



NEWS OF VALUE

HOW MUCH MONEY DOES WATER DAMAGE COST YOUR COMMUNITY ASSOCIATION EACH YEAR?

Chances are, no matter how much you're spending, it's too much. Research by USI shows that water damage is by far the highest cause for loss, comprising 44 percent of the total incurred. Fire accounts for 29 percent, and falls account for 5 percent. Six types of claims cause 68 percent of all water damage:

- plumbing pipes (19 percent);
- AC/water heater (15 percent);
- toilet (10 percent);
- external drain (9 percent);
- internal drain (8 percent); and
- wind driven rain (8 percent).

Most of these losses occur "behind the door"—inside the owners' units. USI has ways to eliminate or reduce the risk of water damage. Now is the time to do preventive maintenance and prepare for summer storms—don't wait until you have an emergency.

What can we do to prevent losses?

In order to prevent losses and save your community association money, consider implementing the following solutions:

- monthly air conditioner and condenser inspections in all units;
- annual sewer and drain inspections and repair; and
- annual inspection and repair to roof, siding, windows, and skylights.

How does the current insurance market affect loss control?

We are currently experiencing a "hard" insurance market, where premiums and deductibles are up, coverage is difficult to obtain, and policies carry more coverage exclusions and limitations. Industry analysts expect the hard market to continue through at least 2003.

Since premiums and deductibles are increasing and coverage is becoming harder to obtain, it is vitally important that community associations make every effort to control claims. Each incident should be evaluated to determine whether a claim to the insurance company should be made. In many instances, it may be better for the community association to pay for the loss, rather than make a claim, as many claims may lead to increased rates or dropped coverage altogether.

What should homeowners know about the current insurance situation?

Homeowners must be made aware of current market conditions and of the type of coverage in effect through the association. They need to understand that deductibles have increased and that they could be responsible for paying a substantial deductible. Owners should check their homeowners' policies to see if they are covered for damage to their unit up to the association's master property insurance deductible. This type of coverage is generally referred to as "building" or "dwelling" coverage under a personal homeowner's policy.

(continued on back page)

(continued from front page)

What should
be done in
individual units?

Individual units contain several potential sources for leaks, including washing machine hoses, ice maker lines, HVAC units, and dishwashers. Residents should check periodically for signs of potential water problems. Inspect all exposed pipes for leaks, and check all faucets for leaks or corrosion. Equip showers, sinks, and tubs with drain screens to catch the debris, hair, and bits of soap that can cause clogs and back-ups.

Inspect the rubber connecting hoses for dishwashers and washing machines. Contrary to what some believe, such hoses do not last forever. Because these hoses wear from the inside out, a visual inspection will usually not reveal any worn spots. Some higher quality machines will have longer lasting hoses, but for the most part, these hoses should be replaced every three to five years, or sooner if evidence of rot appears.

What will insurance
cover?

Individuals who live in a community association may assume they and their possessions are covered against loss by the association's master policy. Usually, this is not the case. A community association must provide insurance coverage against typical hazards and perils that might affect an individual owner of a residence, but this coverage does not usually extend to personal property or personal liability.

The most common type of master property insurance purchased by community associations is single entity coverage, which insures the general common and limited common elements. This coverage also extends within individual units to fixtures, appliances, wall coverings, floor coverings, and cabinetry, but only for like, kind, and quality to that conveyed by the developer to the original owner.

In other words, building coverage under this type of policy is limited to the original plans and specifications. Any individual unit improvements made subsequent to the original conveyance, such as building a wall to divide a room, or upgrading carpeting or other floor coverings, wall treatments, appliances, cabinetry, etc., are not covered by the master policy. These improvements are the unit owners' insurance responsibility.



Where should I
go for more
information?

Controlling water losses is of critical importance to community associations. If you have any questions or need further information, please contact Steve Dickerson (703-739-2346 or steve.dickerson@usi.biz) or Cristy Fuentes (703-684-4366 or cristy.fuentes@usi.biz).

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