

New Guidelines for Condominium Insurance Coverage

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An McV Insurance Practice Team Alert

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On June 25, 2020, the Officer of the Commissioner of Insurance (“OCI”) published Ruling Letter Num. CN-2020-281-D (the “2020 Guidelines”) to amend Ruling Letter Num. N-AP-8-75-2006 dated August 21, 2006 (the “2006 Guidelines”) and establish new parameters applicable to condominium insurance coverage. Pursuant to Ruling Letter Num. CN-2020-284-D issued by the OCI on July 1, 2020, the 2020 Guidelines become effective on August 1, 2020 (the “Effective Date”)

Under the previous 2006 Guidelines, the master policy provided by the Condominium Association could cover the replacement cost of, not only the common areas, but also the private elements attached to the structure of a condominium (*i.e.*, the individual units). The 2020 Guidelines amend the 2006 Guidelines to provide that condominium master policies obtained or renewed on or after the Effective Date may only offer bare-wall coverage to condominiums. Bare-wall coverage is limited to the common areas of the condominium and does not cover private property or private elements attached to the structure of a condominium.

The 2020 Guidelines aim to allow apartment owners to individually insure their private units with their insurer of preference without duplicating coverage obtained by the Association. As such, the private elements of a condominium, and any alterations and improvements thereto, may only be insured by the owners of said private elements.

Any condominium insurance policy issued by an insurer that is obtained or renewed by a Condominium Association on or after the Effective Date must comply with the 2020 Guidelines. The OCI ruling states that the failure to comply with the 2020 Guidelines may result in the imposition of severe sanctions against the insurers.

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