

## Hawaiian Village Council of Unit Owners



## BASIC INSURANCE INFORMATION FOR CONDOMINIUM UNIT OWNERS

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## INDIVIDUAL UNIT OWNER POLICY COVERAGE

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### *Condominium Master Policy*

Per the Maryland Condominium Act, the Master Policy provides coverage the common elements and the units *except* for any improvements and betterments made by the individual unit owners and personal property owned by the unit owner.

### *Condominium Unit Owners Policy*

It is recommended that unit owners of a condominium purchase a Condominium Unit Owners Policy (most often referred to as an HO-6 policy). This policy provides coverage for the personal property of the unit owner, and basic dwelling coverage, known as "Coverage A".

- \$1,000 of Basic Dwelling Coverage, known as "Coverage A" (covers the alterations, appliances, fixtures and improvements, which are part of the building) is provided automatically. This amount can be increased and should be increased to cover any improvements and betterments made by the unit owner.

- For example: The unit owner installs a build-in mahogany bar, mirrors, new chandelier and ceramic tile flooring in the bathrooms. The amount of Coverage A needs to be increased to cover these items.

- Under the basic Unit Owner Policy, coverage is written on a named peril basis; this can be changed to the Special Form, which provides "all risk coverage of direct physical loss, subject to the policy exclusions".

- The basic policy provides coverage for personal property on an Actual Cash Value basis. Replacement Cost Coverage is available.

- The basic policy provides \$1,000 Loss Assessment Coverage for a covered loss. Individual unit owners should consider increasing this basic assessment coverage.

#### *See attached for additional information on Loss Assessment Coverage.*

- Back up of sewers and drains - this coverage may be available on your unit owner's policy; it is usually written with an applicable sublimit.

- If the unit is rented to others, then a special form should be added to the policy ("Unit Owners Rented to Others"). Also, if renting to others, the unit owner might want to consider the purchase of Loss of Rental Income.

- "Deductible Shift" Up to \$5,000 of the master policy's deductible will be the responsibility of the unit owner when the cause or damage originates from the unit. (This is no longer a choice and this does not require a by-law amendment. Each unit owner is responsible up to the first \$5,000 of damage that emanates from their unit.)

- The Master Policy issued for Hawaiian Village includes the following deductibles:
  - \$5,000 for All Perils except \$25,000 for Wind

**DO NOT FORGET TO PURCHASE A FLOOD POLICY FOR YOUR PERSONAL PROPERTY!**

### *Personal Liability Insurance*

Each individual unit owner should purchase Personal Liability Coverage to protect themselves against third party lawsuits.

**EACH INDIVIDUAL UNIT OWNER HAS THEIR OWN UNIQUE INSURANCE NEEDS. IT IS IMPORTANT TO REVIEW YOUR COVERAGES AND EXPOSURES WITH YOUR AGENT.**

## INDIVIDUAL UNIT OWNER POLICY COVERAGE

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### *Loss Assessment Coverage*

The Basic Unit Owner's Policy provides Loss Assessment Coverage in the amount of \$1,000.

Loss Assessment Coverage only applies to assessment from losses that would have been covered by the policy.

Individual Unit Owners should consider increasing the basic Loss Assessment limit. With most insurance companies, the premium cost to increase the coverage is nominal.

The Loss Assessment Coverage applies to both property and liability loss assessments.

Please note that the policy in force at the time the assessment is levied provides the assessment coverage up to the limit then in force - not the date of the loss that leads to the assessment.

### **Check your individual policy:**

- ◆ **Some policies exclude coverage for a Loss Assessment arising from a Wind Deductible**
- ◆ **Some policies limit coverage for a Loss Assessment arising from a Wind Deductible to \$1,000; no matter the limit of loss assessment coverage provided**

*Insurance companies use Different Policy Forms. It is very important that each policy holder check their individual policies to verify the coverage that is provided.*





# FLOOD INSURANCE

## ***IS IT A FLOOD?***

In simple terms, a flood is an excess of water on land that is normally dry.

Definition used by the National Flood Insurance Program:

"A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or two or more properties from:

- Overflow of inland or tidal waters
- Unusual and rapid accumulation or runoff of surface waters from any source
- Mudflow
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels"

## ***The Residential Condominium Building Association Policy***

### ***DESCRIPTION AND ELIGIBILITY***

The Condominium Master Policy is available to all buildings owned by a condominium association containing one or more residential units and in which at least 75 percent of the total floor area within the building is residential without regard to the number of units or number of floors.

### ***PROPERTY COVERED***

The entire building is covered under one policy, including both the common as well as individually owned building elements within the units, improvements within the units, and contents owned in common.

*Personal Property owned by individual unit owners should be insured under an individual unit owner's dwelling policy.*

### ***COVERAGE TYPE***

Building Coverage purchased under the Condominium Master Policy will be on a **Replacement Cost Basis**.

### ***COVERAGE LIMITS***

The maximum amount of building coverage that can be purchased on a condominium is the Replacement Cost Value of the building or the total number of units in the condominium building times \$250,000, whichever is less. (*Maximum Limit Available under the National Flood Insurance Program for each Stone Harbour Building is \$500,000*)

The maximum allowable contents coverage is the Actual Cash Value of the commonly owned contents up to a maximum of \$100,000 per building.



## Unit Owner's Checklist

- Coverage A - Dwelling (covers improvements and betterments)
- Is there coverage for the "deductible shift"?
- Personal Property (covers furniture, clothing, appliances, electronics, etc...)
- Personal Liability (third party bodily injury or property damage claims)
- Loss of Use - pays for costs above normal living expense if damage prohibits living in their condominium
- Loss Assessments - covers the costs levied by the condominium association for losses incurred by a covered peril (see attached additional information on loss assessments)
- Is coverage written on special form?
- Is coverage written on a replacement cost basis?
- Is coverage included for "back up of sewers and drains"?
- Is any special coverage needed:
  - Scheduled personal property (jewelry, fine arts, etc...)
  - Jet Skis
  - Golf Carts
- Flood Insurance for personal property (unless a mortgagee requests flood insurance, please note that there is a 30 day waiting period to effect coverage)

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