

## GUIDE TO A CONDOMINIUM ASSOCIATION CERTIFICATE OF INSURANCE

**NOTE: Mortgagee/ Loss Payee endorsement requests should be directed to the individual owner's insurance policy.** Unless you are lending to the Association itself (the corporate entity), we cannot formally endorse the Association's policy to reflect your interest in a single unit.

### **KEY TERMS:**

- **Special Form** = covers ALL RISKS of direct physical loss EXCEPT as excluded or limited in the policy. In California, Special Form policies do NOT exclude (or apply separate terms to) the perils of **wind and hail** (so these are covered).
- **Replacement Cost** = the carrier will pay to replace the damaged property with NO deduction for depreciation, up to 100% of the policy limit(s), per policy forms.
- **Extended Replacement Cost** = the carrier will pay to replace the damaged property with NO deduction for depreciation, up to a specified multiplier (such as 125%) of the policy limit(s), per policy forms. *NOTE: 125% Extended Replacement Cost is superior to an inflation guard.*
- **Guaranteed Replacement Cost** = the carrier will pay to replace the damaged property with NO deduction for depreciation, with NO dollar amount limitation, per policy forms. *NOTE: If a policy has Guaranteed Replacement Cost, there is no need for blanket limits or an inflation guard.*
- **Agreed Amount or Agreed Value** = No Coinsurance
- **Coinsurance** = there could be a penalty for being under-insured. 100% Coinsurance is the strictest; 80-90% are a little more relaxed, but NO coinsurance is preferable.
- **Inflation Guard** = this is a multiplier which increases the property limit on a per-diem basis, so that by the policy's expiration, the limit will have increased by the percentage specified. For example, a 4% Inflation Guard means that by the time the policy expires, the property limit will be 4% higher than it was at inception.
- **Equipment Breakdown** = typically only required if the Association has central heating or cooling.

**"WALLS-IN"**: Please note that this is not an insurance term. Condominium Association insurance policies typically contain one of the following Insuring Agreements:

- **BARE WALLS: (NO Coverage for Interior Fixtures/ Finishes/ Appliances)**  
The Association insures the structural elements of the building ONLY. Everything inside the unfinished surfaces of the floors, walls, and ceilings bounding each unit is the Owner's responsibility to insure.
- **SINGLE ENTITY: (Original Builder's Specifications/ "Walls-in Excluding Upgrades")**  
The Association insures the Units up to the original builder's specifications, or replacements of similar kind and quality. Any upgrades that exceed the kind and quality of the finishes installed by the Developer are the Owner's responsibility to insure.
- **ALL-IN: ("Walls-in Including Upgrades")**  
The Association insures the Units, including all permanently-installed fixtures, finishes, and improvements. The Owner is still responsible for losses beneath the Association's Deductible.
- **DEFERS TO CC&Rs: (points to the governing documents)**  
The Association's policy will insure the Units if, and to the extent, required by the governing documents. The coverage is customized to that Association's unique insurance requirements, as set forth in their CC&Rs.

### **ALL CONDO UNIT OWNERS STILL NEED THEIR OWN INSURANCE (HO-6, Personal Auto, Personal EQ, etc.) TO ADDRESS THE RISKS THEY DO NOT SHARE WITH THE ASSOCIATION:**

Interior Fixtures/ Finishes/ Improvements Inside the Unit (even if the Association covers these on an "All In" basis, the Owner is responsible for losses below the HOA's Deductible)

Personal Property/ Contents

Loss of Use/ Additional Living Expenses (or if the unit is rented, Loss of Rents)

Personal Liability Exposures including (but not limited to) Liability Inside the Unit

Loss Assessment

Auto Physical Damage

Auto Liability

Earthquake Loss Assessment

**NOTE:** This document is intended for informational purposes only and is not exhaustive. It provides only a simple description of coverage and is not a statement of contract. For more detailed explanations of each policy's terms, conditions, limitations and exclusions, please consult the policy itself.