Mutuals vs. owners insurance: What residents need to know

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The relationship between the insurance maintained by the Mutuals and the insurance maintained by the individual manor owners is a continual source of questions, and in some cases, confusion, in Rossmoor.

Owners must make informed choices regarding their personal insurance, and these individual decisions are best made in consultation with residents' personal insurance providers, with an' eye to their own Mutual's governing documents.

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There are certain common principles, addressed in this article, which will help residents better understand the insurance process and identify their coverage needs.

Coverage for improvements, alterations and other interior fixtures and appliances: Except or Mutuals 58 and 61, the Rossmoor Mutuals have combined with GRF in a master property and liability insurance program. This insurance covers the Mutuals' property for loss that results from physical damage or destruction and extends to include unit interiors, wall and floor coverings, fixtures and approved, permitted improvements.

The coverage for the interiors is provided only if the governing documents, e.g, CC&Rs or bylaws, require the Mutual to insure this property. Currently all Mutuals have adopted this provision either by . amending the CC&Rs or bylaws, or through polices that have been approved pending changes to the governing documents.

Therefore, we could conclude that questions concerning insurance on the manor owners' interior improvements have been answered, but that is not the case. To realize a significant cost savings, the master property insurance policy has a $100,000 deductible. Generally, all property damage loss under the deductible, which falls between $10,000 and $100,000, is covered by all the Mutuals through a deductible Sharing Agreement.

But, there is an exception to this agreement for losses, most often resulting from water damage, that is caused by appliances or systems within the manor that are owned by or are the responsibility of the manor's owner. In these cases, the owner is responsible for costs to repair or replace their manor's interior, potentially the full $100,000 deductible amount, after which the master insurance policy will respond.

Assessing the value of interior improvements is important, as the amount for which residents insure should be enough to cover the potential cost to repair or replace the improvements, alterations and the other interior features of the manor, if the r manor owner is responsible for the cause of damage. Property insurance for interiors and improvements is known as "Coverage A- Dwelling" in most "condominium unit owner" insurance policies.

Additional living expenses: This coverage is designed to cover expenses beyond regular living expenses if the manor owner is forced to move out after a loss occurs and during the time it takes to repair or reconstruct the manor and the buildings. In the case of a total loss or a significant partial loss to a building, the recovery time may well exceed a year, but many insurers will not provide coverage, for more than 12 months. So, this is a major consideration in a resident's personal insurance decisions.

Coverage varies by insurer, and the preferred coverage is for "actual loss sustained," with no time or dollar limit. It provides coverage for the total loss, regardless of the time required to reoccupy the manor. This option is offered by a small number of insurers, so as an option, we recommend to insure for a 24-month recovery period instead of the typically-offered 12-month period. The coverage amount is usually a percentage, usually 20 percent, of the limit of insurance on the "Coverage A" limit on improvements. ' .

So, residents who have insured their manor for $100,000 should expect to have $20,000 in coverage for additional living expenses. Loss assessment: Coverage is for assessments made by the Mutual for loss amounts that are not insured. Most insurers automatically include a $1,000 or $5,000 limit in their "condominium unit owner" policies. This limit should be increased and we recommend no less than $50,000.

As the Mutuals do not insure against earthquake loss, there is the potential for an assessment to the owners for uninsured earthquake damage. Earthquake Loss Assessment coverage is most often excluded from personal policies. An individual owner, must first purchase earthquake insurance on his/her manor's improvements and personal property.

Residents who opt to purchase earthquake insurance will find that some insurers will offer the option to include Earthquake Loss Assessment coverage. Many insurers, including Farmers, State Farm, Nationwide, Safeco, USAA, Allstate and CSAA, offer earthquake insurance only through the California Earthquake Authority (CEA). Residents can generally obtain coverage up to a $100,000 limit, with deductible options ranging between 5 percent to 25 percent of the Coverage A Improvements' limit.

Finding and maintaining appropriate insurance coverage that is specific to the Rossmoor community is complex.

Having a trusted and knowledgeable insurance advisor is very important, as is understanding the Mutuals' policies and governing documents. There is no one solution that covers all situations, but the topics addressed in this article will provide residents with a good background as they begin to reassess their personal insurance program in light of their responsibilities as an owner and their exposure to loss.

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