

## How to Read an Insurance Policy: Knowing Where to Start

Understanding insurance can be challenging, especially for those unfamiliar with policy language. While working with a community association insurance expert is always recommended, it's equally important for insured parties to review their policy themselves to identify potential coverage gaps and understand policy conditions. Without this knowledge, an association may face significant risk from uninsured claims.

The four main components of an insurance policy are the declarations, exclusions, policy conditions and limitations, and endorsements. Navigating these sections can help Board members better understand the policy.

- The declaration pages outlines key information, such as property and liability coverage limits, details of insured buildings, deductibles, and premiums.
- The exclusions section is one of the most critical parts of an insurance policy, and I recommend the association begin here. While the policy language can be complex, the section titles often give a helpful starting point. A common exclusion found in many policies is "water," which can encompass a range of situations, such as flooding, surface water, seepage, and leakage. Understanding these exclusions provides the association with a guide for proactively managing and preventing potential losses.
- Policy conditions may appear in their own section or be embedded throughout the policy. These conditions outline specific requirements the policyholder must meet for coverage to apply. For example, maintaining a minimum indoor temperature of 55 degrees may be required; failure to do so could result in denied coverage. Another condition



might relate to sprinkler systems, requiring notification to the carrier if the system is temporarily inoperable, even for maintenance. Failing to report this could void coverage in the event of a fire.

- Policy endorsements are modifications that can either reinstate previously excluded coverage or add new coverage. These endorsements are often located toward the end of the policy.

If any section of the policy is unclear, Board members should reach out to their insurance agent for clarification and ask for specific references within the policy when discussing coverage. Making this review an action item for the upcoming year can help Boards protect their communities and reduce the risk of unexpected coverage gaps or situations where there is no insurance coverage for a claim.

## Coverage Corner: What is a Waiver of Subrogation?



A waiver of subrogation is an agreement to waive the right to pursue another party for compensation, even if negligence has occurred. For community associations, governing documents often require insurance carriers to waive subrogation rights against unit owners. However, if a unit owner rents out their unit, this waiver may not extend to the tenant, allowing the insurance carrier to seek compensation from a liable party if necessary.

Waivers of subrogation can also appear in contracts with service providers, such as contractors or cleaning companies. When a waiver clause prevents the carrier from pursuing a negligent party, it limits the carrier's ability to recover damages from those responsible. With the insurance carrier not able to collect the claim damage, the claim will go against the association's loss record. Another important area to review in any contract is the indemnification section, as it determines which party assumes liability.

To protect the association's interests, it's essential to consult the association's attorney or work with your insurance agent during contract negotiations before signing. This precautionary step can save the association thousands of dollars.



# Owners Curious Questions:

**My association does not insure for earthquake. Can I purchase it myself as an owner?**

**A:** Yes, it is possible to obtain earthquake insurance for your individual unit even if your association does not have coverage. Earthquake can be purchased either through endorsement of the existing homeowners policy if the insurance carrier offers the coverage. The other option is through a standalone earthquake policy. There are a few insurance carriers that offer standalone earthquake policies specifically for condominium or attached unit owners. Earthquake insurance can cover the property damage to the unit, personal property, and should include earthquake loss assessment coverage—costs the association might pass on to you if common areas or other units are damaged in an earthquake and the association's deductible if they did have coverage.

If other unit owners do not have the coverage themselves, this could make it difficult for the association to rebuild. However, owners that have purchased earthquake coverage can look to their insurance to help financially recuperate the loss. Work with your agent or reach out to an independent insurance broker to ask about coverage and pricing options.



## Update of the Month:

# Aluminum Wiring

Aluminum wiring presents serious fire risks due to issues like overheating, oxidation, and loose connections, endangering both property and lives within a community. As a result, many insurance carriers, including those offering high-risk policies, will not cover properties with aluminum wiring inside the building. It's important to note that this applies to internal wiring only—not the wiring from the street to the building. Often, unit owners are responsible for the wiring within their units, which can complicate efforts to address this hazard. If your community has aluminum wiring, replacement is essential. I encourage Boards to work collaboratively with owners and engage experts, including legal counsel, insurance risk managers, and qualified contractors, to plan and execute this project at the association level. With coordination, many communities have successfully managed these upgrades.



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Reach out to us and let us know what you're thinking.

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## Industry Events

Dec 5



**CORC Annual Bingo**  
Annual meeting and bingo event to celebrate the year!

Dec 10



**Corporate Transparency Act Pop Up Zoom Event**  
Do not miss! Learn what your community is required to do.

Dec 11



**Western OR "Asking for a Friend"**  
Speakers are Jason Grosz and Mike Vial from VF Law

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