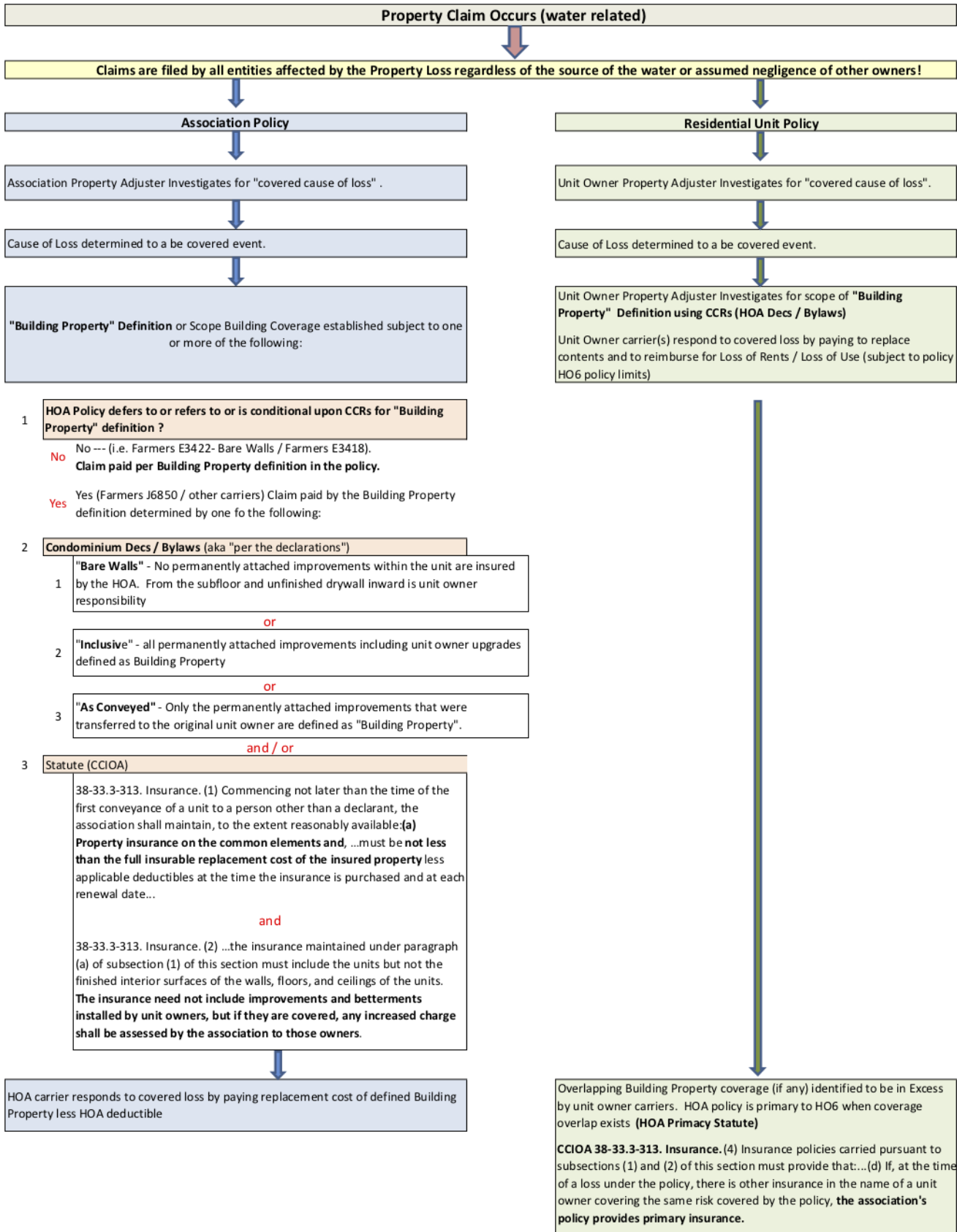


Association Claim Flow Chart



Property Claim Occurs (water related)

Claims are filed by all entities affected by the Property Loss regardless of the source of the water or assumed negligence of other owners!

Association Policy

Association Property Adjuster Investigates for "covered cause of loss" .

Cause of Loss determined to a be covered event.

