

INSURANCE – MASTER POLICY VERSUS HO6 POLICY

The bylaws require the Arbor to obtain specific insurance policies to protect common property and, to a limited extent, individual unit owners.

In addition to the master policy discussed below, the Arbor has Workers' Compensation, General Liability, Fidelity Bond, Directors' and Officers' coverage, a Commercial Umbrella, and Vehicle Coverage.

It is essential to understand the difference between the insurance coverage for the common property owned by all co-owners through the Arbor Association and the insurance that each owner purchases to protect their unit. *The Board strongly recommends that all Arbor owners and residents discuss insurance coverage with their insurance agents and obtain necessary protection*

Master Policy

The master policy covers buildings against various perils, including fire, wind, lightning, and water damage. The coverage is "all-risk" and equals the building's full replacement cost up to the finished walls and floors in each unit, subject to deductibles and some items not insured.

The master policy covers each unit in the condition as of the condominium conversion in the 1970s. It does not cover the contents, and it does not cover "betterments and improvements" such as carpets, appliances, cabinets, or countertops. For example, replacing cabinets and a granite countertop would be covered only for the original cabinets and Formica countertop's replacement value. The co-owner responsible for the loss covered under the master policy will be liable to cover the deductible for such a claim (\$10,000), except for flood-related claims (\$10,000). However, if the source of the loss is outside the owner's unit and is in the common area, then the Arbor will cover the deductible cost. The master policy will pay based on terms in effect at the time of the loss. If a loss is sustained jointly by more than one co-owner, the deductible is shared among them as determined by the Board of Directors.

Homeowner's Policy

All co-owners within the Arbor are strongly encouraged to have individual insurance policies to protect their units better. These policies, known as HO-6 policies, can provide coverage for personal property, unit improvements, betterments, additions and alterations, additional living expenses, and personal liability. They can also be purchased to cover the amount between the deductible on the HO-6 policy and the deductible of the master policy.

Owners are also advised to get a special sewer backup endorsement for personal property coverage damaged by a sewer backup. Most insurance carriers offer riders on homeowner policies for sewer backups and floods, but all owners should consult their insurance companies to be sure.

Non-resident owners who are renting their units may not need coverage for personal property or additional living expenses; however, they do have all the other insurable exposures of a resident owner. They may also be insured for loss of rental income.

Renters should purchase an HO-4 policy to provide coverage for personal property, additional living expenses, and personal liability