

## Insurance Responsibility of the Individual Homeowner

Homes within the On Top of the World (Central) Owners Association, Inc. (“Association”) are insured through your Association. This fiscal year, the Board is purchasing coverage limits of \$125 million for your Association, a limit 3.5 times of the level of insurance recommended by the 2016 RMS 15 Wind Risk Study.

The deductible for “named storms” amounts to 3% of the building value, with a minimum deductible of \$250,000, per occurrence for wind and hail. On an “unnamed storm” event, the deductible is \$10,000 retained by the Association. Once the deductible is met, the insurance coverage takes effect. As a practical matter, a loss of \$250,000 would require an assessment to all owners in the amount of approximately \$70 per household. For all other property losses (fire, lightning, vandalism, etc.), the deductible is \$10,000 per occurrence.

Regarding the question of “what is and is not covered under this policy”, we offer the following explanation via an excerpt from Chapter 720 of the Florida Statutes. You may also refer to your owners documents. Underlining is for emphasis only and is not contained in the original writing.

“Anything to the contrary notwithstanding, the terms ...“building”, “improvements”, “insurable improvements”, “common elements”, “association property”, or any other term ... which defines the scope of property or casualty insurance that an association must obtain shall exclude all floor, wall, and ceiling coverages, electrical fixtures, appliances, air conditioner or heating equipment, water heaters, water filters, built-in cabinet and countertops, and window treatments, including curtains, drapes, blinds, hardware, and similar window treatment components, or replacements of any of the foregoing which are located within the boundaries of a unit and serve only one unit and all air conditioning compressors that service only an individual unit, whether or not located within the dwelling’s boundaries. The foregoing is intended to establish the property or casualty insuring responsibilities of the association and those of the individual ... owner and do not serve to broaden or extend the perils of coverage afforded by any insurance contract provided to the individual unit owner. ...The association shall have the authority to amend the declaration ..., without regard to any requirement for mortgagee approval of amendments affecting insurance requirements, to conform the declaration ... to the coverage requirements of this section.

.... All real or personal property located within the boundaries of the ...owner’s (dwelling) which is excluded from the coverage to be provided by the association as set forth in paragraph (b) shall be insured by the individual ...owner.”

Each owner should have in effect an HO6 Policy which includes an Additions and Alterations, Loss of Use, Personal Liability rider to their personal policy. Additionally, the loss assessment provision of your policy should be at least \$2,000.

The Association policy covers original construction. If you or a previous owner have, added a room, enclosed a porch or done any other major changes to your home, the cost to replace the additions should be disclosed to your agent and insured under your HO-6 policy.

**Loss of Use** is an important coverage in your HO-6 policy. Loss of Use coverage pays your living expenses while you are unable to live in your home due to a casualty. At a minimum, determine your cost of living away from your home for 6 months and discuss with your insurance broker the appropriate level of coverage and the cost to be included in your HO-6 policy.

**Personal Liability Coverage-** A typical HO-6 policy has \$300,000 of liability coverage. Liability Coverage protects you in case you damage Association, or a neighbor's property. The most common occurrence is water leaking from one home to another. By the time water has passed through and damaged a neighboring home, the water has also damaged Association covered property. Fire can also damage multiple homes. If a fire starts in your home, and damages a neighbor's home, your neighbor's insurance carrier is going to try to recover its damages from you and your carrier. Your Personal Liability Coverage will protect you.

### **Association Policy Deductibles/ Potential Assessment**

The property insurance for your Association includes the following deductibles:

\$10,000 deductible per occurrence, **except:**

Named Storm Wind deductible = 3% of location total insured value subject to a \$250,000 minimum deductible per occurrence; \$10M maximum deductible.

Using an example of 10 structures/homes, each having an insured value at \$200,000, being destroyed due to the winds of a named Hurricane, the deductible to be applied would be the **minimum of \$250,000** (.03 X \$200,000 = \$6,000 X 10 structures/homes = \$60,000). Potential assessment would be approximately \$68 per home (\$250,000 / 3,700 homes = \$67.56).

Using this same example but this time, 50 structures/homes with an insured value at \$200,000 are destroyed, the deductible applied under this scenario **would be \$300,000** because 3% per location would be greater than the minimum deductible (.03 X \$200,000 = \$6,000 X 50 structures/homes = \$300,000). Potential assessment would be approximately \$81 per home (\$300,000/3,700 homes = \$81.08).

The Association Policy includes a maximum deductible of \$10,000,000 per occurrence. The maximum deductible that could be assessed to a homeowner is \$2,702. (Max Deductible \$10,000,000 / 3,700 = \$2,702)

Named Storm Flood deductible = 5% of location total insured value subject to a \$250,000 minimum deductible per occurrence; all other Flood deductibles subject to \$100,000 per occurrence.

Sinkhole or catastrophic ground collapse is covered under the policy limit, with a deductible of \$10,000.

Earthquake deductible = \$100,000 per occurrence.

Uninsured damages (falling outside the scope of coverage, outside the limit purchased, or within the prevailing deductible) sustained by the association shall be assessed to the unit owners.

***The typical homeowner's policy provides a limit of \$2,000 for association assessments. It is our recommendation that individual owners determine the limit provided in his/her own policy, review potential loss scenarios and increase the assessment limit to \$2,000, if possible. The average rate is \$2 per \$1,000 limit. Confirm with your agent that the assessment limit will cover the deductible shortfall.***