

## **Association Property Insurance: Is damage within a condo Association's property insurance policy deductible considered "uninsured damage"?**

Costs to repair damage that is covered by an Association's property insurance policy, but are within the deductible amount are considered "self-insured." The policy holder has chosen to pay a limited amount for repair of damage before the policy kicks in. When damage is self-insured, the Association's Governing Documents and the statutes determine who must pay the repair costs.

"Uninsured" damage, by contrast, is damage that is not covered by an Association's property insurance policy or that is in excess of the policy limits. Even if the cost of repair exceeds the deductible amount, uninsured damage will never be covered by insurance. The repair costs for uninsured damage to common elements is usually a common expense.<sup>1 2</sup>

Condo Associations are required to carry insurance that covers damage to common elements and limited common elements.<sup>3</sup> New Act Condo Associations MAY extend coverage of their property insurance to cover damage to units (and most do).<sup>4</sup> Old Act condo Associations MUST extend the coverage of their property insurance to cover damage to units if the Association has property insurance.<sup>5</sup>

If an insured event<sup>6</sup> occurs, Associations typically file a claim and pay to repair damage with proceeds from the insurance policy. The party responsible for payment of the deductible is determined by Association's Governing Documents. If the Declaration does not specifically allocate the deductible, it is a common expense.

### **New Act condo Associations**

If the insured event involves a limited common element, owners who have the right to use the limited common element will be solely responsible for the deductible (equally or in any other proportion that the Association's Declaration provides) if the Declaration provides for that.<sup>7</sup> If an owner's misconduct caused the insured event, that owner could be responsible for the deductible.<sup>8</sup>

### **Old Act condo Associations**

For all insured events, the Association's Governing Documents will determine who is responsible for the deductible in a given situation. If the Declaration is silent, the deductible is a common expense.

Owners in New Act condo Associations may obtain insurance to cover their units and it is advised that owners carry at least enough insurance to cover the Association's deductible in the event that the owner is responsible for the deductible. Old Act condo Associations may also require owners to carry insurance on their units.<sup>9</sup>

---

<sup>1</sup> RCW 64.34.352(7) (Insurance) provides, in relevant part: "The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense."

<sup>2</sup> RCW 64.34.020(9) (Definitions) provides:

"Common expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves." RCW 64.34.020(9) is applicable to Old Act condo Associations.

<sup>3</sup> RCW 64.34.352(1)(a) (Insurance).

<sup>4</sup> See RCW 64.34.352(2) (Insurance).

<sup>5</sup> See RCW 64.32.220 (Insurance).

---

<sup>6</sup> An insured event is an occurrence, usually sudden and catastrophic, which causes damage to a unit which is covered by the Association's property insurance policy.

<sup>7</sup> See RCW 64.34.360(3)(a) (Common expenses — Assessments).

<sup>8</sup> See RCW 64.34.360(5) (Common expenses — Assessments).

<sup>9</sup> Old Act condo Associations are required to extend their insurance to cover the units if they have insurance. RCW 64.32.220 (Insurance).