"Building Property" Definition or Scope Building Coverage established subject to one or more of the following:

1 HOA Policy defers to or refers to or is conditional upon CCRs for "Building Property" definition ?

No --- (i.e. Farmers E3422- Bare Walls / Farmers E3418).
Claim paid per Building Property definition in the policy.

Yes (Farmers J6850 / other carriers) Claim paid by the Building Property definition determined by one fo the following:

2 Condominium Decs / Bylaws (aka "per the declarations")

1 "Bare Walls" - No permanently attached improvements within the unit are insured by the HOA. From the subfloor and unfinished drywall inward is unit owner responsibility

or

2 "Inclusive" - all permanently attached improvements including unit owner upgrades defined as Building Property

or

3 "As Conveyed" - Only the permanently attached improvements that were transferred to the original unit owner are defined as "Building Property".

and / or

3 Statute (CCIOA)

38-33.3-313. Insurance. (1) Commencing not later than the time of the first conveyance of a unit to a person other than a declarant, the association shall maintain, to the extent reasonably available:(a) **Property insurance on the common elements and, ...must be not less than the full insurable replacement cost of the insured property** less applicable deductibles at the time the insurance is purchased and at each renewal date...

and

38-33.3-313. Insurance. (2) ...the insurance maintained under paragraph (a) of subsection (1) of this section must include the units but not the finished interior surfaces of the walls, floors, and ceilings of the units. **The insurance need not include improvements and betterments installed by unit owners, but if they are covered, any increased charge shall be assessed by the association to those owners.**

HOA carrier responds to covered loss by paying replacement cost of defined Building Property less HOA deductible

Residential Unit Policy

Unit Owner Property Adjuster Investigates for "covered cause of loss".

Cause of Loss determined to a be covered event.

Unit Owner Property Adjuster Investigates for scope of "Building Property" Definition using CCRs (HOA Decs / Bylaws)

Unit Owner carrier(s) respond to covered loss by paying to replace contents and to reimburse for Loss of Rents / Loss of Use (subject to policy HO6 policy limits)

Overlapping Building Property coverage (if any) identified to be in Excess by unit owner carriers. HOA policy is primary to HO6 when coverage overlap exists (**HOA Primacy Statute**)

CCIOA 38-33.3-313. Insurance.(4) Insurance policies carried pursuant to subsections (1) and (2) of this section must provide that:...(d) If, at the time of a loss under the policy, there is other insurance in the name of a unit owner covering the same risk covered by the policy, the association's policy provides primary insurance.

Association Claim Flow Chart

What about a means to access coverage for Building Property not insured under the association policy?

What circumstances lead to uninsured Building Property?

1 **Bare Walls** unit coverage: HOA policy has no defined scope with the unit.

or

2 **Inclusive** unit coverage: HOA has defined scope in the unit subject to HOA property deductible

or

3 **As conveyed** unit coverage: HOA has defined scope in the unit subject to HOA property deductible

How to recover the HOA deductible if the association is subject to CCIOA:

1 CCRs do not require HOA to insure unit interiors ("bare walls")

Unit owner invokes Building Coverage on HO6. Coverage subject to Building Limits on HO6

or

2 CCRs require HOA to insure unit interiors ("Inclusive" or "as conveyed")

Under certain qualifiers established with legal counsel, HOA may elect to assess unit owner for HOA deductible.

CCIOA 38-33.3-313. Insurance. ...**(6) The association may adopt and establish written nondiscriminatory policies and procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment.** To the extent the association settles claims for damages to real property, **it shall have the authority to assess negligent unit owners** causing such loss or benefiting from such repair or restoration all deductibles paid by the association. In the event that more than one unit is damaged by a loss, **the association in its reasonable discretion may assess each unit owner a pro rata share of any deductible paid by the association.**

How to recover the HOA if the association is NOT subject to CCIOA:

1 CCRs do not require HOA to insure unit interiors ("bare walls")

Unit owner invokes Building Coverage on HO6. Coverage subject to Building Limits on HO6

or

2 CCRs require HOA to insure unit interiors ("Inclusive" or "as conveyed")

Deductible assessment controlled by CCRs or policy established with legal counsel in a preestablished, non-discriminatory manner by BOD.