



## Master Policy Deductible

Maryland recently amended the Condominium Statute to increase the amount for which an individual unit owner is responsible when the cause of damage to any portion of the condominium originates in their unit. This amendment, which takes effect October 1, 2020, increases the owner's responsibility from \$5,000 to \$10,000, and is the result of lobbying by community managers, attorneys, and insurance professionals who have seen an increase in master policy deductibles over the past several years.

Community associations in DC and Virginia also need to be aware of the issue of higher insurance deductibles. Claims for multifamily residential housing have increased in frequency and severity, and the balance of increasingly higher deductibles has fallen on associations, impacting budgets and increasing condominium fees for all owners.

### What should residents do to protect themselves?

In many community associations, individual unit owners are responsible for paying entirely or a portion of the master policy deductible. Residents must be aware of the type of coverage in effect through their community association.

In many cases, responsibility for the master policy deductible is defined within an association's bylaws and/or is mandated by statute. Every community association should have a clear written policy concerning responsibility for payment of the deductible and should inform residents accordingly. Legal counsel should be consulted to develop such a policy.

---

Owners 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 unit owner's (HO-6) condominium policy.

## What should we know about controlling insurance claims?

Community associations can control claims with proper reporting, mitigation techniques, and regular claims reports. Losses should be called in immediately, either directly to the property carrier or to a claims coordinator, an individual designated by your insurance broker to handle specific claims that arise on your property.

A claim can be settled inexpensively and defended successfully if the injured party feels he has been treated with concern and fairness. Often, an injured person will pursue a claim because of the poor manner in which he was initially treated, or because the claim was reported late and no effort was made to provide proper attention. Courteous treatment throughout can result in much smaller claims.

Regularly scheduled claims reports foster awareness of exposures and an opportunity for an insurance broker to offer suggestions for prevention of future losses. These reports summarize the association's claims and provide the current status of outstanding cases.

## What should we know about affirmative risk management?

Risk management helps a community association define strategies, techniques, and approaches to recognizing and confronting exposures to risk. The USI Risk Management Center (RMC) provides a comprehensive safety, wellness, claims, and human resources library and suite of software solutions to help our clients manage risk and reduce losses for a sustainable positive financial impact. It is easy to access and use and provides a cost-effective risk reduction and safety center for your entire community association.

One feature that is particularly important is our incident management system, Incident Track. You can track all types of claims, and even if an incident does not meet the property deductible, this is a valuable tool to use to collect data. In many instances, it may be better for the community association to pay for the loss if the amount of damage is close to the deductible, rather than make a claim, as frequency of claims may lead to increased rates or dropped coverage altogether.

The basic platform is offered at no cost to our clients as a value-added benefit. Up-to-the-minute information is continually being added to the platform, including COVID-19 and resources such as sample documents and webinars. If you are interested in viewing this valuable website and learning more about it, please contact us.

---

## Where do I go for more information?

If you have any questions or need further information, please contact one of the following:



**Theresa Melson, PCAM<sup>®</sup>, CIRMS<sup>™</sup>, EBP**

703.205.8753

[Theresa.Melson@usi.com](mailto:Theresa.Melson@usi.com)



**Jessica Knutsen, CIC, CIRMS<sup>®</sup>, EBP**

703.340.0716

[Jessica.Knutsen@usi.com](mailto:Jessica.Knutsen@usi.com)



**Christa Brady, AMS<sup>®</sup> PCAM<sup>®</sup>**

703.205.8765

[Christa.Brady@usi.com](mailto:Christa.Brady@usi.com)

