

Quick Reference Guide to Cooperative Housing

(Co-op) Insurance:

For the cooperative:

Property Insurance – Coverage varies from policy to policy, and is based on the premise that the cooperative collectively insures the building and its common elements such as hallways, elevators, common pipes, and HVAC systems under what is known as a “master policy”. There are three types of master policies:

Bare walls – The building structure is covered, as are fixtures and furniture in shared areas within the cooperative

Single entity – In addition to the items noted above, carpeting, cabinets and appliances as well as certain other fixtures inside units are covered.

All inclusive – This is the most comprehensive policy and covers everything except the property a cooperative member brings in to a unit.

The shareholder agreement and insurance policy will spell out exactly what the cooperative plan insures and what an individual unit owner is responsible for.

Every property policy is different, though they are usually written on an “All Risks of Direct Physical Damage” form subject to policy exclusions and limitations. Some specific things to ask your cooperative about are:

- ❖ Does the association offer bare walls, single entity, or all inclusive coverage?
- ❖ Are we in an earthquake or flood zone?
- ❖ Where does the coop policy stop, and what are shareholders responsible for insuring?
- ❖ What is the property deductible by type of loss under the association policy?
- ❖ Is the coverage replacement cost or actual cash value?

Together we'll go far



In addition, the following will be important items for the cooperative to consider. Does coverage exist? Are policy limits adequate?

- Back-up of sewers and drains
- Coverage for property below grade
- Surface water coverage
- Boiler and Machinery
- Earthquake and/or Flood cover
- Wind coverage?
- Check deductibles by damage type.

Liability – Coverage is purchased by the cooperative that protects the cooperative and its members from Bodily Injury and Property Damage due to the “operations” of the cooperative. This can extend to slip and falls in common areas, or cracks in a parking lot damaging vehicles.

Directors and Officers Liability / Employment Practices Liability / Fiduciary Liability –

While there is no standard policy, the intention is to provide coverage for the former or current volunteer board members whose decisions may be called in to question by disgruntled shareholders. When serving on a board – even as a volunteer, a director’s personal assets are at risk.

Suits can arise out of:

- ❖ Failing to act, or acting improperly
- ❖ Misleading statements
- ❖ Breach of duty
- ❖ Tenant discrimination
- ❖ Enforcement of by-laws – or lack of
- ❖ Imprudent financial decisions (Fiduciary Liability may be an exposure as well)
- ❖ Termination of an employee who claims harassment, discrimination or wrongful termination

If you consider the various policies that a cooperative has in place, decisions regarding those policies – and their enforcement – can be a cause of contention and a possible claim by shareholders.

Workers Compensation (if applicable) – Covers workers employed by the cooperative according to state law, for injuries that occur on the job.

Employee Dishonesty – Covers the association for the loss of money or securities due to employee or board member theft, fraud, etc.

Umbrella Coverage – Provides Liability in excess of the primary Liability limits

Pollution or Environmental Liability – Can protect the cooperative against risks of pollution claims, normally not covered – or only to a limited extent under other policies. Concerns may include Lead, Asbestos, and Mold among other things.

For the co-op owner:

Property Insurance: The co-op corporation or association has insurance. Their insurance likely does not extend to losses to your unit as a result of burglary, smoke damage, an injury in your unit, or theft or damage of your personal possessions. As a rule, co-op coverage normally does not extend to any renovation work you have done on your unit. You will need to insure the value of that work under your own policy. Be sure to inform your insurance agent if you do rehab your unit...

Take an inventory of your possessions, and document them with digital photos.

You may have a storage area outside your unit you wish to have coverage for – i.e. in the basement or another building.

Coverage can also be extended to pay the cost of additional living expenses if your unit is uninhabitable due to direct physical damage to the premises.

Liability: Your building may or may not require it, but check on if it is required, and what the limit required is. Concerns in this area range from a bathtub in your unit overflowing and causing water damage to a unit adjacent or below, or a slip and fall on a wet kitchen floor, to smoke damage to an adjacent unit.

For assistance in customizing insurance solutions for your housing cooperative, you may contact us directly:

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