

To: 1105 Unit Owners and Renters

Date: 27 May 2015

Do you have insurance on your apartment and your belongings in that apartment? Are you sure? Do you have *enough* insurance on the apartment and its contents? Are you sure?

Accidents do happen, and, in a high-rise building like ours with combinations of owners, renters, and retail establishments, what is covered by whose insurance is complex. It is important that you understand the relationships of various insurance policies so that you do not suffer a loss that is not covered somehow by some policy.

Please note that **this letter is not legal advice** about your responsibilities or rights. We are simply trying to help you understand the benefits and requirements of owning or renting a unit here.

- Read the requirements of the master policy in the master deed. The master deed is available on the Association's web site, <http://www.1105masscondo.com>. There is also a summary of the deductibles of the building master policy on the web site, which your insurance agent should use for reference.
- You must consult with your insurance agent or insurance company to determine exactly what is covered by your policy and what is not covered.

How insurance works in this building

- The building master policy covers damages to the structure of the building and to the structure of units in excess of a certain amount. Currently that cutoff is \$10,000 per incident. If the damage *inside* your unit exceeds that amount, then the amount *over* the cutoff is covered by the building's master policy, but the amount up to that cutoff is *not* covered. (There is a minor exception to this, discussed below.)
- Your unit owner's policy (H06) should cover damage to the inside of your unit up to the master policy cutoff amount (\$10,000). This includes walls, floors, ceilings, fixtures, windows, wallpaper, pipes, paint, heating and cooling units, and so forth.
- The resident of the unit, whether unit owner or renter, is responsible for insuring all personal items in the unit: furniture, rugs, carpets, clothes, jewelry, books, artwork, silver, kitchen and dining hardware, and such. The building's master policy covers only the structure and fixtures of the apartments.

What are common risks to any apartment in this building?

- **Fire:** kitchen fires are common. Remember that we have four restaurants in the building in addition to all the residential units. Electrical fires are also not uncommon.
- **Water:** plumbing failures and storms can cause serious damage from water. Believe it or not, water-damage incidents are much more common in high-rise buildings than fires. How can water reach me five stories up? Remember that you have upstairs neighbors; you need to be concerned about water that comes from outside your space.
 - Water from upstairs can come from storms and leaky or broken windows, not just from plumbing failures.
 - The most common plumbing failures are pipes that leak, such as feed pipes for sinks and toilets -- WHERE THE SHUTOFF VALVES DON'T WORK! Shutoff valves can corrode internally and become frozen in place over the years.
 - CHECK ALL YOUR WATER SHUTOFF VALVES REGULARLY, at least every six months. An easy way to remember is, when you turn your clocks forward or back for daylight

savings time, turn the valves, too, just to exercise them. If they are frozen in place or leaking, have them replaced by a licensed plumber.

Two quick reminders that are not unique to this building

- The insurance policy holder, whether owner or renter, is always responsible for the deductible amount of the policy.
- Residents, both owners and renters, need liability insurance, too, of course.

Other questions:

- Some policies cover only fixtures, and not personal goods. What is a "fixture" versus what are "personal goods?" A good rule of thumb is to imagine the building being turned upside down. Anything that *does not move* when that happens *is a fixture*; anything that *does move* is *not a fixture*. Personal goods require separate insurance coverage.
- Policies may differ over the coverage of large appliances such as refrigerators and stoves. Please consult your agent to confirm what your policy covers.

Examples

- A small kitchen fire damages stove, utensils, counters, cabinets, dishes, flatware, including smoke damage to fabrics, etc. Total \$8000. Owner-occupied unit. Owner pays the deductible on owner's insurance policy, say, \$500; owner's insurance company pays the rest, \$7500. Building master policy pays nothing.
- Same circumstances, but renter-occupied. The renter's losses and cleaning run, say \$3000. Renter pays the deductible on the renter's insurance policy, say \$500. Renter's insurance pays for the rest of the contents, say \$2500, but does not pay for the fixtures. Owner pays the deductible part of the remainder for the fixtures (stoves, cabinets, counters), say \$500. Owner's insurance policy pays for the rest of the fixture amount, say \$4500. Master policy pays nothing.
- Water (broken pipe, toilet overflow, hurricane, whatever) damages three units. The usual rules apply:
 - Any damage to each unit over \$10,000 is covered by the building master policy.
 - Any damage to any unit up to \$10,000 is covered by that unit owner's H06 policy.
 - Any damage to the contents of a unit is covered either by the renter's policy if the unit is renter-occupied, or by a clause in the unit owner's policy if the unit is owner-occupied.
 - There is one exception to this rule: for an incident of water damage where only a single unit suffers damage, the single-unit deductible is \$20,000.

Please note that business and commercial insurance policies may be very different with respect to deductibles and coverages.

If you have any questions, please **check with your insurance agent**. Thank you for your attention to this important matter.