



BAY HOUSE CONDOMINIUMS
BAY HOUSE COUNCIL OF CO-OWNERS, INC.

2023 Unit Owner Information

The Bay House Condominium Declaration requires the Association to purchase several types of insurance policies to cover certain types of claims that could occur. This document gives a brief description of some with the hope it will help you choose the proper insurance coverage necessary to protect your interest.

Property Policies

The Bay House Condominium Declaration requires the purchase of property policies that insure:

- ❖ **Common elements** which are the part of the buildings **owned in common with all unit owners**. Common elements are normally the unfinished exterior walls, ceilings, and floors of each unit.
- ❖ **The apartments/ units to the quality of construction when built**. The apartments/ units are the parts of the building **owned by each owner** and include such things as partition walls, built-in cabinets, fixtures, walls, ceiling, and floor coverings.
- ❖ The policies **do not insure improvements or additions made by any owner** beyond the original quality of construction.

The types of property policies purchased by the Association are (1) a Property Policy, (2) a Windstorm (Hurricane) policy, and (3) Flood policies (rising water). Each building has a specific amount of insurance but the total property limits, deductibles and types of deductibles are as follows:

Policies	Total of All Building Limits	Deductible	Type Deductible
Property	\$25,748,000	\$50,000	Per Occurrence
Equipment Breakdown	\$24,000,000	\$5,000	
Windstorm & Hail	\$25,748,000	\$10,000	Per Occurrence
Flood	\$30,200,000	\$1,250	Each Building

Perils Insured

The property policy attaches Special Causes of Loss, meaning coverage applies to direct physical loss unless the loss is excluded or limited in the policy. The notable perils that are excluded are: Water and Fungus (Wet Rot, Dry Rot, and Bacteria). The Water Exclusion encompasses flood, surface water, waves, tides, overflow of any body of water, all whether or not driven by wind (including storm surge). Wind-driven rain can be defined as the sudden and temporary entry of rain pushed into a building by wind. There is a small (\$35,000) extension of coverage for water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment.

Coverage under the Equipment Breakdown policy applies to direct property damage to covered property as well as the extra cost the Association might incur to make temporary repairs and to expedite the permanent repairs or replacement to the damaged property.



The Windstorm policy only covers rain damage to the common elements described above if wind or hail **first makes an opening** in the walls or roof of the covered building. The Texas Windstorm Insurance Association will then only pay for loss to the interior of the building, or the defined insured property within, caused immediately by rain entering through such openings.

Unitowners Responsibility for Property

Since the Association's policies will insure the (1) common elements and (2) apartments/ units to the original construction quality **the unit owners must be responsible for:**

- ❖ **improvements and additions made by any owner** beyond the original quality of construction when built
- ❖ And any **personal property** on the premises.

The property mentioned above is normally insured by purchasing:

- ❖ **Condominium Owners policy.**
- ❖ **Windstorm policy** if windstorm is excluded from the Condominium Owners policy.
- ❖ And a **Flood policy** to cover rising water, storm surge and action of the waves.

Loss Assessment Endorsement

Some of these Owner's assessments can be insured in a Condominium Owners policy by using a Condominium Loss Assessment Coverage Endorsement. It will cover assessments caused by (1) direct loss to common elements caused by a peril insured by the Condominium Owners Policy, (2) a liability claim that would be covered under the liability sections of the Condominium Owners Policy or (3) a deductible in the Association policies. **Since the endorsement will only cover assessments resulting from a peril insured by the Condominium Owners policy, if the windstorm peril is excluded and is insured in TWIA no loss assessment coverage is available.**

Loss of Rental Income

Some insurance companies will offer loss of rental income within their Condominium Owners policies. If, however, they exclude the windstorm peril from the policy and TWIA insures it loss of rental income is not available.

Liability Coverage

The Association purchases liability coverage to protect against lawsuits from people claiming they have been injured on the premise and that their injuries were caused by negligence of the Association or a unit owner. The total limit of liability currently is \$26,000,000. The policies cover the Association for claims that arise from occurrences that happen anywhere on premises. The unit owner is also covered by the policy but **not** if the claim arises from occurrences that happen inside the owner's unit. Therefore, the **owner should purchase liability insurance for incidences that happen inside the unit.** This coverage can be included in a Condominium Owners policy.

Water Damage

Plumbing leaks in a condominium are a somewhat frequent occurrence. Although some believe that the owner in whose unit the leak occurs should be responsible for damage to other's property, the insurance company for that unit owner will not pay for damage to lower units unless the owner is clearly negligent. In most cases, the owner is not negligent. The Association's Property policy will pay for damage to the building except for improvements and additions made by owners. Therefore, each owner should assume that water damage is a risk of living in a condominium and take steps to insure their personal property and improvements and additions to the building.



This discussion of policy coverage is meant to be a brief summary and not a full discussion of policy terms and conditions. Specific questions can be answered by consulting the policies or by contacting your agency team:

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