me this _____ day of _____, 20_____

If I sign the proof of loss, can I still recover additional money?

Yes, a “supplemental claim” needs to be submitted

Supplemental claims are common with complex multi-unit claims

Supplemental claims typically cover additional damage that is uncovered or additional costs that are incurred

With a large property loss, are there any potential issues with local ordinance and code upgrades?

Yes, this is a growing concern for all community associations, even those that are newer construction

Many local counties and townships are now requiring code upgrades which include:

Sprinkler Systems

Hardwired Smoke Detectors

Additional Firewalls Divisions

Dedicated GFI Outlets and Arc Fault Breakers

4" Spacing on all railings and tempered glass in all stairways

Suggestions for Improving the Process

Be Prepared for a large multiple unit loss by having a procedure in place and a contact list prepared

Have letters outlining Master Policy coverage and deductibles distributed to all unit owners

The Association needs to have clearly defined Declarations and Bylaws or amendments to those Documents addressing how the deductible will be allocated for multi unit claims

Boards need to be consistent with deductible allocations

Community Managers and Board's need to provide HO-6 insurance companies/adjusters with proof of master association deductible for smaller claims (i.e. certificate of insurance or deductible letter from master policy agent)

Community Managers and Boards need to be aware of code upgrades and purchase adequate insurance to cover the potential costs of these upgrades

Any Questions?



Full Service Disaster Restoration



Backup Slides



Full Service Disaster Restoration



Insurable Interest for a Condominium

