

**LBS Insurance Commission Oct 25, 2018**

# **What did they tell me?**

Handouts from the October 25, 2018  
Insurance Town Hall

## LBS Insurance Commission Oct 25, 2018

### High Level Recap of Changes for 2018-19

- Deductible
  - \$5,000 -> \$25,000
- Improvements & Betterments
  - Covered -> Not Covered
- Water & Sewer Backup
  - No Limit -> \$25,000 limit
- Equipment Breakdown
  - Covered -> Not Covered

## Definitions

**DEDUCTIBLE:** The amount that must be satisfied by the policy holder before the insurance policy will begin to pay.

**WIND/HAIL DEDUCTIBLE 2% PER BUILDING:** The amount that must be satisfied by each building before the insurance policy will begin to pay for exterior damage due to wind/hail. The deductible for the building is 2% of the insured value for the building. **Example:** A 4 unit building insured for \$1 Million will have a \$20,000 Deductible. This means each unit will be responsible for \$5,000.

**IMPROVEMENTS AND BETTERMENTS ALL IN COVERAGE:** Coverage for the building and the interior of all units up to the first coat of prime of the interior walls and ceilings and full replacement value of floor coverings, permanently installed fixtures and appliances which includes: electrical wiring and fixtures, plumbing, cabinets, HVAC equipment, and bathroom fixtures with like kind and quality.

**IMPROVEMENTS AND BETTERMENTS TO FOLLOW ILLINOIS CONDOMINIUM PROPERTY ACT:** The structure of the building is insured for 100% replacement cost. The interior of the units are insured up to the first coat of prime on the interior walls and ceilings. There is **no** coverage for floor coverings. Permanently installed fixtures and appliances which include electrical wiring and fixtures, plumbing, cabinets, HVAC equipment, and bathroom fixtures will be replaced with the quality of materials used at the time of construction. If permanently installed fixtures and appliances as defined above have been replaced, upgraded, remodeled or altered in any way from the original builder grade installations, the unit owner must insure for them.

**WATER AND SEWER BACK UP COVERAGE:** Insurance coverage for damages caused by water that backs up through a sewer or drain.

**EQUIPMENT BREAKDOWN COVERAGE:** Sudden or accidental breakdown (not normal wear and tear) of the mechanical components of the building such as heating and central air conditioning, electrical panels, transformers and distribution equipment, water circulation pumps, alarm systems, etc. ) .

**Examples:**

- An area wide blackout from local utilities can cause a power surge when power is lost or restored resulting in damage to equipment.
- Fluctuations in power or brown out as opposed to a full interruption of power.
- Drying costs to equipment damaged by water.
- Electrical power surging to common buildings
- HVAC breakdowns for multiple units/shared buildings.

## Loss Prevention: Things you should do anytime you leave your unit!!

- Set your temperature to 55 F (winter)
- Shut off water at the main, or
  - Water Heater off
  - Water Softener off
  - Ice Maker off
  - Humidifier off
- Drain exterior spigot lines (winter)
- Inspect and test sump pumps
- Consider installation of an internet connected flow based detection-prevention system, such as
  - *Flo System* (< \$500)
  - *LeakSmart System* (<\$1,000)
  - *FloLogic* (<\$2,000)
- Ask help from a trusted neighbor or relative

## Condo Act & Insurance

1. Coverages – The IL Condominium Property Act (765 ILCS 605/12) defines what coverage a condominium should carry.
  - Property
    - Must include the units, the limited common elements except as determined by the board of managers, and the common elements.
  - Liability
  - Fidelity
  - Directors & Officers
  - Other coverages listed in Declaration or deemed necessary by Board of Directors (examples: Worker’s Compensation, Non-owned & Hired Auto)
2. Deductibles – The IL Condominium Property Act 765 ILCS 605/12(c) states:

*“Deductibles. The board of directors of the association may, in the case of a claim for damage to a unit or the common elements,*

- (i) pay the deductible amount as a common expense,*
- (ii) after notice and an opportunity for a hearing, assess the deductible amount against the owners who caused the damage or from whose units the damage or cause of loss originated, or*
- (iii) require the unit owners of the units affected to pay the deductible amount.”*

3. Improvements & Betterments –The IL Condominium Property Act 765 ILCS 605/12(b) defines this as:

*"Improvements and betterments" means all decorating, fixtures, and furnishings installed or added to and located within the boundaries of the unit, including electrical fixtures, appliances, air conditioning and heating equipment, water heaters, built-in cabinets installed by unit owners, or any other additions, alterations, or upgrades installed or purchased by any unit owner.*

**The association’s insurance DOES NOT cover Improvements and Betterments**

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**HO-6 CARRIERS THAT HAVE CAPACITY TO COVER ASSOCIATION DEDUCTIBLE OF \$25,000: EITHER THROUGH LOSS ASSESSMENT OR DWELLING COVERAGE.**

*ALLSTATE – WITH PROPER ENDORSEMENT*

*AMERICAN FAMILY*

*AUTO OWNERS*

*CHUBB – WITH PROPER ENDORSEMENT*

*ERIE INSURANCE*

*NATIONWIDE*

*TRAVELERS*

*SAFECO – WITH PROPER ENDORSEMENTS*

*STATE FARM*

This list is current as of October 25, 2018 and is not to be considered complete. There may be other carriers which provide this coverage. In all cases, please consult your insurance agent for specific policy language to confirm you have appropriate coverage.

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RESPONSIBILITY FOR INSURANCE COVERAGE		
For 2018-2019 Version 1 (October)		
ITEM DESCRIPTION	Association & Travelers Insurance	Unit Owners Insurance
Pipes /Plumbing within walls and floors	X	
Electrical conduit within walls, floors and ceiling	X	
Duct work within walls, floors and ceiling	X	
Interior Drywall – Walls and Ceiling (to prime)	X	
Basements Finished		X
Decorative finishes on walls, floors, and ceiling; floor covering, paint, wallpaper, tile, paneling		X
Shelving		X
Central Air Conditioner Unit		X
Appliances		X
Washer and Dryer; including hoses & vent pipes		X
Drapes; window treatments;		X
Furniture		X
Personal Effects, clothing, food, books, anything movable etc		X
Equipment Breakdown (failure of appliances, mechanical systems and electric panels)		X
ATTACHED FIXTURES - These items can be either association or unit owner depending if item is original to unit or not.	If Original (installed by Developer)	If replaced by unit owner (past or present)
Cabinetry and Countertops –	X	X
Electric wiring including outlets, conduit and fuse boxes	X	X
Interior Electric Fixtures, including switches ceiling lights, fans	X	X
Interior doors and hardware	X	X
Furnace and Heat Pump including ducting, thermostat, humidifier	X	X
Auxillary heating units, attached to wall or baseboard	X	X
Alarm Systems, hard wired installations	X	X
Plumbing fixtures; tubs, toilets, sinks, faucets, pumps & garbage disposal	X	X
Hot water tanks (assume unit owner - doubtful any are original)	X	X

\*Please note that the association's insurance has a \$25,000 deductible. Losses below this amount will not be filed. If there is a conflict between this chart and the association's insurance policy, the language in the policy prevails.